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United Orthopedic

2022 Annual Report

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V. Overseas Trade Places for Listed Negotiable Securities and the Inquire Method of Overseas Securities Information
N/A

VI. The Company's Website: http://www.unitedorthopedic.com (English)
http://tw.unitedorthopedic.com (Chinese)

Contents

Chapter 1. Letter to Shareholders

Dear Shareholders,

Thank you for attending the 2023 Annual General Meeting of the United Orthopedic Corporation. I would like to welcome everyone on behalf of the Company.

I. 2022 Operating Results

(I) Implementation results of business plan

In 2022, net operating revenue of the Company was NT$2,149,743,000, representing an increase of 27.8% from NT$1,682,232,000 in 2021, consolidated net operating revenue was NT$3,168,680,000, a 23.3% increase from NT$2,570,866,000 in 2021; profit after tax was NT$223,581,000, representing a decrease of NT$52,877,000 from NT$170,704,000 in 2021.

(II) Budget execution

The Company's undisclosed budget amount and overall operating conditions were roughly the same with the original operating plan for 2022 in accordance with the current laws.

(III) Consolidated income and expenses and profitability analysis

(1) Consolidated income and expenses

Unit: NT$1,000

Item	2022	2021
Current Period Net Profit	223,581	52,877
Cash Inflow from Operating Activities	356,840	342,069
Cash outflow from investing activities	(380,353)	(186,721)
Cash inflow from financing activities	(231,079)	(321,984)
Impacts on cash and cash equivalents from changes in exchange rates	13,966	(33,611)
Increase (Decrease) in Cash and Cash Equivalents	(240,626)	(200,247)
Opening balance of cash and cash equivalents	638,683	838,930
Ending balance of cash and cash equivalents	398,057	638,683

(2) Consolidated profitability analysis

In 2022, the revenue of the Company was NT$3,168,680,000, an increase from NT$2,570,866,000 in 2021, and profit after tax were NT$223,581,000, representing a decrease of NT$52,877,000 from NT$223,581,000 in 2021; the earnings per share was NT$2.84, a decrease from NT$0.37 in 2021. The decrease was mainly attributed to exchange rate loss and increasing loss from investments in Mainland China from the previous year.

(IV) R&D status

The Group's research and development funds in 2022 included ongoing research and development costs of NT$ 201,591,000, representing a decrease of NT$32,836,000 from 2021 and accounting for 6.4% of revenue in 2022.

II. Overview of 2023 Business Plan

(I) Operating objectives

A. With the mitigating impact of the COVID-19 epidemic, the Company's revenue grew by 23.3% in 2022 compared to the previous year. The sales of artificial joints in various countries have gradually reached the level of previous years. It is expected that due to the control of the epidemic, the global artificial joint market will be active in 2023. The Company's global layout and the strategy of focusing on directly-operated branches have gradually paid off. With the base established in the past, it is believed to have a positive impact on the revenue in 2023.

B. In 2023, we will launch a high-porosity coated cementless knee joint system. This is a product aimed at the high-end market in the United States. It is developed in cooperation with American physicians, professors and experts. It is believed that the influence of physician groups will help open up the US market. Ongoing research and development projects include the modular shoulder joint system, which is also jointly developed with the American physician group through patent transfer, which will allow the Company to enter the artificial shoulder joint market. There are also modular revision hip femur joints and double-motion artificial total hip joints, all of which are planed to apply for certification in 2023 to make the Company's portfolio more diversified and facilitate the market promotion.

C. In the competition with the world-class brands, it is absolutely necessary to continuously increase the visibility and popularity of the Company's brand and products. The Company has been adhering to make more customers see us, understand us, and seek to develop and expand more markets by participating in web conferences, self-organized medical societies, publishing clinical reports, and other activities within a controllable marketing budget.

(II) Estimated Sales Volume and Supporting Information

Unit: Pieces

Main products	Expected sales target for 2023
	Quantity
Artificial joints	342,424pcs
Spinal products	149,640pcs

Note: Other product incomes are not listed because no data on the quantities are available.

The sales targets for 2023 are based on the basic presumption of the Company's future business development, product orders and market supply and demand conditions, and are formulated in accordance with the Company's production capacity.

(III) Significant Sales and Production Policies

Although the COVID-19 epidemic has been mitigated, However, due to the ongoing war between Russia and Ukraine, there is a shortage of energy and material supply around the world and price increases. In addition to rising prices for the specialty alloys many companies need, lead times are also extended. The Company has been cautiously facing and planning ahead, and has entered into long-term purchase contracts with major suppliers, making sure that the supply side of production and sales can meet the needs of the Company's growth.

III. Future Corporate Development Strategy

With a history of over 28 years, it has been exactly 30 years since the 2023. Fortunately, despite the ups and downs in the journey, we have gone through thirty years steadily, and become the only professional artificial joint company in Taiwan and even Asia that sells globally. Together with our global competitors, we are chasing the world artificial joint market with annual value of about US$ 18 billion. Last year, we became a Top 100 company in the industry (with a revenue of more than US$ 100 million), and the industry collectively believes that the revenue of US$ 100 million or more proves that the company has already established itself as a part of the industry. This scale allows the company to be profitable and grow. We will uphold our steady and sound development strategy and prove our strength in the global market to continue the success.

IV. Impact of the competitive environment, regulatory environment, and overall business environment

The field of artificial joints is an industry with high entry barriers, and the laws and regulations of various countries are becoming more and more stringent with the progress of medical science. This has prevented many small companies from entering the industry. Although the Company has to face increasingly complicated laws and regulations, the experience in compliance with laws and regulations accumulated over the past 30 years and the legal experience enables it to comply with the regulations in a step-by-step manner. External competition is always a challenge, with the accumulated resources and capabilities in the past, the Company will be able to cope with market changes today. Continuous innovation and research and development to make products and services stay at the forefront of the industry are the foundation of sustainable growth.

Chapter 2. Company Profile

I. Date of Incorporation

The company was founded in March 5th, 1993

II. Company History

1993	• The Company was founded. The registered capital is NT$27,500,000.
1994	• The registered capital is 112,250,000 NTD. • "United" Uniqhip Total Hip System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.000587. • First clinical use of Unhip Total Hip System.
1995	• "The Sintering Technology of Porous Coating on CoCrMo Alloy" has been awarded innovative technology subsidy award of Science-Based Industrial Park, which was awarded 1,900,000 NTD. • Obtained international quality assurance certification ISO 9001.
1996	• "United Pinand Wire" has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.000630.
1997	• The registered capital is 116,125,000 NTD. • "United Pin" has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.000659. • "United Pin and Wire"has received marketing authorization from the Department of Health. License No.: Department of Health Medical Production No.000630. • Science-Based Industrial Park has awarded the company the innovative technology subsidy of NT$2,190,000 for "The design, develop, and production of Tumor UKNEE Total Knee System and surgery tool". • The Department of Health has approved the marketing of "United Bone Screw" under License No.: Department of Health Medical Machine Production No.000691.
1998	• "United UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1997. • Increased the capital by NT$70,000,000, and the registered capital after the increase is NT$186,125,000. • Permitted to launch supplemental public offering. • "Tumor UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1998. • UKNEE Total Knee System has been awarded Ministry of Economic Affairs Taiwan Excellence Certification. • The Department of Health has approved the marketing of "United" Moore Hip Prosthesis from under License No.: Department of Health Medical Machine Production No.000716. • “United” Hip System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.000717.
1999	• Increased the capital by NT$40,000,000. The registered capital after the increase is NT$226,125,000. • United UKNEE Total Knee System has been awarded "Small and Medium Sized Enterprises Innovative Research Award" by Ministry of Economic Affairs. • Obtained the international quality assurance certification ISO 9001/EN46001.

	• Obtained the GMP's Well-manufactured medical equipment specification certification. • Science-Based Industrial Park has awarded the innovative technology subsidy award of NT$2,500,000 for "The design, develop, and production of bipolar hip system and surgery tool" • United UKNEE Total Knee System has been awarded "National Quality Gold Award." • Stabilized UKNEE Total Knee System has been awarded innovative product award of Science-Based Industrial Park in 1999.
2000	• United UKNEE Total Knee System has been certified by CE of European Union. • United U2 Hip Stem has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No.000884. • Uniqhip Total Hip System has been certified by FDA of US.
2001	• The FDA of US has approved the certification of "United" U2 Hip Stem (HA/Porous). • “United” UNIFY Femur Plate System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.000897. • The CE of European Union has certified the "United" U2 Hip Stem (HA/Porous). • The CE of European Union has certified the "United" U2 Hip Stem (acrylic cement).
2002	• United U2 Hip Stem (HA coating) has been awarded the Bronze medal under the Medical Equipment Category of Drug Research and Development Science and Technology Award. • The Ministry of Economic Affairs Taiwan has awarded the Excellence Certification to "UNITED" No. 2 Unhip Total Hip System. • "United" 22mm/28mm ceramic femoral head has been certified by CE of European Union. • CE of European Union has certified the "United" U2 ace tabular cap and fillings. • Science-Based Industrial Park has awarded the innovative product award in 2002 for "U2 Hip Stem".
2003	• Passed the international quality assurance certification ISO 13485: 1996 edition. • The Department of Health has approved the marketing of "United" UKNEE total knee system (mobile), under License No.: Department of Health Medical Machine Production No.001038. • The Department of Health has approved the marketing of "United" Unify Femur Plate System under License No.: Department of Health Medical Machine Production No.001064. • The United States Patent and Trademark Office has approved the patent rights (US patent no. 6663636 B1) of "A structural improved femur rasp fastener".
2004	• The Department of Health has approved the marketing of "United" U2 acetabula component under License No.: Department of Health Medical Machine Production No.001071. • The Department of Health has approved the marketing of "United" Ustar system under License No.: Department of Health Medical Machine Production No.001119. • The Department of Health has approved the marketing of "United" Ustar system - femoral articulation under License No.: Department of Health Medical Machine Production No.001144. • Increased the registered capital by NT$28,500,000 to NT$254,625,000. • The company has been listed on Sept. 29. • Founded UNITED MEDICAL (B.V.I) CORPORATION
2005	• Made indirect investment in Medical Instrument Ltd. in China. • Made indirect investment in Lianmao Medical Treatment Utensils Technology (Shanghai) Limited Company in China. • The Department of Health has approved the marketing of "United" U2 Total Knee System under

	License No.: Department of Health Medical Machine Production No.001396. • The Department of Health has approved the marketing of "United" Ceramic Femoral Head under License No.: Department of Health Medical Machine Production No.001397. • The Ministry of Economic Affairs has awarded "United" U2 CUP (HA coating) & CUP LINER under "Small and Medium Sized Enterprises Innovative Research Award" category. • Increased the registered capital by NT$28,500,000 to NT$254,625,000.
2006	• The Department of Health has approved the marketing of "United" external fixator under License No.: Department of Health Medical Machine Production No.002092. • Increased the registered capital by NT$85,000,000 to NT$339,625,000.
2007	• "United" slimfit anterior cervical plate system has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.002134. • "United" Century spinal system has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.002254. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights of Soft tissue fixation structure of proximal tibial component under License No.: ZL 200620007486.2. • The surgery tools for operating UKNEE Total Knee System has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. License No.: ZL 200620139229.4. • Increased the registered capital by NT$46,000,000 to NT$385,625,000. • U2 Total Knee System was awarded "National Biotechnology Medical Quality Award". • Founded UNITED ORTHOPEDIC (U.S.A) CORPORATION. • Founded UNITED ORTHOPEDIC CORPORATION USA U.S branch offices.
2008	• The Department of Health has approved the marketing of "United" U-MOTION acetabular component under License No.: Department of Health Medical Machine Production No.002396. • "UNITED" Round Mesh System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.002498. • The Department of Health has approved the marketing of "United" express lumbar cage system under License No.: Department of Health Medical Machine Production No.002512. • The Department of Health has approved the marketing of "UNITED"BOOSTER anterior cervical plate system under License No.: Department of Health Medical Machine Production No.002547. • The Department of Health has approved the marketing of "United" express peek cage system under License No.: Department of Health Medical Machine Production No.002559. • The Republic of China has approved the utility patent of Expansion mechanism for minimally invasive lumbar cage surgery (Invention) under License No.: New Utility I298248. • Increased the registered capital by NT$38,000,000 to NT$423,625,000.
2009	• The Department of Health has approved the marketing of "United" U2 Total Knee System under License No.: Department of Health Medical Machine Production No.002662. • The Department of Health has approved the marketing of "United" Unify Femur Plate System under License No.: Department of Health Medical Machine Production No.002676. • The Department of Health has approved the marketing of "United" Ustar system—shoulder joint under License No.: Department of Health Medical Machine Production No. 002706. • Increased the registered capital by NT$40,000,000 to NT$463,625,000.

	• The Ministry of Economic Affairs has awarded Industrial Technology Advancement Award—Excellent Enterprise Innovation Award. • Terminated UNITED ORTHOPEDIC CORPORATION USA U.S. Branches.
2010	• The State Intellectual Property Office of the People's Republic of China has approved the utility model title patent rights of a structural improved Orthopedic component under License No.: ZL 200920005650.X. • Thighbone Shaft has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 7753961 B2. • Expansion Mechanism for Minimally Invasive Lumbar Operation has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 7811230 B2.
2011	• “UNITED”Hip System-U2 Bipolar Implant has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.003187. • “United” ceramic femoral head has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.003331. • “United” hip system has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.003335. • Established the Kaohsiung plant at Tainan Science-Based Industrial Park Luchu Base. • Support Mechanism for Operation Auxiliary Tools has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8083196 B2.
2012	• “United” compression intramedullary pinning has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.003619. • The Department of Health has approved the marketing of "United" Ustar system—hip joint under License No.: Department of Health Medical Machine Production No.003713. • Founded UOC USA INC. U.S. Branch • Artificial Joint Fixation Mechanism has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8172906 B2. • Awarded the Hsinchu Science Park "Innovative Product Award" and "International Exchange and Corporation Promotion Award". • The Institute for Biotechnology and Medicine Industry has awarded the "Symbol of National Quality" award for U2 Total Knee System. • U2 Total Knee System has been awarded "Institute for Biotechnology and Medicine Industry Silver Award".
2013	• “United” CENTURY spinal system II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.003969. • The Department of Health has approved the marketing of "United" U-MOTION acetabular component II under License No.: Department of Health Medical Machine Production No.003977. • “United” Hip System II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.004220. • “United” BIOLOX OPTION Ceramic Femoral Head has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.004236. • Conducted capital increase by NT$70,000,000, the registered capital after capital increase is NT$533,625,000.

	• Issued NT$200 million worth of convertible bonds. • U-MOTION Acetabular Component II has been awarded "Taiwan Excellence Certification". • U-MOTION Acetabular Component II has been awarded "10th National Innovation Award".
2014	• The Department of Health has approved the marketing of "United" U2 Total Knee System—Model under License No.: Department of Health Medical Machine Production No.004248. • “United” FENCE anterior staple fixation system has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.004512. • The Department of Health has approved the marketing of "United" E-XPE cemented cup under License No.: Department of Health Medical Machine Production No.004678. • “United” Slimfit anterior cervical plate system II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production Zi No.004697. • The Department of Health has approved the marketing of "United" E-XPE cemented hip stem under License No.: Department of Health Medical Machine Production No.004825. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for plate components and their auxiliary positioning pieces under License No.: ZL 2013 2 0483547.2. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for stacked tibial insert under License No.: ZL 2014 2 0085015.8. • Stacked tibial insert has been awarded utility patent by Republic of China. License No.: Utility M479734. • Connecting Device of Joint Prosthesis has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8721729 B1 • The Republic of China has awarded the utility patent of femoral resection guide under License No.: New Utility M495826.
2015	• The Department of Health has approved the marketing of "United" U2 Total Knee System - Full polyethylene tibial components under License No.: Department of Health Medical Machine Production No.005246. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for femoral resection guide under License No.: ZL 2014 2 0579814.0. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for acetabular cup inserter under License No.: ZL 2012 1 0353196.3. • Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8926621 B2. • Structure Improvement of an Orthopaedic Implant of an Artificial Knee Joint Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9044327 B2. • FEMORAL RESECTION GUIDE AND METHOD THEREOF has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9974547 B2. • STACK-UP ASSEMBLY FOR TIBIAL INSERT TRIAL has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9144495 B2. • The Republic of China has awarded the utility patent of femoral resection guide under License No.: New Utility M495826. • Acetabular cup inserter has been awarded patent certification that is issued by Republic of China. License No.: Invention I508698.

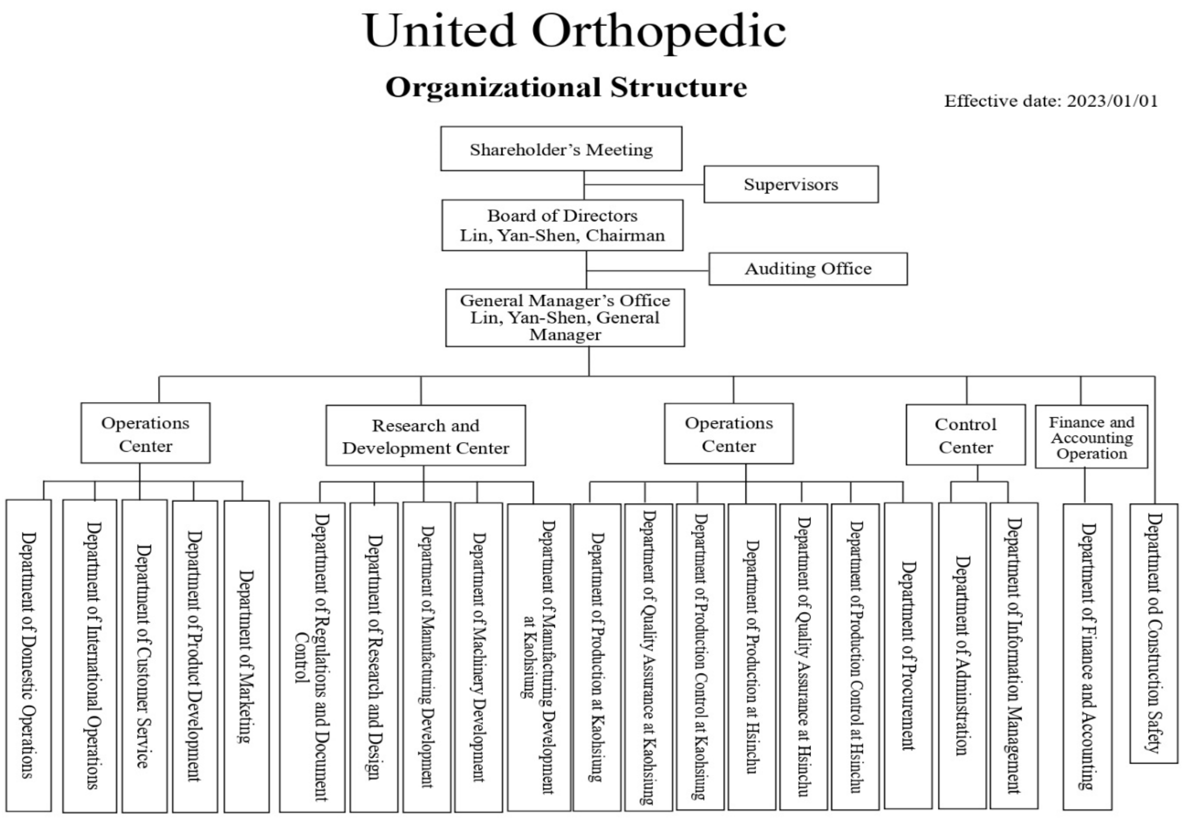
	• Conducted capital increase by NT$128,000,000, the registered capital after capital increase is NT$712,128,680. • Signed cooperation agreements with Shinva Medical Instrument Co.,Ltd and New China Life Health Co., Ltd at China.
2016	• Disposed of the equities of three affiliates - United Medical Instrument Co., Ltd., Sinopharm United Medical Device Co., Ltd, and United Medical Technology (Shanghai) Co., Ltd. • Invested and jointly founded Shinva United Orthopedic Corporation with Shinva Medical Instrument Co.,Ltd and New China Life Health Co., Ltd. • The Republic of China has approved the utility patent for joint prosthesis under License No.: New Utility M521999. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for joint prosthesis under License No.: ZL 2016 2 0133047.X. • The patent right for KEELED GLENOID has been purchased. Patent No.: US D760900 S. • Founded United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) SAS in Switzerland and France respectively. • Founded United Biomech Japan Inc. • Awarded "Golden Quality Medal" of 2016 Outstanding biotechnology industry. • The multifunctional femur measurement and osteotomy tool of U2 UKNEE Total Knee System has been awarded the 13th National Innovation Award.
2017	• Acquired the total shares of A-Spine Asia Co., Ltd. • Awarded 2017 Taipei Biotech Awards - Go-Global Gold Medal Award. • Capital increased by NT$80,000,000 to NT$797,248,470. • Issued NT$400 million of unsecured convertible bonds.
2018	• The bipolar hip system passed the certification application in Japan. • The patent right for INSTRUMENTS AND TECHNIQUES FOR ORIENTING PROSTHESIS COMPONENTS FOR JOINT PROSTHESES has been purchased. Patent No.: US 9956083 B2. • The patent right forARTHROPLASTY COMPONENTS (ELLIPTICAL HEAD ARRAYS I) has been purchased. Patent No.: US 9962266 B2. • FEMORAL RESECTION GUIDE AND METHOD THEREOF has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9974547 B2. • ARTIFICIAL JOUNT has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 10064732. • The patent right for KEELED GLENOID has been purchased. Patent No.: US D835276 S.
2019	• U2 Knee (AIOMDT) has been awarded a Bronze medal in the 21st Annual Medical Design Excellence Awards (MDEA). • Certified by ISO14001 Environmental Management System. • Certified by ISO45001 Occupational Safety and Health Management System. • Capital increased by NT$100,000,000 to NT$904,208,470 through issuance of preferred shares A. • Issued NT$500 million of unsecured convertible bonds. • The patent right for ARTHROPLASTY IMPLANTS AND METHODS FOR ORIENTING JOINT PROSTHESIS has been purchased. Patent No.: US 10433969 B2。
2020	• ARTHROPLASTY COMPONENTS (ELLIPTICAL HEAD ARRAYS I) has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9962266 B2.

	• <u>INSTRUMENTS AND TECHNIQUES FOR ORIENTING PROSTHESIS COMPONENTS FOR JOINT PROSTHESES</u> has been purchased. Patent No.: US 10751190 B2. • Bought back and cancelled 2,013,000 shares of treasury stocks and reduced the capital to NT$884,078,470. • The innovative surgical instruments AIO and MDT of "U2" Total Knee System received the silver award in the medical device category of the 19th "Pharmaceutical Technology Research and Development Award".
2021	• The Republic of China has approved the utility patent for <u>tibial plate components</u> under License No.: New Utility M609442. • The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for <u>tibial plate components</u> under License No.: ZL 2020 2 2596517.5. • Ustar gen-2 reconstruction joint replacements for oncology won Taiwan Excellence Awards Gold Prize.
2022	• The Republic of China has approved the utility patent for <u>femoral neck osteotomy guide plate</u> under License No.: New Utility M625620. • The Republic of China has approved the utility patent for <u>bone contusion guide</u> under License No.: New Utility M625621. • <u>Femoral hook</u> has been awarded patent certification that is issued by Republic of China. License No.: Invention I765716. • The patent right for <u>KEELED GLENOID (DESIGN)</u> has been purchased. Patent No.: US D954951 S. • Exercised the right of redemption to repurchase NT$ 500 million of unsecured convertible corporate bonds issued in 2019. • Established the subsidiary UNITED ORTHOPEDIC (AUSTRALIA) PTY LTD.
2023	• <u>Implant guiding system for hip bone surgery</u> has been awarded patent certification that is issued by Republic of China. License No.: Invention I793767.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Responsibilities and functions of major departments

Department	Main Functions
President's Office	Strategic planning, developing and promoting operational guidelines and targets, planning of operating meetings and follow up and overseeing resolutions, auditing of various management decisions.
Auditing Office	Auditing of the business, financial, and operating conditions of the entire Company.
Department of Construction Safety	Developing, coordinating and reviewing the measures over labor safety and health policies, management, education and training, and operation environment. Generating proposals for safety and health measures, publication of inspection results of automatic inspection of safety and health audit, machinery, equipment, raw materials, materials, hazard prevention measures and occupational hazards. Other relevant public safety and safety and health management matters.
Finance and Accounting Operation	Management and auditing of accounting, taxation and cost calculation of the Group, preparation and control of the final accounts of the Company's operating budget, shareholding and financial planning and execution of the Group.
Control Center	The preparation of the regulations of the company on personnel management, planning and implementation of education and training, maintenance of fixed assets, maintenance of public facilities, purchase of security, fire protection, security business, purchase of public goods and related insurance matters. Planning, development and maintenance management matters of information system.

Department	Main Functions
Operational Center	Marketing and promotion of business for domestic and external orthopedic products, surgical instruments, and OEM. Moreover, deal with the orders of the customers, contracts, and complaints, review of the customers' credit status, and track accounts. Furthermore, a solid control over the timing of delivery, control over purchases and refunds, check inventory periodically, and control the inventory, stocktaking, and testing of machinery tools. Proposal and tracking of execution of product marketing plans; planning and participating in domestic and international exhibitions; analyzing, assessing, and promoting domestic and foreign markets; developing new products and overseeing the progress; holding training for domestic and foreign distribution business products. Establishing internal product databases and organizing internal educational training; drafting development plans for new products and assisting in writing designing principles of new products; collecting clinical results for the Company's products and publishing clinical reports for the Company's products; discussing the rationality and the possibility of publication with the consultant physicians and assisting with clinical discussion and solution plans. Product sales analysis and market research and data analysis, company brand image and social media management, production of product education and training materials, and planning and implementation of product education and training. Formulation of brand guidelines, assisting in the implementation of marketing plans, visual integration of company logos, documents and product marketing materials, and management and implementation of web design, and the design and production of auxiliary products.
Research and Development Center	The planning, design and development, theoretical research, validation, model validation, model production, CAM programming, engineering and production management, product testing, material quality standards, heat treatment specifications of the new products. Establish the product production process protocol, process quality inspection, mechanical maintenance, and operating standards. The development, manufacture and maintenance of surgical instruments. Responsible for product compliance, product listing, patent and trademark application. Coding, registration, and issuance of documents and control and preserve the documents. Test and verify plan of product development.
Operation Center	Execution, management, and control of production plans. Technology related to research and development of forging, casting, titanium bead sintering, titanium and HA plasma spraying, development of operational standards and production plans for management control. Production planning, scheduling development and maintenance. Production status control and feedback. Material requirements and procurement planning and maintenance. Raw materials and forgings, castings and surface titanium beads sintered products, titanium surface coating, surface titanium and HA composite spray control of the warehousing control, warehouse control and maintenance. The quality assurance, set up of inspection standards of raw materials purhcased, first sample, and final manufacturing. Customer complaints processing, SPC application planning, measurement and calibration of equipment management, ISO quality management system implementation and maintenance. Businesses, such as purchase of raw materials from international and domestic markets for the plants and export of the OEM products.

Department	Main Functions
	Maintenance and management of plant's facility, integration of the project constructions, maintenance and cleaning of the machineries, and other management matter with regards to the plants.

II. Information on directors, supervisors, general manager, deputy general managers, assistant general managers and heads of departments and branches

(I) Directors and Supervisors

(1) Information on directors and supervisors

April 17, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held on Election: Number of Common Stocks / Number of Preference Shares	Shares Held on Election: Shareholding Ratio	Shares currently held: Number of Common Stocks / Number of Preference Shares	Shares currently held: Shareholding Ratio	Shares currently held by Spouse and Children: Number of Common Stocks / Number of Preference Shares	Shares currently held by Spouse and Children: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship: Title	Name	Relationship	Note
Chairman and President	Republic of China	Yan-Shen Lin	Male 71-80 years old	2020.06.16	3 years	1993.03.05	2,512,000	3.12%	2,752,441	3.33%	584,000	0.71%	0	0.00%	Bachelor in Public Relations, Shih Hsin University Manager of 3M, USA President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc. Supervisor, Taiwan Home Care Co.,Ltd Chairman, UOC America Holding Corporation	General Manager, United Orthopedic Corporation UOC USA INC. Chairman Director, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc. Chairman, UOC Europe Holding SA	Directors	Chun-Sheng Lin	Brother	Note 1
							111,000	1.11%	42,000	0.79%	0	0.00%	0	0.00%			Directors	LIN Deqiong	Father and son	
Directors	Republic of China	Chun-Sheng Lin	Male 71-80 years old	2020.06.16	3 years	1998.06.13	1,905,743	2.37%	1,905,743	2.30%	8,000	0.01%	0	0.00%	Industrial Management, Aletheia University Director, Chuan-Yi Investment Inc. Vice-President, United Orthopedic Corporation Vice President, Sinopharm United Medical Device Co., Ltd. Director, United Orthopedic Japan Inc.	None.	Chairman	Yan-Shen Lin	Brother	-
							90,000	0.90%	90,000	1.68%	0	0.00%	0	0.00%						
Directors	Republic of China	Hau, Hai-Yen	Male 61-70 years old	2020.06.16	3 years	1997.05.15	698,646	0.87%	698,646	0.84%	0	0.00%	0	0.00%	Doctor of Philosophy in Electrical Engineering, Purdue University Associate Professor of Electrical Engineering, National Taiwan University Vice President, Financial Business Group of the Institute for Information Industry President, Integrate Information System Co. Ltd.	Director, Sincere Medical Imaging Co. Ltd. Independent director, Walton Advanced Engineering, Inc.	None.	None.	None.	-
							65,000	0.65%	65,000	1.22%	0	0.00%	0	0.00%						
Directors	U.K	Ng Chor Wah Patrick	Male 61-70 years old	2020.06.16	3 years	2005.06.16	1,401,139	1.74%	1,470,139	1.78%	0	0.00%	0	0.00%	The Hong Kong Polytechnic University ROLM (IBM) HK LIMITED Managing Director MEDTRONIC SOFAMOR DANEK CHINA-Country Manager STRYKER PACIFIC LTD Vice president Director, Only care Medical Company Ltd.	Person-in-Charge, United Medical Instrument Co., Ltd. Person-in-Charge, United Medical Technology (ShangHai) Co., Ltd. Person In Charge, Shanghai Lian-Yun Biology Co., Ltd. Director of World Vision China Foundation Limited Director, Onlycare Medical Company Ltd Director, Shinva United Orthopedic Corporation	None.	None.	None.	-
							130,286	1.30%	130,286	2.44%	0	0.00%	0	0.00%						
Directors	Republic of China	Lee, Chi-Fung	Female 61-70 years old	2020.06.16	3 years	2020.06.16	450,000	0.56%	700,000	0.85%	0	0.00%	0	0.00%	Education for librarianship, National Taiwan University Project Manager, China Management Consultant Inc.	Person-in-Charge, Chi-Yi Investment Co. Ltd.	None.	None.	None.	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shares Held on Election		Shares currently held		Shares currently held by Spouse and Children		Shares Held in the Name of Other Persons		Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Note
							Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio			Title	Name	Relationship	
Directors	Republic of China	LIN Deqiong	Male 41-50 years old	2020.06.16	3 years	2020.06.16	960,461	1.19%	1,052,461	1.27%	0	0.00%	0	0.00%	Bachelor in Engineering, National Taiwan University Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. MSI Computer SARL Managing Director MSI Iberia Managing Director	Deputy General Manager, United Orthopedic Corporation General Manager, UOC USA Inc.	Chairman	Yan-Shen Lin	Father and son	-
							88,000	0.88%	88,000	1.65%	0	0.00%	0	0.00%						
Indedpent Director	Republic of China	Liu, Chien-Lin	Male 71-80 years old	2020.06.16	3 years	2020.06.16	80,482	0.10%	80,482	0.10%	0	0.00%	0	0.00%	Medical Studies, National Defense Medical Center Director of Orthopedics Department and Deputy Dean of Medical Care, Taipei Veterans General Hospital Professor and Director of Orthopedics, National Yang-Ming University Dean, Lotung Poh-Ai Hospital Chairman, Taiwan Spine Society Chairman, Taiwan Orthopaedic Association	Consultant doctor, Taipei Veterans General Hospital Consultant doctor, Cheng Hsin General Hospital Professor, College of Medicine, National Yang Ming Chiao Tung University Professor, National Defense Medical Center Chairman, Chinese Orthopaedic Promotion Society Member of Spine and Spinal Cord Professional Committee, Chinese Association of Rehabilitation Medicine Member of Orthopaedic Section of Cross-straits Medicine Exchange Association	None.	None.	None.	-
							107,505	1.07%	107,505	2.01%	0	0.00%	0	0.00%						
Indedpent Director	Republic of China	Lee, Kuen-Chang	Male 51-60 years old	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor in Management (Accounting and Financial Management Division), National Central University Master in Accounting, Soochow University Committee Member of Taiwan Corporate Governance Association CEO, Premier Think Tank Co., Ltd. CEO, Fintech Development Center of Business School, Soochow University	Professor of Accounting, Soochow University Professor, Graduate Institute of Law, Soochow University Independent Director, Eastern Media International Corporation Independent Director, Tatung Fine Chemicals Co. Independent Director, Onano Industrial Corp.	None.	None.	None.	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Indedpent Director	Republic of China	Wu, Meng-Da	Male 51-60 years old	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master, Graduate Institute of Accounting, National Taiwan University Accounting, National Chengchi University Director, Taipei City CPA Association Director of PwC Taiwan Team Leader, Deloitte & Touche Member of Audit Standard Committee, Accounting Research and Development Foundation Independent Director, Gourmet Master Co., Ltd.	Partnership CPA, Crowe (TW) CPAs Adjunct Associate Professor, Department of Accounting, National Taipei University of Business Independent Director, FunYours Technology Co., Ltd. Independent Director, Gourmet-KY Member of Valuation and Forensic Accounting Committee, National Federation of CPA Associations of the R.O.C.	None.	None.	None.	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						

Note 1. The Chairman and General Manager of the Company are the same person, for he has more than 30 years of experience in international brand marketing in the field of orthopedic equipment. In domestic related industries, there is no homogeneous company having experience in international brand marketing, showing that the Company has its uniqueness in industrial management. At present, the board of directors consists of nine directors, of which three are independent directors, and the audit committee is established according to the laws. In 2023, the shareholders' meeting will propose to add an independent directors, and more than half of the Company's directors do not act as an employee or manager in the Company, which does not violate the spirit of corporate governance, which is deemed reasonable and necessary.

(2) Major shareholders of institutional shareholders

1) Major shareholders of institutional shareholders: None

2) Major shareholders of institutional shareholders who are representative of institutional shareholders: None.

(3) Diversification and Independence of the Board of Directors:

1) Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors:

Condition / Name	Professional Qualifications and Experiences (Note 1)	Independence (Note 2)	Currently serving as an independent director of other public companies
Yan-Shen Lin	Have over 30 years of international marketing experience in orthopedic medical devices for independent brands, and previously served as: Manager of 3M Company, Chairman of Chuan-Yi Investment Inc. . Serve as a professional manager on the board of directors for strategic communication and advice on business management, put forward and exchange on the relevant management advice. Has the practical skills in industry-related business planning, operation and management. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Chun-Sheng Lin	Possess professional work experience in industry business and commerce area. Now, serve as Director, United Orthopedic Japan Inc . Previously served as: Director, Chuan-Yi Investment Inc., Vice Chairman of United Orthopedic Corporation and Vice Chairman of UMP Medical Device Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Hau, Hai-Yen	Possess professional work experience in commerce, marketing and business. Director, Sincere Medical Imaging Co. Ltd., Independent Director, Walton Advanced Engineering, Inc. Previously served as: Vice President, Financial Business Group of the Institute for Information Industry, Chairman, Integrate Information System Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	1

Condition / Name	Professional Qualifications and Experiences (Note 1)	Independence (Note 2)	Currently serving as an independent director of other public companies
Ng Chor Wah Patrick	Possess professional work experience in commerce, marketing and industrial business. Person In Charge, Unted Medical Instrument Co., Ltd. Previously served as: Vice President, Stryker Pacific Ltd., Director, Onlycare Medical (Shanghai) Company Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Lee, Chi-Fung	Possess professional work experience in commerce and business. Person In Charge, Chi-Yi Investment Co. Ltd. Previously served as: Project Manager, China Management Consultant Inc. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
LIN Deqiong	Possess professional work experience in commerce, marketing and industrial business. Currently served as the President of UOC USA Inc. . Previously served as: Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Liu, Chien-Lin	Have expertise in orthopedic scoliosis treatment, corrective surgery, spinal fracture and trauma surgery. Consultant doctor, Taipei Veterans General Hospital. Previously served as: President of Lotung Poh-Ai Hospital, Deputy Dean of Administration, Taipei Veterans General Hospital, President of Taiwan Orthopaedic Association. Have professional experience and expertise in related areas and be able to provide professional opinions on the Company's technology research and development. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	None.

Condition / Name	Professional Qualifications and Experiences (Note 1)	Independence (Note 2)	Currently serving as an independent director of other public companies
Lee, Kuen-Chang	Possess insights into governance, financial analysis, industrial development and technology application. Dean of Academic Affairs, Soochow University. Previously served as (in): Auditing Department, Deloitte & Touche, CEO of Premier CPAs Firm, CEO of Premier Think Tank Co., Ltd., Director of Accounting Department, Soochow University, CEO of Franklin Fintech Development Center, School of Business, Soochow University. Exchange on corporate management strategies at the board meeting and put forward related management opinions. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	3
Wu, Meng-Da	Have experience in accounting, and have passed the national examination required for CPAs with the Certificate of Professional and Technician. CPA, Crowe (TW) CPAs Previously served as: Lecturer of Ming Chuan University, Council Member of Taipei CPA Association, Deputy Director Member of the National Federation of CPA Associations of the R.O.C. His expertise in finance and accounting facilitates to enhance the quality of corporate governance of the board and the functions of audit committee. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	2

2) Diversity and independence of the Board of Directors:

Diversity of the Board of Directors:

The Company upholds and respects a policy of director diversity so as to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors. We believe that the diversity policy will enhance the overall performance of the Company. The appointment of board members is based on a merit-based approach. The board members come from diversified background with supplementary skills across different industries. They meet basic composition requirements and also have their own industrial experience and related skills, as well as capabilities in business determination, operating management, leadership, decision-making and crisis management. To strengthen the functions of the Board of Directors and achieve the ideal objectives of corporate governance, the Board of Directors as a whole shall possess the following capabilities as set out in Article 3 of the Procedures for Election of Directors:

1. Business determination capability 2. Accounting and financial analysis capability 3. Operation management capability 4. Crisis handling capability 5. Industry knowledge 6. International market vision 7. Leadership 8. Decision-making capability

The diversification policy and implementation status of the Company's Board members is summarized in the following table:

Core Diversity / Name	Basic composition										Industrial experience				Professional capabilities			
	Nationality	Gender	Employee status	Age				Length of service as independent directors			Professional service and marketing	Finance	Business and supply	Medical professional	Legal	Medical	Accounting	Risk management
				41-50 years old	51-60 years old	61-70 years old	71-80 years old	Less than 3 years	3-6 years	6-9 years								
Yan-Shen Lin	Republic of China	Male	ˇ	-	-	-	ˇ	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Chun-Sheng Lin	Republic of China	Male	-	-	-	-	ˇ	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Hau, Hai-Yen	Republic of China	Male	-	-	-	ˇ	-	-	-	-	-	-	ˇ	-	-	-	-	ˇ
Ng Chor Wah Patrick	U.K	Male	-	-	-	ˇ	-	-	-	-	ˇ	ˇ	ˇ	-	ˇ	-	-	ˇ
Lee, Chi-Fung	Republic of China	Female	-	-	-	ˇ	-	-	-	-	-	ˇ	ˇ	-	-	-	-	ˇ
LIN Deqiong	Republic of China	Male	ˇ	ˇ	-	-	-	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Liu, Chien-Lin (independent director)	Republic of China	Male	-	-	-	-	ˇ	ˇ	-	-	ˇ	-	ˇ	ˇ	-	ˇ	-	ˇ
Lee, Kuen-Chang (independent director)	Republic of China	Male	-	-	ˇ	-	-	ˇ	-	-	ˇ	ˇ	ˇ	-	-	-	ˇ	ˇ
Wu, Meng-Da (independent director)	Republic of China	Male	-	-	ˇ	-	-	ˇ	-	-	ˇ	ˇ	ˇ	-	-	-	ˇ	ˇ

1) Given the above, the Board of Directors of the Company consists of 9 members (including 3 independent directors) . They possess capacities such as business determination, leadership, decision-making, operating management, international market vision and crisis management, as well as capabilities in industrial experience and professional knowledge. Of them, Director Ng Chor Wah Patrick, Director Lee, Chi-Fung, Independent Director Lee, Kun-Chang and Wu, Meng-Ta have financial industry experience; Chairman Lin, Yanshen, Director Lin, Chun-Sheng and Director Lin, Chun-Sheng and Lin, Te-Chien are specialized in marketing; Director Ng Chor Wah Patrick is specialized in legal affairs; Independent Director Liu, Chien-Lin, Lee, Kun-Chang, Wu, Meng-Ta have physician, accountant or financial professional background, as well as practicing and management or teaching experience.

2) The average tenure of directors is 3~6 years, of them, 3 independent directors have a tenure less than 3 years. Except for director Ng Chor Wah Patrick, other directors are R.O.C. citizens; the composition is 3 independent directors 33%; 2 director as an employee 22%. The age breakdown of directors is 1 director aged at 41-50 years, 2 directors at 51-60 years, 3 directors at 61-70 years and 3 directors at 71-80 years. Apart from mentioned above, the Company pays attention to gender equality in board structure. This board has 1 female members, accounting for 11%. In the future, the Company will increase the proportion of female directors.

3) The diversification of the board of directors and implementation have met Article 20 of the Corporate Governance Principles. In the future, the board will be further diversified in line with board operation, operation type and development needs, including but not limited to basic conditions & values, professional knowledge & skills to ensure that the members have necessary knowledge, skills and competency to perform their duties.

Independence of the Board of Directors:

The Company believes that the independence of directors shall be decided by the actual situation and clearly stated in The Diversification Policy of Board Members. The board of directors is devoted to continuously evaluating the independence of directors considering all related factors, including: whether directors could continuously raise constructive opinions to the management team and other directors, the opinions are independent from other managers or directors and their behavior is appropriate both inside and outside the board. The Company's directors meet the expectation and show the above competences under appropriate circumstances.

Given the status herein, the Company considers that all directors are independent from the Company.

Please refer to page 12-14 for information about all directors and their resume, including their relationship (if any).

(II) Information on General Manager, Deputy General Managers, Assistant General Managers, and Heads of Departments and Branches

April 17, 2023

Title (Note 1)	Nationality	Name	Gender	Date Elected	shares held: Number of Common Stocks / Number of Preference Shares	shares held: Shareholding Ratio	Shares held under spouse or minor children's names: Number of Common Stocks / Number of Preference Shares	Shares held under spouse or minor children's names: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Significant Experiences and Education (Note 2)	Positions currently held in other companies	Managers who have spousal or second-degree kinship within the Company: Title	Managers who have spousal or second-degree kinship within the Company: Name	Managers who have spousal or second-degree kinship within the Company: Relationship	Remark (Note 3)
President	Republic of China	Yan-Shen Lin	Male	2008.06.30	2,752,441	3.33%	584,000	0.71%	0	0.00%	Bachelor in Public Relations, Shih Hsin University Manager of 3M, USA President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc. Supervisor, Taiwan Home Care Co.,Ltd Chairman of UOC America Holding Corporation	Chairman of UOC USA INC. Director, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc. Chairman, UOC Europe Holding SA	Vice-President	LIN Deqiong	Father and son	Note 4
					42,000	0.79%	0	0.00%	0	0.00%						
Vice-President	Republic of China	Liao, Chien-Chong	Male	2016.07.01	125,013	0.15%	0	0.00%	0	0.00%	Graduate School of Engineering, School of Technology and Engineering of National Yang Ming University Project Manager, United Orthopedic Corporation Assistant Professor, National Taiwan University Director, United Orthopedic Japan Inc.	Director, President, A-Spine Asia Co., Ltd. Director, Shinva United Orthopedic Corporation	None.	None.	None.	-
					14,201	0.14%	41,000	0.41%	0	0.00%						
Vice President and Director of Operations Center	Republic of China	Peng, Yu-Hsing	Female	2016.10.01	109,653	0.14%	0	0.00%	0	0.00%	Statistics, Tamkang University Financial Manager, Chuan-Yi Investment Inc. President, Taiwan Home Care Co.,Ltd	Director, United Orthopedic Japan Inc.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Vice-President	Republic of China	LIN Deqiong	Male	2023.01.01	1,052,461	1.27%	0	0.75%	0	0.00%	Bachelor in Engineering, National Taiwan University Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. MSI Computer SARL Managing Director MSI Iberia Managing Director	General Manager, UOC USA Inc.	President	Yan-Shen Lin	Father and son	-
					88,000	1.65%	0	0.00%	0	0.00%						
Director, Research and Developing Center	Republic of China	Ho, Fang-Yuan	Female	2016.07.01	26,419	0.03%	32,167	0.04%	0	0.00%	Graduate Institute of Materials Science & Engineering, National Taiwan University Assistant Researcher, Mackay Memorial Hospital	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Director, Operating Center	Republic of China	Chou, Ching-Long	Male	2016.07.01	65,165	0.08%	0	0.00%	0	0.00%	Mechanical Engineering Ph.D., National Cheng Kung University Metal Industries Research & Development Center—Vice Director of Department of Medical Equipment and Optoelectronic Equipment Secretary-general, Taiwan Forging Association	None.	None.	None.	None.	-
					4,551	0.09%	0	0.00%	0	0.00%						

Title (Note 1)	Nationality	Name	Gender	Date Elected	shares held		Shares held under spouse or minor children's names		Shares Held in the Name of Other Persons		Significant Experiences and Education (Note 2)	Positions currently held in other companies	Managers who have spousal or second-degree kinship within the Company			Remark (Note 3)
					Number of Common Stocks / Number of Preference Shares	Shareholding Ratio	Number of Common Stocks / Number of Preference Shares	Shareholding Ratio	Number of Common Stocks / Number of Preference Shares	Shareholding Ratio			Title	Name	Relationship	
											Secretary-General, Taiwan Titanium Metal Association					
Director of Business Center	Republic of China	Huang, Wen-Hsuan	Female	2021.02.01	0	0.00%	0	0.00%	0	0.00%	Master in Biotechnology Advanced Management (In-service) of College of Management, Taipei Medical University Director of Domestic Business Department, United Orthopedic Corporation Manager of Spine Products Division, Synthes Medical Taiwan Ltd. Home / Directory / Johnson & Johnson Medical Taiwan Ltd.Johnson & Johnson Medical Taiwan Ltd. Manager of Spine Products Division, Johnson & Johnson Medical Taiwan Ltd. National Sales and Marketing Manager of Neurovascular Intervention Division, Medtronic (Taiwan) Ltd.	None.	None.	None.	None.	--
					0	0.00%	0	0.00%	0	0.00%						
Director, Department of Finance and Accounting	Republic of China	Teng, Yuan-Chang	Male	2016.10.03	16,360	0.02%	0	0.00%	0	0.00%	Business Administration, Tamkang University Department of Administration, University of Illinois Finance Department, Visera Technologies Co., Ltd. Pihsiang Machinery MFG. Co., Ltd. Supervisor, A-SPINE Asia Co., Ltd. Director, United Orthopedic Japan Inc.	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						

Note 1. Information on President, Vice Presidents, Assistant Vice Presidents, heads of departments and branches shall be included. Persons who hold positions equivalent to President, Vice Presidents, or Assistant Vice Presidents shall also be disclosed, regardless of job title.

Note 2. For the current positions in the CPA firm or affiliates in the term mentioned above, please explain the titles and duties of such positions.

Note 3. Where the president or person of an equivalent post (the highest level manager) and the chairperson of the board of directors is the same person, spouses, or relatives within the first degree of kinship, the Company shall disclose the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent directors and having in place of more than half of the directors who are not concurrently serving as employees or managerial officers).

Note 4. The Chairman and General Manager of the Company are the same person, for he has more than 30 years of experience in international brand marketing in the field of orthopedic equipment. In domestic related industries, there is no homogeneous company having experience in international brand marketing, showing that the Company has its uniqueness in industrial management. At present, the board of directors consists of nine directors, of which three are independent directors, and the audit committee is established according to the laws. In 2023, the shareholders' meeting will propose to add an independent directors, and more than half of the Company's directors do not act as an employee or manager in the Company, which does not violate the spirit of corporate governance, which is deemed reasonable and necessary.

III. Remuneration of directors, supervisors, the general manager and deputy general managers for the most recent year

(I) Companies may choose to adopt a summary manner, along the remuneration levels, with the names disclosed or the method of disclosing the individual names and their remuneration: The Company shall adopt the former method.

(1) Remuneration of Directors (including independent directors) (summary of matching level)

Unit: NT$1,000; 2022

Title	Name	Remuneration to directors								Ration of Total Amount of A,B, C and D to Net Income (%) (Note 10)		Remuneration Paid to Concurrent Employees								Ratio of Total Amount of A, B, C, D, E, F, and G to Net Income (Note 10)		Compensation from investees other than United's subsidiaries or Parent Company (Note 11)
		Remuneration (A) (Note 2)		Retirement Pension (B)		Remuneration of Directors (C) (Note 3)		Business execution fees (D) (Note 4)				Salaries, Bonuses, and Special Expenses (E) (Note 5)		Retirement pension (F)		Employee Remuneration (G) (Note 6)						
		The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation	Companies in the Consolidated Financial Statements	The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation	Companies in the Consolidated Financial Statements (Note 7)	The Corporation		Companies in the Consolidated Financial Statements (Note 7)		The Corporation	Companies in the Consolidated Financial Statements (Note 7)	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Yan-Shen Lin	0	0	0	0	2,346	2,346	0	0	2,346 1.06%	2,346 1.06%	7,045	7,045	0	0	1,687	0	1,687	0	11,077 5.00%	11,077 5.00%	None.
Directors	Chun-Sheng Lin	0	0	0	0	1,173	1,173	0	0	1,173 0.53%	1,173 0.53%	0	0	0	0	0	0	0	0	1,173 0.53%	1,173 0.53%	None
Directors	Hau, Hai-Yen	0	0	0	0	1,173	1,173	0	0	1,173 0.53%	1,173 0.53%	0	0	0	0	0	0	0	0	1,173 0.53%	1,173 0.53%	None
Directors	Ng Chor Wah Patrick	0	0	0	0	2,346	2,346	0	0	2,346 1.06%	2,346 1.06%	0	0	0	0	0	0	0	0	2,346 1.06%	2,346 1.06%	None
Directors	Lee, Chi-Fung	0	0	0	0	1,173	1,173	0	0	1,173 0.53%	1,173 0.53%	0	0	0	0	0	0	0	0	1,173 0.53%	1,173 0.53%	None
Directors	LIN Deqiong	0	0	0	0	2,346	2,346	0	0	2,346 1.06%	2,346 1.06%	540	12,129	0	0	0	0	0	0	2,886 1.30%	14,475 6.53%	None
Independent Directors	Lee, Kuen-Chang	0	0	0	0	480	480	0	0	480 0.22%	480 0.22%	0	0	0	0	0	0	0	0	480 0.22%	480 0.22%	None.
Independent Directors	Wu, Meng-Da	0	0	0	0	480	480	0	0	480 0.22%	480 0.22%	0	0	0	0	0	0	0	0	480 0.22%	480 0.22%	None
Independent Directors	Liu, Chien-Lin	0	0	0	0	480	480	0	0	480 0.22%	480 0.22%	0	0	0	0	0	0	0	0	480 0.22%	480 0.22%	None

1. Please state the policy, system, standard and structure of independent directors' remuneration, and the relationship between the remuneration amount and factors such as responsibilities, risks, and contributed time:
   For remuneration to Directors and Independent Directors of the Company, the Board of Directors is authorized to decide on the amount based on the extent of involvement of each Director in the Company's business and the value contributed thereby, and by referring to the normal payment standards of the peers domestically and abroad.
2. Other than disclosures in the table above, remuneration paid to directors for providing services (such as consulting services as a non-employee for the parent company/all companies in the financial statements/reinvestments) in the most recent year: None.

Executive Compensations by Level

1. Table of Remuneration Ranges for Directors	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) H	The company (Note 8)	All Companies in the ConsolidatedFinancial Statements (Note 9) I
Less than NT$1,000,000	Lee, Kun-Chang, Wu, Meng-Ta and Liu, Chien-Lin	Lee, Kun-Chang, Wu, Meng-Ta and Liu, Chien-Lin	Lee, Kun-Chang, Wu, Meng-Ta and Liu, Chien-Lin	Lee, Kun-Chang, Wu, Meng-Ta and Liu, Chien-Lin
NT$1,000,000 (included)~NT$2,000,000 (not included)	Lin, Chun-Sheng, Hau, Hai-Yen and Lee, Chi-Fung	Lin, Chun-Sheng, Hau, Hai-Yen and Lee, Chi-Fung	Lin, Chun-Sheng, Hau, Hai-Yen and Lee, Chi-Fung	Lin, Chun-Sheng, Hau, Hai-Yen and Lee, Chi-Fung
NT$2,000,000 (included)~NT$3,500,000 (not included)	Lin, Yan-Shen, Ng Chor Wah Patrick and Lin, Te-Chien,	Lin, Yan-Shen, Ng Chor Wah Patrick and Lin, Te-Chien	Ng Chor Wah Patrick and Lin, Te-Chien	Ng Chor Wah Patrick
NT$3,500,000 (included)~NT$5,000,000 (not included)	None.	None.	None.	None.
NT$ 5,000,000 (included)~NT$ 10,000,000 (not included)	None.	None.	None.	None.
NT$ 10,000,000 (included)~NT$ 15,000,000 (not included)	None.	None.	Yan-Shen Lin	Lin, Yan-Shen and Lin, Te-Chien
NT$ 15,000,000 (included)~NT$ 30,000,000 (not included)	None.	None.	None.	None.
NT$ 30,000,000 (included)~NT$ 50,000,000 (not included)	None.	None.	None.	None.
NT$ 50,000,000 (included)~NT$ 100,000,000 (not included)	None.	None.	None.	None.
More than 100,000,000 NTD	None.	None.	None.	None.
Total	9 person	9 person	9 person	9 person

Note 1. The names of directors shall be listed separately (names of institutional shareholders and representatives shall be listed separately); directors and independent directors shall be listed separately, and the payment amounts shall be disclosed collectively. If directors concurrently serve as the president or vice presidents, please complete this table and table (3-1) or the below table (3-2-1) and (3-2-2).

Note 2. Refers to remuneration of directors for the most recent year (includes director salary, additional compensation, severance pay, various bonuses, incentive pay).

Note 3. Refers to remuneration provided to directors as approved by the board of directors for the most recent year.

Note 4. Refers to relevant business expenses incurred by directors (including travel expenses, special disbursements, various allowances, accommodation, company car). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. Where a driver is provided, record the remuneration paid to such driver. However, such remuneration should not be included.

Note 5. Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as the president, vice president, other managerial officer or regular employee) over the past year and includes salary, additional compensation, severance pay, various bonuses, incentive pay, travel expenses, special disbursements, various allowances, living quarters, and company car. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. Where a driver is provided, record the remuneration paid to such driver. However, such remuneration should not be included. Remunerations disclosed in accordance with IFRS 2 (Share-based Payment), including employee stock options, employee restricted new stock and shares subscribed from cash capital increase, shall also be calculated as part of the compensations.

Note 6. Refers to employee's remuneration (including stock or cash) received by directors who are also employed by the Company (including the general manager, deputy general managers, other managerial officers or regular employees) for the most recent year. The amount of employee remuneration approved for distribution by the board of directors for the most recent year must be disclosed. If such figure cannot be estimated, the proposed amount of remuneration for distribution this year shall be based on the actual proportion distributed last year, and schedule 1-3 should be completed accordingly.

Note 7. The total remuneration provided by all the companies (including the Company) to the Company's directors must be disclosed in the consolidated financial statement.

Note 8. The remuneration provided by the Company to each director shall be disclosed as a range and the names of directors are disclosed by range of remuneration received.

Note 9. The total remuneration provided by the Company and subsidiaries to directors must be disclosed in the consolidated financial statement and names of directors shall be disclosed by range of remuneration received.

Note 10. Net income refers to net income (after tax) of the parent company's financial statements or individual financial statements for the most recent year.

Note 11.

a. This column should state the remuneration received by the Company's directors from an invested company (other than subsidiaries) or the parent company (If none, please fill in "None").

b. If a director of the Company receives remuneration from an invested company (other than subsidiaries)or the parent company, the said remuneration shall be included in Column I in Table of Remuneration Ranges and the name of the column shall be changed to"Parent Company and All Invested Companies" accordingly.

c. Remuneration refers to pay, bonuses (including bonuses to employees, directors, or supervisors) or expenses paid in the execution of business to the Company's directors who serve as director, supervisor, or managerial officer of an invested company (other than subsidiaries).

* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

(2) Remuneration of Supervisors: The Company has set up an audit committee from 2020. Thus, this table is not applicable.

(3) Remuneration of the General Manager and Deputy General Managers

Unit: NT$1,000; 2022

Title	Name	Remuneration (A) (Note 2)		Retirement Pension (B)		Bonuses and special expenses (C) (Note 3)		Profit Sharing Employee Bonus (D)(Note 4)				Ration of Total Amount of A,B, C and D to Net Income (%) (Note 8)		Companies in which the CompanyHas Invested (Note 9) (Note 9)
		The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation		Companies in the Consolidated Financial Statements (Note 5)		The Corporation	Companies in the Consolidated Financial Statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Yan-Shen Lin	7,045	7,045	0	0	0	0	1,687	0	1,687	0	8,731 3.9%	8,731 3.9%	None.
Vice-President	Liao, Chien-Chong	4,568	4,568	0	0	0	0	1,509	0	1,509	0	6,077 2.7%	6,077 2.7%	None
Vice-President	Peng, Yu-Hsing	4,117	4,117	0	0	0	0	1,481	0	1,481	0	5,598 2.5%	5,598 2.5%	None
Vice-President	LIN Deqiong	540	12,129	0	0	0	0	0	0	0	0	540 0.2%	12,129 5.5%	None

*Regardless of titles, remunerations of employees with position equivalent to General Manager and Deputy General Manager (such as president, CEO, director) shall be disclosed.

Executive Compensations by Level

Range of Remuneration Paid to President and Vice Presidents	Names of the president and vice presidents	
	The company (Note 6)	Companies in the Consolidated Financial Statements (Note 7) E
Less than NT$1,000,000	LIN Deqiong	None.
NT$1,000,000 (included)~NT$2,000,000	None.	None.
NT$2,000,000 (included)~NT$3,500,000	None.	None.
NT$3,500,000 (included)~NT$5,000,000	None.	None.
NT$5,000,000 (inclusive)~NT$10,000,000	Lin, Yan-Shen, Liau, Jiann-Jong and Peng, Yu-Hsing	Lin, Yan-Shen, Liau, Jiann-Jong and Peng, Yu-Hsing
NT$10,000,000 (inclusive)~NT$15,000,000	None.	LIN Deqiong
NT$15,000,000 (inclusive)~NT$30,000,000	None.	None.
NT$30,000,000 (inclusive)~NT$50,000,000	None.	None.
NT$50,000,000 (inclusive)~NT$100,000,000	None.	None.
More than 100,000,000 NTD	None.	None.
Total	4 person	4 person

Note 1. Names of the president and vice presidents shall be disclosed separately and grouped into different remuneration levels. If a director also serves as the president or vice president, please fill in this table and the above table (1-1) or (1-2-1) and (1-2-2).

Note 2. Refers to salary, additional compensation, severance payment to the president and vice presidents for the most recent year.

Note 3. Refers to various bonuses, incentive payment, travel expenses, special disbursements, various allowances, accommodation, company car provided to the president and vice presidents for the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. Where a driver is provided, record the remuneration paid to such driver. However, such remuneration should not be included. Remunerations disclosed in accordance with IFRS 2 (Share-based Payment), including employee stock options, employee restricted new stock and shares subscribed from cash capital increase, shall also be calculated as part of the compensations.

Note 4. Refers to the amount of compensation (including stock or cash) to the general manager and deputy general managers approved for distribution by the board of directors for the most recent year. If such figure cannot be estimated, the proposed amount of compensation for distribution this year shall be based on the actual proportion distributed last year, and schedule 1-3 should be completed accordingly.

Note 5. The total remuneration provided by all the companies (including the Company) to the president and vice presidents of the Company must be disclosed in the consolidated financial statement.

Note 6. The remuneration distributed to each general manager and deputy general manager is disclosed as a range and their names are disclosed by range of remuneration received.

Note 7. The total remuneration provided by all the companies (including the Company) to each general manager and deputy general manager of the Company must be disclosed as a range and their names are disclosed by range of remuneration received.

Note 8. Net income refers to net income (after tax) of the parent company's financial statements or individual financial statements for the most recent year.

Note 9.

a. This column shall state the remuneration received by the Company's general manager and deputy general managers from an invested company (other than subsidiaries) or the parent company (If none, please fill in "None").
b. If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "All Invested Companies".
c. Remuneration refers to pay, bonuses (including bonuses to employees, directors, or supervisors) or expenses paid in the execution of business to the Company's president and vice presidents who serve as director, supervisor or managerial officer of an invested company (other than subsidiaries).

* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

(4) Names of the managerial officer receiving employee remuneration and status of allocation

2022

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock Amount</th><th>Cash Amount</th><th>Total</th><th>The ratio (%) of total amount to the NIAT</th></tr>
<tr><td rowspan="8">Manager</td><td>Chairman</td><td>Yan-Shen Lin</td><td rowspan="8">0</td><td rowspan="8">8,752</td><td rowspan="8">8,752</td><td rowspan="8">4.0%</td></tr>
<tr><td>Vice-President</td><td>LIN Deqiong</td></tr>
<tr><td>Vice-President</td><td>Liao, Chien-Chong</td></tr>
<tr><td>Vice-President</td><td>Peng, Yu-Hsing</td></tr>
<tr><td>Director, Operating Center</td><td>Chou, Ching-Long</td></tr>
<tr><td>Director, Research and Developing Center</td><td>Ho, Fang-Yuan</td></tr>
<tr><td>Director, Department of Finance and Accounting</td><td>Teng, Yuan-Chang</td></tr>
<tr><td>Director of Business Center</td><td>Huang, Wen-Hsuan</td></tr>
</table>

Note 1. Individual names and titles shall be disclosed, but profits allocated may be disclosed as a total sum.

Note 2. Employee remunerations (including stock and cash) given to the managerial officers approved by the board of directors for the most recent year shall be disclosed. However, if an estimated figure cannot be derived, this year's budgeted compensations shall be calculated based on last year's actual compensations. Net income after tax (NIAT) refers to after-tax net income of the past fiscal year. For those adopting IFRS, NIAT refers to after-tax net income of each individual company or individual financial reports in the past fiscal year.

Note 3. The term "managerial officers" refers to the positions listed below, as provided in the Financial Supervisory Commission Memorandum No. 0920001301 of March 27, 2013:

(1) General Manager and its equivalent

(2) Deputy General Manager and its equivalent

(3) Assistant General Manager and its equivalent

(4) Chief of Finance

(5) Chief of Accounting

(6) Other personnel with the authority to manage company affairs and signing authority.

Note 4. If the directors, president, and vice presidents of the Company receive employee remunerations (including stock and cash), please fill in Schedule 1-2 and this table as well.

(II) If the Company exhibits one of the following matters, remuneration to individual Director and Supervisor shall be disclosed:

(1) For the parent company only financial statements or individual financial reports for the most recent three years that exhibit net losses after tax, remunerations to individual directors and supervisors shall be disclosed. However, this does not apply to the parent company only financial statements or individual financial reports for the most recent year that exhibit net income after tax sufficient to make up for the losses: None.

(2) For Directors who do not hold sufficient shares for three consecutive months in the most recent year, remunerations to individual Directors shall be disclosed; for Supervisors who do not hold sufficient shares for three consecutive months in the most recent year, remunerations to individual Supervisors shall be disclosed: None.

(3) For Directors and Supervisors who have pledged more than 50% of their shares in any of the three months of the past year, and the remuneration of the Directors and Supervisors who have pledged more than 50% in any particular month their details be disclosed: No such situation for the Company.

(4) If the total amount of remuneration received by all of the Directors and Supervisors in their capacity as Directors or Supervisors of the companies in the consolidated financial statements exceeds 2% of net income after tax, and the remuneration received by any individual Director or Supervisor exceeds NT$15 million, the Company shall disclose the remuneration paid to that individual Director or Supervisor: None.

(5) The Company is ranked in the lowest tier in the corporate governance evaluation for the most recent year, or for the most recent year and up to the date of publication of the Annual Report, the Company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or TPEx, or the Corporate Governance Evaluation Committee has resolved that the Company shall be excluded from evaluation: The company is ranked in the lowest tier for the corporate governance assessment and therefore the remuneration of the top five highest paid executives is disclosed in the following table (3).

(6) The average annual salary of the full-time non-supervisory employees in the Company is less than NT$ 500,000: None.

(III) If the circumstance in the sub-item (1) or (5) of the preceding item applies to the Company, the Company shall disclose the individual remuneration paid to each of its top five management personnel:

Unit: NT$1,000; 2022

Title	Name	Remuneration (A) (Note 2)		Retirement Pension (B)		Bonuses and special expenses (C) (Note 3)		Profit Sharing Employee Bonus (D)(Note 4)				Ration of Total Amount of A,B, C and D to Net Income (%) (Note 6)		Compensation from investees other than United's subsidiaries or Parent Company (Note 7)
		The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation	Companies in the Consolidated Financial Statements (Note 5)	The Corporation		Companies in the Consolidated Financial Statements (Note 5)		The Corporation	Companies in the Consolidated Financial Statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Yan-Shen Lin	7,045	7,045	0	0	0	0	1,687	0	1,687	0	8,731 3.9%	8,731 3.9%	None.
Vice-President	Liao, Chien-Chong	4,568	4,568	0	0	0	0	1,509	0	1,509	0	6,077 2.7%	6,077 2.7%	None
Vice-President	Peng, Yu-Hsing	4,117	4,117	0	0	0	0	1,481	0	1,481	0	5,598 2.5%	5,598 2.5%	None
Vice-President	LIN Deqiong	540	12,129	0	0	0	0	0	0	0	0	540 0.2%	12,129 5.5%	None
Director, Operating Center	Chou, Ching-Long	3,998	3,998	0	0	0	0	1,026	0	1,026	0	5,024 2.3%	5,024 2.3%	None

Note 1: The "top five highest paid executives" refer to the managers of the company. The criteria for the indentification of managers are based on the scope of ""managers"" as stipulated in accordance with the Securities and Futures Administration Commission of the former Ministry of Finance Memorandum No. 0920001301 of March 27, 1992.The ""top five highest paid"" calculation is based on the sum of salaries, retirement pensions, bonuses and special payments received by the manager from all companies in the consolidated financial statements as well as the amount of employee remuneration (that is, the total of four items A + B + C + D), sorted and recognized by the top five most highly compensated.If the director is also the former head of office, he/she should complete this table and

table (1-1) above.

Note 2: The salaries, salary increments, and severance pay of the top five highest paid executives in the most recent year are included.

Note 3: The amount of bonuses, incentives, car and travel expenses, special expenses, various allowances, dormitories, vehicles and other remuneration provided in-kind for the top five highest paid executives in the most recent year are included.If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed.If provided with a driver, the relevant remuneration paid to the driver must be stated in the note, but such remuneration will not be included.As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

Note 4: The amount of employee remuneration (including stock and cash) approved by the board of directors for the top five highest paid executives in the most recent year is included, and if it is not possible to estimate, the proposed distribution for the current year in proportion to last year's actual distribution, should also be included in Schedule 1-3

Note 5: The aggregate amount of each of the remuneration paid to the top five highest paid executives of the Company by all companies in the consolidated report (including the Company) should be disclosed.

Note 6: Net income refers to net income (after tax) of the parent company's financial statements or individual financial statements for the most recent year.

Note 7: :a. This column should clearly specify the amount of remuneration received by the Company's top five highest paid executives from an invested company, other than a subsidiary or from the parent company (if none, please enter ""none"");b. Remuneration refers to pay, bonuses (including bonuses to employees, directors, or supervisors) or expenses paid in the execution of business to the Company's top five highest paid executives who serve as director, supervisor, or managerial officer of an invested company, other than subsidiaries.

* The disclosure of remuneration in this table differs in concept with Income Tax Act, thus is provided for the purpose of information disclosure, not tax purposes."

(IV) Compare and analyze the total remuneration as a percentage of net income stated in the parent company only financial statements or individual financial reports, paid by the Company and by all consolidated entities for the most recent two years to the Company's directors, supervisors, president and vice presidents, and describe the policies, standards, and packages for payment of remuneration ,procedures for determining remuneration and its linkage to business performance and future risk exposure

1. The analysis of the total remuneration paid by the Company and all consolidated entities for the most recent two years to the Company's directors, supervisors, general manager and deputy general managers as a percentage of net income stated in the parent company only financial statements or individual financial reports:

Title		Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by the Company for 2021 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by All Consolidated Entities for 2021 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by the Company for 2022 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by All Consolidated Entities for 2022 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports
Directors	First 4 items	2.8%	2.8%	5.4%	5.4%
	First 7 items	17.2%	37.8%	9.6%	14.8%
Supervisors		0%	0%	0%	0%
President and Vice-Presidents		26.6%	26.6%	9.5%	14.7%

2. Policies, standards and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:
   (1) With regard to the remuneration for directors and supervisors, the Company does not pay the directors and supervisors except for the independent directors/supervisors. In case where the directors hold a separate position in the Company, the remuneration will be paid in accordance with the remuneration policy of the Company.
   (2) The remuneration for the general manager and deputy general managers is paid in accordance with the remuneration level in the industry, the functionality of their position and their contribution. made to the Company's operating objectives.
   (3) The procedure for determining the remuneration in the Company is based on the standards in the industry; in addition, performance bonus is distributed in accordance with the operational performance and personal contribution.
   (4) Future risks: The Company has obtained liability insurance for the Directors, Supervisors and managerial officers. The financial operation of the company are conducted under the conservative principle. There are no high risks and high leveraged investments in the two recent years, and there are no issuance of loans. Therefore, there are no risks arising from the situation.

IV. Operations of Corporate Governance

(I) Operations of the Board of Directors

The Board met seven 6 times in the most recent year. The attendance of directors and supervisors is as follows:

Title	Names (Note 1)	Actual attendance in person B	Attendance by proxy	Rate of actual attendance in person (%)【B/A】(Note 2)	Note
Chairman	Yan-Shen Lin	6	0	100%	None.
Directors	Chun-Sheng Lin	6	0	100%	None.
Directors	Hau, Hai-Yen	6	0	100%	None.
Directors	Ng Chor Wah Patrick	4	2	66.67%	None.
Directors	Lee, Chi-Fung	6	0	100%	None.
Directors	LIN Deqiong	6	0	100%	None.
Indedpent Director	Liu, Chien-Lin	6	0	100%	None.
Indedpent Director	Lee, Kuen-Chang	6	0	100%	None.
Indedpent Director	Wu, Meng-Da	6	0	100%	None.

Other required disclosures:

I. Should any of the following takes place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions, and the Company's response to the said opinions shall be specified:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act.
The Company has set up an audit committee, thus the matters listed in Article 14-3 of the Securities and Exchange Act does not apply. For the description of matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the Operation of the Audit Committee.

(II) Other than the matters mentioned above, other resolutions that are objected and reserved by the Independent Directors and are documented or stated.
Independent directors did not oppose or have reservations on the material resolutions passed by the board of directors in 2022. For details as date, session, content of the resolutions of the board meetings in 2022, please refer to page 34-35 of the Annual Report.

II. When Directors abstain themselves for being a stakeholder in certain proposals, the names of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts shall be stated.
No Director is required to abstain from voting due to conflicts of interest in material resolutions that were passed by the board of directors in 2022.

No.	Meeting date	Director required to abstain	Proposal content	Reasons for abstaining due to conflict of interest	Participation in voting
1	2022.3.24	Yan-Shen Lin	Proposal on adjusting remuneration of managerial officer	Due to conflict of interest	Although the director has an interest in the matters discussed at the meeting, the Company has fully adopted the recommendations of the remuneration committee for the adjustment of the managerial officer's remuneration, and there is no risk of harming the interests of the Company.
2	2022.8.3	Yan-Shen Lin	Distribution Plan for Payment of Employee Remuneration 2021	Due to conflict of interest	Although the director has an interest in the matters discussed at the meeting, the proportion of the amount related to the interest is less than 5%, which is not significant and the Company has fully adopted the recommendations of the remuneration committee, and there is no risk of harming the interests of the Company.

III. Listed OTC companies shall disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, and fill in the status of the board of directors' evaluation implementation:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1, to December 31, 2022	1. The board of directors 2. Individual directors	Internal evaluation (self-evaluation)	I. The measurement items for the performance evaluation of the board of directors include the following five aspects: (1) Engagement in company operations (2) Improvement the board's decision quality (3) Board composition and structure (4) Election and continual education of directors (5) Internal control II. The measurement items for the performance evaluation of individual directors include the following six aspects: (1) Mastery of the Company's goals and tasks (2) Awareness of directors' responsibilities (3) Engagement in company operations (4) Internal relationship management and communication (5) Director's expertise and continual education (6) Internal control

IV. Board of director's functional improvement goals for the current and recent years (such as establishing an audit committee and improving information transparency) and implementation status:

(I) On March 19, 2020, the board of directors approved the establishment of the Company's "Audit Committee Charter" in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and each of Liu, Chien-Lin, Li, Kun-Chang and Wu, Meng-Ta, was elected and appointed as independent directors and audit committee members at the regular shareholders' meeting held on June 16, 2020. Independent director Wu, Meng-Ta was elected by all members as the convener of the audit committee and chairman of the meeting.

(II) In response to the newly revised "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" announced by Financial Supervisory Commission on January 15, 2020, the Company approved the amendments to "Procedures for Board of Directors Meetings" on March 19, 2020.

(III) Since the establishment of the audit committee on June 16, 2020 and up to March 21, 2023, the Company has complied with the requirements listed in Article 14-3 and Article 14-5 of Company Act and the Securities Exchange Act which provide that all proposed resolutions should first be submitted to the audit committee for approval before submission to the board of directors for approval. All resolutions have been approved by the audit committee and submitted to the board of directors for approval and implementation.

Note 1. For corporate directors/supervisors, the names of the corporate shareholders and their representatives shall be disclosed.

Note 2.

(1) Where directors or supervisors resign before the end of the year, the date of resignation shall be added in the remarks column. The percentage of attendance in person (%) shall be calculated using the number of board meetings convened and attendance in person during his/her term of service.

(2) Where directors and supervisors are re-elected before the end of the year, both the incoming and outgoing directors and supervisors shall be stated. Whether the director or the supervisor is outgoing, incoming, or re-elected, and the date of re-election shall be noted in the remarks column. The percentage of attendance in person (%) shall be calculated using the number of Board meetings convened and attendance in person during the term of service.

(II) Operations of the Audit Committee:

1. The audit committee aims to assist the board of directors in performing its supervisory duties and is responsible for the tasks required by Company Act, Securities and Exchange Act, and other related laws and regulations. The Company established an audit committee on June 16, 2020 comprising all the three independent directors. The audit committee holds at least one regular meeting per year, and the six meetings were held in 2022. The matters deliberated by the audit committee include loans to other parties, guarantees/endorsements, financial reports in the first half of the year, annual audit plan and so on.

2. The audit committee convened 6 meetings in the most recent year, and the attendance is detailed below:

Title	Name	Actual attendance in person (B)	Rate of actual attendance in person (%) (B/A) (Note 1 and Note 2)	Note
Indedpent Director	Wu, Meng-Da	6	100%	None.
Indedpent Director	Liu, Chien-Lin	6	100%	None.
Indedpent Director	Lee, Kuen-Chang	6	100%	None.

Other required disclosures:

I. With regard to the operations of the Audit Committee, if any of the following circumstances occur, the dates, terms of Audit Committee meetings, contents of motions,dissenting or reserved opinion or material recommendation from the Independent Director, Audit Committee's resolutions, and the Company's response to the Audit Committee's opinions shall be specified:
   (I) Matters listed in Article 14-5 of the Securities and Exchange Act: For the material resolutions of shareholders meetings, board of directors meetings and audit committee meetings, please refer to Pages 34-35; all the proposed resolutions are approved by all members in attendance of the audit committee meeting and passed to the board for approval.
   (II) Save as mentioned above, other matters that were not passed by the audit committee but approved by more than two-thirds of the entire board: None.

II. When directors abstain from voting for being interested in certain resolutions, names of the directors, content of the resolutions, reasons for abstentions and voting results shall be stated: None.In situations where independent directors abstain from voting due to conflict of interest, the independent director's name, content of the resolution, reason for abstention, and his or her voting participation: None.

III. Communications between independent directors and internal audit supervisors and accountants (should include major events, methods and results of communication on the company's financial and business conditions):
   (I) The Company's chief of internal audit regularly submits an audit report to the independent directors and attends meetings of the board and the audit committee to communicate the audit result. None of the independent directors expressed opinions on the various audit services in 2022.
   (II) The certified public accountant shall attend the meetings of the audit committee and the board for reporting material audit matters and results. None of the independent directors expressed opinions on the various operation communication results audited by the certified public accountant in 2022.

Note 1. When an independent director resigns before the year's end, the remarks column shall note the date of resignation. Attendance rate (%) shall be calculated based on the number of audit committee meetings convened and the actual presence during his/her term of service.

Note 2. If there is a re-election of an independent director prior to the end of the year, both the new and old directors shall be included in the table and the remarks column shall note whether the independent director is the new or the old director, and the date of the re-election. Attendance rate (%) is calculated based on the number of meetings heldduring the period of his/her service and the number of meetings he/she actually attended.

(III) Operations of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Assessed items	Current Operations (Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Has the Company established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclose those principles?		V	The company's code of practice is not set up due to the current operating condition of the company. The Company intends to study and formulate relevant corporate governance measures or principles after submission to the audit committee.	The Company has operated in compliance with the requirements of laws and regulations and has in essence implemented corporate governance. "Rules of Procedure for Shareholders Meetings", "Procedures for Election of Directors", "Procedures for Board of Directors Meetings", "Audit Committee Charter" and "Remuneration Committee Charter" , etc. has been established.
II. Shareholding structure & shareholders' rights (I) Has the Company established internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement them according to the procedure? (II) Has the Company possessed a list of its major shareholders as well as the ultimate owners of those shares? (III) Has the Company established and implement risk control and firewall mechanism with its affiliates? (IV) Has the Company established internal rules to prevent its employees to trade marketable securities on undisclosed information in the market?	V V V V		(I) In addition to appointing shareholder service agent to handle related operation, the Company has established a comprehensive spokesperson system in accordance with the laws to manage shareholder-related businesses. (II) Maintained contact with the major shareholders at any time. (III) Handled in accordance with relevant regulations of the Company. (IV) Published internal control system and procedures for preventing insider trading for managing prevention of insider trading in accordance with the requirements of Article 8 of "Regulations Governing Establishment of Internal Control Systems".	No gaps
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors formulated a diversification policy, substantial management objectives and implemented accordingly? (II) In addition to the establishment of	V	V	(I) The Company has established "Procedures for Election of Directors". Election of directors are conducted in accordance with the nomination system as well as the knowledge, skills and literacy. Two-thirds of the current board members do not have a marital relationship, or a relative within the second degree of kinship, and has appointed three independent directors to form the audit committee. The composition	No gaps

Assessed items	Current Operations (Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
the remuneration committee and audit committee as required by law, has the Company voluntarily established committees with other functions? (III) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director? (IV) Has the Company regularly evaluate the independence of CPAs?	V V		of board members has met the goal of diversity. (II) The Company has set up a remuneration committee and an audit committee. Other functional committees will be set up according to the status of the Company's operating scale. (III) The Company has conducted board performance evaluation since 2020 and has declared the evaluation results by the end of first quarter of the following year. (IV) The Company shall regularly assess the independence of CPAs and submit the same to the audit committee and the board for approval. The assessment standard is based on the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 and the assessment of the independence of CPAs includes review of register of shareholders to ensure that the auditors are not stakeholders of the Company, and obtaining the declaration of independence from auditors.	
IV. Has the TWSE/TPEx listed company have in place an appropriate number of qualified corporate governance officers, and a designated chief corporate governance manager to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with the information required to conduct business, assisting directors and supervisors in legal compliance, handling matters related to board meetings and shareholders' meetings in accordance with the law, and producing minutes of the board and shareholders' meetings)?	V		The units that are responsible for governing the Company are the General Manager's Office and Department of Finance and Accounting. Other than providing information that is needed for the Directors and Supervisors to carry out business, they are also responsible for matters related to shareholders' meeting and Board of Directors.	No gaps
V. Has the company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and adequately responded to the issues which are of concern to the stakeholders in terms of corporate	V		The acting spokesperson of the Company is currently serving as the point of contact for stakeholders and is responsible for responding to issues and suggestions that are related to shareholders, employees, customers, and suppliers in the stakeholders' section that is set up on the Company's website.	No gaps

Assessed items	Current Operations (Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
social responsibilities?				
VI. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	V		The matter of securities of the company has been delegated to Transfer Agency Department of Jih-Sun Securities Co. Ltd.	No gaps
VII. Information Disclosure (I) Has the Company established a website to disclose financial, operational, and corporate governance information? (II) Has the Company adopted other methods of information disclosure (e.g. setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)? (III) Has the Company publicly announced and registered the annual financial statements within two months after the end of the fiscal year, and publicly announced and registered the first, second and third quarter financial statements and the monthly operating results before the prescribed time limit?	V V	V	The Company has set up websites that contain the introduction to the company. Its business operations and financial information. The Company has also disclosed information related to governance of company on the MOPS. The Company has set up a link on the Company's website and the shareholders and investors may make enquiries on the website by themselves.	The Company intends to study and formulate relevant corporate governance measures or principles after submission to the audit committee, and will set up and disclose the corporate governance related information on the Company's website. Considering numerous overseas operations, the Company will promptly disclose such information upon issue of audited financial statements by the CPAs.
VIII. Has the Corporation disclosed other information to facilitate a better understanding of its corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, status of directors' training, risk management policies and risk measurement standards as well as the implementation of customer policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		(I) The Company treats the employees with honesty and builds positive relationship with employees through various benefits and education trainings. (II) Status of directors' training: the Company's directors have participated in a six-hour training on corporate governance in 2022. In addition, they are also informed about the updates of relevant laws and regulations on corporate governance from time to time. (III) The risk management policy and implementation of risk measurement: N/A (applicable to securities firms). (IV) Implementation of policies to protect consumers or customers: N/A (applicable to securities firms). (V) The liability insurances that the Company have purchased for the Directors and Supervisors: The Company has purchased liability insurances for the Directors, Supervisors, and managerial officers since January 2010.	No gaps
IX. Please explain improvements that have been made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center, and provide the priority enhancement items and measures. (Leave blank if your company was not evaluated.)				

Assessed items	Current Operations (Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
The company was not evaluated.				

Note: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

Status of directors' training in 2022

Title	Name	Date	Organizer	Course Name	Training hours	Whether it is in line with the "Guidelines for Training Courses of Directors and Supervisors of Listed Companies"
Chairman and President	Yan-Shen Lin	2022/11/02	Accounting Research and Development Foundation	Corporate Fraud Detection and Prevention Practices: Legal Responsibility, Forensics and Big Data Analysis	6 hours	Yes
Directors	Chun-Sheng Lin	2022/04/08	Accounting Research and Development Foundation	Frontline of fraud investigation	6 hours	Yes
Directors	Hau, Hai-Yen	2022/04/01	Chinese National Association of Industry and Commerce	Opportunities and Challenges of Economic Integration and Development in the Asia-Pacific Region for Taiwan	3 hours	Yes
		2022/04/06	Chinese National Association of Industry and Commerce	New Challenges in Security Protection Enterprises will Face in 2022	3 hours	Yes
Directors	Lee, Chi-Fung	2022/11/07	Accounting Research and Development Foundation	Analysis on Common Shortages of Internal Control Management in Enterprises and Cases	6 hours	Yes
Directors	Ng Chor Wah Patrick	2022/11/06	Udemy	Metaverse Masterclass-Learn Everything about the Metaverse	3.5 hours	Yes
		2022/11/27	Udemy	Mind Mapping Mastery-Effective Mind Maps-step by step	7.5 hours	Yes
Directors	LIN Deqiong	2022/09/23	Taiwan Corporate Governance Association	The Explosive Growth of Virtual Worlds: The Metaverse and the Future of Cryptocurrency Blockchain	6 hours	Yes
		2022/11/15		Analysis on Management Right Contest and Prevention Strategies	6 hours	Yes
Indedpent Director	Liu, Chien-Lin	2022/08/23	Taiwan Corporate Governance Association	Analysis on Corporate Financial Information and Application in Decision-making	6 hours	Yes Yes
		2022/10/05		The Only Way to Sustainable Management of Enterprises - External Innovation	6 hours	
Indedpent Director	Lee, Kuen-Chang	2022/09/22	Taiwan Corporate Governance Association	Risks of Insider Trading in M&A Procedures	6 hours	Yes
		2022/10/19		Corporate Governance Summit Forum - Enhancing the Functions of Directors and Implementing Sustainable Corporate Governance	6 hours	Yes

Title	Name	Date	Organizer	Course Name	Training hours	Whether it is in line with the "Guidelines for Training Courses of Directors and Supervisors of Listed Companies"
Indedpent Director	Wu, Meng-Da	2022/08/03	Taiwan CPA Association, ROC	Analysis on Intangible Assets Identification and Acquisition Price Allocation and Case Study	3 hours	Yes
		2022/08/04		Customer List, Management Right, Non-competition and Others	3 hours	Yes
		2022/08/12		Discussion on Trademark and Brand Evaluation Practices	3 hours	Yes
		2022/08/24		Bio-tech Forensics and Case Studies	3 hours	Yes
		2022/08/31		Copyright of culture and arts	3 hours	Yes

(IV) The composition and implementation status of the Company's Remuneration Committee or Nomination Committee, if applicable:

(1) Information on the Company's Remuneration Committee members:

April 17, 2023

Identity (Note 1)	Condition / Name	Professional Qualifications and Experiences (Note 2)	Independence (Note 3)	Number of other public companies where he/she is a member of the remuneration committee
Convener Indedpent Director	Lee, Kuen-Chang	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	None.
Indedpent Director	Wu, Meng-Da	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	2
Indedpent Director	Liu, Chien-Lin	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 12-14 of Table 1- Information about Directors and Supervisors (I)	1

Note 1. Please specify the term of services, professional qualification and experience and independence of remuneration committee members in the table. In case of independent directors, please refer to Page OO of Table 1- Information about directors and supervisors (I). For roles, please specify independent directors or others (please note in case of conveners).

Note 2. Professional Qualifications and Experiences: Please specify the professional qualifications and experience of remuneration committee members.

Note 3. Conforms to Independence: Specify the remuneration committee members meet the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; the shares and proportion held by the members, their spouse or relatives within the second degree (or in other names); whether they are a director, supervisor or employee of a company having a particular relationship with the Corporation (subject to Article 6(1)5-8 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.

Note 4. For the disclosure methods, please refer to the best practices on the corporate governance center website, Taiwan Stock Exchange Corporation.

(2) Operation of the Company's Remuneration Committee:

I. The Company's remuneration committee has a total of 3 members.

II. The term of the current Committee members: June 30, 2020, to June 19, 2023. The Remuneration Committee convened three (3) meetings for the most recent year (A), the qualification and attendance of committee members are detailed below:

Title	Name	Numbers of actual attendance (B)	Attendance by proxy	The actual attendance rate (%) (B/A) (Note)	Note
Convener	Lee, Kuen-Chang	3	0	100%	
Members	Wu, Meng-Da	3	0	100%	
Members	Liu, Chien-Lin	3	0	100%	
Other required disclosures: I. If the Board of Directors choose not to adopt or revise suggestions proposed by the Remuneration Committee, the date of the Directors' meeting, session, contents discussed, results of meeting resolutions, and the Company's response to the opinions provided by the Remuneration Committee shall be specified (e.g., where the salary and remuneration approved by the Board of Directors is better than that suggested by the Remuneration Committee, the differences and the reason for the said differences shall be specified): All the recommendations of the remuneration committee in 2022 have been passed by the board of directors. II. Regarding the resolutions to be voted on by the Remuneration Committee, if there are objections or reservations among the members, and there are records or written statements, the date, number, content of the proposal, all members' opinions, and response to dissenting opinions shall be specified: There were no opposition or reservation on the resolutions passed by the remuneration committee in 2022.					

Note:

(1) When members of the Salary and Remuneration Committee resign before the end of the year, the Notes column should contain the date of resignation. Attendance rate (%) shall be calculated based on the number of remuneration committee meetings convened and the actual presence during his/her term of service.

(2) When an election is held for the Remuneration Committee before the end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or reelected members, along with the date of election in the remark column. The percentage of attendance in person (%) shall be calculated based on the number of meetings held during a member's term in the Remuneration Committee and attendance in person of the member.

(3) Information on members and operation of the nomination committee: The Company has not set up the nomination committee.

(V) Sustainable Development Implementation Status and Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof:

Implementation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Company established exclusively (or concurrently) dedicated units to implement sustainable development, and the Board of Directors appointed the senior management with responsibility for sustainable development, and to report the status of the supervision to the Board of Directors?	V		The corporate social responsibility activities are jointly promoted by the board of directors, president's office and department of administration.	No gaps
II. Has the Company, based on the materiality principle, conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies? (Note 2)	V		The Company has stipulated regulations regarding the risk assessments on environmental, social, and governance (ESG) issues in the work guidelines and SOP regulations, respectively. The Company intends to study and formulate a risk management policy for the entire Company after submission to the audit committee.	No gaps
III. Environmental issues (I) Has the Company established proper environmental management systems based on its industrial characteristics?	V		The Company has complied with the relevant regulations on public safety of buildings, fire regulations, labor safety regulations, waste disposal regulations, energy saving and carbon reduction management stipulated by Hsinchu Science Park Bureau. The Company has conducted regular inspections and reportings, and was accredited ISO14001 Environmental Management System with the hope of reducing waste and efficient utilization of resources.	No gaps

Implementation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company endeavored to make efficient use of resources and use renewable materials which have low impact on the environment?	V		The Company has engaged waste disposal company for recycling and reuse of the Company's waste. It has devised plans for waste water and rain water recycling devices in the new plants, designs of which are compliant with the energy saving requirements of the Bureau. To echo the green energy policy, solar panels on the top floor of the plant factory was installed.	No gaps
(III) Has the Company assessed the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate measures to address issues?	V		The Company engages in non-energy consuming and non-highly polluting industry. The Company will continue to observe the impact of climatic change on operating activities of the Company and shall continue to implement strategic plan and action plan of energy saving and carbon reduction.	No gaps
(IV) Has the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction or waste management?	V		The Company emphasizes the sustainable development, regularly takes inventory of and monitors its energy consumption and greenhouse gas emissions, of which major energy consumption comes from purchased power and natural gas. The plants keep growing due to capacity increase over the last three years. The Company also formulates the energy inventory system and sets up energy-saving goals and implementation plans to perform the corporate social responsibility for the environment.	No gaps
IV. Social Issues (I) Has the Company formulated appropriate management policies and procedures according to relevant laws and	V		The personnel guidelines of the Company exceeds the Labor Standards Act. Material changes of employee rights and interests will be negotiated through labor-management meetings.	No gaps

Implementation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
the International Bill of Human Rights?			The current labor-management relationship is in harmony.	
(II) Has the Company established and implemented reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee remuneration?	V		The Company has stipulated performance evaluation methods in combination with various remuneration policies to share the operating results of the Company with the employees.	No gaps
(III) Has the Company provided employees with a safe and healthy work environment and regularly implemented health and safety education programs for its employees?	V		The Company regularly organizes the health examination for employees according to policies. Each plant has set up occupational safety department that reports directly to the president and regularly convene labor safety and health committee meetings to evaluate work environment of employees. The Company has introduced the ISO 45001 occupational health and safety management system to provide employees with a safety and healthy work environment.	No gaps
(IV) Has the Company established an effective career skill development training program for employees?	V		Each department of the Company has devised annual education and training plan for its staff with monthly tracking on the implementation status in order to meet the competency and skills required of the position.	No gaps

Implementation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(V) With regard to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant laws and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	V		The Company's products are artificial joints for implantation to human bodies. The products are required to go through stringent regulatory certification procedures before launching for sale. Related operating procedures have SOP and kept records. The products are clearly marked with consumer complaint channels and the Company keeps a good communication relationship with customers. The stakeholder section is set on the Company's website for providing opinions and feedback. The Company sets up the appeal procedure internally and respond to consumers and clients.	No gaps
(VI) Has the Company implemented supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		The suppliers of the Company should go through standard certification procedures prior to becoming eligible suppliers. For the materials that are implanted to human bodies, relevant data of product inspection should be provided by batches with follow-up tracking. The contracts with the suppliers are not long-term in nature. All materials are to pass through quality assurance inspection before keeping as inventories. Materials that fail the inspection will be returned. The Company will regularly perform assessment and field audit on suppliers and terminate the relationship if the suppliers are found to be unscrupulous.	No gaps

<table>
<tr><th rowspan="2">Implementation Item</th><th colspan="3">Status of Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>V. Did the Corporation, following internationally recognized guidelines, prepare and publish reports such as its Sustainability Report to disclose non-financial information of the Corporation? Has the disclosure report received the confirmation or verification for the third-party accreditation agency?</td><td>V</td><td></td><td>The Company has taken reference from internationally-recognized reports standards or guidelines since 2016, and the "Core" option set out in GRI Standards promulgated by the Global Reporting Initiative (GRI), for information disclosure and compilation of corporate social responsibility report(changed to the Sustainable Development Report from 2021), which has been assured by Ernst & Young.</td><td>No gaps</td></tr>
<tr><td colspan="5">VI. If the Company has established its own CSR principles based on the Sustainability Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any discrepancies from the Principles:
The Company has not established the sustainable development best practice principles. However, as the Company is a medical instrument company working to enhance physical health. In order to carry out corporate social responsibility, other than implementing information transparency, the Company strives to achieve labor-management harmony internally and promote the advancement of orthopedics externally. The Company holds a high bar on the quality of the products to meet customers' expectation of the Company's products. Furthermore, the Company continually promote social welfare activities. Therefore, the Company has in essence operated in line with the spirit of "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies". The Company will continuously pushes ahead with the sustainable development and asks the audit committee to formulate the sustainable development principles and regulations.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate a better understanding of the Company’s sustainable development practices:
1. Environmental protection: The plant has set up production waste recovery devices, including dust collection equipment, gas collection equipment, sewage, waste water, and waste oil treatment equipment, to reduce the impact on employees and social environment. The Company has introduced ISO14001 Environmental Management System in hopes of reducing waste and utilize resources effectively.
2. Social contributions: Provision of high quality artificial joints with more reasonable price, breaking of the long time monopoly of large international manufacturers in orthopedic market, reduction of medical expense for patients, improvement of the mobility inconvenience of the elders, and addition of investment in Taiwan year by year, keeping the root of technology in the region and creation of more job opportunities and business opportunities.
3. Consumer rights: In addition to strict control over the quality of products during the production process, all of the Company's products have been insured with product</td></tr>
</table>

<table>
<tr><th rowspan="2">Implementation Item</th><th colspan="3">Status of Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">liability insurance.
4. Human rights: In addition to the relevant laws and regulations, the Company has purchased insurance for all employees and also set up labor-management meetings to protect employees' rights and interests, while taking into account the price levels and the Company's profitability status in adjustment employees' salary to share the Company's operating results.
5. Safety and health: The Company has set up an industrial safety department to regularly detect and improve the work environment, and regularly arranged safety education and training for employees and regularly inspected the employee health; the standard operating procedures are drafted for product manufacturing and quality inspection to ensure product safety. The international ISO45001 occupational safety and health management systems have been introduced to provide employees with a healthy and safe work environment.</td></tr>
</table>

Note 1. If "Yes" under the Current Operations is ticked off, please specify the key policies, strategies, and measures adopted and their implementation results; if "No" is ticked off, please specify the discrepancy and reasons for the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and give the reason and specify related policies, strategies, and measures to be adopted in the future.

Note 2. The principle of materiality refers to environmental, social, and governance issues that have significant impacts on the Company's investors and other stakeholders.

Note 3. For the disclosure methods, please refer to the best practices on the corporate governance center website, Taiwan Stock Exchange Corporation.

(VI) Operations of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies":

Assessed items	Current Operations (Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Formulating policies and plans for ethical corporate management (I) Has the Company formulated an ethical management policy approved by the board of directors, and expressly stated in the regulations and external documents the policies and practices of ethical management, as well as the board of directors and senior management's commitment to actively implement the management policy? (II) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention, and has implemented said program while regularly reviewing and revising it?	V V V		(I) The Company takes "integrity" as the top priority for the promotion of the corporate core values. Integrity has been clearly stated in the personnel regulations and will be implemented in daily operations. (II) The Company has included relevant plans in the regulations, such as management regulations, guidelines and handling procedures, and will fulfill the commitment of ethical operations through education and trainings for new employees and departmental trainings. (III) The Company has established SOPs and regulations for daily business transaction process and provided clear guidelines on unethical behaviors.	No gaps
II. Implementation of Ethical Corporate Management	V		(I) The contracts between the Company and its business	No gaps

Assessed items	Current Operations (Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(I) Has the Company evaluated business partners' ethical records and include ethics-related clauses in business contracts?		V	partners contain clear terms of ethical behaviors, requiring the business partner to comply with principle of relevant legal behavior, violation of which will result in termination of the contract by the Company.	
(II) Has the Company set up a unit responsible for ethical corporate management on a full-time basis under the board of directors which reports the ethical corporate management policy and plans against unethical conduct regularly (at least once a year) to the board of directors while overseeing such implementation?	V		(II) The Company currently does not have a full-time or part-time unit solely responsible for promoting ethical corporate management, which has been implemented by the management of each department in accordance with the regulations established by the Company. The internal auditing department is responsible for regular review of implementation status. It shall submit the audit results to the independent directors and attend the board meetings for reporting the results.	
(III) Has the Company established policies to prevent conflicts of interest and provided appropriate communication channels and implemented it?	V		(III) The Company has established appropriate regulations in relevant management regulations and has set up opinions reporting channels to prevent transactions containing conflicts of interest.	
(IV) Has the Company established effective accounting and internal control systems to implement ethical corporate management? Has the Company's internal audit unit followed the results of unethical conduct risk assessments and devised audit plans to audit the systems accordingly to prevent unethical conduct, or hired outside accountants to perform the audits?	V		(IV) The Company has set up an internal control system and	
(V) Has the Company regularly held internal				

Assessed items	Current Operations (Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
and external educational trainings on ethical corporate behavior?			relevant management regulations for transaction cycles. The internal audit staff shall formulate annual audit plan and conduct sampling checks, results of which will be submitted to the independent directors and board members for attention. The implementation is well executed. (V) The Company arranges internal and external training on a regular basis to incubate employees' the required skills set out in the internal regulations to fulfill the belief of ethical corporate management.	
III. Operations of the Company's reporting mechanism (I) Has the Company established a concrete reporting and reward system, set up convenient reporting channels and appointed suitable personnel to handle these cases? (II) Has the Company established the standard operating procedures for investigating received reports, the follow-up measures to be taken after completion of the investigation, and the relevant confidentiality mechanism? (III) Has the Company taken measures to	V V V		(I) The Company has set up a mailbox for employee feedback. The administrative management unit is responsible for handling relevant feedback in accordance with relevant management regulations. (II) The Company has set up methods of managing the mailbox covering the acceptance and handling procedures. (III) The Company has stipulated	No gaps

Assessed items	Current Operations (Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
protect individuals from possible mistreatment arising from their reporting of violations?			confidentiality provisions for the opinions provided, which will be handled in accordance with regulations that are stipulated by the Company.	
IV. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company's website does not contain a section for disclosing information relating to ethical corporate management but the core value of its ethical corporate management has been elaborated in the Company's introduction.	No gaps
V. If the Company has established a principle of ethical corporate management based on "The Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the implementation and the Best-Practice Principles: The Company has not set up ethical corporate management principles but its operating philosophy and management regulations are in line with the provisions of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The Company's core values of "integrity", "responsibility", "happiness" and "innovation" have been gradually implemented on employees of all levels. In conjunction with the supervision mechanism and risk control of the Company's auditing unit and independent directors, various operations of the Company have fulfilled the Company's ethical corporate management commitment and met the expectations of the investing public and all employees towards the Company.				
VI. Any other important information that facilitates the understanding of the Company's implementation of ethical corporate management: (e.g., any review or amendment to the Company's Ethical Corporate Management Best Practice Principles): None.				

Note 1. Note 1: Regardless of whether the operation item is checked "yes" or "no", the company shall state an appropriate explanation.

(VII) If the Company has established best practices for corporate governance and other relevant regulations, the means to search for these regulations shall be disclosed: None.

(VIII) Other important information that can strengthen the understanding of the Company's corporate governance practices: None.

(IX) Disclosures Required for the Implementation of the Internal Control System

(1) Statement of Internal Controls

United Orthopedic

Statement of Internal Control System

Date: March 21, 2023

The Company states the following with regard to its internal control system during 2022 based on the self-evaluation results:

I. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of the board of directors and managerial officers of the Company. The Company has established such a system. The goal of the system is aimed at the operational efficiency and effectiveness (including profits, performance and assets safeguarding) and to provide reasonable assurance on producing reliable and transparent financial reports, compliance with relevant regulations and compliance with relevant acts.

II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of the internal control system may change along with changes in environment or circumstances. Nevertheless, the Company's internal control system has self-monitoring mechanisms, and the Company takes immediate remedial measures in response to any identified deficiencies.

III. The Company makes judgments on the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as the"Regulations"). The criteria adopted by the Regulations are divided into give components in accordance with the procedures for management and control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to provisions in the Protocols for above-mentioned items.

IV. The Company has conducted an effective evaluation on its internal control system by adopting the above mentioned internal control system judgement criteria.

V. Based on the preceding evaluation result, the Company believes that its internal control system (with subsidiaries supervision and management) on December 31, 2022 includes the awareness of operation effectiveness and target achievement efficiency, reliability and transparency of financial reports, compliance with relevant regulations and compliance with relevant acts. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.

VI. This statement will become an integral part of the Company's annual report and the prospectus, which will be made public. If the aforementioned content contains illegal matters such as any fradaulent or hidden information, the Company will be in question of breaching Articles 23, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.

VII. This statement has been approved by the board of directors on March 21, 2023, where none of the nine attending directors expressed dissenting opinions, and unanimously affirmed the content of this statement.

United Orthopedic

Chairman: Lin, Yan-Sheng

President: Lin, Yan-Shen

(2) The companies that entrusted project-based accountants to review the internal control system, the accountant's audit report shall be disclosed: none

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

(XI) Major resolutions of shareholders' meeting and board meetings for the most recent year up to the publication date of the annual report

(1) Board of Shareholders

Date	Significant Resolutions at the Shareholders' Meeting
2022.06.21	1. Approval of the 2021 business report and financial statements. 2. Approval of the 2021 surplus earnings distribution. 3. Implementation: The distributable surplus amount at the end of 2021 is NT$ 0. No dividends will be distributed for 2022 as approved by the board of directors on March 24, 2022. Approval of amendments to "Procedures for Acquisition or Disposal of Assets". 4. Approval of amendments to the "Articles of Incorporation". 5. Approval of amendments to the "Rules of Procedure for Shareholders' Meetings".

(2) Board meetings

Date	Significant Resolutions at the Meeting
2022.03.24	1. Approval of the 2021 remuneration distribution to employees, directors and supervisors. 2. Approval of the adjustments to remuneration of Company's managerial officers. 3. Approval of the Company's 2021 financial statements and business report. 4. Approval of the Company's 2021 Statement of Internal Control System. 5. Approval of the Company's 2021 earnings distribution. 6. Approval of amendments to the Company's "Procedures for Acquisition or Disposal of Assets". 7. Approval of amendments to the Company's Articles of Incorporation 8. Approval of amendments to the Company's "Rules of Procedure for Shareholders Meetings". 9. Approval of newly drafted "Procedures for Handling Internal Material Information" of the Company. 10. Approval of the Company's "Procedures for the Prevention of Insider Trading" newly drafted. 11. Approval of the convening of the 2022 annual shareholders' meeting 12. Approval of the acceptance of shareholders' right to submit proposals at the 2022 annual shareholders' meeting 13. Approval of the proposed change of CPAs and CPA independence assessment. 14. Approval of the Swiss sub-subsidiary for loaning to the UK sub-subsidiary 15. Approval of the establishment of Australian sales office 16. Approval of the proposal for changing the Company's audit manager.
2022.04.29	1. Approval of amendment to the remuneration distribution plan for the Company's directors. 2. Approval of the Company's convening of the 2022 Annual Shareholders' meeting.
2022.05.11	1. Approval of the proposal to appoint the CPAs for 2022 2. Approval of the Company's consolidated financial statement for the first quarter of 2022. 3. Approval of the proposal for the loaning of funds among invested companies of the group. 4. Approval of the report on the Company's greenhouse gas inventory schedule.
2022.08.03	1. Approval of the Company's consolidated financial statement for the second quarter of 2022. 2. Approval of the Distribution Plan for Payment of Employee Remuneration 2021

2022.11.08	1. Approval of the Company's consolidated financial statement for the third quarter of 2022. 2. Approval of amendments to the "Procedures for Handling Internal Material Information of the Company".
2022.12.29	1. Approval of the 2023 audit plan. 2. Approval of the proposal for the loaning of funds among invested companies of the group. 3. Approval of the proposal of the Company's guarantee and endorsement to the group's subsidiaries. 4. Approval of the proposal for an increase of the Company's investment in a subsidiary in Japan. 5. Approval of the Company's proposal for increasing the investment in the European subsidiary.
2023.03.21	1. Approval of the 2022 remuneration distribution to employees, directors and supervisors. 2. Approval of the proposal on adjusting the remuneration of independent directors. 3. Approval of the proposal on adjusting the remuneration of managerial officer 4. Approval of the 2022 Financial Statements and Business Report. 5. Approval of the 2022 earnings distribution. 6. Approval of amendments to the Company's 2021 Statement of Internal Control System. 7. Approval of the 2022 Statement of Internal Control System. 8. Approval of amendments to the "Procedures for Board of Directors' Meetings". 9. Approval of amendments to the "Procedures for Management of Subsidiaries". 10. Approval of amendments to the Company's 2023 audit plan. 11. Approval of amendments to the Company's written internal control and internal audit systems. 12. Approval of amendments to the "Articles of Incorporation". 13. Approval of the proposal on re-electing the Company's directors at the shareholders' meeting. 14. Approval of the proposal to release non-competition restriction on the newly appointed directors of the Company at the shareholders' meeting. 15. Approval of the acceptance of shareholders' right to submit proposals at the 2023 annual shareholders' meeting. 16. Approval of the convening of the 2023 annual shareholders' meeting. 17. Approval of the list of non-confirming services expected to be provided by in 2023 by Ernst & Young and its affiliates and submission for discussion and approval. 18. Approval of the Company's regular assessment on independence of CPAs. 19. Approval of the Company's 4th issuance of domestic unsecured convertible bonds. 20. Approval of the report on the subsidiaries' greenhouse gas inventory schedules. 21. Approval of proposal on raising funds for reinvestment in Shinva United Orthopedic Corporation and waiving the subscription right by original shareholders.

(3) The Audit Committee

Date	Significant Resolutions at the Shareholders' Meeting
2022.03.24	1. Approval of the Company's 2021 financial statements and business report. 2. Approval of the Company's 2021 Statement of Internal Control System. 3. Approval of the Company's 2021 surplus earnings distribution 4. Approval of amendments to the Company's "Procedures for Acquisition or Disposal of Assets". 5. Approval of the proposal for changing CPAs and independence assessment. 6. Approved the proposal of Swiss sub-subsidiary for loaning to the UK sub-subsidiary. 7. Approval of the proposal for changing the Company's audit manager.

2022.04.29	1. Discussion on the proposal for appointing the CPAs for 2022. Resolution: Since there are still some details of the services stated the appointment contract to be discussed with the accounting firm, the case is withdrawn and brought to the next Audit Committee meeting for further discussion.
2022.05.11	1. Approval of the proposal for appointing the CPAs for 2022. 2. Approval of the Company's consolidated financial statement for the first quarter of 2022. 3. Approval of the proposal for the loaning of funds among invested companies of the group.
2022.08.03	1. Approval of the Company's consolidated financial statement for the second quarter of 2022.
2022.11.08	1. Approval of the Company's consolidated financial statement for the third quarter of 2022.
2022.12.29	1. Approval of the 2023 audit plan. 2. Approval of the proposal for the loaning of funds among invested companies of the group. 3. Approval of the proposal of the Company's guarantee and endorsement to the group's sub-subsidiaries.
2023.03.21	1. Approval of the Company's 2022 financial statements and business report. 2. Approval of the Company's 2022 surplus earnings distribution 3. Approval of amendments to the Company's 2021 Statement of Internal Control System. 4. Approval of the Company's 2022 Statement of Internal Control System 5. Approval of amendments to the "Procedures for Board of Directors' Meetings". 6. Approval of amendments to the "Procedures for Management of Subsidiaries". 7. Approval of amendments to the Company's 2023 audit plan. 8. Approval of amendments to the Company's written internal control and internal audit systems. 9. Approval of the list of non-confirming services expected to be provided by in 2023 by Ernst & Young and its affiliates and submission for discussion and approval. 10. Approval of the Company's regular assessment on independence of CPAs. 11. Approval of the Company's 4th issuance of domestic unsecured convertible bonds. 12. Approval of the report on the subsidiaries' greenhouse gas inventory schedules. 13. Approval of proposal on raising funds for reinvestment in Shinva United Orthopedic Corporation and waiving the subscription right by original shareholders.

(XII) Major Contents of Any Dissenting Opinions on Record or Stated in a Written Statement Made by Directors or Supervisors regarding Material Resolutions Passed in the Board of Directors' Meetings for the Most Recent Year up to the Publication Date of the Annual Report: None.

(XIII) A Summary of Resignations and Dismissals of the Company's C-suite Executives for the Most Recent Year up to the Publication Date of the Annual Report: None.

March 31, 2023

TITLE	NAME	DATE OF ASSUMPTION OF DUTY	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
Auditing Manager	Lin, Tung-Yun	2021.08.06	2022.04.08	Resignation

Note: The term "c-suite executives" refers to the Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, Chief Research and Development Officer, etc.

V. Audit Fees for Independent Auditors

(I) The Company shall disclose the audit fee paid to the auditors and their firm and the affiliates, as well as non-audit-fees and non-audit services. The following matters shall be disclosed:

CPA Information Regarding Audit Fee

Unit: NT$ 1,000

Accounting firm	Name of the accountants	Time of Audit	Audit Fees	Non-Audit Fees	Total	Note
PwC Taiwan	Ma, Chun-Ting	2022.01.01-2022.12.31	3,480	250	3,730	Tax verification
	Hsu, Jung-Huang	2022.01.01-2022.12.31				

Please specify non-audit fee services: (e.g. tax certification, assurance or other financial advisory services)

Note: If the Company has changed CPA or accounting firm during the current fiscal year, the period covered by CPA's audit and the reasons for change shall be stated in the Remarks column. The audit and non-audit fees paid to the former and successor CPA or accounting firm shall also be disclosed in sequence. The non-audit fee services shall be marked and explained.

1. When the Company has changed the accounting firm, and in that particular fiscal year, the audit fees paid are less than those of the fiscal year before that, the decreased amount and reason thereof shall be disclosed: None.
2. When the audit fees decreases by 10% or more than that of the last fiscal year, the Company must disclose the decreased amount, ratio, and reason: None.

(II) The audit fees mentioned above means professional fees paid by the Company to the CPA for audits, reviews and secondary reviews of financial reports and reviews of financial forecasts.

VI. Information on replacement of CPA:

(I) Information on the Former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="3">March 24, 2022</td></tr>
<tr><td>Reason for replacement and explanation</td><td colspan="3">Due to the internal CPA adjustments of Ernst & Young, the board of directors resolved to engage CPA Ma, Chun-Ting and CPA Hsu, Jung-Huang of Ernst & Young to handle the audit of financial statements starting from the first quarter of 2022.</td></tr>
<tr><td rowspan="3">Statement on whether the authorizing party or the accountant terminate or reject the authorization</td><td>Party
Situation</td><td>CPAs</td><td>The authorizing party</td></tr>
<tr><td>Voluntarily terminated the authorization</td><td>✓</td><td></td></tr>
<tr><td>Rejected the (continuing) authorization</td><td></td><td></td></tr>
<tr><td>The reasons cited in the signed and issued audit reports which were not "no reservations" in the last two years</td><td colspan="3">Unqualified opinions were issued in both 2018 and 2019.</td></tr>
<tr><td rowspan="5">Different opinions from the issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial report</td></tr>
<tr><td></td><td>Scope or procedure of auditing</td></tr>
<tr><td></td><td>Other</td></tr>
<tr><td>None.</td><td colspan="2">✓</td></tr>
</table>

Date of Replacement	March 24, 2022
	Explanation: Not Applicable
Other items disclosed (for which disclosure is required under Article 10, Clause 6, items 1d through 1g of the Regulations)	None.

(II) Regarding the successor CPA

Name of accounting firm	PwC Taiwan
Name of the accountants	CPA Ma, Chun-Ting, CPA Hsu, Jung-Huang
Date of appointment	March 24, 2022
The accounting treatment of particular transactions before appointment or accounting principle and the consulting matters and their results for the possible opinions signed and issued in the financial report	None.
The successor accountant's written opinion of on the former accountant's different opinions	None.

(III) The matters specified in Article 10 (6)-1 and the previous item (3) shall be submitted to the former CPAs for reply, and advise of them to raise objections within ten days if any: Not applicable.

VII. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Having Held a Position at Its CPAs' Accounting Firm or at an Affiliate in the Most Recent Year: None.

VIII. Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers, and/or Shareholders Holding More than 10% of the Company's Shares in the Most Recent Year up to the Publication Date of the Annual Report: Where the counterparty in any such transfer or pledge of equity interests is a related party, the Company shall disclose the counterparty's name, relationship between that party and the Company as well as its Directors, Supervisors, managerial officers, and shareholders holding more than 10% of the Company's shares, and the number of shares transferred or pledged.

(I) Changes in shareholding of directors, supervisors, managerial officers and major shareholders

Date: April 17, 2023 (book closure date); Unit: Share

Title	Name	2022				As of April 16, 2023				Note
		common stock		Preference share		common stock		Preference share		
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	
Chairman	Yan-Shen Lin	(20,000)	0	(64,000)	0	0	0	0	0	
Directors	Chun-Sheng Lin	0	0	0	0	0	0	0	0	
Directors	Hau, Hai-Yen	0	0	0	0	0	0	0	0	
Directors	Lee, Chi-Fung	0	0	0	0	0	0	0	0	
Directors	Ng Chor Wah Patrick	0	0	0	0	0	0	0	0	
Directors	LIN Deqiong	0	0	0	0	0	0	0	0	
Indedpent Director	Liu, Chien-Lin	0	0	0	0	0	0	0	0	
Indedpent Director	Lee, Kuen-Chang	0	0	0	0	0	0	0	0	
Indedpent Director	Wu, Meng-Da	0	0	0	0	0	0	0	0	
Vice-President	Liao, Chien-Chong	0	0	0	0	0	0	0	0	
Vice-President	Peng, Yu-Hsing	0	0	0	0	0	0	0	0	
Vice-President	LIN Deqiong	0	0	0	0	(9,000)	0	0	0	
Director, Research and Developing Center	Ho, Fang-Yuan	0	0	0	0	0	0	0	0	
Director, Operating Center	Chou, Ching-Long	0	0	0	0	0	0	0	0	
Director of Business Center	Huang, Wen-Hsuan	0	0	0	0	0	0	0	0	
Director, Department of Finance and Accounting	Teng, Yuan-Chang	0	0	0	0	0	0	0	0	

Note 1: Shareholders who hold more than 10% of the company's shares shall be considered as major shareholders and are listed separately.

(II) Shares trading with related parties: transfer of shares to related parties by directors, supervisors, managerial officer or shareholder with a stake of more than 10 percent in the most recent fiscal year up to the publication date of the annual report: None.

(III) Shares pledge with related parties: pledge of or change in shares by directors, supervisors, managerial officers or shareholders with a stake of more than 10 percent in the most recent fiscal year up to the publication date of the annual report: None.

IX. Information on the top ten shareholders who are identified as related parties, spouse or relative within the second degree of kinship:

Name (Note 1)	Shares Held in Person		Shares held under spouse or minor children's names		Shares held in others' names		Top 10 Shareholders of the Company who Are Identified as a Related Party, Spouse, or Relative within the Second Degree of Kinship under No. 6 of the Statements of Auditing Standards (Note 3)		Note
	Not Yet Lifted	Shareholding Ratio	Not Yet Lifted	Shareholding Ratio	Not Yet Lifted	Shareholding Ratio	Designation (or Name)	Relationship	
Yan-Shen Lin	2,752,441	3.33%	584,000	0.71%	0	0%	Chun-Sheng Lin LIN Deqiong	Brother Father and son	
JPMorgan Chase in custody for Morgan Stanley & Co. International PLC Investor Account	2,014,964	2.43%	0	0%	0	0%	None.	None.	
Chun-Sheng Lin	1,905,743	2.30%	15,000	0.02%	0	0%	Yan-Shen Lin	Brother	
HSBC Bank in Custody for Morgan Stanley & Co. International PLC Account	1,777,009	2.15%	0	0%	0	0%	None.	None.	
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	1,470,139	1.78%	0	0%	0	0%	None.	None.	
Nomura Taiwan High Tech Fund Special Account	1,164,000	1.41%	0	0%	0	0%	None.	None.	
LIN Deqiong	1,052,461	1.27%	0	0%	0	0%	Yan-Shen Lin	Father and son	
Citi Bank in Custody for Berkeley Capital SBL/PB Investor Account	951,924	1.15%	0	0%	0	0%	None.	None.	
Investment Account at CITIC Bank Trusteeship Pan-Shi Finance Co., Ltd.	876,000	1.06%	0	0%	0	0%	None.	None.	
Huang, Hua-Shan	875,162	1.06%	0	0%	0	0%	None.	None.	

Note 1. Please list the top 10 shareholders; the name of corporate shareholders and their respective representatives shall be listed respectively.

Note 2. The calculation of shareholding ratio shall indicate the percentage of shares held in the person's own name or in the name of spouse, minor children, or others.
Note 3. The relationships between the aforementioned shareholders, including corporate and natural persons, shall be disclosed based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers
Note 4. This table discloses the top ten shareholders in terms of the shareholding ratio of ordinary shares.

X. Information on the total number of shares and equity interests held in a single enterprise by the Company, its directors, supervisors or managerial officers, and/or any companies directly or indirectly controlled by the Company

December 31, 2022

Unit: Share

re-investments in other companies (Note 1)	The Company's investments		Investments of Directors, Supervisors, Managers, and directly or indirectly controlled businesses		Combined investiments	
	Not Yet Lifted	Shareholding percentage (%)	Not Yet Lifted	Shareholding percentage (%)	Not Yet Lifted	Shareholding percentage (%)
UOC America Holding Corporation	0 (Note 2)	0	0	0	0	0
UOC USA, INC.	13,861,016 (note 3)	100	0	0	13,861,016	100
UOC Europe Holding SA	13,500 (Note 4)	96	0	0	13,500	96
United Orthopedic Corporation (Suisse) SA	0	0	1,550 (Note 4)	100	1,550	100
United Orthopedic Corporation (France)	0	0	8,782 (Note 5)	100	8,782	100
United Orthopedic Corporation (Belgium)	0	0	900 (Note 5)	100	900	100
United Orthopedic Japan Inc.	88,658 (Note 6)	95	0	0	88,658	95
A-Spine Asia Co., Ltd	10,089,696 (note 7)	74.9	0	0	10,089,696	74.9
United Orthopedic Limited	0	0	540 (Note 8)	100	540	100
UOC ORTHOPEDIC (AUSTRALIA) PTY LTD	20,001 (Note 9)	100	0	0	20,001	100
Shinva United Orthopedic Corporation	147,000,00 (Note 10)	49	0	0	147,000,000	49

Note 1. The investments were made by the Company under the equity method
Note 2. UOC America Holding Corporation was liquidated on March 21, 2022
Note 3. The face value of each share is USD 0.68.
Note 4. The face value of each share is CHF 1,000.
Note 5. The face value of each share is EUR 1,000.
Note 6. The face value of each share is JPY 3,017
Note 7. The face value of each share is TWD 10.
Note 8. The face value of each share is GBP 1,000
Note 9. The face value of each share is AUD 1
Note 10. The face value of each share is CNY 1

Chapter 4. Funding Status

I. Capital and shares

(I) Issued Shares

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Not Yet Lifted	Amount	Not Yet Lifted	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Other
1993.02	10	11,000,000	110,000,000	2,750,000	27,500,000	Initial capital 25,000,000	Technology stock 2,500,000	None.
1994.08	10	11,225,000	112,250,000	11,225,000	112,250,000	Cash capital increase 77,250,000	Technology stock 7,500,000	(83) Official Letter No. 12643
1997.03	10	11,225,000	112,250,000	5,612,500	56,125,000	Capital reduction to offset deficits (56,125,000)	None.	(86) Official Letter No. 05947
1997.03	15	11,612,500	116,125,000	11,612,500	116,125,000	Cash capital increase 53,630,000	Using bonds as stocks 6,370,000	(86) Official Letter No. 05947
1998.02	10	18,612,500	186,125,000	18,612,500	186,125,000	Cash capital increase 59,980,000	Using bonds as stocks 10,020,000	None.
1998.12	20	30,000,000	300,000,000	22,612,500	226,125,000	Cash capital increase 40,000,000	None.	(87) Official Letter No. 029827
2004.09	13	30,000,000	300,000,000	25,462,500	254,625,000	Cash capital increase 28,500,000	None.	Financial-Supervisory-Securities-I No. 0930136711
2006.08	11.50	40,000,000	400,000,000	33,962,500	339,625,000	Cash capital increase 85,000,000	None.	Financial-Supervisory-Securities-I No. 0950111098
2007.10	45	60,000,000	600,000,000	38,562,500	385,625,000	Cash capital increase 46,000,000	None.	Financial-Supervisory-Securities-I No. 0960042265
2007.12	9.60	60,000,000	600,000,000	42,362,500	423,625,000	Private placement capital raise 38,000,000	None.	None.
2009.06	20.60	60,000,000	600,000,000	46,362,500	463,625,000	Private placement capital raise 40,000,000	None.	None.
2012.04 2012.08	-	60,000,000	600,000,000	46,362,500	463,625,000	Supplemental public issuance of privately-placed ordinary shares 38,000,000/ 40,000,000	None.	FSC Official Letter No. 1010012282/ FSC Official Letter No. 1010037604
2013.01	30	60,000,000	600,000,000	53,362,500	533,625,000	Cash capital increase 70,000,000	None.	Financial Supervisory Securities Issuance Zi No. 1010057730
2014.12	40.25	60,000,000	600,000,000	55,976,119	559,761,190	Unsecured convertible bonds 26,136,190	None.	Financial Supervisory Securities Issuance Zi No. 10100577301
2015.7	40.25	60,000,000	600,000,000	56,202,200	562,022,000	Unsecured convertible bonds 2,260,810	None.	Financial Supervisory Securities Issuance Zi No. 10100577301
2015.7	-	60,000,000	600,000,000	56,774,200	567,742,000	New restricted employee shares 5,720,000	None.	Financial Supervisory Securities Issuance Zi No. 1040025385
2015.11	39.3	100,000,000	1,000,000,000	58,412,868	584,128,680	Unsecured convertible bonds 16,386,680	None.	Financial Supervisory Securities

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Not Yet Lifted	Amount	Not Yet Lifted	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Other
								Issuance Zi No. 10100577301
2015.11	46	100,000,000	1,000,000,000	71,212,868	712,128,680	Cash capital increase 128,000,000	None.	Financial Supervisory Securities Issuance Zi No. 1040035809
2015.12	-	100,000,000	1,000,000,000	71,204,868	712,048,680	Cancellation of new restricted employee shares (80,000)	None.	Financial Supervisory Securities Issuance Zi No. 1040025385
2015.2	39.3	100,000,000	1,000,000,000	71,746,847	717,468,470	Unsecured convertible bonds 5,419,790	None.	Financial Supervisory Securities Issuance Zi No. 10100577301
2017.8	-	100,000,000	1,000,000,000	71,724,847	717,248,470	Cancellation of new restricted employee shares (220,000)	None.	Financial Supervisory Securities Issuance Zi No. 1040025385
2017.10	48	100,000,000	1,000,000,000	79,724,847	797,248,470	Cash capital increase 80,000,000	None.	Financial Supervisory Securities Issuance Zi No. 1060025497
2017.11	-	100,000,000	1,000,000,000	79,712,847	797,128,470	Cancellation of new restricted employee shares (120,000)	None.	Financial Supervisory Securities Issuance Zi No. 1040025385
2018.4	-	100,000,000	1,000,000,000	79,700,847	797,008,470	Cancellation of new restricted employee shares (120,000)	None.	Financial Supervisory Securities Issuance Zi No. 1040025385
2018.7	-	100,000,000	1,000,000,000	80,450,847	804,508,470	New restricted employee shares 7,500,000	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2019.5	-	100,000,000	1,000,000,000	80,432,847	804,328,470	Cancellation of new restricted employee shares (180,000)	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2019.8	-	150,000,000	1,500,000,000	80,426,847	804,268,470	Cancellation of new restricted employee shares (60,000)	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2019.11	52	150,000,000	1,500,000,000	90,426,847	904,268,470	Cash capital increase Class A preference shares 100,000,000	None.	Financial Supervisory Securities Issuance Zi No. 1080325924
2019.11	-	150,000,000	1,500,000,000	90,420,847	904,208,470	Cancellation of new restricted employee shares (60,000)	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2020.07	-	150,000,000	1,500,000,000	88,407,847	884,078,470	Cancellation of treasury stock (20,130,000)	None.	None.
2020.11	-	150,000,000	1,500,000,000	88,389,847	883,898,470	Cancellation of new restricted employee shares (180,000)	None.	Financial Supervisory Securities

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Not Yet Lifted	Amount	Not Yet Lifted	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Other
								Issuance Zi No. 1070323957
2021.04	-	150,000,000	1,500,000,000	88,118,144	881,181,440	Cancellation of new restricted employee shares (2,717,030)	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2021.08	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Cancellation of new restricted employee shares (65,440)	None.	Financial Supervisory Securities Issuance Zi No. 1070323957
2023.01	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (200,000)	None.	Financial Supervisory Securities Issuance Zi No. 1080325924
2023.04	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (21,515,160)	None.	Financial Supervisory Securities Issuance Zi No. 1080325924

Type of Share	Authorized Capital			Note
	Outstanding Shares (Note)	Unissued Shares	Total	
common stock	82,766,116	61,888,400	150,000,000	TPEx listed stocks
Preference share	5,345,484			

Note: From April 1 to April 17, 2023, 2,483,000 preference shares have been converted into ordinary shares, but the registration of changes has not been processed as of the declaration date.

Overall information with regards to reporting system: Not applicable.

(II) Shareholder Structure

1. common stock

Shareholder Structure	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreign persons	Natural persons	Total
Number of People	1	0	153	73	22,113	22,340
Shares Held	124,000	0	7,144,531	13,240,263	62,257,322	82,766,116
Percentage %	0.15%	0.00%	8.63%	16.00%	75.22%	100.00%

2. Preference share

Shareholder Structure	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreign persons	Natural persons	Total
Number of People	0	0	14	1	987	1,002
Shares Held	0	0	440,108	130,286	4,775,090	5,345,484
Percentage %	0.00%	0.00%	8.23%	2.44%	89.33%	100.00%

(III) Shareholding Distribution Status (Par Value Per Share: NT$10)

1. common stock

Base date: April 17, 2023

Shareholder Ownership (Unit: share)	Number of Shareholders	Shares Held	Shareholding percentage (%)
1-999	16,100	381,990	0.46%
1,000-5,000	4,697	9,023,933	10.91%
5,001-10,000	664	5,118,707	6.18%
10,001-15,000	235	2,946,507	3.56%
15,001-20,000	143	2,618,149	3.16%
20,001-30,000	140	3,568,125	4.31%
30,001-40,000	78	2,731,397	3.30%
40,001-50,000	59	2,708,168	3.27%
50,001-100,000	108	7,711,908	9.32%
100,001-200,000	48	6,785,601	8.20%
200,001-400,000	32	9,163,519	11.07%
400,001-600,000	17	8,567,532	10.35%
600,001-800,000	8	5,731,794	6.93%
800,001-1,000,000	4	3,572,029	4.32%
More than 1,000,001	7	12,136,757	14.66%
Total	22,340	82,766,116	100.00%

2. Preference share

Base date: April 17, 2023

Shareholder Ownership (Unit: share)	Number of Shareholders	Shares Held	Shareholding percentage (%)
1-999	383	77,177	1.44%
1,000-5,000	451	789,329	14.78%
5,001-10,000	81	648,131	12.12%
10,001-15,000	23	308,755	5.78%
15,001-20,000	13	245,000	4.58%
20,001-30,000	13	317,250	5.93%
30,001-40,000	6	219,000	4.10%
40,001-50,000	8	354,000	6.62%
50,001-100,000	14	1,090,051	20.39%
100,001-200,000	10	1,296,791	24.26%
200,001-400,000	0	0	0.00%
400,001-600,000	0	0	0.00%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
More than 1,000,001	0	0	0.00%
Total	1,002	5,345,484	100.00%

(IV) List of Major Shareholders: List all shareholders with a stake of 5% or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

1. common stock

Name of Substantial Shareholders	Shares Held	Shareholding percentage (%)
Yan-Shen Lin	2,752,441	3.33%
JPMorgan Chase Bank in custody for JP Morgan Securities Co., Ltd. Investor Account	2,014,964	2.43%
Chun-Sheng Lin	1,905,743	2.30%
HSBC Bank in Custody for Morgan Stanley & Co. International PLC Account	1,777,009	2.15%
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	1,470,139	1.78%
Nomura Taiwan High Tech Fund Special Account	1,164,000	1.41%
LIN Deqiong	1,052,461	1.27%
Citi Bank in Custody for Berkeley Capital SBL/PB Investor Account	951,924	1.15%
Investment Account at CTBC Bank Trusteeship of SF Finance SA	876,000	1.06%
Huang, Hua-Shan	875,162	1.06%

2. Class A preference shares

Name of Substantial Shareholders	Shares Held	Shareholding percentage (%)
Yu, Wen-Yang	196,000	3.67%
CERES Investment Co. Ltd.	150,000	2.81%
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	130,286	2.44%
Success Investment Limited	124,000	2.32%
Hsiao-chi Nien	121,000	2.26%
Wang, Kai-Hung	121,000	2.26%
Wang, Chin-Yen	120,000	2.24%
Lin, Hung-Yi	119,000	2.23%
Hsu, Cheng-Chuan	108,000	2.02%
Liu, Chien-Lin	107,505	2.01%

(V) Market Price, Net Worth, Earnings, and Dividends per Share in the Most Recent Two Years

Item \ Year		2021	2022	As of March 31st of the current year (Note 8)
Market value of each share (Note 1)	Highest Market Price	38.50	54.90	55.50
	Lowest Market Price	29.00	27.50	44.50
	Average Market Price	33.02	41.35	49.83
The Net Asset Value of Each Share (Note 2)	Before distribution	30.90	33.98	34.79
	After distribution	30.90	Resolution Pending for shareholder's meeting	--
Earnings per Share	Weighted Average Shares	77,853,530	78,112,012	78,281,370
	Earnings per share (Note 3)	0.37	2.84	0.85

Dividends per Share	Cash Dividend		0	Resolution Pending for shareholder's meeting	--
	Stock Dividends	Dividends from Retained Earnings	0	Resolution Pending for shareholder's meeting	--
		Distribution from Capital Surplus	0	Resolution Pending for shareholder's meeting	--
	Accumulated undistributed dividends (note 4)		0	0	--
Return on Investment	P/E Ratio (Note 5)		87.24	11.14	--
	P/E Ratio (Note 6)		0.00	Resolution Pending for shareholder's meeting	--
	Cash dividend yield (Note 7)		0.00%	Resolution Pending for shareholder's meeting	--

*If stocks are distributed from retained earnings or capital surplus, the market prices and cash dividends retroactively adjusted based on number of shares distributed shall be disclosed additionally.

Note 1. The highest and lowest market values for each year are listed. The average market value for each year is calculated based on the turnover and total volume.

Note 2. Please fill the information based on the number shares issued by the end of the year and the distribution resolved by the board or directors or shareholders' meeting for the subsequent year.

Note 3. If retroactive adjustment is needed due to stock dividends, earnings per share before and after the adjustment shall be listed.

Note 4. If the equity securities are issued under the condition that undistributed dividends for the current year will be accumulated to the year with a surplus, outstanding dividends as of the current year shall be disclosed separately.

Note 5. Price-to-earnings ratio = Average market price per share of the year / Earnings per share.

Note 6. Price-to-dividends ratio = Average market price per share of the year / Cash dividends per share.

Note 7. Cash dividend yield = Cash dividends per share / Average market price per share of the year.

Note 8. Net worth per share and earnings per share shall be filled in with the information audited (reviewed) by the CPAs as of the most recent quarter up to the publication date of the Annual Report. The remaining fields shall be filled with the information of the year as of the most recent year up to the publication date of the Annual Report.

(VI) Dividend Policy and Implementation Status

(1) Dividend policy and implementation status:

In case the Company makes a profit in the current year (profit refers to income before tax and before distribution of remuneration to employees and Directors), 12% shall be allocated as the employee remuneration and no more than 3% as remuneration to Directors. However, when the Company has accumulated losses (including adjustment on non-distributed earnings), the loss should offset first from profits.

The Company may only distribute the aforementioned employees remuneration and remuneration to Directors in cash by a Board resolution and reported to the shareholders' meeting.

In case there are profits after tax at the closing account of the current year, the Company shall first make up the accumulated deficit (including adjustment on non-distributed earnings) and retain 10% as statutory surplus reserve in accordance with the law; however, when the statutory surplus reserve exceeds the registered capital of the company, it is not subject to this limitation. After the statutory surplus reserve has been retained or rotated in accordance with the regulations or requests made by competent agencies, if there is accumulated undistributed earnings, the holders of preference share are given priority to be distributed the dividends of the current year. If there are still undistributed earnings left, 50% to 100% of the remaining earnings shall be distributed as shareholders' dividends, of which, 50% of the shareholders' dividends that are distributed in the current year shall be distributed as cash dividends.

When the company sets aside the special surplus reserve in accordance with law, for the shortfall of the "net deduction of other interests accumulated in the previous period", before the distribution of the earnings, it should first set aside the same amount of special surplus reserve from the undistributed earnings of the previous period; if there is still a shortfall, the current period's after-tax net profit plus the amount other than the current after-tax net profit shall be included in the current undistributed earnings and set aside.

(2) Distribution of dividends proposed at the shareholders' meeting: For the distribution of earnings for 2022, NT$ 22,700,340 of stock dividends is proposed to be distributed first at NT$ 2.34 per Class A preference share; NT$ 2.5 per share is proposed to be distributed as cash dividends. The proposal was passed by the Board of Directors on March 21, 2023 and to be resolved at the shareholders' meeting on June 15, 2022 in accordance with relevant regulations.

(3) Explanations for anticipated changes in the dividend policy: None.

(VII) Impact on the Company's Operating Performance and Earnings per Share of the Distribution of Stock Dividends Proposed at the Shareholders' Meeting: N/A.

(VIII)Compensation to employees, Directors and Supervisors

(1) Information on compensation of employees, Directors and Supervisors under the Articles of Association:

Article 20 of the Articles of Association: In case the Company makes a profit in the current year (profit refers to income before tax and before distribution of remuneration to employees and Directors), 12% shall be allocated as the employee remuneration and no more than 3% as remuneration to Directors. However, when the Company has accumulated losses (including adjustment on non-distributed earnings), the loss should offset first from profits.

The Company may only distribute the aforementioned employees remuneration and remuneration to Directors in cash by a Board resolution and reported to the shareholders' meeting.

(2) The basis for estimating the amount of compensation of employees, Directors, and Supervisors, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The basis for the estimated bonus to employees, Directors, and Supervisors: Estimations are made based on the profits of 2022 (profits refer to income before tax and before bonus distribution to the employees, Directors, and Supervisors) and in accordance with Article 20 of the Articles of Incorporation.

The basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: It is recognized as profit or loss in 2023.

Discrepancy between the Distributed Compensation of Employees, Directors and Supervisors and the Recognized Compensation for 2022, Reasons Thereof, and Treatment

Unit: NTD

	Recognized compensation	actual distributed amount	Variances	Reasons for variance and its handling method
Employees' salary	42,224,235	42,224,235	0	No gaps
Remuneration of Directors and Supervisors'	10,556,059	10,556,059	0	
Total	52,780,294	52,780,294	0	

Note: Employees, Directors and Supervisors' compensation is distributed in cash.

(3) Distribution of compensation approved by the Board of Directors

1. Distribution of employee remuneration and remunerations to directors and supervisors through cash or stock: The Board of Directors resolved to distribute in cash NT$ 42,224,000 as employees' bonuses, and NT$ 10,556,000 as remunerations to directors and supervisors from the earnings of 2022.

2. The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the net income after tax stated in the parent company only financial statements or individual financial reports for the current period and total employee remuneration: No employee remuneration was distributed in stocks for 2022.

(4) Actual distribution of compensation of employees, Directors, and Supervisors for the previous fiscal year (including the number of shares, monetary amount, and stock price), and, if there is any discrepancy between the actual distribution and the recognized compensation of employees, Directors, and Supervisors, additionally the discrepancy, reason thereof, and treatment:

There was no discrepancy between the actual distribution and the recognized compensation of employees, directors, and supervisors for the previous year (2021).

Unit: NTD

Distribution	Distribution resolved by the shareholders' meeting and the Board of Directors	Actual distribution	Difference
Employees' salary	11,355,207	11,355,207	No gaps
Remuneration of Directors and Supervisors'	0	0	
Total	11,355,207	11,355,207	

(IX) Share Repurchases: N/A.

II. Issuance of corporate bonds (including overseas corporate bonds): None.

III. Issuance of preference shares:

Item \ Date of Issuance (Note 2)		Class A preference shares as of November 29, 2019
Denomination		NT$10
Issued Price		NT$52
Not Yet Lifted		1,000,000 shares
Total		NT$520,000,000
Rights and Obligations	Distribution of dividends and bonuses	1. The annual percentage rate of preference shares is 4.5% (record date: September 17, 2019, 5-year interest rate swap (IRS) rate, 0.7162% + fixed rate, 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's PYTWDFIX and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions. 2. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated undistributed earnings, the remaining earnings, if any, are allocated as preference share dividends for the year. The Company has discretion over the distribution of preference share dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preference share dividends, it may resolve not to pay out the dividends and preference shareholders have no rights to object. The preference shares issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated. The preference share dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preference share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.
	Distribution of remaining assets	Preference shareholders have a higher claim to the Company's residual properties than common stockholders. Different types of preference shares issued by the Company grant holders the same rights to claims, and preference shareholders stay subordinate to general creditors. The amount preference shareholders are entitled to is capped at the product of number of outstanding preference shares at the time of distribution and issuance price.
	Execution of voting rights	Preference shareholders have neither voting nor election rights. However, they may be elected as Directors or Supervisors. They have voting rights in preference shareholders' meetings or with respect to agendas associated with the rights and obligations of preference shareholders in shareholders' meetings.
	Other	1. The preference shares shall not be converted within one year from the date of issue (October 18, 2019). From the day following the expiration of one year (October 19, 2020), the holders may apply for the conversion of part or all of their preference shares to common stocks (conversion ratio: 1:1) in the conversion period. The smallest unit of conversion is one share. After conversion of the preference shares into common stocks, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preference shares shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks

Item / Date of Issuance (Note 2)			Class A preference shares as of November 29, 2019
			before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus. 2. For cash offering of new shares, the preference shareholders have the same preemptive rights as the common stockholders.
Outstanding Preference Shares	Amount of preference shares redeemed or converted		4,654,516 shares converted
	Nominal amount of shares not redeemed or converted as of April 17		NT$ 53,454,840
	Redemption or conversion terms		The Company may, at any time from the next day of the five-year expiration of the issue (October 19, 2024), redeem all or part of the preference shares based on the original issue price by making an announcement and sending a 30-day "Notice on the Redemption of Preference Shares" to the preferred shareholders. Preference shares not yet redeemed shall continue to be subject to the rights and obligations of issuance terms prescribed above. In the year of redeeming preferred the stocks, if the Company's shareholders' meeting makes the resolution to distribute dividends, the distributable dividends up to the date of redemption shall be calculated according to the actual issuance days of the current year.
Market Price per Share	2020	Highest Market Price	53.00
		Lowest Market Price	41.00
		Average Market Price	48.42
	2021	Highest Market Price	50.00
		Lowest Market Price	45.60
		Average Market Price	47.74
	2022	Highest Market Price	54.00
		Lowest Market Price	42.10
		Average Market Price	47.44
	Current year as of March 31, 2023 (Note 4)	Highest Market Price	54.80
		Lowest Market Price	48.25
		Average Market Price	52.26
Other rights attached	Nominal amount of shares converted or subscribed as of April 17		NT$ 46,545,160

Item / Date of Issuance (Note 2)		Class A preference shares as of November 29, 2019
	Issuance and conversion or subscription regulations	See the Regulations Governing the Issuance and Conversion of Preference Shares A in 2019.
Impact of conditions of issuance on the rights and interests of preferred shareholders and possible dilution of shareholders' equity and impact on existing shareholders' equity		Conditions of issuance have no impact on the rights and interests of preferred shareholders. In regard to any impact on existing shareholders' equity, although the issuance of preference share dividends before conversion reduces the distributable earnings to common shareholders (assuming that the original shareholders has not participated in the subscription for preference shares), preference share dividends to be distributed will decrease when preference shares are converted into common stocks. Although the holders may convert preference shares into common stocks, each holder's conversion request timing is different. Therefore, it should delay the dilution of earnings per share. The Company's increase in capital by issuing preference shares can immediately reduce the debt ratio and enhance the Company's competitiveness, further reducing operational risks.

Note 1. The issuance of preference shares includes the public offering and private placement of preference shares in progress. The public offering of preference shares in the progress refers to those going into effect upon the approval at the shareholders' meeting; the private offering of preference shares in the progress refers to those passed by the Board of Directors.

Note 2. The number of rows is adjusted in accordance with the actual entries.

Note 3. Private placement shall be highlighted.

Note 4. Information on the most current year up to the publication date of the Annual Report shall be filled.

Note 5. For preference shares issued with an embedded call option, please fill in the table below.

IV. Issuance of overseas depositary receipts: None.

V. Issuance of employees' stock option certificate and new restricted employee shares: None

VI. Issuance of new shares in connection with mergers and acquisitions or with acquisitions of shares of other companies: None.

VII. Implementation of capital application plans: None.

Chapter 5. Operational Highlights

I. Business Activities

(I) Business Scope:

(1) Main Areas of Business Operations

1. Research, development, production, manufacture and sales on the following products:

1.1. Artificial orthopedic implants: including artificial joints, artificial bone plates, intramedullary rods, bone pins and so on.

1.2. Orthopedic surgical equipment and its manufacturing equipment.

1.3. Special metal and plastic materials.

2. The import, export and trade of aforementioned products.

(2) Ratio

Unit: NT$1,000

Product category	Total Sales in 2022	Ratio
Artificial joints	2,800,275	88.4%
Spinal products	306,350	9.7%
Other Products	22,468	0.7%
OEM products	39,587	1.2%
Total	3,168,680	100.0%

(3) Main Products of the Company

1. Artificial hip joints: Artificial hip joint, partial hip joint, joint for large trochanteric fracture, Moore hip prosthesis, and customized artificial hip joints for individual tumor patients.
2. Artificial knee joints: Artificial knee replacement joint, revision knee replacement system, restricted artificial knee joint, and customized artificial knee joints for individual tumor patients.
3. Spine products: Vertebral fixation devices.
4. Injury and other orthopedic products: Orthopedic internal fixation, bone plate, bone nails, bone pins, bone screws and products as such.
5. OEM products: Orthopedic internal fixation.

(4) Planned New Products (Services) Development

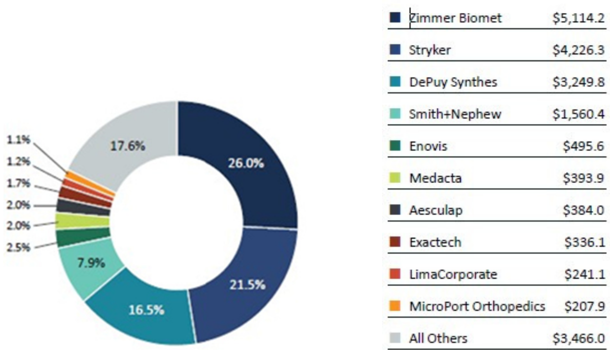
1	U2 Total Knee System - Non-cement femoral end and tibial end implants and patella elements	2	Radifocus Modular Femoral Stem
3	Uwin Shoulder Joint System	4	Cellbrick Cement Spacer-Knee
5	Modular Dual-acting Type Acetabular System and Tools		

(II) Industry Overview:

(1) (1) Current status and development of the industry:

According to the "Orthopaedic Industry Annual Report" published by ORTHOWORLD in 2022, the global output value of artificial joints in 2021 was US$ 19.4 billion, of which the output value of artificial hip joints was US$ 7.8 billion, that of artificial knee joints was US$ 9 billion, and that of artificial joints for other limbs was US$ 2.6 billion, increased by 2.7% compared with 2021. The Company's revenue from artificial joints in 2022 grew by 25.5%, which is relatively higher than the growth rate of the industry. This proves that the Company has expanded its territory in the industry and gained some share from competitors. The study also predicts that the industry will grow by about 3.1% in 2023. Certainly, the Company's estimated growth should be much higher than the natural growth of the industry.

In the global market of US$ 19.4 billion, the four major manufacturers accounted for a share of 71.9% (approximately US$ 14 billion). Although the quality and function of the Company's products are comparable to these four major manufacturers, the marketing capabilities and brand awareness are much inferior. Although the company has worked hard for 30 years, compared with these four century-old companies that have dominated the market, the Company still have a lot to work on. The Company shall continuously invest resources and make efforts to quickly increase the brand awareness and visibility, spread the sales and service channels, and catch up with these manufacturers. The threshold of Top 10 companies is the revenue of about US$ 200 million. If the Company can maintain the high growth rate of previous years, it should be the Company's goal to become a top 10 company in the industry in a few years.



The Orthopedic Industrial Annual Report

Published by Orthoworld in June, 2022

(2) Relationship with Up-, Middle- and Downstream Companies

Due to the growth in 2022 and the prospect of 2023, coupled with the shortage of raw materials around the world, the Company's expansion of production capacity and the search for international qualified and standard OEM partners will be the directions that need to be mastered in 2023. Kaohsiung Plant will continue to increase the production capacity and fully utilize the manufacturing technologies available for vertical integration of upstream, midstream and downstream. The upstream raw materials have also been planned in advance to ensure a stable supply.

(3) Product Development Trends

In the field of artificial joints, AI and precision medicine have always been the focus of manufacturers, who are developing new solutions for more personalized joints, more accurate surgery and shorter recovery time. Such as 3D printing or robotic arm navigation. United also cooperates with Italian precision navigation system company to develop knee navigation robot surgery system as led by the European branch. The prototype will be launched in this year. The machine will be certified by the European laboratory and apply for use in accordance with European regulations, to occupy a share in the precision robotic surgery market in the future.

(4) Competition

The Company's product is positioned to compete with world-class plants both in quality and price. As its market share is still low, the Company sees opportunities for expansion everywhere in the world, but each market has its own uniqueness, and it is necessary to carefully choose the markets suitable for the Company's future development.

(III) Research and Development

(1) Research and Development Expenses and Its Percentage to Revenuein the Past Two Years and the Current Year as of March 31, 2023, the publication date of the Annual Report:

Unit: NT$1,000

Year	R&D Spending	to Revenue (%)
2021	143,675	5.6%
2022	160,169	5.1%
As of March 31, 2023	50,245	5.4%

(2) Overview of Technology or Product Achievement

1	Artificial Joint Machining Technology of Co-Cr-Mo Alloy	2	Porous Surface Bead Sintering Technology of Co-Cr-Mo Alloy
3	Mirror Machining Technology of Co-Cr-Mo Alloy	4	Artificial Joint Machining Technology of Titanium Alloy
5	Surface Treatment and Hardening Technology of Stainless Steel Alloy Surgical Tool	6	Knife - cutting of diamond - shaped surface processing technology
7	Surface Technology of Grinding Femoral End Implant with Mechanical Arm	8	Precision Forging Technology of Co - Cr - molybdenum Alloy Artificial Joint Products
9	Precision Forging Technology of Titanium Alloy Artificial Joint Products	10	16 The Precision Casting Technology of CoCrMo Alloy for Orthopedic Joint Replacements
11	Sintered Technology of Porous Titanium Beads on Titanium Alloy	12	Vacuum Plasma Spraying Technology of Titanium Powder on Titanium Alloy Surface
13	The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Titanium Alloy Surface	14	Vacuum Plasma Spraying Technology of Titanium Powder on The Surface of Alloy of Cobalt, Chromium and Molybdenum
15	The Titanium Alloy Surface High-Thickness HA Plasma Spray Coating Technology	16	The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Cobalt-, Chromium- And Molybdenum-Alloy Surface
17	Asymmetric Porous Surface Sintering Technology of Co-Cr-Mo Alloy	18	Asymmetric Porous Surface Sintering Technology of Titanium Alloy

(IV) Long-Term and Short-Term Development

(1) Short-Term Development:

1. Marketing strategy

(A) Taiwan market is a relatively mature market for the Company, and its market share ranks second, slightly lower than that of the world's largest manufacturer, Zimmer Biomet. The benefits of long-term intensive cultivation are reflected in our sales. In addition to the natural market growth of about 3-4%, the Company must also gain market share from competitors. In 2021, the growth rate was -2.3% compared to the previous year due to the impact of COVID-19. In 2022, the growth rate reached 7.1%.

(B) In the Chinese market, the artificial knee joint system produced by the reinvested company Shinva United Orthopedic Corporation has successfully obtained Chinese regulatory certification in 2022 and is also being sold in the Chinese market. The Chinese government's national procurement has been implemented nationwide and its request for substantial drop in price has led to withdrawal of some manufacturers from the Chinese market due to low profits. The Company currently has two brands of products marketed in Mainland China: Taiwan United And Shinva United. The products of Shinva United are not included in scope of the national procurement due to the late certification, but they can be promoted to some public hospitals; as there are no restrictions on private hospitals, the new United products have been fully targeted on private hospitals and gained some share since launch. As far as the Chinese market is concerned, there is very little room left for manufacturers after bargaining due to government policies. All manufacturers are working hard with meager profits, and the Company's joint venture Shinva United Orthopedic Corporation is no exception. Given the current situation in the Chinese market, the only way to survive is to manage the business effectively and strive for more sales under low profit to create more revenue and share the cost. The long-term operating strategy for the Company is to stand firm and accelerate growth in this turbulent situation. After years of planning, United Orthopedic Corporation has successfully operated two types of brands (imported and domestic brands), and it is believed that these brands can be used flexibly to achieve the greatest synergy.

(C) The revenue in the European market grew by 47.5% in 2021, and by 45.4% in 2022. The main reason is that the French branch contributed more than half of the revenue in the European market. Due to the establishment of various branches in Europe, and the strengthening of marketing promotions, more and more customers recognize United. However, it also increases the sales expenses, and because of the increased revenue scale to share the fixed expenses, the European branch will be able to contribute more profits to the head office. It is believed that the efforts of the European team will also help realize the expected growth in 2023.

(D) The American market includes the US branch and branches in Central and South American countries. In 2021, the revenue grew by 29.5%, and by 25.9% in 2022. The American branch contributed more than 60% of the revenue in the American market. The usage of artificial joints in the United States accounts for almost half of that around the world, and it is also the most challenging market for United. Following the model of the US market, we have developed several new products in cooperation with well-known American physicians and professors. These consultant physicians are willing to use, endorse and promote these products because of their participation in joint research and development. It is believed that these products developed with the cooperation of American physicians will benefit the revenue and profit of the US branch after they are launched.

(E) In the Asian market, the revenue mainly contributed by Shinva United, which we sold to the joint venture, the Japan branch and sales in other Asian countries, in 2021 due to the impact of China's national procurement, the revenue decreased by 10.9% compared with the previous year. In 2022, the revenue in Chinese market has not recovered yet, but in other markets, including Japan, the revenue grew by 17% overall. After the reorganization of the Japan branch three years ago, its performance is now getting better. Although it still needs to work hard on marketing, it should get close to timing of turning loss into gain.

(F) The African and Australian markets only contributed 3.6% of the total revenue in 2022. The Company set up a branch in Australia in 2022, hoping to gain a place in the world's only remaining high unit-price market.

2. Production policy and direction of product development

(A) The Company' factories in Kaohsiung and Hsinchu are continuously improving and optimizing the processes, reducing costs, and steadily expanding various production lines to meet market demand. On the other hand, the Company is also looking for OEM manufacturers to provide stable supply for future market demand.

3. Operation scale and financial cooperation

(A) The Company implements the target management. The improved regulations and reasonable remuneration will help to retain talents, to increase the employees' recognition on the Company's goals and confidence for the future development.

(B) Establish steady regulations and channels for finance, cash flow and financing for the future development of the Company.

(2) Long-term development:

1. Marketing strategy

As the Chinese government has changed the market rules with its national procurement policy, the Company must pay attention to properly responding to the trend of the Chinese market. In the long-term development of the Company’s global layout strategy, the first priority is to spread the operational risks, so as to reduce the impact on the overall situation due to a single market and reduce the operational risks. Continuously increase customers' awareness and trust of the United brands to make the Company develop to a higher level.

2. Production policy and direction of product development

In addition to cooperation in R&D with various medical centers in Taiwan, the Company is also cooperating with medical R&D institutions in advanced countries to jointly develop products, which will be launched successively. The project of cooperation with European physicians is also underway, so that the Company's products can be closer to the demands of advanced markets, and strengthening the cooperative relationship with consultant physicians will also have a positive effect on the launch of new products in the future.

3. Operation scale and financial cooperation

In response to the growing scale of the Company, we seek the more appropriate fund raising channels in line with various financing demands from long and short-term investment plans and working capital to satisfy the needs for daily operation. The strategies adopted basically lean towards conservatism principle.

II. Market and Sales Overview

(I) (1) Market Analysis

(1) Sales (Service) Region

Unit: NT$1,000

Year / Area	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Taiwan	943,812	40.3%	917,106	35.7%	982,441	31.0%
Asia	486,381	20.8%	433,144	16.8%	506,889	16.0%
America	403,675	17.2%	522,650	20.3%	657,987	20.8%
Europe	422,829	18.1%	623,870	24.3%	907,120	28.6%
Africa	42,545	1.8%	46,214	1.8%	95,460	3.0%
Australia	42,984	1.8%	27,882	1.1%	18,783	0.6%
Total	2,342,226	100.0%	2,570,866	100.0%	3,168,680	100.0%

(2) Market shares

According to the latest "The 2021 Orthopaedic Industry Annual Report" published by the ORTHOWORLD in 2022, the total output of artificial joint market is up to US$ 19.4 billion. The market share of the Company was approximately 0.5%.

(3) Future market supply and demand and growth

A. Market demand

Degenerative arthritis is most commonly faced by the elderly population. The use of artificial joints is a necessary defense line when all other conservative treatments fail. Most of the elders are able to go back to their normal lives after they have been replaced with artificial joints. External factors, including aging population, increased life expectancy, better financial ability and pursue of life quality, are all momentum driving the growth of artificial joint market to ensure its continuous growth.

B. Market supply

The market is still controlled by a few major plants. The four major manufacturers in the U.S. produce nearly 71.9% of the industrial output by value and top ten manufacturers account for 83%, while the rest is divided among other smaller plants. The Company must intensify the efforts to increase its market share.

C. Market growth

The artificial joint market is estimated by the industry to grow at a normal rate of 4% as the global population ages. According to the UN report, by 2050, the population aged 60 years or over will be around 21% of total world's population. This figure will increase from 20% to 33% in the developed regions. Such trend will drive the growth of artificial joint market. So, the industry keeps promising in the next 20 and 30 years.

(4) Competitive Niches, Favorable and Unfavorable Factors in the Long Term and Countermeasures

A. Competitive niches

At present, the global market share of the Company is only 0.5%, while its products and services are comparable to major manufacturers. This is the biggest benefit of the Company, which means that there is unlimited market space to strive for.

B. Favorable factors

It has been 30 years since the establishment of the Company, it has developed in terms of innovation, research and development, production, regulatory compliance and product performance and deepened the market layout. The clinical use of its artificial implants has exceeded 500,000 cases, comparable to foreign advanced competitors in terms of clinical performance. The medical industry is an industry of trust. How to seek, establish and use the trust of doctors step by step is the key to the success of the Company.

C. Unfavorable factors

As the winner takes it all, the world's four major manufacturers still lead the overall market in terms of market deployment, channels, service, visibility, and awareness, relied on their huge resources and monopolistic market. Currently, the scale of the Company's operations is still relatively small in comparison.

D. Countermeasures for unfavorable factors

Despite the competition disadvantages in brand reputation, relied on the stable development, better products and services, the Company will learn from top manufacturers in terms of innovation, quality and sales services, increase investments on sales channels. The sales market lies in talent and resource competition. Given its scale, the Company will focus on how to strengthen excellent talent development and increase resource investment in directly operated branches, which is important to properly implement the plan.

(II) Major Products, Their Main Uses and Processes

(1) Main Uses of Major Products:

Main products	Important use
Artificial hip joints	Replace artificial joints for patients suffering from rheumatic or degenerative hip disease
Artificial knee joints	Replace artificial joints for patients suffering from rheumatic or degenerative knee disease
Spinal products	To fix the spine for patients suffering from degenerative disc disease or spondylolisthesis
Injury products	Repair bone tissues and keep it in place for patients suffering from all kinds of bone injuries
OEM products	Orthopedic internal fixator and laparoscopic disposable surgical blade

(2) Production Process:

A. Artificial joints

Cobalt-Chromium-Molybdbenum Alloy/ Titanium alloy → Casting/Forging → Machining → Grinding → Sand blasting → High sintering/Titanium powder plasma spraying/HA plasma spraving → Grinding/ Polishing → Rinsing → Marking → Final rinsing → Examining → Packaging → Sterilizing

Plastic material PE/XPE/E-XPE → Machining/Marking → Deflashing → Final rinsing → Exami ning → Packag ing → Steriliz ing

B. Spinal products

Titanium alloy → Machining → Sand blasting → Rinsing → Anodizing → Final rinsing → Examining → Packaging

C. Injury products

316L stainless steel/titanium alloy → Machining → Grinding/P olishing → Rinsing → Packaging → Examining → Sterilizing

(III) Supply Status of Main Materials

Domestic Purchasing:

(1) Titanium alloy bar: Mainly provided by President Co., Ltd., Titanium Industries Asia, Inc. and Xitron Innovation Co., Ltd..

Foreign procurement parts:

(1) Stainless steel bar: Mainly imported from France and Germany

(2) Titanium alloy bars: Mainly imported from the United States, Europe and Russia.

(3) Cobalt chrome molybdenum bar: The main import region for cobalt chrome molybdenum bar is from the United States.

(4) Plastic bar: The plastic bar is imported mainly from the United States and Europe.

(5) Ti bead: Titanium beads The main import area is the United States.

(6) Ti / HA powder: The main import area is Europe.

(7) F75 Ingot: The main import area for the Ingot is the United States.

Main raw materials	Suppliers	Supply situation
Stainless steel bar	Titanium Industries Asia, Inc., Acnis International, President Co., Ltd. and Tech Tube	Good
Titanium alloy bar	President Co., Ltd., Titanium Industries Asia, Inc., Xitron Innovation Co., Ltd., Carpenter Technology, TiFast Srl, Acnis International and Perryman Company	Good
CoCrMo bar	Carpenter Technology, Titanium Industries Asia, Inc., Edge International and United Performance Metals	Good
Plastic bar	Mitsubishi Chemical、Orthoplastics、Invibio、Spartech	Good
Ti bead	Phelly Materials, Inc.	Good
Ti /HA powder	Ceram Gmbh、MEDICOAT France	Good
F75 Ingot	Cannon-Muskegon	Good

(IV) The names of customers who accounted for more than 10% of sales in any given year within the past two years, their purchase amount and proportion, and reasons for changes (increase or decrease) in sales:

(1) Major Suppliers in the Past Two Years

Unit: NT$1,000

	2021				2022				As of March 31, 2023 (Note 2)			
Item	Title	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Title	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Title	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
1	CeramTec AG	87,052	16.97	None.	UMC	131,260	18.01	Associates	UMC	37,562	18.34	Associates
2	UMC	75,259	14.67	Associates	CeramTec AG	116,663	16.01	None.	CeramTec AG	31,510	15.39	None.
3	CM	33,774	6.58	None.	CM	47,355	6.50	None.	CM	17,282	8.44	None.
	Other	316,904	61.78		Other	433,606	59.48		Other	118,447	57.83	
	Net Total Supplies	512,989	100.00		Net Total Supplies	728,884	100.00		Net Total Supplies	204,801	100.00	

Note 1. A list of any suppliers accounting for 10 percent or more of the Company's total procurement amount in either of the two most recent fiscal years, the amounts bought from each, and the percentage of total procurement accounted for by each. Where the Company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use code in place of the actual name.

Note 2. As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed or audited by the CPA.

Reasons for increase or decrease in purchases: The Company’s purchases increased in 2022, mainly because the global epidemic has gradually been contained, and in response to business needs, the purchases have increased accordingly. The changes in the major suppliers in the most recent two years are reasonable in general.

(2) Major Clients in the Past Two Years:

Unit: NT$1,000

	2021				2022				As of March 31, 2023 (Note 2)			
Item	Title	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Title	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Title	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
1	Shinva United Orthopedic Corporation	178,236	6.93	Associates	Shanghai Lianxin	130,335	4.11	Associates	UMI	33,475	3.61	Associates
2	Linkou Chang Gung Memorial Hospital	102,905	4.00	None.	Linkou Chang Gung Memorial Hospital	121,023	3.82	None.	サージカルアライアンス株式会社	28,846	3.11	None.

Item	2021 Title	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	2022 Title	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	As of March 31, 2023 (Note 2) Title	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
3	Centennial Hills Hospital	55,109	2.15	None.	Cirugía Alemana Insumos Médicos S.A.	115,625	3.65	None.	Linkou Chang Gung Memorial Hospital	28,006	3.02	None.
	Other	2,234,616	86.92		Other	2,801,697	88.42		Other	837,768	90.26	
	Net Sales	2,570,866	100.00		Net Sales	3,168,680	100.00		Net Sales	928,095	100.00	

Note 1. Note 1: The names of customers and their gross sales amount and ratio for those that purchase more than 10% of the total sales amount in the past two years have been listed. However, of customers whose names cannot be disclosed due to contract or the counterparts is an individual who is not an interested party, a code is used.

Note 2. If, at the date of publication of the annual report, any financial data for the most recent period of the companies that are listed and are able to be purchased and sold by the securities operation site have been audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the increase or decrease in total sales: The Company's revenue from Taiwan, international markets and subsidiaries in 2022 all increased compared with previous year, except for the Mainland China market, which was affected by the national collective bidding procurement policy and the impact of the epidemic. Therefore, the changes in sales are reasonable in general.

(V) Production in the Past Two Years

Unit: Quantity: Set/pcs Unit: Value: NT$1,000

Year / Production value / Main products	2021			2022		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Artificial joints	348,000pcs	295,600pcs	676,295	360,000pcs	339,300pcs	748,833
OEM products	80,712pcs	43,958pcs	20,659	80,795pcs	34,458pcs	24,223
Spinal products	182,935pcs	99,421pcs	61,172	182,935pcs	71,809pcs	45,066
Other Products	558pcs	303pcs	1,039	558pcs	135pcs	149
Total	612,205pcs	439,282pcs	759,165	624,288pcs	445,702pcs	818,271

(VI) Shipments and Sales in the Past Two Years

Unit: Quantity: Set/pcs Unit: Value: NT$1,000

Year / Sales Volume & Value / Main products	2021				2022			
	Internal sales		External sales		Internal sales		External sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Artificial joints	61,324pcs	659,925	181,890pcs	1,582,676	65,561pcs	718,012	237,013pcs	2,082,263
Spinal products	66,411pcs	245,353	27,235pcs	42,837	62,513pcs	254,595	35,225pcs	51,755
OEM products	587pcs	4,229	28,456pcs	24,994	287pcs	4,476	38,144pcs	35,111
Other Products	0	7,599	0	3,253	0	5,359	0	17,109
Total	128,322pcs	917,106	237,581pcs	1,653,760	128,361pcs	982,442	301,382pcs	2,186,238

III. Information of employees for the two most recent years and up to the publication date of the Annual Report

March 31, 2023

	Year	2021	2022	As of March 31, 2023
Number of employees	Business personnel	94	101	103
	Technical personnel	318	350	358
	Administrative personnel	120	126	129
	R&D personnel	154	167	171
	Total	686	744	761
Average age		39.4	39.2	39.5
Average Year of Employment		6.7	6.4	6.4
Educational level distribution ratio	Ph.D.	1%	1%	1%
	Master	16%	16%	16%
	University	60%	61%	60%
	High school	20%	20%	20%
	Under high school	3%	2%	3%

IV. Environmental Protection Expenditure

Losses for environmental protection: Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, punishment dates, reference letter number, the articles and content of the law violated, and the punishment content), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company has not received any penalties and fines due to pollutions for the most recent year and as of the publication date of the Annual Report.

Relevant information in response to the EU Restriction of Hazardous Substances (RoHS): Not applicable.

V. Labor Relations:

(I) (I) Various employee benefits, continuing education, training, retirement systems and the implementation status as well as various labor-management agreements and measures for maintaining employee rights and interests

1. Implementation of welfare measures:
   (1) When the Company has a surplus at the end of the year, performance bonuses and employee bonuses will be provided for outstanding performance employees.
   (2) Distribute employee benefits to establish Employee welfare committee in accordance with the regulations to conduct various kinds of employee welfare activities. For example, Labor Day, Dragon Boat Festival, Mid-Autumn Festival bonus, birthday bonus, birthday party, gatherings, club activities, staff travel, subsidies for weddings and funeral, etc.
   (3) Provide free health examinations every two years.
2. Education, training and development
   (1) Employees are the most important asset of the United Orthopedic Corporation. The company provides appropriate and necessary training, so that employees can use their strengths and do their jobs well to achieve the objectives that was assigned by the organization , and thus improve the company's core competitive advantage. The Company's training costs amounted to NT$ 6.58 million in 2022.
   (2) Training system:

   Our training types are currently divided as:

   1) New employee on-boarding training: Help the new employees to get familiar with office administration procedures and relevant general training in the professional field in time.

2) Professional skills training: When new employees and existing employees are appointed in new positions, professional skills raining shall be given so that the employees are equipped with the capacity to meet the requirements and are aware of the tasks of their new positions.

3) General training: A set of training arranged to improve employees' knowledge, skills, and abilities, change employees' attitude and improve compliance requirements, as well as further improve the performance of employees and the organization.

(3) Implementation of educational training:

The Company has always been committed to strengthening personnel job skills and management skills of the management personnel to improve human resources quality. The Company regularly sets up and executes annual training plans to meet the requirement of work objectives, functionality, management, on-boarding, self-development, and regulations. The implementation statistics for educational training in 2022 is as follows:

General training hours	Professional training hours	Orientation training hours	Total hours
5,191 hours	18,061 hours	2,003 hours	25,255 hours

3. Retirement system implementation:

The employee retirement policy of the company's employees is set in accordance with "Labor Standards Act" and "Labor Pension Statutes". The Company reports and contributes pension to the Department of Trust, Bank of Taiwan or employee pension account in accordance with the regulations.

4. Code of conduct:

The Company has always valued transparency and rationalization of the policies and uses them as bridges for labor relation negotiation and communication. The Company also makes policies for "work guidelines" based on Labor Standards Act and relevant regulations.

5. Employee communication channels:

(1) The Company has established the system of labor-management meetings in accordance with the regulations. The meetings are held quarterly and are conducted in an open and bidirectional manner.

(2) The Company has set up employee feedback boxes in each plant for the employees to report any issues at work.

(3) A fully functional internal website (Portal): The contents include all important internal messages.

6. Working environment and protection for employees' personal safety

(1) The Company prioritized safety design when constructing new plants.

(2) The Company organizes regular employee health examination in accordance with the Labor Health Protection Act, as well as educational training in accordance with Occupational Safety and Health Education and Training Rules.

(3) Other than complying with the Occupational Safety and Health Act, the Company has set up occupational hazard prevention plan, hired full-time health management personnel, conducted regular environment inspections, and implemented automatic inspection guidelines to effectively prevent the occurrence of occupational diseases and occupational hazards. The Company has equally produced and posted labor safety and health slogans on its premises so that the employees can learn about safety knowledge and establish good environmental safety and health concepts.

(II) Losses suffered by the Company in the most recent two fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, the punishment dates, reference letter number, the articles and content of the law violated, and the content of the punishment), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the reasons why it cannot be made shall be provided:

There has been no material labor disputes in the most recent year up to the publication date of this Annual Report.

VI. Information and Communication Security Management

(I) State the risk management framework,policy and specific management plan of informationand communication security, and resources invested in it.

The Company has formulated an information security management policy to specify the information security priorities to be adopted in such aspects as employees, equipment, networks and application systems. The specific management scheme includes firewall construction, system backup, remote backup, user endpoint data backup, mandatory password complexity and change frequency, multi-factor authentication, anti-virus software, regular system security update, employee information security awareness training and other items.

(II) The losses and potential impact caused by material information security incidents in the most recent year and up to the publication date of the annual report shall be specified. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.

There has been no significant labor disputes inthe most recent year up to the publication date of this annual report.

VII. Important Contracts

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

Nature of contract	Party	Term	Major contents	Restrictive Clauses
Financing	CTBC Bank	September 12, 2022 to September 10, 2027	Loan	Financial Commitments: (a) Current ratio ≧ 120% (b) Debt ratio ≦ 120% (C) Financial liability/EBITDA ≦ 5 times
Financing	E. Sun Bank	September 13, 2023 to September 13, 2027	Loan	None.
Financing	Bank of Taiwan	June 19, 2018 to September 20, 2031	Loan	None.
Financing	Bank of Taiwan	September 13, 2023 to September 13, 2027	Loan	None.
Financing	Mega International Commercial Bank - Neihu	December 7, 2017 to December 7, 2032	Loan	None.
Financing	UBS GOV A/C	April 17, 2020 to September 30, 2027	Loan	None.
Financing	CIC GOV A/C	April 20, 2021 to April 20, 2026	Loan	None.
Nature of contract	Party	Term	Major contents	Restrictive Clauses
Financing	CIC	May 18, 2021 to May 15, 2025	Loan	None.
Financing	CIC	December 15, 2021 to December 15, 2026	Loan	None.
Financing	INFIMED	December 14, 2021 to November 14, 2026	Loan	None.
Financing	INFIMED	April 28, 2022 to April 27, 2027	Loan	None.
Financing	CIC	October 15, 2022 to October 15, 2027	Loan	None.
Financing	INFIMED	From August 01, 2022 to August 05, 2027	Loan	None.
Financing	INFIMED	November 17, 2022 to November 30, 2027	Loan	None.
Emergency technology application program of Southern Taiwan Science Park	Southern Taiwan Science Park Bureau, MOST	July 1, 2021 to June 30, 2022	Development of power sintering technology with high porosity to promote the growth of artificial joint bone	None.

Chapter 6. Financial Information

I. Condensed balance sheet and statement of comprehensive income for the most recent five years

(I) Condensed Balance Sheet - IFRS

Unit: NT$1,000

Item \ Year		Financial data from the last five years				
		2018	2019	2020	2021	2022
Current assets		2,381,014	2,314,600	2,619,590	2,419,573	2,641,465
Property, plant and equipment		1,491,953	1,488,791	1,429,199	1,373,902	1,454,499
Intangible assets		471,893	500,251	526,189	518,898	573,128
Other assets		504,972	940,962	1,012,224	932,455	946,431
Total assets		4,849,832	5,244,604	5,587,202	5,244,828	5,615,523
Current liabilities	Before distribution	1,600,383	1,262,533	1,679,211	1,929,327	1,736,306
	After distribution	1,761,285	1,331,677	1,767,981	1,929,327	(Note 1)
Non-current liabilities		999,091	1,048,143	982,961	494,860	789,341
Total liabilities	Before distribution	2,599,474	2,310,676	2,662,172	2,424,187	2,525,647
	After distribution	2,760,376	2,379,820	2,750,942	2,424,187	(Note 1)
Equity attributable to owners of parent		2,331,818	2,826,726	2,818,759	2,722,336	2,994,703
Share capital		804,509	904,209	883,898	881,116	881,116
Capital surplus		1,280,536	1,827,683	1,756,071	1,743,438	1,743,729
Reserved earnings	Before distribution	242,255	217,357	274,976	234,940	468,235
	After distribution	81,353	148,213	186,206	234,940	(Note 1)
Other equity interest		-95,482	-122,523	-96,186	-137,158	-98,377
Treasury stock		0	0	0	0	0
Non-controlling interests		18,540	107,202	106,271	98,305	95,173
Total Equity	Before distribution	2,250,358	2,933,928	2,925,030	2,820,641	3,089,876
	After distribution	2,089,456	2,864,784	2,836,260	2,820,641	(Note 1)

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

* Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

Note 1. The shareholders' meeting has not been held, hence the distribution value is not included.

Condensed statement of comprehensive income - IFRS

Unit: NT$1,000

Item \ Year	Financial data from the last five years				
	2018	2019	2020	2021	2022
Operating Revenue	2,332,247	2,436,700	2,342,226	2,570,866	3,168,680
Gross profit	1,601,486	1,736,541	1,646,797	1,843,250	2,355,716
Operating profit and loss	84,800	81,435	89,878	161,425	341,582
Non-operating income and expenses	22,649	9,306	19,277	-86,831	-38,561
Net income before tax	107,449	90,741	109,155	74,594	303,021
Continuing operations net income in this period	102,492	71,786	101,312	52,877	223,581
Loss from suspended operations	0	0	0	0	0
Net profit (loss)	102,492	71,786	101,312	52,877	223,581
Other comprehensive income for this period (net of tax)	-13,412	-39,094	14,224	-54,055	50,726
Total comprehensive income or loss for this period	89,080	32,692	115,536	-1,178	274,307
Net income attributable to shareholders of the parent	127,554	88,584	101,828	52,271	221,533
Net income attributable to non-controlling interests	-25,062	-16,798	-516	606	2,048
Comprehensive income (loss) attributable to owners of parent company	113,818	48,135	115,677	174	272,076
Comprehensive income (loss) attributable to non-controlling interests	-24,738	-15,433	-141	-1,352	2,231
Earnings per Share	1.61	1.11	1.24	0.37	2.84

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.
* Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

(II) Condensed balance sheet - IFRS individual financial report

Unit: NT$1,000

Item \ Year		Financial data from the last five years				
		2018	2019	2020	2021	2022
Current assets		1,873,328	1,707,132	1,919,484	1,881,928	2,142,404
Property, plant and equipment		1,027,850	1,013,441	928,922	869,164	806,111
Intangible assets		76,478	109,440	146,574	147,586	157,844
Other assets		1,290,864	1,725,424	1,839,915	1,662,337	1,664,155
Total assets		4,268,520	4,555,437	4,834,895	4,561,015	4,770,514
Current liabilities	Before distribution	1,143,067	808,161	1,172,814	1,525,830	1,173,815
	After distribution	1,303,969	877,305	1,261,584	1,525,830	(Note 1)
Non-current liabilities		893,635	920,550	843,322	312,849	601,996
Total liabilities	Before distribution	2,036,702	1,728,711	2,016,136	1,838,679	1,775,811
	After distribution	2,197,604	1,797,855	2,104,906	1,838,679	(Note 1)
Equity attributable to owners of parent		2,231,818	2,826,726	2,818,759	2,722,336	2,994,703
Share capital		804,509	904,209	883,898	881,116	881,116
Capital surplus		1,280,536	1,827,683	1,756,071	1,743,438	1,743,729
Reserved Earnings	Before distribution	242,255	217,357	274,976	234,940	468,235
	After distribution	81,353	148,213	186,206	234,940	(Note 1)
Other equity interest		-95,482	-122,523	-96,186	-137,158	-98,377
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,231,818	2,826,726	2,818,759	2,722,336	2,994,703
	After distribution	2,070,916	2,757,582	2,729,989	2,722,336	(Note 1)

＊ Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

＊ Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

Note 1. The shareholders' meeting has not been held, hence the distribution value is not included.

Note 2. Financial information of above years has been reviewed and verified by accountants, adopting IFRS.

Condensed statement of comprehensive income - IFRS individual financial report

Unit: NT$1,000

Year / Item	Financial data from the last five years				
	2018	2019	2020	2021	2022
Operating Revenue	1,789,376	1,576,184	1,576,014	1,682,232	2,149,743
Gross profit	914,694	887,981	758,067	835,172	1,073,133
Operating profit and loss	216,377	174,871	140,498	199,967	326,138
Non-operating income and expenses	-95,785	-87,270	-36,069	-119,536	-27,050
Net income before tax	120,592	87,601	104,429	80,431	299,088
Continuing operations net income in this period	127,554	88,584	101,828	52,271	221,533
Loss from suspended operations	0	0	0	0	0
Net profit (loss)	127,554	88,584	101,828	52,271	221,533
Other comprehensive income for this period (net of tax)	-13,736	-40,449	13,849	-52,097	50,543
Total comprehensive income or loss for this period	113,818	48,135	115,677	174	272,076
Earnings per Share	1.61	1.11	1.24	0.37	2.84

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.
* Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

Note 1. Note: Financial information of above years has been reviewed and verified by accountants, adopting IFRS.

(III) Condensed balance sheet and statement of comprehensive income - Accounting Standards for Business Enterprises of my country: Not applicable.N/A.

(IV) Name of the CPA for the Most Recent Five Years and Audit Opinions

Audit year	Accounting firm	Name of the accountants	Audit opinion
2018	PwC Taiwan	Zhang Zhi-Ming, Hunag Jian-Ze	Unqualified opinion
2019	PwC Taiwan	Ma, Chun-Ting, Huang, Chien-Tse	Unqualified opinion
2020	PwC Taiwan	Ma, Chun-Ting, Huang, Chien-Tse	Unqualified opinion
2021	PwC Taiwan	Ma, Chun-Ting, Huang, Chien-Tse	Unqualified opinion
2022	PwC Taiwan	Ma, Chun-Ting, Hsu, Jung-Huang	Unqualified opinion

II. Financial analysis for the most 5 recent fiscal years

(I) Financial analysis - IFRS

Items	Year	Financial analysis for the most 5 recent fiscal years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	53.59	44.05	47.64	46.22	44.98
	Long-term capital to property, plant, and equipment ratio	217.79	267.49	273.43	241.32	266.70
Solvency (%)	Current ratio	148.77	183.33	156.00	125.41	152.13
	Liquidity ratio	77.09	89.25	86.69	67.00	75.19
	Interest coverage ratio	5.00	3.71	4.47	5.22	13.57
Operation performance	Receivables turnover rate (times)	4.05	4.00	4.18	4.43	4.39
	Average days of collection	90	91	87	82	83
	Inventory turnover rate (times)	0.70	0.62	0.61	0.65	0.67
	Accounts payable turnover rate (times)	6.43	6.25	5.92	6.60	6.04
	Average days of sale	515	581	595	561	544
	Property, plant and equipment turnover rate (times)	1.65	1.64	1.60	1.83	2.24
	Total assets turnover rate (times)	0.51	0.48	0.43	0.47	0.58
Profitability	Return on assets (%)	2.72	1.95	2.33	1.23	4.47
	Return on equity (%)	4.58	2.76	3.45	1.84	7.56
	Ratio of profit before income tax to paid-in capital (%)	4.77	3.21	3.87	2.74	10.11
	Net income ratio (%)	4.39	2.94	4.32	2.05	7.05
	Earnings per share (NT$)	1.61	1.11	1.24	0.37	2.84
Cash flow	Cash flow ratio (%)	1.14	41.11	29.80	17.73	20.55
	Cash flow adequacy ratio (%)	22.03	36.79	47.00	59.32	86.80
	Cash re-investment ratio (%)	-2.52	9.24	11.08	7.21	8.54
Leverage	Operating leverage	12.84	13.51	12.25	7.52	4.73
	Financial leverage	1.46	1.69	1.53	1.12	1.07

Description of causes for changes to various financial ratios in the most recent two years. (analysis would not be required if the change is within 20%)

(1) Current ratio: mainly due to the decrease in cash as a result of the repayment of corporate bonds in the current period and the decrease in corporate bonds due within one year or within one operating cycle or the exercise of put options, and the increase in accounts receivable and inventories in the current period.

(2) Interest coverage ratio: Mainly due to the increase in profit and the increase in income tax and interest expenses compared with the previous period as a result of the increase in sales revenue and gross profit of sales in the current period.

(3) Turnover rate of property, plant and equipment: Mainly due to the increase in the current period's performance growth and revenue compared with the previous period.

(4) Turnover rate of total asset : mainly due to the growth of sales revenue in this period compared with the previous period.

(5) Return on assets: Mainly due to the increase in profit and interest expenses in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.

(6) Return on equity: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.

(7)	The ratio of pre-tax net profit to paid-in capital: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.
(8)	Net profit ratio: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.
(9)	Earnings per share: mainly due to the increase in revenue growth, gross profit and exchange benefits in the current period, which led to an increase in profit in the current period and an increase in earnings per share compared with the previous period.
(10)	Net cash flow adequacy ratio: mainly due to the increase of capital expenditure and inventory compared with the previous period in this year and the non-distribution of cash dividends in this year.
(11)	Operating leverage: Due to increase in sales income,sales marginal profit for this current period leading to operating income increase compared to the previous period.

＊ Companies having produced an individual financial report shall produce an analysis report on individual financial ratios.

＊ Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

Individual financial analysis - IFRS

Items		Financial analysis for the most 5 recent fiscal years (Year)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	47.71	37.94	41.70	40.31	37.22
	Long-term capital to property, plant, and equipment ratio	304.07	369.75	394.22	349.20	446.17
Solvency (%)	Current ratio	163.88	211.23	163.66	123.33	182.51
	Liquidity ratio	100.00	121.62	110.40	83.08	124.96
	Interest coverage ratio	8.60	5.20	5.19	6.89	20.19
Operation performance	Receivables turnover rate (times)	2.45	2.06	2.28	2.27	2.18
	Average days of collection	148	176	159	160	167
	Inventory turnover rate (times)	1.24	1.03	1.20	1.31	1.59
	Accounts payable turnover rate (times)	10.67	10.49	8.92	8.81	8.86
	Average days of sale	292	352	304	276	228
	Property, plant and equipment turnover rate (times)	1.75	1.55	1.62	1.87	2.56
	Total assets turnover rate (times)	0.44	0.35	0.33	0.35	0.46
Profitability	Return on assets (%)	3.48	2.38	2.59	1.34	5.01
	Return on equity (%)	5.75	3.50	3.60	1.88	7.75
	Ratio of profit before income tax to paid-in capital (%)	5.40	3.09	3.70	2.95	9.98
	Net income ratio (%)	7.12	5.62	6.46	3.10	10.30
	Earnings per share (NT$)	1.61	1.11	1.24	0.37	2.84
Cash flow	Cash flow ratio (%)	1.14	68.54	42.49	18.29	15.36
	Cash flow adequacy ratio (%)	36.85	63.02	84.44	111.63	166.70
	Cash re-investment ratio (%)	-2.60	10.27	11.48	5.93	4.84
Leverage	Operating leverage	4.32	4.37	5.50	4.28	3.47
	Financial leverage	1.07	1.13	1.21	1.07	1.05

Description of causes for changes to various financial ratios in the most recent two years. (analysis would not be required if the change is within 20%).

(1) The ratio of long-term funds to property, plant and equipment: mainly due to the increase in profit in the current period and long-term borrowings.

(2) Current ratio: mainly due to the decrease in cash as a result of the repayment of corporate bonds in the current period and the decrease in corporate bonds due within one year or within one operating cycle or the exercise of put options, and the increase in accounts receivable, accounts receivable from related parties and inventories in the current period.

(3) Quick ratio: mainly due to the decrease in cash as a result of the repayment of corporate bonds in the current period and the decrease in corporate bonds due within one year or within one operating cycle or the exercise of put options, and the increase in accounts receivable, accounts receivable from related parties and inventories in the current period.

(4) Interest coverage ratio: Mainly due to the increase in profit and the increase in income tax compared with the previous period as a result of the increase in sales revenue and gross profit of sales in the current period.

(5) Inventory turnover: mainly due to the increase in the cost of sales as a result of the increase in sales revenue in the current period.

(6) Turnover rate of property, plant and equipment: Mainly due to the increase in the current period's performance growth and revenue compared with the previous period.

(7) Turnover rate of total asset : mainly due to the growth of sales revenue in this period compared with the previous period.

(8) Return on assets: Mainly due to the increase in profit and interest expenses in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.

(9) Return on equity: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period.

(10) The ratio of pre-tax net profit to paid-in capital: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period. (11) Net profit ratio: mainly due to the increase in profit in the current period as a result of the increase in sales revenue, gross profit on sales and exchange benefits in the current period. (12) Earnings per share: mainly due to the increase in sales revenue, gross profit on sales and exchange benefits in the current period, resulting in profit in the current period and undistributed preference dividends. (13) Net cash flow adequacy ratio: mainly due to the decrease in net cash inflow from operating activities in the past five years, the increase in capital expenditures and inventory compared with the previous period, and the undistributed cash dividends.

＊ Companies having produced an individual financial report shall produce an analysis report on individual financial ratios.

＊ Companies having adopted IFRS for financial reporting for less than five years shall compile additional and accounting guidelines enforced domestically. For details, please refer to data of table (2) below.

■ Calculation formula for financial analysis as follows:

1. Financial Structure
   (1) Debt-to-asset ratio = total liabilities/total assets.
   (2) Proportion of long-term funds in property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense)/current liabilities.
   (3) Interest coverage ratio = net income before income tax and interest expense/current interest expense.
3. Operation performance
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue/average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365/receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold/average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold/average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365/inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E
   (7) Total asset turnover rate = net sales/average total assets.
4. Profitability
   (1) Return on assets ＝ (net income + interest expense (1 – tax rate))/average total assets.
   (2) Return on equity = net income/average total equity.
   (3) Net profit margin = net income/net sales.
   (4) Earnings per share = (net income (loss) attributable to owners of parent Company – dividends on preferred shares)/weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross fixed assets value + long-term investment + other assets + working capital). (Note 5)
6. Leverage:
   (1) Degree of operating leverage (DOL) = (Net operating revenue - operating change costs and expenses)/operating profit (Note 6).

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

Note 4. Special attention shall be paid to the following matters when using the EPS calculation formula listed above:

1. The calculation shall be based on the weighted average number of shares of common stock instead of the number of issued shares at the end of the year.
2. Where there is cash replenishment or treasury stock transaction, the circulation period should be considered when calculating the weight average number of shares.
3. In the case of capital increase by surplus or by capital reserve, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.
4. If the preferred share cannot be converted into cumulative preferred shares, then the dividend of the year (whether it has been issued or not) shall be deducted from net income after tax (NIAT), or included as a net loss after tax. If a preference share is designated as non-cumulative, the dividend of the preference share should be deducted from the net profit after tax if net profit after tax exists; no adjustment is required in case of loss.

Note 5. Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stocks and preference shares.
5. The gross value of PP&E refers to the total value of PP&E minus accumulated depreciation.

Note 6. The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, attention should be paid to its rationality and consistency.

Note 7. Where company shares have no par value or where the par value per share is not NT$10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owner of the parent company in the asset balance sheet.

(II) Financial analysis -R.O.C. Enterprise Accounting Standards: N/A

III. Audit Report from the Supervisors or Audit Committee in the Past Fiscal Year

United Orthopedic

Audit Committee's Audit Report

The Board of Directors prepared the Company's 2020 Business Report, Financial Statements, Consolidated Financial Statements, and Earnings Distribution Plan, which were reviewed and considered to be correct and accurate by the Audit Committee. Pursuant to Article 2022 of the Company Act, we hereby submit this report for your reference.

Regards

Annual Shareholder's Meeting 2023

United Orthopedic

Convener of the Audit Committee:Wu, Meng-Da

March 21, 2023

IV. Latest annual financial report, including the Independent Auditors' Report, two years of balance sheets for comparison, statement of comprehensive income, statement of changes in equity, statement of cash flow, and annotations or annexed tables.

Representation Letter

In 2022 (from January 1, 2022 to December 31, 2022), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

Sincerely,

Company Name: United Orthopedic Corporation
Chairman: Lin, Yan-Shen

March 21, 2023

Independent Auditors' Report

To United Orthopedic Corporation:

Audit opinion

The consolidated balance sheets of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as of December 31, 2022 and December 31, 2021, and the consolidated statements of profit and loss, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements as of January 1 to December 31, 2022 and January 1 to December 31, 2021 (including the summary of significant accounting policies) have been audited and verified by the Company's accountants.

In the opinion of our accountants, the above consolidated financial statements are, in all material respects, prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved and promulgated by the Financial Supervisory Commission, and are sufficient to fairly represent the combined financial position of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as at 31 December 2022 and 31 December 2021, and the combined financial performance and consolidated cash flows as at 1 January to 31 December, 2022 and 2021.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the section titled "Auditors' responsibilities for the audit of the consolidated financial statements" of our report. We are independent of United Orthopedic Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters refer to the most important matters regarding the audit of the consolidated financial statements of United Orthopaedic Equipment Co., Ltd. and its subsidiaries for 2022 according to the professional judgment of our accountant. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinions; hence, the CPA shall not express separate opinions on these items.

Inventory valuation

The net inventory of United Orthopedic Equipment Co., Ltd. and its subsidiaries on December 31, 2022 was NT $1,300,959 (thousand), accounting for 23% of the total consolidated assets, which is significant for the consolidated financial statements. Because of the innovation of orthopedic equipment production technology, the inventory might be outdated or the selling price might fall. It is estimated that net realizable value and loss for obsolete and slow-moving inventories have involved significant management judgment. We believe that the inventory valuation is important for the audit of the consolidated financial statements, so the inventory valuation is determined as key audit matters. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Key audit matters (Continued)

Revenue recognition

United Orthopaedic Equipment Co., Ltd. and its subsidiaries mainly sell products such as orthopaedic equipment - artificial knee joint, artificial knee joint, wound and substitute work products. In 2022, the revenue of NT$3,168,680 (thousand) was recognized, which is significant for the consolidated financial statements. Because of the characteristics of the industry, it is necessary to wait for the clients to obtain control of the product so as to satisfy the obligation of fulfilling contracts. We believe that the recognition of contract revenue of the Company is important for the audit of the consolidated financial statements, so it is determined as a key audit matter. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of intangible assets arising from internal development

United Orthopaedic Equipment Co., Ltd. and its subsidiaries' net carrying amount of intangible assets was NT $79,997 (thousand) on December 31, 2021, which is significant for the consolidated financial statements. United Orthopedic Corporation and its subsidiaries invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation and its subsidiaries needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

Responsibilities of the management and governance bodies for the consolidated financial statements

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs, IASs, IFRICs, and SICs endorsed by the Financial Supervisory Commission with effective dates, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

Responsibilities of the management and governance bodies for the consolidated financial statements

In preparing the consolidated financial statements, the management is responsible for assessing the ability of United Orthopedic Corporation and its subsidiaries in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the United Orthopedic Corporation and its subsidiaries or cease the operations, or has no realistic alternative but to do so.

The governance bodies of United Orthopedic Corporation and its subsidiaries (including the Audit Committee or Supervisors) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

We have exercised our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. The accountant will also perform the following duties:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain necessary knowledge concerning internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Orthopedic Corporation and its subsidiaries' internal control.

3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on United Orthopedic Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in United Orthopedic Corporation and its subsidiaries ceasing to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.

The certified public accountant' responsibilities in the audit of the consolidated financial statements (Continued)

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within United Orthopedic Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

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

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

From the communication with the governance unit, the accountant decided on the key items for the audit of the consolidated financial statements of United Orthopaedic Equipment Co., Ltd. and its subsidiaries in 2022. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

United Orthopedic Corporation has also prepared individual financial statements for 2022 and 2021, which we had audited and issued an unqualified opinion.

Ernst & Young

Approval Number from Competent Authority for the Auditing and Attestation of Public Companies' Financial Statements by Certified Public Accountants:

Approved Document: Jin-Guan-Zheng-Shen-Zi No. 1060027042

Financial Supervisory Securities Official Letter No. VI-0930133943

Ma Chun-Ting

CPA:

Hsu Jung-Huang

March 21, 2023

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Assets Code	Accounting Items	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$398,057	7	$638,683	12
1110	Financial assets at fair value through profit or loss - current	IV and VI.2	13,401	-	-	-
1150	Notes receivable, net	IV, VI.5and VI.21	1,412	-	2,377	-
1170	Net accounts receivable	IV, VI.6and VI.21	752,421	14	546,882	10
1180	Notes receivable - related parties, net	IV, VI.6, VI.21and VII	92,344	2	46,719	1
1197	Net Finance Lease Receivable	IV, VI.7 and VI.22	2,625		-	-
1200	Other receivables	4 & 7	14,407	-	29,225	1
1210	Other receivables - related parties	4 & 7	1,194	-	5	-
1220	Current income tax assets	IV and VI.26	1,591	-	2,582	-
130x	Inventories	IV and VI.8	1,300,959	23	1,102,576	21
1410	Prepayments		58,473	1	32,251	1
1470	Other current assets		4,581	-	18,273	-
11xx	Total current assets		2,641,465	47	2,419,573	46
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	IV and VI.3	52,351	1	52,872	1
1535	Financial assets at amortized cost - non-current	IV, VI.4and VIII	7,980	-	9,820	-
1550	Investments Accounted for Using the Equity Method	IV and VI.9	422,988	8	517,580	10
1600	Property, Plant, and Equipment	IV, VI.10and VIII	1,454,499	26	1,373,902	26
1755	Right-of-use assets	IV, VI. 22	203,956	4	208,093	4
1780	Intangible assets	IV, VI.11and VI.12	573,128	10	518,898	10
1840	Deferred income tax assets	IV and VI.26	103,954	2	97,935	2
1900	Other non-current assets	7	136,256	2	46,155	1
194D	Net long-Term Finance Lease Receivables	IV, VI.7 and VI.22	10,633	-	-	-
1975	Net defined benefit assets - non-current	IV and VI.17	8,313	-	-	-
15xx	Total non-current assets		2,974,058	53	2,825,255	54
1xxx	Total assets		$5,615,523	100	$5,244,828	100

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

	Liabilities and Equity		December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term loans	IV and VI.13	$773,029	14	$785,946	15
2120	Financial Liabilities at Fair Value through Profit or Loss - Current	IV, VI.14and VI.15	-	-	6,250	-
2130	Contract liabilities - current	IV and VI.20	10,405	-	8,631	-
2150	Notes payable	IV	2,235	-	427	-
2170	Accounts Payable	IV	134,721	2	82,041	2
2180	Accounts payable - related parties	4 & 7	18,451	-	28,754	1
2200	Other payables	IV	595,135	11	409,001	8
2220	Other payables - related parties	4 & 7	1,553	-	13	-
2230	Current income tax liabilities	IV and VI.26	78,107	1	45,979	1
2280	Lease liabilities - current	IV and VI.22	27,470	1	24,774	-
2300	Other current liabilities	7	35,514	1	31,864	1
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	IV and VI.15	-	-	484,555	9
2322	Long-term loan due within one year or one operating cycle	IV, VI.16and VIII	59,686	1	21,092	-
21xx	Total current liabilities		1,736,306	31	1,929,327	37
	Non-current Liabilities					
2540	Long-term loans	IV, VI.16and VIII	527,838	10	216,974	4
2570	Deferred income tax liabilities	IV and VI.26	11,464	-	12,618	-
2580	Lease liabilities - non-current	IV and VI.22	182,899	3	188,160	4
2600	Other non-current liabilities		1,446	-	1,446	-
2630	Long-term deferred income	VI.9	65,694	1	72,239	1
2640	Net defined benefit liabilities - non-current	IV and VI.17	-	-	3,423	-
25xx	Total non-current liabilities		789,341	14	494,860	9
2xxx	Total liabilities		2,525,647	45	2,424,187	46

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Code	Liabilities and Equity Accounting Items	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
31xx	Equity attributable to owners of parent company	IV. VI.18and VI.28				
3100	Capital Stock					
3110	Capital stock - common shares		781,316	14	781,116	15
3120	Capital - preferred stock		99,800	2	100,000	2
	Total capital		881,116	16	881,116	17
3200	Capital surplus		1,743,729	31	1,743,438	33
3300	Retained earnings					
3310	Legal reserve		102,629	2	97,755	2
3320	Special reserve		132,311	2	88,451	2
3350	Undistributed earnings		233,295	4	48,734	1
	Total retained earnings		468,235	8	234,940	5
3400	Other equity					
3410	Exchange differences on translation of financial statements of foreign operations		(93,938)	(2)	(133,265)	(3)
3420	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income		(4,439)	-	(3,893)	-
	Total other equity		(98,377)	(2)	(137,158)	(3)
31xx	Total equity attributable to owners of parent company		2,994,703	53	2,722,336	52
36xx	Non-controlling Interests		95,173	2	98,305	2
3xxx	Total equity		3,089,876	55	2,820,641	54
	Total liabilities and equity		$5,615,523	100	$5,244,828	100

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

			2022		2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
4000	Operating revenue	IV, VI.20and VII	$3,168,680	100	$2,570,866	100
5000	Operating costs	IV, VI.8, VI.22, VI.23and VII	805,697	25	729,522	28
5900	Gross profit		2,362,983	75	1,841,344	72
5910	Unrealized sales profit		(7,267)	-	-	-
5920	Realized sales gain		-	-	1,906	-
5950	Net gross profit		2,355,716	75	1,843,250	72
6000	Operating expenses	IV. VI.21, VI.22and VI.23				
6100	Selling and marketing expenses		1,588,515	50	1,315,437	51
6200	General and administrative expenses		258,451	8	222,316	9
6300	R&D expenses		167,257	5	143,675	6
6450	Expected credit impairment(benefits)gain/loss		(89)	-	397	-
	Total operating expenses		2,014,134	63	1,681,825	66
6900	Operating profit		341,582	12	161,425	6
7000	Non-operating income and expenses	IV, VI.9, VI.24and VII				
7100	Interest income		4,392	-	2,010	-
7010	Other income		34,113	1	26,317	1
7020	Other gains and losses		41,680	1	(48,020)	(2)
7050	Finance costs		(24,106)	(1)	(17,641)	(1)
7060	Share of the loss of associates and joint ventures accounted for using the equity method		(94,640)	(3)	(49,497)	(2)
	Total non-operating income and expenses		(38,561)	(2)	(86,831)	(4)
7900	Income before tax		303,021	10	74,594	2
7950	Income tax expenses	IV and VI.26	(79,440)	(3)	(21,717)	(1)
8200	Net profit for the period		223,581	7	52,877	1
8300	Other comprehensive income	IV and VI.25				
8310	Components that will not be reclassified to profit or loss					
8311	Gains (losses) on re-measurements of defined benefit plans		11,762	-	(3,389)	-
8316	Investments in equity instruments at fair value through other comprehensive income					
	Unrealized valuation losses		(521)	-	(295)	-
8360	Components that may be reclassified to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operations		32,170	1	(46,055)	(2)
8370	Share of other comprehensive income (loss) of affiliates and joint ventures accounted for using the equity method					
	- items that may be subsequently reclassified into profit or loss		7,315	-	(4,316)	-
	Other Comprehensive Income (Net After Tax) of Current Period		50,726	1	(54,055)	(2)
8500	Total amount of comprehensive income (loss) for this period		$274,307	8	$(1,178)	(1)
8600	Net Income Attributable to:					
8610	Owners of parent company		$221,533		$52,271	
8620	Non-controlling Interests		2,048		606	
	Total		$223,581		$52,877	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		$272,076		$174	
8720	Non-controlling Interests		2,231		(1,352)	
	Total		$274,307		$(1,178)	
	Earnings per share(NT$)	IV and VI.27				
9750	Basic earnings per share		$2.84		$0.37	
9850	Diluted earnings per share		$2.51		$0.37	

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

		Equity attributable to owners of parent company											
		Capital Stock			Retained earnings			Other equity items					
Code	Item	Capital stock - common shares	Capital - preferred stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation (loss)gain on financial assets measured at fair value through other comprehensive income	Employees' unearned remuneration	Equity attributable to owners of parent	Non-controlling Interests	Total Equity
		3100	3120	3200	3310	3320	3350	3410	3420	3491	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$2,818,759	$106,271	$2,925,030
	Earnings distribution in 2020												
B1	Legal reserve	-	-	-	8,451	-	(8,451)	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	-	(65,370)	-	-	-	(65,370)	-	(65,370)
B7	Cash dividend of extraordinary stock	-	-	-	-	-	(23,400)	-	-	-	(23,400)	-	(23,400)
B17	Special reserve reversal	-	-	-	-	(12,709)	12,709	-	-	-	-	-	-
D1	Net profit for year 2021	-	-	-	-	-	52,271	-	-	-	52,271	606	52,877
D3	Other comprehensive income in 2021	-	-	-	-	-	(3,389)	(48,447)	(261)	-	(52,097)	(1,958)	(54,055)
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	48,882	(48,447)	(261)	-	174	(1,352)	(1,178)
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
L3	Retirement of treasury stock		-		-	-		-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	(148)	-	-	-	(148)	148	-
N2	Share-based payment transaction - new restricted employee shares	(2,782)	-	(12,633)	-	-	-	-	-	7,736	(7,679)	-	(7,679)
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,762)	(6,762)
Z1	Balance as of December 31, 2021	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$2,722,336	$98,305	$2,820,641
A1	Balance as of January 1, 2022	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$2,722,336	$98,305	$2,820,641
	Earnings distribution in 2021												
B1	Legal reserve	-	-	-	4,874	-	(4,874)	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	43,860	(43,860)	-	-	-	-	-	-
D1	Net profit for year 2022	-	-	-	-	-	221,533	-	-	-	221,533	2,048	223,581
D3	Other comprehensive income in 2022	-	-	-	-	-	11,762	39,327	(546)	-	50,543	183	50,726
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	233,295	39,327	(546)	-	272,076	2,231	274,307
J1	convertible special share conversion	200	(200)	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	291	-	-	-	-	-	-	291	(291)	-
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(5,072)	(5,072)
Z1	Balance as of December 31, 2022	$781,316	$99,800	$1,743,729	$102,629	$132,311	$233,295	$(93,938)	$(4,439)	$-	$2,994,703	$95,173	$3,089,876

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

Code	Item	2022 Amount	2021 Amount
AAAA	Cash flow from operating activities:		
A10000	Current net income before tax	$303,021	$74,594
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	298,087	275,766
A20200	Amortization expenses	37,170	33,967
A20300	Expected credit impairment (benefits) gain/loss	(89)	397
A20400	Net loss on financial assets and liabilities measured at fair value through profit or loss	7,507	4,532
A20900	Interest expenses	24,106	17,641
A21200	Interest income	(4,392)	(2,010)
A21900	Share-based payment remuneration cost	-	(7,679)
A22300	Share of the loss of associates and joint ventures accounted for using the equity method	94,640	49,497
A22500	Profit of disposal of property, plant, and equipment	(587)	(2,913)
A22800	Loss on disposal of intangible assets	-	1,730
A24000	Realized sales gain	-	(1,906)
A24100	Unrealized sales profit	7,267	-
A24200	gain on repurchase of corporate bonds payable	(816)	-
A29900	Other income	(8,264)	(1,170)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in notes receivable	965	(784)
A31150	Increase in accounts receivable	(198,004)	(63,647)
A31160	(Increase) decrease in accounts receivable - related parties	(131,609)	32,769
A31180	Decrease (increase) in other receivables	3,570	(22,368)
A31190	Other receivables - increase in related parties	(1,189)	-
A31200	(Increase) decrease in inventories	(231,173)	2,153
A31230	(Increase) decrease in prepayments	(26,222)	10,778
A31240	(Increase) decrease in other current assets	13,692	(12,701)
A32125	Increase in contractual liabilities	1,774	4,788
A32130	Increase (decrease) in notes payable	1,808	(1,039)
A32150	Increase (decrease) in accounts payable	20,298	(1,833)
A32160	Accounts payable - increase (decrease) in related parties	(10,303)	4,376
A32180	Increase (decrease) in other payables	188,391	(32,864)
A32190	Other payables - increase (decrease) in related parties	1,540	(42)
A32230	Increase (decrease) in other current liabilities	2,706	(4,427)
A32240	Increase (decrease) in net defined benefit liabilities	26	(31)
A33000	Cash inflow generated from operations	393,920	357,574
A33100	Interest received	3,732	2,457
A33500	Income tax paid	(40,812)	(17,962)
AAAA	Net cash flows generated from operating activities	356,840	342,069

Code	Item	2022 Amount	2021 Amount
BBBB	Cash flow from investment activities:		
B00040	Acquisition of financial assets at amortized cost	(5,297)	-
B00050	Proceeds from sale of financial assets at amortized cost	7,137	6,033
B00100	Acquisition of financial assets at fair value through profit or loss	(15,000)	-
B00200	Disposal of financial assets at fair value through profit or loss	-	28,321
B02200	Acquisition of subsidiaries (deduct cash received)	4,392	-
B02700	Acquisition of property, plant, and equipment	(293,031)	(192,521)
B02800	Disposal of property, plant and equipment	16,501	9,771
B03700	Increase in refundable deposits	(4,126)	(3,670)
B04500	Acquisition of intangible assets	(83,029)	(27,712)
B04600	Disposal of intangible assets	-	30
B06100	Decrease in lease receivables	2,252	-
B06700	Increase in other non-current assets	(2)	-
B07100	Increase in prepayments for business facilities	(10,150)	(6,973)
BBBB	Net cash flows used in investing activities	(380,353)	(186,721)
CCCC	Cash from financing activities:		
C00100	Increase in short-term loans	3,285,215	2,421,916
C00200	Decrease in short-term loans	(3,311,073)	(2,607,758)
C01300	Repayments of bonds	(500,000)	-
C01600	Proceeds from long-term loans	375,726	76,851
C01700	Repayments of long-term loans	(31,088)	(81,016)
C03000	Decrease in deposits received	-	(54)
C04020	Repayment of lease principal	(30,549)	(27,919)
C04500	Cash dividends paid	-	(88,770)
C05600	Interest paid	(14,238)	(8,472)
C05800	Changes in non-controlling interests	(5,072)	(6,762)
CCCC	Net cash flows used in financing activities	(231,079)	(321,984)
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	13,966	(33,611)
EEEE	Increase(decrease)in cash and cash equivalents in the current period	(240,626)	(200,247)
E00100	Beginning balance of cash and cash equivalents	638,683	838,930
E00200	Cash and cash equivalents at end of the period	$398,057	$638,683

(Please refer to the notes to the consolidated financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2022
and January 1 to December 31, 2021
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

United Orthopedic Corporation (hereinafter referred to as "the Company") was established on March 5, 1993. Its primary operations include research, development, production, manufacturing, and sales of orthopedic implants and orthopedic surgical instruments; manufacturing equipment, special metal and plastics materials, as well as the import and export of aforementioned products.

The Company's common shares were publicly listed in Taipei Exchange (TPEx) on July 5, 2004, and began transactions on September 29, 2004. Its registered office and the main operations base are located at No. 57, Yuanqu 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan (R.O.C.).

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the Group) for January 1 to December 31, 2022 and 2021 were issued by the Board of Directors on March 21, 2023.

III. Application of New and Amended Standards and Interpretations

1. Changes in accounting policies due to the first-time adoption of the International Financial Reporting Standards (IFRSs):

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by Financial Supervisory Commission (FSC) and applicable since January 1, 2022. First-time application of new standards and amendments has no significant impact on the Group.

2. As of the date of issuance of the financial statements, the Group has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)	January 1, 2023

(1) Disclosure Initiative - Accounting Policies (Amendments to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

(2) Definition of Accounting Estimates (Amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

(3) Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)

This amendment limits the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS 12, "Income Taxes", so that the exemption does not apply to transactions that give rise to the same amount of taxable and deductible temporary differences on initial recognition.

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and have been approved by HKFAS for fiscal years beginning on or after January 1, 2023. The Group assesses that the newly issued or amended standards or interpretations have no significant impact on the Group.

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

3. As of the date of issuance of the financial statements, the Group has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
4	Lease liability in a sale and leaseback (amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (amendments to IAS 1)	January 1, 2024

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

The plan deals with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28 so that gains or losses shall be recognized in full for sale or contribution of assets that constitute a business as defined in IFRS 3.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary, that does not constitute a business as defined in IFRS 3, between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

(2) IFRS 17 "Insurance Contracts"

This Standard provides a model for the comprehensiveness of insurance contracts, including all accounting-related components (recognition, measurement, expression and disclosure principles), with the general model at the core of the Standard, under which the insurance contract group is originally recognized by the sum of the cash flows from performance and the margin of contractual services; the carrying amount at the end of each reporting period is the sum of the residual safeguard liability and the incurred physiological liability.

In addition to the general model, it also provides specific applicable methods for contracts with direct participation characteristics (variable fee approach); and simplified methods for short-term contracts (premium allocation approach).

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to the fiscal year beginning on or after January 1, 2023 (from the original effective date of January 1, 2021) and additional transition reliefs are provided. Some requirements are simplified to reduce the costs of applying IFRS 17 and some requirements are revised to make certain conditions easier to explain. IFRS 17 replaces an interim standard - IFRS 4 "Insurance Contracts" - from annual reporting periods beginning on or after January 1, 2023.

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

This amendment targets sections 69-76 in IAS 1 "Presentation of Financial Statements" concerning the classification of liability as either current or non-current.

(4) Lease liability in a sale and leaseback (amendments to IFRS 16)

This is consistent with one of the additional accounting treatments added by the seller and lessee in a sale and leaseback transaction to enhance IFRS 16 “Lease”.

(5) Non-current Liabilities with Covenants (amendments to IAS 1)

This amendment enhances the ability of companies to provide information about long-term debt contracts. It specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting date for the purposes of classifying a liability as current or non-current.

For the aforementioned standards or interpretations announced by the IASB but have not yet approved by the FSC, the actual adoption date will be made in accordance with the FSC. The Group has evaluated that the aforementioned newly announced or amended standards or interpretations do not pose material effects on the Group.

IV. Summary of Significant Accounting Policies

1. Compliance declaration

The Group's consolidated financial statements from January 1 to December 31, 2022 and 2021, were prepared in accordance with the Standards for the Preparation of Financial Statements by Issuers of Securities and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved by the FSC.

2. Preparation basis

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars unless otherwise stated.

3. Basis of Consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, 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 Corporation controls an investee if and only if it has:

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

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

(1) The contractual arrangement with the other voting right holders of the investee
(2) Rights arising from other contract agreements
(3) Voting rights and potential voting rights

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three control elements.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are adjusted to be in line with the accounting period and accounting policies used by the parent company. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

If the Group loses control of a subsidiary, it:

(1) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;

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

(2) Derecognizes the carrying amount of any NCI;
(3) Recognizes the fair value of the consideration received;
(4) Recognizes the fair value of any investment retained;
(5) Recognizes any surplus or deficit in profit or loss; and
(6) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership 2022.12.31	Percentage of Ownership 2021.12.31	Remark
The Company	UOC America Holding Corporation	Sales and investment	-	100.00%	Note 1
The Company	UOC Europe Holding SA	Sales and investment	96.00%	96.00%	
The Company	United Orthopedic Japan Inc.	Sales	95.00%	92.00%	Note 3
The Company	A-Spine Asia Co., Ltd.	Sales, investment and manufacturing	74.90%	74.90%	
The Company	United Orthopedic (Australia) Pty Ltd	Sales	100.00%	-	Note 4
The Company	UOC USA, Inc.	Sales	100.00%	-	Note 1
UOC America Holding Corporation	UOC USA, Inc.	Sales	-	100.00%	Note 1
UOC Europe Holding SA	UOC (Suisse) SA	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC (France)	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC Belgium	Sales	100.00%	100.00%	
UOC Europe Holding SA	United Orthopedics Limited	Sales	100.00%	-	Note 2

Note 1. On April 28, 2021, the Board of Directors resolved to liquidate UOC America Holding Coporation, and the Company directly held the equity interest in UOC USA, Inc. As of February 28, 2022, the consolidated basis date, the Company directly held UOC USA, Inc. Equity, in addition to UOC America Holding Coporation, was liquidated on March 21, 2011 and has been registered with the Financial Services Commission of the British Virgin Islands.

Note 2. The Group invested in United Orthopedics Limited in the first quarter of 2022. As at 31 December 2022, the accumulated remittance of investment amounted to £540,000 (equivalent to NT $20,840,000).

Note 3. The Group's cash increase in the second quarter of 2022 by United Orthopedics Japan Inc. Acquired 32 thousand shares, the shareholding ratio rose to 95%. As of December 31, 2022, the accumulated remittance amounted to JPY 339,724,000 (equivalent to NT $104,604,000).

Note 4. The Group invested in United Orthopedic (Australia) Pty Ltd in the fourth quarter of 2022. As at 31 December 2022, the accumulated remittance of investment amounted to AUD 20,000 (equivalent to NT $413,000).

4. Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Each entity in the Group shall determine its functional currency and items in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recognized by each entity of the Group at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non- monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
(3) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on 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

In the preparation of consolidated financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The partial disposal involving the loss of control of a subsidiary that includes a foreign operation, and the partial disposal of interests in an associate or a joint arrangement that includes a foreign operation while the retained interests are financial assets that include a foreign operation are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation instead of being recognized in profit or loss. In partial disposal of an associate or a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

6. Classification of current and non-current assets and liabilities

An asset is classified as current when it meets the following conditions, and all other assets are classified as non-current:

(1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) The Company holds the asset primarily for the purpose of trading.
(3) The Company expects to realize the asset within twelve months after the reporting period.
(4) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it meets the following conditions, and all other liabilities are classified as non-current:

(1) The Company expects to settle the liability in its normal operating cycle.
(2) The Company holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

7. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with terms equal to or less than twelve months).

8. Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

For financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments," they are measured at fair value at the time of initial recognition, and the transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (except for the financial assets and financial liabilities measured at FVTPL) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The Group accounts for regular way recognition or derecognition of financial assets on the trade date basis.

The Group classifies financial assets as subsequently measured at amortized cost, at FVTOCI or at FVTPL based on the following two conditions:

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

Financial assets at amortized cost

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial lease receivable, financial assets measured at amortized cost and other receivables on the balance sheet:

A. Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and
B. Contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

These financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost (the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance). These financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost (the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

A. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
B. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

A financial asset satisfying both conditions below is measured at FVTOCI and presented as financial assets measured at FVTOCI on the balance sheet:

A. Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and
B. Contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gain or loss on such a financial asset is described below:

A. Prior to its derecognition or reclassification, the gain or loss on a financial asset measured at FVTOCI is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.
B. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

   (a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

(b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at FVTOCI on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

<u>Financial assets at fair value through profit or loss</u>

Except for financial assets that are measured at amortized cost or at FVTOCI due to the satisfaction of certain conditions, all other financial assets are measured at FVTPL and presented as financial assets measured at FVTPL on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

(2) Impairment of Financial Assets

The Group recognises and measures impairment losses on expected credit losses on financial assets measured at amortized cost.

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. Time value of money; and

C. Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort at the balance sheet date).

Loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.
B. At an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.
C. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each balance sheet date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

Financial assets held by the Group are derecognized when one of the following conditions applies:

A. The contractual rights to the cash flows from the financial asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a 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 a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract of the Group that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issuance costs.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the host contract before separating the equity element.

For liability component excluding derivatives, its fair value is determined based on the market interest rate of an equivalent non-convertible bond. This component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the economic characteristics and risks of the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal to the amortized cost of the debt instrument on each exercise date), it is classified as a liability component and subsequently measured at FVTPL unless it qualifies for an equity component. The equity component is determined as the residual amount after deducting from the fair value of the convertible bond the amount of the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 concerning compound instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instrument is initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of its liability component is adjusted to the carrying amount as of the conversion date to be the recognition basis for the issuance of common stocks.

Financial liabilities

Financial liabilities within the scope of IFRS 9 "Financial Instruments": Recognition and measurement are classified as financial liabilities measured at FVTPL or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated as measured at FVTPL.

A financial liability is classified as held for trading if:

A. It is acquired principally for the purpose of selling it in the short term;
B. It is part of a portfolio of identifiable financial instruments that are managed together on initial recognition and for which there is evidence of a pattern of short-term profit-taking recently; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at FVTPL; or a financial liability may be designated as measured at FVTPL upon initial recognition when doing so results in more relevant information, because either:

A. It eliminates 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 a documented risk management or investment strategy, and the portfolio information provided to the management within the merged company is also based on fair value.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid is recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables, borrowings, and corporate bonds payable that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset 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. Derivative

The Group uses derivative instruments held or issued to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities measured at FVTPL while derivatives that are designated effective hedging instruments which are classified as derivative assets or liabilities for hedging in the balance sheet.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recognized as profit or loss, except for the effective portion of hedges shall be recognized under profit or loss or equity according to the types of the hedges.

Where a host contract is a non-financial asset or non-financial liability, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading and measured at FVTPL.

10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes the transactions of asset selling and liability transferring occur in one of the following markets:

(1) The primary market for the asset or liability; or
(2) If there is no primary market, the most advantageous market for the asset or liability

The principal or most advantageous markets shall be the ones that the Corporation have access to and can transact in.

Assumptions that market participants would use when pricing the asset or liability are used in the fair value measurement. Market participants are assumed to act in their economic best interest.

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

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

11. Inventories

Inventories are valued at the lower of cost or net realizable value item by item.

Costs refer to costs incurred in bringing each inventory to its available-for-sale or available-for-production status and location. They are accounted for as follows:

Raw materials	-	Actual purchase cost, adopting the weighted average method.
Finished goods and work in progress	-	Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The provision of labor services is accounted for in accordance with IFRS 15 and is not within the scope of inventory.

12. Investments Accounted for Using the Equity Method

The Group’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture means the Group possesses a right over the net assets of a joint agreement (having joint control).

Under the equity method, the investment in the associates or joint ventures is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associates or joint ventures. After the carrying amount and other related long-term interests in associates or joint ventures are reduced to zero under the equity method, additional losses and liabilities are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

When changes in the ownership interest of associates or joint ventures are not caused by profit or loss and other comprehensive income items and do not affect the Group's ownership percentages in those entities, the Group recognizes all changes in ownership interest based on its ownership percentage. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associates or joint ventures on a pro rata basis.

When the associates or joint ventures issue new shares and the Group's shares in the net assets of those entities has changed as a result of failing to acquire shares newly issued in proportion to its original ownership interest, the changes are adjusted through capital surplus and investments accounted for using the equity method. When the interest in the associates or joint ventures is reduced, relevant items previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate accounts by the reduced percentage. The aforementioned capital surplus recognized shall be reclassified to profit or loss upon the disposal of the associates or joint ventures on a pro rata basis.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associates or joint ventures is impaired in accordance with IAS 28 "Investment in Related Companies and Joint Ventures." If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and their carrying value and recognizes the amount in the "share of profit or loss of associates or joint ventures" in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets." If the investment's value in use is adopted as the recoverable amount, the Group determines the value in use based on the following estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associates or joint ventures, including the cash flows from the operations of the associates or joint ventures and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from the dividends and the proceeds on the ultimate disposal of the investment.

Because goodwill that forms part of the carrying amount of the investment in associates or joint ventures is not separately recognized, the impairment test on goodwill of IAS 36 "Impairment of Assets" does not apply.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognizes the retaining investment at its fair value. The difference between the carrying amount of the associates or joint ventures upon loss of significant influence or joint control and the fair value of the retaining investment plus proceeds from disposal is recognized in profit or loss. Moreover, when investments in the associates become investments in joint ventures, or vice versa, the Group will continue to adopt the equity method without remeasuring the reserved interests.

13. Property, Plant, and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and necessary borrowing costs for construction in progress. Each part of property, plant and equipment that is significant is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts separately as individual assets with specific useful lives and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Housing and Construction	3～50 Year
Machinery	3～16 Year
Tooling equipment (except for forging die)	2～5 Year
Transportation Equipment	5～6 Year
IT equipment	3～5 Year
Other equipment	3～11 Year
Leasehold improvements	Over the shorter of the lease terms or useful lives

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

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

14. Leases

For all contracts, the Group evaluates whether the contracts are (or include) leases on the date they are formed. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Group will evaluate whether the following two factors will occur during the entire duration of use:

(1) Rights to nearly all economic benefits of the identified asset have been received; and
(2) The control over the right to use the identified asset.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.

The Group as a lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Group is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

At the start date, the Group measures the lease liability at the present value of the unpaid lease payments on that date. If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If such interest rate is difficult to determine, the lessee's incremental borrowing rate of interest will be used. On the start date, the lease payment of the lease liability will be accounted for, including the following payments that have to do with the target right-of-use asset during the lease period that have not been paid on that date:

(1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
(2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
(3) Lease payments expected to be paid by the lessee under the residual value guarantee; and
(4) Exercise price for purchase of options, if the Group can be reasonably assured that the right 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 start date, the Group will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

On the start date, the Group will measure the right-of-use asset at cost, and the cost of the right-of-use asset will include:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payment paid on the start date or before, minus any lease incentives taken;
(3) Any initial direct costs incurred by the lessee; and
(4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Valuation of the right-of-use asset will be cost minus accumulated depreciation and accumulated impairment loss, or the right-of-use asset can be measured at cost model.

If the ownership of the target asset will be transferred to the Group when the lease period expires, or if the cost of the right-of-use asset reflects that the Group will exercise purchase option, then the depreciation of the right-of-use asset will be measured from the start date of the lease until the end of the asset's useful life. Otherwise, the Group will depreciate the right-of-use asset from the start date until the end of its useful life, or the end of the lease term, whichever is the earlier of the two.

The Group uses IAS 36 "Asset Impairment" to determine whether an asset has been impaired and treats any identified impairment loss.

Except for lease of assets that meet and were selected to be short-term lease or low-value asset, the Group will recognize right-of-use assets and lease liabilities on the balance sheet, and separately recognize any depreciation expense and interest expense related to the lease on the statement of comprehensive income.

For short-term leases and low-value asset leases, the Group chooses to use straight-line basis or another systematic basis, and recognizes related lease payments as expenses during the lease terms.

In respect of the relevant rent concession which are the direct result of the COVID-19 pandemic, the Group has chosen not to assess whether it is a lease modification, but to treat the said rent concession as a change in lease payments, and has applied the practical expedient to all qualifying lease concessions.

<u>The Group being a lessor</u>

On the date of establishing the contract, the Group will classify each lease as either operating lease or financing lease. If nearly all risks and rewards associated with the ownership of the asset will be transferred during the lease, it will be categorized as a financing lease; if risks and rewards will not be transferred, it will be an operating lease. The Group will recognize assets held under financing leases on the balance sheet on the start date, and express them as lease payment receivable based on the net lease investment.

For contracts that include lease components and non-lease components, the Group will distribute the considerations in the contract using regulations from IFRS 15.

The Group uses direct-line basis or another systematic basis to recognize lease payments from operating leases as lease revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as lease revenue when they occur.

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination 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, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. Intangible assets with indefinite life are reviewed at each reporting period to determine whether there are events and circumstances continuing to support the classification of indefinite life. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

<u>Intangible assets under development – research and development costs</u>

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when they meet the following conditions:

(1) The technical feasibility of completing the intangible asset has been achieved, and the said asset will be thus available for use or sale.
(2) (2) The Company intends to complete the said asset to use or sell it.
(3) There is an ability to use or sell the said asset.
(4) How the intangible asset will generate highly likely economic benefits in the future. In addition, the Company can prove that the output of the intangible asset or the intangible asset itself already exists in the market, or if the intangible asset is for internal use, the Company can prove the usefulness of the asset.
(5) The Company has sufficient technological, financial, and other resources to complete this development, and is able to use or sell the intangible asset.
(6) Expenditures during the development stage of the intangible asset can be reliably measured.

Following initial recognition of the capitalized development expenditure, the cost model is applied, i.e. the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the development period, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Specialized technology

Specialized technology obtained externally is granted 15 years of right-of-use and amortized on a straight-line basis. Specialized technology developed internally is amortized on a straight-line basis during the expected future sales period of relevant projects.

Trademark and licensing rights

Trademark and licensing rights are granted 5 to 10 years of right-of-use and amortized on a straight-line basis.

Brand

Brands are used to represent a group of complementary assets, such as trademarks (or service marks) and their related trade names, formulae, secrets, and expertise, which are amortized over fifteen years.

Computer Software

Computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years)

The Group's accounting policies for intangible assets are summarized as follows:

	Intangible assets under development	Trademark and licensing rights	Brand	Specialized technology	Computer Software
Useful lives	Finite	Finite	Finite	Finite	Finite
Amortization method	Amortized on a straight-line basis over the forecast sales period for the related projects	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internal production or external acquisition	Internal production	External acquisition	Incurred from merger	External acquisition and Internal production	External acquisition

16. Impairment of non-financial assets

The Group assesses whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made by the Group at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of goodwill, then to the other assets pro rata based on the carrying amount of each asset. Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

17. Revenue recognition

The Group's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

Sales of goods

The Group manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Group are orthopedic implants, etc. Revenues are recognized based on the prices stated on the contracts.

The credit period of the Group's product sale transactions is 30 days to 180 days. Most contracts are recognized as accounts receivable when the control of products is transferred and the right to receive the consideration unconditionally is obtained. These accounts receivables are usually short-term and do not contain significant financing components. For a small number of contracts, the products are transferred to customers but the right to receive the consideration unconditionally has not yet been obtained; thus, the said contracts are recognized as contract assets. The contract assets shall be additionally measured for their loss allowance based on the amount of the lifetime expected credit losses in accordance with IFRS 9. As for contracts where a part of the considerations is collected from customers upon signing the contracts, the Group assumes the obligations of providing products subsequently. Thus, they are recognized as contract liabilities.

As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

18. Government grants

Government subsidy is recognized by the Group where there is reasonable assurance that the subsidy will be received and all attached conditions will be complied with. Where the subsidy relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the subsidy relates to an expense item, it is recognized as income over the period necessary to match the subsidy on a systematic basis to the costs that it is intended to compensate.

19. Post-retirement Benefit Plan

The post-employment regulations of the Company and its domestic subsidiaries are applicable to all regular employees hired through official procedures. The retirement fund is managed by the Supervisory Committee of Labor Retirement Reserve and deposited in the specific account for the retirement fund. As the aforementioned pension is deposited in the name of the Supervisory Committee of Labor Retirement Reserve, it is not associated with the Company and its subsidiaries. Therefore, it is not included in the consolidated financial statements. The retirement regulations for employees of foreign subsidiaries comply with local law and regulations.

For the post-employment benefit plan regarding the defined contribution plan, the Company and its domestic subsidiaries' monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period. For the foreign subsidiaries, they make contributions, which are recognized as expenses as incurred, based on specific local percentages.

For post-employment benefit plan that is classified as a defined benefit plan, the Projected Unit Credit Method is adopted to measure the obligations and costs based on actuarial report at the end of annual reporting period. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses. The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

(1) When a plan amendment or curtailment occurs; and
(2) When the Group recognises any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

20. Share-based payment transactions

The cost of equity-settled transactions between the Group and its employees is recognized based on the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative cost recognized for share-based payment transactions as at the beginning and end of that period is recognized as profit or loss for the period.

No expense is recognized for awards that do not ultimately vest. Except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of equity-settled transactions are modified, the minimum expense recognized is the cost of original awards as if they were not modified. Additional equity-settled transaction costs are recognized where the modifications on the terms of the share-based payment transactions increase the total fair value of the share-based payment transactions or are beneficial to the employees.

Where equity-settled awards are cancelled, they are deemed as fully vested on the cancellation date, and the unrecognized remaining share-based payment expenses, including awards where non-vesting conditions within the control of the entity or employees are not met, shall be recognized immediately. However, if the awards cancelled are substituted by new awards which are designated as replacement award on the grant date, the cancelled and new awards are deemed as modifications to the original awards.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

For the issuance of restricted stock awards, salary expenses are recognized based on the fair value of equity instruments on the grant date, together with a corresponding increase in equity over the vesting period. The Group recognized unearned employee salary, which is a transitional account, on the grant date as a deduction to equity on the consolidated balance sheet and the amount in the account will be reclassified to salary expenses over the passage of vesting period.

21. Income Tax

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

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The 10% income tax for unappropriated earnings is recognized as income tax expense in the year when the distribution proposal is approved by the shareholders' meeting.

Deferred income tax

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
(2) Where the taxable temporary differences is associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
(2) Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

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

22. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at fair value as at the acquisition date. For each business combination, the acquirer measures any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under general and administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in acquiree's host contracts.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Contingent considerations are deemed to be assets or liabilities, and subsequent changes in fair value will be recognized as changes in profit or loss for the current period or changes in other comprehensive income in accordance with IFRS 9. However, if the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess amount of the aggregate of the consideration transferred and the NCI over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the CGU retained.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Group’s consolidated financial statements require 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 assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

1. Judgment

In the process of adopting the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognized in the financial statements:

Judgment on whether development expenditures are eligible for capitalization

The Group determines whether the intangible asset developed and produced internally has achieved technical feasibility and will be available for use or sale mainly due to the Group's judgements, which are made based on the facts that the Group has controlled the sophisticated technology as well as resources required for the research and development projects, and the development schedule along with product specifications are confirmed. In addition, the Group evaluates whether the asset is expected to generate future economic benefits and whether the benefits will be greater than the cost of the relevant investments.

Only when the research and development project meets the aforementioned conditions would the Group reclassifies development expenditures attributable to the project to intangible assets under development.

2. 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. The explanations are as follows:

(1) Inventory valuation

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6 for details.

(2) 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 between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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 taxation authority. Such differences of interpretation may cause a wide variety of issues due to conditions prevailing at the location of the Group's respective entities.

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

Deferred income 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 that 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 income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies.

VI. Details of Significant Accounts

1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash in treasury	$144	$138
Checks and demand deposits	186,330	149,019
Time deposits	211,583	489,526
Total	$398,057	$638,683

2. Financial assets at fair value through profit or loss

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Fund	$13,401	$-
Current	$13,401	$-

The Group's financial assets measured at FVTPL are not pledged.

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

3. Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$48,950	$50,750
Unlisted stocks		
Changgu Biotech Corporation	2,813	1,633
Taiwan Main Orthopaedic Biotechnology Co., Ltd.	588	489
Total	$52,351	$52,872

(1) The Group's financial assets measured at FVTOCI are not pledged.

(2) On September 10, 2020, the Group invested in Chailease Finance Co., Ltd. The invested amount was NT$50,000,000 and acquired 500,000 shares. As of December 31, 2022 and December 31, 2021, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$48,950,000 and NT$50,750,000, respectively, and the differences between the initial investment amount and the fair value were NT$(1,050),000 and NT$750,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2022 and December 31, 2021, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 16.09%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$2,813,000 and NT$1,633,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,963,000 and NT$3,143,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

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

(4) As of December 31, 2022 and December 31, 2021, the investment in Taiwan Main Orthopaedic Biotechnology Co., Ltd. by the subsidiary A-Spine Asia Co., Ltd. was both NT$2,350,000, with 235,040 shares acquired, and the shareholding ratio was 2.99%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$588,000 and NT$489,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,762,000 and NT$1,861,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets at amortized cost

	2022.12.31	2021.12.31
Time deposits	$7,980	$9,820
Less: Loss allowance	-	-
Total	$7,980	$9,820
Non-current	$7,980	$9,820

The Group has classified a part of financial assets as financial assets measured at amortized cost; for the information about loss allowance, please refer to Note 6.21. Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

5. Notes receivable

	2022.12.31	2021.12.31
Notes receivable - arising from operation	$1,412	$2,377
Less: Loss allowance	-	-
Total	$1,412	$2,377

The Group's notes receivables were not pledged.

The Group assesses information related to impairment and loss allowance in accordance with IFRS 9. Please refer to Note 6.21 for details; please see Note 12 for information on credit risk.

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

6. Account receivables and account receivable - related party

	2022.12.31	2021.12.31
Accounts receivable	$761,905	$556,470
Less: Loss allowance	(9,484)	(9,588)
Subtotal	752,421	546,882
Accounts receivable - related parties	92,344	46,719
Less: Loss allowance	-	-
Total	$844,765	$593,601

The Group's accounts receivable were not pledged.

The Group's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2022 and 2021 were NT$854,249,000 and NT$603,189,000, respectively. Please refer to Note 6.21 for detailed information on loss allowance for 2022 and 2021; please see Note 12 for information on credit risk.

7. Net Finance Lease Receivable

On December 31, 2022, the Group leased other equipment - surgical instruments by means of financing lease, and the total amount of future lease investment and its present value of financing lease are as follows:

	2022.12.31	
	Total lease investment	Present value of minimum lease payments receivable
< 1 year	$3,402	$2,625
2 to 3 years	6,804	5,797
4 to 5 years	5,075	4,836
Total minimum rental lease payment	15,281	$13,258
Less: unearned financing income	(2,023)	
Present value of minimum rental lease payment	$13,258	
Current	$2,625	
Non-current	10,633	
Total	$13,258	

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

No financing lease receivable on December 31, 2021 of the Group.

The Group's financing lease receivables were not pledged.

As of December 31, 2022, the financing lease receivable was not overdue or impaired, please refer to note 6.21 for details on the provision for losses as of December 31, 2022.

8. Inventories

	2022.12.31	2021.12.31
Commodities	$64,723	$72,063
Finished product	871,918	736,313
Work in process	278,522	220,515
Raw material	84,448	73,685
Materials and supplies in transit	1,348	-
Total	$1,300,959	$1,102,576

(1) The cost of inventories recognized as expenses by the Group is listed below:

Item	2022	2021
Cost of goods sold	$783,158	$709,271
Allowance for inventory valuation and obsolescence loss	22,539	20,251
Total	$805,697	$729,522

(2) No inventories aforementioned were pledged.

9. Investments Accounted for Using the Equity Method

The following table lists the Group's investments accounted for using the equity method:

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

	2022.12.31		2021.12.31	
Name of Investee	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Shinva United Orthopedic Corporation	$422,988	49%	$517,580	49%

Investments in associates

Information of the Group's significant associates is as follows:

Company name: Shinva United Orthopedic Corporation

Relation: The Company engages in the manufacturing or sales of products associated with the Group's industry chain. For integration of upstream and downstream businesses, we decided to invest in this company.

Primary operation place (registration country): Mainland China

Fair value with open market quotation: Shinva United Orthopedic Corporation is not a listed company, and is not listed in any securities exchange.

Summarizedfinancial information and reconciliation of the investments' carrying amount:

	2022.12.31	2021.12.31
Current assets	$251,826	$321,666
Non-current assets	980,735	1,030,110
Current Liabilities	(301,697)	(242,698)
Non-current Liabilities	-	-
Equity	930,864	1,109,078
Shareholding ratio of the Group	49%	49%
Subtotal	456,123	543,448
Elimination and adjustment due to inter-company transactions	(33,135)	(25,868)
Carrying amount of investments	$422,988	$517,580

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

	2022	2021
Operating revenue	$37,413	$412,870
Net (loss) profit of continuing business units for this period	(193,142)	(101,014)
Other comprehensive profit or loss	-	-
Comprehensive profit or loss for this period	(193,142)	(101,014)

The Group invests in affiliated enterprises on a technical basis ofRMB 30,000,000, equivalent to NT$149,844,000 in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2022 and December 31, 2021, accumulated amortization of NT$84,150,000 and NT$77,605,000, respectively.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2022 and 2021, nor was there significant guarantee provided.

10. Property, Plant, and Equipment

	2022.12.31	2021.12.31
Property, plant and equipment for own use	$1,161,685	$1,169,672
Property, plant and equipment for operating leases	292,814	204,230
Total	$1,454,499	$1,373,902

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

(1) Property, plant and equipment for own use

	Land	Housing and Construction	Machinery	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Cost:								
2022.1.1	$174,589	$486,916	$580,648	$103,231	$31,891	$21,716	$629,305	$2,028,296
Addition	-	-	614	8,374	5,711	215	104,453	119,367
Acquired through a business combination	-	-	-	-	-	-	11,287	11,287
Disposal and obsolescence	-	(470)	(67,912)	(18,749)	(9,917)	(3,974)	(41,686)	(142,708)
Reclassifications	-	-	2,900	(8,506)	-	-	40,064	34,458
Effect of exchange rate changes	-	-	-	-	98	404	40,808	41,310
2022.12.31	$174,589	$486,446	$516,250	$84,350	$27,783	$18,361	$784,231	$2,092,010
2021.1.1	$174,589	$486,916	$561,084	$105,488	$29,325	$21,904	$568,104	$1,947,410
Addition	-	-	2,268	6,053	2,677	-	96,769	107,767
Disposal and obsolescence	-	-	-	-	(28)	-	(44,694)	(44,722)
Reclassifications	-	-	17,296	(8,310)	-	-	24,214	33,200
Effect of exchange rate changes	-	-	-	-	(83)	(188)	(15,088)	(15,359)
2021.12.31	$174,589	$486,916	$580,648	$103,231	$31,891	$21,716	$629,305	$2,028,296
Depreciation and impairment:								
2022.1.1	$-	$93,179	$313,382	$53,999	$19,995	$12,141	$365,928	$858,624
Depreciation	-	16,161	43,519	13,948	5,446	3,077	98,444	180,595
Acquired through a business combination	-	-	-	-	-	-	4,089	4,089
Disposal and obsolescence	-	(470)	(67,912)	(16,098)	(9,917)	(3,974)	(40,705)	(139,076)
Re-classification	-	-	-	-	-	-	(11)	(11)
Effect of exchange rate changes	-	-	-	-	69	348	25,687	26,104
2022.12.31	$-	$108,870	$288,989	$51,849	$15,593	$11,592	$453,432	$930,325
2021.1.1	$-	$77,018	$269,757	$39,911	$14,432	$9,112	$326,005	$736,235
Depreciation	-	16,161	43,625	13,771	5,659	3,120	87,900	170,236
Disposal and obsolescence	-	-	-	-	(31)	-	(40,721)	(40,752)
Reclassifications	-	-	-	317	-	-	14,413	14,730
Effect of exchange rate changes	-	-	-	-	(65)	(91)	(21,669)	(21,825)
2021.12.31	$-	$93,179	$313,382	$53,999	$19,995	$12,141	$365,928	$858,624
Net carrying amount:								
2022.12.31	$174,589	$377,576	$227,261	$32,501	$12,190	$6,769	$330,799	$1,161,685
2021.12.31	$174,589	$393,737	$267,266	$49,232	$11,896	$9,575	$263,377	$1,169,672

(2) Property, plant and equipment for operating leases

	Other equipment
Cost:	
2022.1.1	$428,655
Addition	173,664
Disposal and obsolescence	(27,962)
Reclassifications	4,728
Effect of exchange rate changes	40,821

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

	Other equipment
2022.12.31	$619,906
2021.1.1	$381,480
Addition	84,754
Disposal and obsolescence	(6,591)
Effect of exchange rate changes	(30,988)
2021.12.31	$428,655
Depreciation and impairment	
2022.1.1	$224,425
Depreciation	89,097
Disposal and obsolescence	(15,680)
Reclassifications	6,527
Effect of exchange rate changes	22,723
2022.12.31	$327,092
2021.1.1	$163,456
Depreciation	79,228
Disposal and obsolescence	(3,703)
Effect of exchange rate changes	(14,556)
2021.12.31	$224,425
Net carrying amount:	
2022.12.31	$292,814
2021.12.31	$204,230

(3) The majority composition of the Company's buildings is main building, electric engineering and refurbishment engineering, etc., and the depreciation of them is recognized by useful lives, 50, 20 and 5 years, respectively.

(4) For guarantees provided based on property, plant and equipment, please refer to Note 8.

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

11. Intangible assets

	Computer software costs	Specialized technology	Development expenditure	Trademark and licensing rights	Goodwill	Brand	Total
Cost:							
2022.1.1	$27,730	$119,401	$77,207	$-	$292,891	$107,940	$625,169
Additions - development by internal units	-	-	79,997	-	-	-	79,997
Additions - separate acquisition	3,032	-	-	-	-	-	3,032
Reclassifications	800	-	5,014	-	-	-	5,814
Disposal and obsolescence	(12,219)	-	-	-	-	-	(12,219)
Effect of exchange rate changes	864	-	2,348	-	-	-	3,212
2022.12.31	$20,207	$119,401	$164,566	$-	$292,891	$107,940	$705,005
2021.1.1	$25,971	$70,447	$101,721	$1,996	$292,891	$107,940	$600,966
Additions - development by internal units	-	-	25,079	-	-	-	25,079
Additions - separate acquisition	2,533	-	-	-	-	-	2,533
Reclassifications	-	48,954	(47,854)	-	-	-	1,100
Disposal and obsolescence	-	-	(1,739)	(1,866)	-	-	(3,605)
Effect of exchange rate changes	(774)	-	-	(130)	-	-	(904)
2021.12.31	$27,730	$119,401	$77,207	$-	$292,891	$107,940	$625,169
Amortization and impairment:							
2022.1.1	$20,764	$26,992	$24,334	$-	$-	$34,181	$106,271
Amortization	4,134	22,777	3,063	-	-	7,196	37,170
Disposal and obsolescence	(12,219)	-	-	-	-	-	(12,219)
Reclassifications	-	-	-	-	-	-	-
Effect of exchange rate changes	655	-	-	-	-	-	655
2022.12.31	$13,334	$49,769	$27,397	$-	$-	$41,377	$131,877
2021.1.1	$17,430	$7,332	$21,301	$1,729	$-	$26,985	$74,777
Amortization	3,850	19,660	3,033	228	-	7,196	33,967
Disposal and obsolescence	-	-	-	(1,845)	-	-	(1,845)
Reclassifications	-	-	-	-	-	-	-
Effect of exchange rate changes	(516)	-	-	(112)	-	-	(628)
2021.12.31	$20,764	$26,992	$24,334	$-	$-	$34,181	$106,271
Net carrying amount:							
2022.12.31	$6,873	$69,632	$137,169	$-	$292,891	$66,563	$573,128
2021.12.31	$6,966	$92,409	$52,873	$-	$292,891	$73,759	$518,898

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

Amortization for recognition of intangible assets is as follows:

	2022	2021
Operating costs	$22,232	$19,114
Operating expenses	14,938	14,853
Total	$37,170	$33,967

12. Goodwill impairment test

For the purpose of impairment test, only one cash-generating unit (which is also the operating and reporting department) of goodwill was obtained from business merger, as shown below:

The carrying amount of goodwill and franchise allocated to each cash generating unit:

Cash generating unit of A-SPINE Asia Co., Ltd.

	2022.12.31	2021.12.31
Goodwill	$292,891	$292,891

The recoverable amount of the A-SPINE Asia Co., Ltd. cash generating unit has been determined based on the fair value less costs of disposal, on December 31, 2022 and 2021. Fair value is evaluated according to the market approach. Based on the results of this analysis, the management assessed that there was no sign of impairment of the goodwill on December 31, 2022 and 2021.

13. Short-term loans

	2022.12.31	2021.12.31
Bank overdraft	$3,161	$-
Bank credit loans	769,868	785,946
Total	$773,029	$785,946
Interest rate range (%)	0.9000-5.0300	0.4400-0.9500

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As at 31 December 2022 and 31 December 2021, the Group's unused short-term loan lines were NT $1,301,683,000 and NT $3,000,000, NT $1,278,694,000 and NT $4,500,000, respectively, and the unused long-term loan lines were NT $100,000,000 and NT $84,240,000.

14. Financial liabilities measured at FVTPL

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$-	$6,250
Current	$-	$6,250

15. Corporate bonds payable

	2022.12.31	2021.12.31
Domestic unsecured bonds payable	$-	$484,555
Less: Liabilities due within one year	-	484,555
Long-term domestic convertible bonds payable	$-	$-

Domestic convertible bonds payable

	2022.12.31	2021.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$-	$500,000
Discount on domestic convertible bonds payable	-	(15,445)
Subtotal	-	484,555
Less: Liabilities due within one year	-	484,555
Net amount	$-	$-
Embedded derivative - liabilities	$-	$6,250
Equity elements	$-	$26,300

(1) On September 10, 2019, the Company issued the 3rd domestic non-pledge convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer, and an option of requesting the issuer's redemption), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

Total amount of issuance: NT$500,000,000. Face amount per equity: NT$100,000. The issuance is in full carrying amount.

Period of Issuance: September 10, 2019 to September 10, 2024.

Critical clauses for redemption:

A. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), If the closing price of the Company's common stock at the securities firm's business premises exceeds the conversion price by more than 30 percent for 30 consecutive business days, the Company may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

B. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), if the Company's convertible bonds circulating externally are lower than NT$50,000,000 (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

C. If a bond holder fails to respond to the Company's share registrar in writing before the final bond recall date set out in the "Bond Recall Notice", the Corporation will recall the bonds by cash on the due date.

Critical clauses for redemption:

On the day when the convertible bonds have been issued for three years (September 10, 2022) and on the day when the bonds have been issued for four years (September 10, 2023), the bond holders may request the Company to redeem their bonds in cash by the face amount.

Conversion methods:

A. Converted target: Common stock of the Company.

B. Conversion period: From December 11, 2019 to September 10, 2024, the bond holders can request for conversion into the Company's ordinary shares to replace the cash payout made by the Company.

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021, each share carried the value of NT$49.10.

D. Redemption on maturity: When the corporate bonds are due and not settled yet, the repayment should be made in cash by the nominal amount in full.

In addition, the above-mentioned corporate bonds recovered NT $466,200,000 and NT $33,800,000 in cash at the face value of the bonds on September 10, 2022 and December 1, 2022, respectively, and had been fully recovered as of December 31, 2022.

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16. Long-term loans

Details of long-term loans for the years ended December 31, 2022 and 2021 are as follows:

Creditor	2022.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$106,350	1.7283	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
"	150,000	1.6600	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	80,750	1.6500	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.6400	From September 13, 2022 to September 13, 2027; the first repayment was due on October 13, 2023; repayments of NT$2,083 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	54,548	1.8550	1. From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments 2. In September 2021, the principal amortization was extended by one year, and the principal was temporarily not repaid from October 2021 to September 2022 (the 46th to 57th installment). The principal was repaid in the 58th to 180th installmenton average according to the remaining period, and interest was paid monthly.
UBS Switzerland AG	13,833	-	From April 2020 to March 2025, repayment at maturity. Later changed to from April 17, 2020 to September 30, 2027, repayment of the first installment from March 31, 2022 for a total of 12 periods.

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Creditor	2022.12.31	Interest rate (%)	Repayment period and method
CIC AGENCE ENTREPRISE NANCY	28,523	0.7000	From April 20, 2021 to April 20, 2016, repayment of the first installment from May 20, 2021 for a total of 60 installments.
〃	597	0.9000	From May 18, 2021 to May 15, 2025, repayment of first installment from June 15, 2021 for a total of 48 installments.
〃	645	1.2000	From December 15, 2021 to December 15, 2026, repayment of first installment from January 15, 2022 for a total of 60 installments.
〃	4,435	2.8000	From October 15, 2022 to October 15, 2027, repayment of first installment from November 15, 2022 for a total of 60 installments.
INFIMED SASU	13,057	3.3441	From December 14, 2021 to November 14, 2026, repayment of first installment from December 14, 2021 for a total of 60 installments.
〃	13,662	3.4123	From April 28, 2022 to April 27, 2027, repayment of the first installment amounted to 61 installments from April 30, 2022.
〃	6,986	4.1317	From August 1, 2022 to August 5, 2027, repayment of the first installment amounted to 61 installments from August 5, 2022.
〃	14,138	6.2789	From November 17, 2022 to November 30, 2027, repayment of first installment from November 23, 2022 for a total of 61 installments.
Total	$587,524		
Less: long-term loans due within one year	(59,686)		
Net amount	$527,838		

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Creditor	2021.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$114,691	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	55,912	1.2300	1. From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments 2. In September 2021, the principal amortization was extended by one year, and the principal was temporarily not repaid from October 2021 to September 2022 (the 46th to 57th installment). The principal was repaid in the 58th to 180th installment on average according to the remaining period, and interest was paid monthly.
UBS Switzerland AG	15,088	-	From April 2020 to March 2025, repayment at maturity.
CIC AGENCE ENTREPRISE NANCY	35,368	0.7000	From April 20, 2021 to April 20, 2016, repayment of the first installment from May 20, 2021 for a total of 60 installments.
"	805	0.9000	From May 18, 2021 to May 15, 2025, repayment of first installment from June 15, 2021 for a total of 48 installments.
"	767	1.2000	From May 25, 2021 to May 25, 2026, repayment of first installment from June 25, 2021 for a total of 60 installments.
INFIMED SASU	15,435	3.3441	From December 14, 2021 to November 14, 2026, repayment of first installment from December 14, 2021 for a total of 60 installments.
Total	$238,066		
Less: long-term loans due within one year	(21,092)		
Net amount	$216,974		

The secured loans with Bank of Taiwan, Mega International Commercial Bank and CTBC Bank Co., Ltd. have lands, buildings and machinery and equipment, etc. pledged with first priority entitlement. For more details, please refer to Note 8.

The Group entered into a finance loan for the sale and leaseback of other equipment with INFIMED SASU, which is guaranteed by other equipment. The lease term is 5 years. The related other equipment is owned by the Group upon maturity. As of December 31, 2022 and December 31, 2021, the balance of loans was EUR 1,487 thousand and EUR 493 thousand, respectively, please refer to Note 8 for the guarantee situation.

17. Post-retirement Benefit Plan

Defined contribution plans

The post-employment regulations in accordance with "Labor Pension Act" of the company belong to the defined contribution plan. According to the Act, the Company and its domestic subsidiaries' monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The Company and its domestic subsidiaries have complied with the post-employment regulations stipulated in accordance with the Act, and on a monthly basis contributed 6% of employees' monthly salary to the individual pension accounts under the supervision of the Bureau of Labor Insurance.

Pension benefits for employees of the Group's overseas subsidiaries are provided in accordance with the local regulations.

The Group's expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 are NT$51,873,000 and NT$45,539,000, respectively.

Defined benefits plan

The Group's expenses under the defined benefit plan of from January 1 to December 31, 2022 and 2021 was NT$222,000 and NT$185,000, respectively.

The Company's post-employment regulations stipulated in accordance with the "Labor Standards Act" belong to the defined benefits plan. The payout of employees' pension is calculated based on the years of service and approved monthly average wage upon retirement. For service duration of 15 years or less, two base points shall be assigned for every year. Once the duration exceeds 15 years, one base point shall be assigned for each year thereafter. The maximum base points are 45. In accordance with the "Labor Standards Act", the Corporation contributes 2% of total salaries as the pension fund on a monthly basis, which is deposited in the special account of Bank of Taiwan, in the name of the Supervisory Committee of Labor Pension Reserve. Also, the Company would assess the balance in the aforementioned labor pension reserve account at the end of each year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2022, the Company's defined benefits plan has been estimated to contribute NT$196,000 in the following year.

For the years ended on December 31, 2022 and December 31, 2021, the Company's defined benefits plans are expected to due in 2032.

The table belowsummarizes the defined benefits plan recognized in costs of profit or loss:

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

	2022	2021
Service costs for the current period	$198	$184
Net interest of net defined benefit liability	24	1
Total	$222	$185

The reconciliation of the present value of defined benefit obligations and the fair value of the plan assets are as follows:

	2022.12.31	2021.12.31	2021.1.1
Present value of defined benefit obligation	$40,357	$52,693	$50,010
Fair value of plan assets	(48,670)	(49,270)	(49,946)
Net defined benefit (asset) liabilities on the book	$(8,313)	$3,423	$64

Reconciliation of net defined benefit (asset) liabilities:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liabilities
2021.1.1	$50,010	$(49,946)	$64
Service costs for the current period	184	-	184
Interest expenses (income)	175	(174)	1
Previous service cost and settlement gains or losses	-	-	-
Subtotal	50,369	(50,120)	249
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	3,361	-	3,361
Experience adjustment	777	-	777
Remeasurements of defined benefit assets	-	(749)	(749)
Subtotal	54,507	(50,869)	3,638
Benefits paid	(1,814)	1,814	-
Employer contributions	-	(215)	(215)
2021.12.31	52,693	(49,270)	3,423
Service costs for the current period	198	-	198
Interest expenses (income)	369	(345)	24

(Continued on next page)

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

(Continued from previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liabilities
Previous service cost and settlement gains or losses	-	-	-
Subtotal	53,260	(49,615)	3,645
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(7,086)	-	(7,086)
Experience adjustment	(869)	-	(869)
Remeasurements of defined benefit assets	-	(3,807)	(3,807)
Subtotal	45,305	(53,422)	(8,117)
Benefits paid	(4,948)	4,948	-
Employer contributions	-	(196)	(196)
2022.12.31	$40,357	$(48,670)	$(8,313)

Following assumptions are used to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.33%	0.70%
Expected salary increase rate	3.00%	4.00%

Sensitivity analysis of each significant actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increases by 0.5%	$-	$1,926	$-	$2,715
Discount rate decreases by 0.5%	2,055	-	2,916	-
Expected salary increases by 0.5%	2,011	-	2,806	-
Expected salary decreases by 0.5%	-	1,905	-	2,644

The aforementioned sensitivity analysis is conducted to analyze the possible impact on defined benefit obligations under the assumption that there are reasonable changes to a single actuarial assumption (e.g. discount rate or expected salary) while all other assumptions remain constant Since some actuarial assumptions are in connection with to each other, it is rare to see changes on a single actuarial assumption in practice. Hence, this analysis has its own limitation.

The method and assumptions of the sensitivity analysis in the current period are the same as the previous period.

18. Equity

(1) Capital Stock

As of January 1, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued share capital of common stock in the amount of NT$781,116,000 and NT$783,898,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,112,000 shares and 78,390,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

<u>Common stock</u>

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 272,000 shares on March 23, 2021 with the base date of capital reduction set on April 19, 2021, and the registration of the changes were completed on April 29, 2021.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 6,000 shares on August 6, 2021 with the base date of capital reduction set on August 16, 2021, and the registration of the changes were completed on August 24, 2021.

Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 418,000 shares and 6,000 shares on August 9, 2021 and November 8, 2021, respectively.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated unappropriated earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year.

C. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

D. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company’s shareholders’ meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voting nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

J. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.

The aforesaid special shares were converted into 15,000 ordinary shares and 5,000 ordinary shares on December 23, 2022 and December 29, 2022, respectively.

As of December 31, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued share capital of common stock in the amount of NT$781,316,000 and NT$781,116,000, respectively. The share capital of preferred shares issued were NT$99,800,000 and NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,132,000 shares and 78,112,000 shares have been issued, respectively. Preferred shares were issued at a par value of NT$10, dividing into 9,980,000 shares and 10,000,000 share, respectively.

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

(2) Capital surplus

	2022.12.31	2021.12.31
Issuance premium	$1,535,085	$1,535,085
Stock options – convertible corporate bonds	-	26,300
Actual acquisition or disposal of equity of subsidiary	163,986	163,986
Difference between price and book value		
Others	44,658	18,067
Total	$1,743,729	$1,743,438

According to the laws, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

Please refer to Note VI.29 for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

(3) Earnings distribution and dividend policy

According to the Company's Articles of Association, current year's earnings, if any, shall be distributed in the following order:

A. Payment of all taxes and dues.
B. Deficit compensation.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.
E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals the paid-in capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

When the Company distributes distributable earnings, it is required by law to supplement the provision for special earnings reserves with the difference between the balance of the provision for special earnings reserves and the net decrease in other equity at the time of first-time adoption of IFRS. Where the net amount of other equity deductions is reversed subsequently, the reversal part of the net amount of other equity deductions may be reversed and distributed to the special surplus reserve.

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) that the Corporation elects to transfer to retained earnings by application of the exemption under IFRS 1, "First-time Adoption of IFRS", the Corporation shall set aside special earnings reserves. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2022 and 2021, there is no reversal of special capital reserve to undistributed earnings.

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

Details of the 2022 and 2021 earnings appropriation and distribution and dividends per share as approved by the Board of Directors meeting and the annual general meeting of shareholders on March 21, 2023 and June 21, 2022, respectively, are as follows:

	Distribution of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$23,329	$4,874		
Special Reserve Withdrawal (Reversal)	(33,934)	43,860		
Cash dividends of common stock	196,027	-	$2.50	$-
Cash dividend of extraordinary stock	22,700	-	2.34	-

Please refer to Note VI.23 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

(4) Non-controlling Interests

	2022	2021
Beginning balance	$98,305	$106,271
Net profit attributable to non-controlling interests in the current period	2,048	606
Other comprehensive income, attributable to non-controlling interests:		
Exchange differences on translation of financial statements of foreign operations	158	(1,925)
Unrealized valuation loss on investments in an equity instrument measured at FVTOCI	25	(33)
Changes in ownership interests in subsidiaries	(291)	148
Cash dividends distributed by subsidiaries	(5,072)	(6,762)
Ending balance	$95,173	$98,305

19. Share-based payment plans

Employees of the Group are entitled to share-based payment as part of their compensation. Services rendered by employees are considerations for the equity instruments granted. These transactions are accounted for as equity-settled share-based payment transactions.

(1) Restricted employee share plans of the Group's parent company

The Company's shareholders' meeting on June 12, 2018 resolved to issue restricted employee shares of up to 750 thousand common stocks at NT$0. The stock price at the grant date stood at NT$55.4. The restricted employee shares issued by the Company shall not be transferred within the three-year vesting period, however, the holders are still entitled to dividend distribution. The Company's Board of Directors resolved to cancel 6,000 shares, 272,000 shares, 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on August 8, 2021, March 23, 2021, November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. The Company has met the vested conditions for the allocation of new shares with restricted employee rights, and on August 6, 2021, it lifted 418,000 new shares with restricted employee rights. As of December 31, 2022 and December 31, 2021, the Company had issued 0,000 shares.

After the issuance of restricted employee shares, they shall be transferred immediately to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the restricted employee shares for any reason or in any manner. Moreover, during the restricted employee shares' trust period, the Corporation is delegated to act on behalf of the employees in dealing with the stock trust agency concerning the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the delivery, use and disposal of the trust property.

When the employee fails to meet the vesting conditions, the Company is entitled by law to retrieve the restricted employee shares and cancel them.

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

(2) The expense recognized for employee share-based payment plans of the Group is shown in the following table:

	2022	2021
Plan of restricted employee shares	$-	$(7,679)

20. Operating revenue

	2022	2021
Income from sales of goods	$3,158,206	$2,570,866
Other operating revenues	10,474	-
Total	$3,168,680	$2,570,866

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2022.12.31	2021.12.31
Sales of goods	$10,405	$8,631

The significant changes in the balance of contract liabilities of the Group from January 1 to December 31, 2022 and 2021 are as follows:

	2022	2021
Beginning balance recognized as revenue in the current period	$(7,564)	$(768)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	9,338	5,556

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

21. Expected creditimpairment loss (gain)

	2022	2021
Operating expenses - expected credit loss (gain)		
Notes receivable	$-	$-
Accounts receivable	(89)	397
Total	$(89)	$397

For information on credit risk, please refer to Note 12.

The Group's financial assets and longterm receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2022 and 2021 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

The Group's receivables (including notes receivable, accounts receivable, and financing lease receivable) are all measured for the loss allowance based on the lifetime expected credit losses. Relevant description of assessing the amount of loss allowance on December 31, 2022 and 2021 is as follows:

Loss allowance is measured by taking into account the credit ratings of the counterparties, the geographical regions and the industry, and adopts the provision matrix. Relevant information is as follows:

2022.12.31

	Not Past Due	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Total carrying amount	$752,138	$104,288	$1,090	$1,774	$9,629	$868,919
Loss ratio	0% ~ 1%	2% ~ 35%	4% ~ 56%	5% ~ 85%	5% ~ 100%	
Lifetime expected credit losses	1,042	4,142	478	1,004	2,818	9,484
Total	$751,096	$100,146	$612	$770	$6,811	$859,435
Carrying amount						$859,435

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

2021.12.31

	Not Past Due (Note)	Number of days overdue: Within 120 days	121-150 days	151-180 days	181 days or above	Total
Total carrying amount	$550,900	$46,978	$2,357	$6	$5,325	$605,566
Loss ratio	0%~1%	0%~43%	4%~65%	55~90%	66%~100%	
Lifetime expected credit losses	1,271	3,450	531	5	4,331	9,588
Total	$549,629	$43,528	$1,826	$1	$994	$595,978
Carrying amount						$595,978

Note: Notes receivable and financing lease receivables of the Group are not overdue.

Information on changes in allowance for loss on notes receivable, accounts receivable and finance lease receivable of the Group in 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable	Finance Lease Receivable
2022.1.1	$-	$9,588	$-
Increase in this period	-	-	-
Amount reversed in the current period	-	(89)	-
Write off due to inability to recover	-	(758)	-
Exchange differences	-	743	-
2022.12.31	$-	$9,484	$-
2021.1.1	$-	$12,003	$-
Increase in this period	-	397	-
Write off due to inability to recover	-	(2,466)	-
Exchange differences	-	(346)	-
2021.12.31	$-	$9,588	$-

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

22. Leases

(1) The Group as a lessee

The Group leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2022.12.31	2021.12.31
Land	$140,783	$143,811
Housing and Construction	54,046	55,174
Transportation Equipment	7,727	8,436
Office Equipment	1,400	672
Total	$203,956	$208,093

The Group added NT$21,928,000 and NT$19,609,000 to the right-of-use assets in 2022 and 2021, respectively.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	$210,369	$212,934
Current	$27,470	$24,774
Non-current	$182,899	$188,160

Please refer to Note 6.24(4) for the interest expenses of the Group's 2022 and 2021 lease liabilities; please refer to Note 12.5 Liquidity risk management for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2022 and 2021.

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

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2022	2021
Land	$8,309	$8,180
Housing and Construction	15,119	13,582
Transportation Equipment	4,711	4,357
Office Equipment	256	183
Total	$28,395	$26,302

C. Revenues and expenses related to the lessee and lease activities

	2022	2021
Short-term lease expense	$3,635	$3,372
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	3,803	3,097
Revenue from sublease of right-of-use asset	1,384	1,460

As of December 31, 2022 and 2021, the Group had no commitments to short-term lease portfolio.

D. Cash flow related to the lessee and lease activities

The Group's total cash outflow to leases in 2022 and 2021 was in the amount of NT$37,987,000 and NT$34,388,000, respectively.

(2) The Group as lessor

For the Group's relevant disclosures of its own property, plant and equipment, please refer to Note 6.10 for details. The Group's own real estate, plant and equipment are classified as operating leases because almost all risks and rewards attached to the ownership of the underlying assets have not been transferred.

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

The Group has entered into a lease agreement for certain other equipment - surgical instruments - for a period of 5 years, which is classified as a finance lease because of almost all the risks and rewards of transferring ownership of the underlying assets.

	2022	2021
Lease revenue recognized from operating lease		
Fixed lease payment and relevant income from variable lease payments dependent on index or rate changes	$5,391	$3,237
Subtotal	5,391	3,237
Lease income recognized from operating lease		
Financing income from net lease investment	597	-
Subtotal	597	-
Total	$5,988	$3,237

23. Summary statement of employee benefits, depreciation and amortization expense by function:

By function / Type of nature	2022			2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	$260,149	$517,797	$777,946	$203,162	$397,549	$600,711
Labor and health insurance premiums	25,313	25,463	50,776	24,223	28,511	52,734
Retirement fund expense	11,714	40,381	52,095	10,998	34,726	45,724
Other employee benefits expenses	10,700	7,293	17,993	9,299	6,173	15,472
Depreciation expenses	79,270	218,817	298,087	79,501	196,265	275,766
Amortization expenses	22,232	14,938	37,170	19,114	14,853	33,967

The Group's Articles of Association provide that if there is profit in the year, 12 percent of profit shall be allocated for employee remuneration, and no more than 3 percent shall be allocated for compensations of the directors and members of the supervisory board. However, the Company's accumulated losses shall first be offset. The aforementioned employees' compensation shall be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such distribution shall be submitted to the shareholders' meeting. Information relating to employees' and directors' remunerations approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Due to the profit situation of the Company in the current year in 2022, the listed employee remuneration and director supervisor remuneration were respectively estimated at 12% and 3%. From January 1 to December 31, 2022, the amount of employee remuneration and director supervisor remuneration were respectively NT$42,224,000 and NT$10,556,000, which were recorded under salary expenses.

Due to the profit situation of the Company in the current year in 2021, the listed employee remuneration and director supervisor remuneration were respectively estimated at 12% and 3%. From January 1 to December 31, 2021, the amount of employee remuneration and director supervisor remuneration were respectively NT$11,355,000 and NT$2,838,000, which were recorded under salary expenses.

On March 24, 2022, the Board of Directors of the Company resolved to cash out the remuneration of employees in 2021 and the remuneration of directors and supervisors of the Company in the amount of NT$11,355,000 and NT$2,838,000, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2021. In addition, on April 29, 2022, the Board of Directors resolved that the Company may allocate a surplus of RMB 0,000 after considering the provision for special surplus reserve in 2021, and therefore does not allocate remuneration to directors.

The actual employee remuneration of the company in 2021 was NT$11,355,000, which is not significantly different from the amount recorded as expenses in the financial report of the company in 2021.

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

24. Non-operating income and expenses

(1) Interest income

	2022	2021
Interest on bank deposits	$3,325	$1,959
Other interest income	1,067	51
Total	$4,392	$2,010

(2) Other income

	2022	2021
Rental income	$1,384	$1,460
Subsidy income	7,429	15,219
Dividend of preferred stock	1,900	604
Gain recognized in bargain purchase transaction	1,594	-
Other income - others	21,806	9,034
Total	$34,113	$26,317

(3) Other gains and losses

	2022	2021
Gains from disposal of property, plant and equipment	$587	$2,913
Loss on disposal of intangible assets	-	(1,730)
Foreign exchange gain (loss), net	46,070	(44,176)
Gain (loss) on financial assets and financial liabilities measured at FVTPL (Note)	(3,022)	(4,982)
Other profits	1,099	6
Other expenses	(3,054)	(51)
Total	$41,680	$(48,020)

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

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

(4) Finance costs

	2022	2021
Interest on bank loans	$(16,396)	$(8,214)
Interest on bonds payable	(4,103)	(5,726)
Interest on lease liabilities	(3,607)	(3,701)
Total financial costs	$(24,106)	$(17,641)

25. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2022 are as follows:

	Arising during the period	Current reclassification adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$11,762	$-	$11,762	$-	$11,762
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(521)	-	(521)	-	(521)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	32,170	-	32,170	-	32,170
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	7,315	-	7,315	-	7,315
Total	$50,726	$-	$50,726	$-	$50,726

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

Components of other comprehensive income for the year ended December 31, 2021 are as follows:

	Arising during the period	Current reclassification adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$(3,389)	$-	$(3,389)	$-	$(3,389)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(295)	-	(295)	-	(295)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(46,055)	-	(46,055)	-	(46,055)
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	(4,316)	-	(4,316)	-	(4,316)
Total	$(54,055)	$-	$(54,055)	$-	$(54,055)

26. Income Tax

The major components of income tax expense (benefit) for the years ended December 31, 2022 and 2021 are as follows:

<u>Income tax recognized in profit or loss</u>

	2022	2021
Current income tax expense (benefit):		
Current income tax payable	$86,109	$26,732
Adjustments on current income tax of prior periods	504	(112)
Deferred income tax benefit:		
Deferred income tax expenses (gains) relating to its original generation from the temporary differences	(7,173)	(4,903)
Income tax expenses	$79,440	$21,717

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

Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax expense:		
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	$-	$-
Exchange differences on translation of financial statements of foreign operations	-	-
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-
Income tax relating to the components of other comprehensive income	$-	$-

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2022	2021
Profit before tax from continuing operations	$303,021	$74,595
Tax at the domestic tax rates applicable of profits in the country of main operation	$61,819	$20,362
Tax effect of revenues exempt from taxation	(1,277)	(3,352)
Tax effect of expenses not deductible for tax purposes	1,107	467
Tax effect of deferred income tax assets/liabilities	17,287	4,352
Adjustments on current income tax of prior periods	504	(112)
Total income tax expense recognized in profit and loss	$79,440	$21,717

Balance of deferred income tax assets (liabilities) related to the following items:

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

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$64,838	$13,260	$-	$-	$78,098
Unrealized exchange gain (loss) - parent company	7,063	(6,301)	-	-	762
Unrealized exchange gain (loss) - subsidiaries	142	(216)	-	-	(74)
Long-term deferred income	14,448	(1,309)	-	-	13,139
Valuation on financial assets measured at FVTPL	770	(450)	-	-	320
Provision for inventory valuation loss	10,443	929	-	-	11,372
Unrealized bonus for unused compensated absences	172	10	-	-	182
Fair value adjustment resulting from business combination	(12,540)	1,223	-	-	(11,317)
Remeasurements of the net defined benefit plan	(78)	5	-	-	(73)
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	59	22	-	-	81
Deferred income tax (expense)/benefit		$7,173	$-	$-	
Deferred income tax assets/(liabilities), net	$85,317				$92,490
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$97,935				$103,954
Deferred income tax liabilities	$(12,618)				$(11,464)

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$54,546	$10,292	$-	$-	$64,838
Unrealized exchange gain (loss) - parent company	(550)	7,613	-	-	7,063
Unrealized exchange gain (loss) - subsidiaries	149	(7)	-	-	142
Long-term deferred income	14,685	(237)	-	-	14,448
Valuation on financial assets measured at FVTPL	(286)	1,056	-	-	770
Provision for inventory valuation loss	10,384	59	-	-	10,443
Unrealized bonus for unused compensated absences	364	(192)	-	-	172
Tax differentials in depreciation expenses	(9,455)	9,322	-	133	-
Fair value adjustment resulting from business combination	(13,763)	1,223	-	-	(12,540)
Remeasurements of the net defined benefit plan	(72)	(6)	-	-	(78)
Loss carryforwards	24,242	(24,242)	-	-	-
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	37	22	-	-	59
Deferred income tax (expense)/benefit		$4,903	$-	$133	
Deferred income tax assets/(liabilities), net	$80,281				$85,317
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$104,407				$97,935
Deferred income tax liabilities	$(24,126)				$(12,618)

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

Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets accounted for NT$78,142,000 and NT$62,180,000 for the year ended December 31, 2022 and 2021, respectively.

The table below shows the business income tax approval status of entities within the Group:

	2022.12.31	
	Business income tax approval status	Remark
United Orthopedic Corporation (the Company)	Approved up to 2020	-
A-Spine Asia Co., Ltd. (subsidiary)	Approved up to 2020	-

27. Earnings per Share

Basic earnings per share is calculated by dividing the net profit of parent company ordinary shares holders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company (after adjusted for interests on convertible bonds) by weighted average number of common stocks outstanding of the period, plus weighted average number of common stocks to be issued when all dilutive potential common stocks are converted into common stocks.

	2022	2021
(1) Basic earnings per share		
Net income attributable to common stock holders of the parent company (NT$ thousand)	$221,533	$52,271
Dividend of preferred stock	-	(23,400)
Net profit used in calculating basic earnings per share (NT$ thousand)	$221,533	$28,871

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

	2022	2021
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Basic earnings per share (NT$)	$2.84	$0.37

(2) Diluted earnings per share

	2022	2021
Net profit used in calculating basic earnings per share (NT$ thousand)	$221,533	$28,871
Conversion of special share dividend (NT$ thousand)	-	(註)
Interest of convertible bond (NT$ thousand)	-	(註)
Net profit attributable to holders of common shares of the parent company after adjustment for dilution effect (NT$ thousand)	$221,533	$28,871
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Dilution effect:		
Convertible special shares (thousand shares)	9,980	(註)
Convertible bonds (thousand shares)	-	(註)
New restricted employees' shares (thousand shares)	-	260
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	88,092	78,114
Diluted earnings per share (NT$)	$2.51	$0.37

Note: Convertible special shares and convertible corporate bonds have anti-dilutive effect in 2021, so it is not intended to be included in the calculation of diluted earnings per share.

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

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

28. Business combinations

Acquisition of United Orthopedics Limited

On January 20, 2022, the Group acquired all the shares issued by United Orthopedics Limited in a capital increase. United Orthopedics Limited was established in the United Kingdom as a non-listed artificial joint sales company. The acquisition of United Orthopedics Limited by the Group is an expansion of the Group's sales operations.

Acquisition Consideration

Cash	$4,849

The fair value of identifiable assets and liabilities on the acquisition date is as follows:

	GBP	NTD
Assets		
Cash and cash equivalents	$248	$9,241
Accounts receivable	200	7,446
Other receivables	32	1,179
Inventories	501	18,693
Property, Plant, and Equipment	193	7,198
Subtotal	1,174	43,757
Liabilities		
Accounts Payable	869	32,382
Other expenses payable	107	3,988
Other current liabilities	25	944
Subtotal	1,001	37,314
Total fair value of net identifiable assets	$173	$6,443

The benefits of cheap purchases are as follows:

Acquisition Consideration	$4,849
less: fair value of net identifiable assets	(6,443)
Gain recognized in bargain purchase transaction	$(1,594)

Non-controlling Interests

United Orthopedics Limited's non-controlling interest is measured at the value of the non-controlling interest at the acquisition date of $0,000, which is the proportionate share of the fair value of identifiable net assets at the acquisition date, and the fair value has been reassessed at the date of publication of this consolidated financial report in accordance with the formally issued valuation report.

Net cash flows from subsidiaries

Cash and cash equivalents acquired	$4,392

Effect of business combinations on operating results

The operating results of the acquired companies from the acquisition date are as follows:

Operating revenue	$35,885
Net profit for the period	$2,308

If the consolidation occurs at the beginning of the year, there will be no significant changes in the revenue of the continuing operating units and the net profit of the continuing operating units.

29. Changes in ownership equity of subsidiaries

New shares of subsidiaries not subscribed in proportion of shares held

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

United Orthopedic Japan Inc. On April 15, 2021, the capital increase issued new shares, the Company's ownership thereby increased to 92%. Cash acquired by the Company from capital increase was JPY 80,000,000 (NT$20,792,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 146,972,000 (NT$37,875,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	148
Difference in retained earnings recognized in equity	$148

United Orthopedic Japan Inc. issued new shares on April 1, 2022. As a result, the Group's ownership increased to 95%. Cash acquired by the Group from capital increase was JPY 80,000,000 (NT$18,610,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 173,009,000 (NT$40,709,000). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
decrease in non-controlling interest	291
Differences in paid-in capital recognized in equity	$291

VII. Related Party Transactions

Related-parties who have transactions with the Group during the financial reporting period are as follows:

Name of related-party and relationship

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

Related Party	Relationship with the Group
Shinva United Orthopedic Corporation	Associate of the Group
United Medical Co., Ltd.	Associate of the Group
United Medical Instrument (Shanghai) Co., Ltd.	Associate of the Group
Shanghai Lianyi Biotechnology Co., Ltd.	Associate of the Group
Changgu Biotech Corporation	The Group is a shareholder of the company
Paonan Biotech Co., Ltd.	The Company's subsidiary is its associate

Major transactions with related parties

1. Sales

	2022	2021
Associate of the Group		
Shinva United Orthopedic Corporation	$130	$178,236
United Medical Co., Ltd.	1,167	3,261
United Medical Instrument (Shanghai) Co., Ltd.	78,779	-
Shanghai Lianyi Biotechnology Co., Ltd.	130,335	43,200
The Group is a shareholder of the company		
Changgu Biotech Corporation	4,475	4,447
Total	$214,886	$229,144

The sales price offered by the Group to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Group may offer a longer credit period in consideration of the related parties' funding conditions.

2. Purchase of goods

	2022	2021
Associate of the Group		
United Medical Co., Ltd.	$131,261	$75,259
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	-	10,413
Total	$131,261	$85,672

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

The purchase price offered by the Group to related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

3. Accounts receivable - related parties

	2022.12.31	2021.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$1,357	$1,592
United Medical Co., Ltd.	202	538
United Medical Instrument (Shanghai) Co., Ltd.	78,476	-
Shanghai Lianyi Biotechnology Co., Ltd.	10,527	43,293
The Group is a shareholder of the company		
Changgu Biotech Corporation	1,782	1,296
Total	$92,344	$46,719

4. Accounts payable - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$17,824	$19,394
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	627	9,360
Total	$18,451	$28,754

5. Other receivables - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$-	$5
Shinva United Orthopedic Corporation	1,194	-
Total	$1,194	$5

6. Other payables - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$1,553	$13

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

7. Long-term receivables (accounted as other non-current assets)

	2022.12.31	2021.12.31
Associate of the Group		
Shanghai Lianyi Biotechnology Co., Ltd.	$85,984	$-

8. Other current liabilities

	2022.12.31	2021.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$5,201	$4,996

A-Spine Asia Co., Ltd., a subsidiary of the Company, sold part of its existing lumbar cage and cervical cage products to Shinva United Orthopedic Corporation, an associate of the Company, by way of technology transfer in accordance with an agreement signed on August 20, 2020. The content of the technology transfer included transfer of registration information, provision of clinical trial results of registered products, and assistance to Shinva United Orthopedic Corporation in obtaining the relevant product registration certificates, with an amount of CNY 1,030,000 as the fee for technology transfer. As of December 31, 2022 and 2021, the amount of technology transfer received by the Company was NT$3,635,000 (RMB 820,000) and NT$3,430,000 (RMB 785,000), respectively, and was recorded as other current liabilities - advance receipts.

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2022 and 2021, the Company has collected NT$1,566,000 (RMB 360,000) and recorded other current liabilities - receipts in advance.

9. Capital loans

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

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

10. The maximum limit for

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

11. Remuneration for the Group's key management

	2022	2021
Short-term employee benefits	$44,769	$29,871
Share-based payments	-	1,441
Total	$44,769	$31,312

12. Operating expenses

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$2,012	$-

13. Other income

	2022	2021
Associate of the Group		
Shinva United Orthopedic Corporation	$6,817	$1,185
United Medical Co., Ltd.	15	26
The Group is a shareholder of the company		
Changgu Biotech Corporation	24	357
Total	$6,856	$1,568

The Group invests long-term deferred income of related enterprises in a technology-based manner, except for deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the date of commencement of the provision of services, and surplus Since Shandong Xinhua United Orthopaedic Equipment Co., Ltd. built a factory in September 2021 and successively obtained product registration certificates for each product, it was amortized on an average basis for ten years, and transferred to other income from deferred income.

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

VIII. Pledged Assets

The following table lists assets of the Group pledged as collaterals:

	Carrying amount		
Item	2022.12.31	2021.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$7,980	$9,820	Performance bond and import tariff
Property, plant and equipment - land and building	530,615	423,595	Comprehensive credit line
Property, plant and equipment - other equipment	39,006	15,675	Asset mortgage loan
Prepayments for equipment	4,578	-	Asset mortgage loan
Total	$582,179	$449,090	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

1. On March 21, 2023, the Board of Directors resolved that the Company intends to raise and issue the fourth domestic unsecured convertible corporate bonds with a total face value of up to NT$500,000,000.

2. Shinva United Orthopaedic Equipment Co., Ltd., an affiliated enterprise of the Group, intends to raise RMB 45,000,000 to enrich its working capital. On March 21, 2023, the Company, through a resolution of the Board of Directors, intends to waive its subscription rights and authorize the Chairman to handle subsequent matters.

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

XII. Others

1. Category of financial instruments

Financial assets

	2022.12.31	2021.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$13,401	$-
Financial assets at fair value through other comprehensive income	52,351	52,872
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	397,913	638,545
Financial assets at amortized cost	7,980	9,820
Notes receivable	1,412	2,377
Accounts receivable (including related parties)	844,765	593,601
Net Finance Lease Receivable	2,625	-
Other receivables (including related parties)	15,601	29,230
Refundable deposits	42,192	38,067
Net long-Term Finance Lease Receivables	10,633	-
Subtotal	1,323,121	1,311,640
Total	$1,388,873	$1,364,512

Financial liabilities

	2022.12.31	2021.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$-	$6,250
Financial liabilities measured at amortized cost:		
Short-term loans	773,029	785,946
Receivables (including related parties)	752,095	520,236
Bonds payable (including bonds due within one year)	-	484,555
Long-term loans (including loans due within one year)	587,524	238,066
Lease liabilities	210,369	212,934
Guarantee deposits received	669	669
Subtotal	2,323,686	2,242,406
Total	$2,323,686	$2,248,656

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 activates. 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 for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies while managing its financial activities.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk, and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign exchange risk

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for U.S. dollar. The information on the sensitivity analysis as follows:

WhenNT dollar appreciates/depreciates against US dollarby 1%, the Group's profit or loss for the years ended December 31, 2022 and 2021 will decrease/increase by NT$1,677,000 and NT$1,056,000, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the interest rate risk relates primarily to its investments with bank loans with fixed and variable interest rates.

The Group manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, it is not applied.

The interest rate sensitivity analysis is performed on items exposed to risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps, and it was assumed that the said items had been held for a fiscal period; when the interest rates rose/fell by 0.1%, the Company's profit and loss in 2022 and 2021 would increase/decrease by NT$961,000 and decrease/increase by NT$380,000, respectively.

Equity price risk

The fair value of unlisted equity securities held by the Group are susceptible to equity price risk arising from uncertainties about future values of the investment securities. Unlisted counterparty equity securities held by the Group are included in the category measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Corporation's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests from January 1 to December 31, 2022 and 2021.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivable, and lease payments receivable) and financing activities (primarily for bank deposits and various financial instruments).

The Group manages its credit risk in accordance with its credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by the Group by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

As of December 31, 2022 and 2021, the Group's top ten contract assets and receivables from clients accountedfor26% and 21% of the Group's total contract assets and total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

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

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

5. Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents, as well as securities with high liquidity, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2022.12.31					
Loans	$835,526	$226,501	$218,936	$93,541	$1,374,504
Accounts payable	752,095	-	-	-	752,095
Lease liabilities	30,721	53,077	25,935	143,025	252,758
2021.12.31					
Loans	$807,848	$52,089	$60,988	$106,873	$1,027,798
Accounts payable	520,236	-	-	-	520,236
Convertible bonds	500,000	-	-	-	500,000
Lease liabilities	28,144	49,237	36,009	142,802	256,192

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

6. Reconciliation of liabilities from financing activities

Reconciliationinformationof liabilitiesfor2022:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2022.1.1	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170
Cash flows from:	(25,858)	344,638	(500,000)	-	(30,549)	(211,769)
Non-cash changes	-	-	15,445	-	23,920	39,365
Changes in exchange rates	12,941	4,820	-	-	4,064	21,825
2022.12.31	$773,029	$587,524	$-	$669	$210,369	$1,571,591

Reconciliation information of liabilities in the year 2021:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2021.1.1	$979,837	$245,818	$478,829	$723	$218,153	$1,923,360
Cash flows from:	(185,842)	(4,165)	-	(54)	(27,919)	(217,980)
Non-cash changes	-	-	5,726	-	27,698	33,424
Changes in exchange rates	(8,049)	(3,587)	-	-	(4,998)	(16,634)
2021.12.31	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

A. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

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

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

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		Fair value	
	2022.12.31	2021.12.31	2022.12.31	2021.12.31
Financial assets				
Financial assets at amortized cost	$7,980	$9,820	$7,980	$9,820
Financial liabilities				
Corporate bonds payable	-	484,555	-	484,555

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Group.

8. Derivative

As of December 31, 2022 and 2021, the Group's derivative financial instruments (including forward exchange agreement and embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at FVTPL. Please refer to Note 6.14 and Note 6.15 for the contract information involved in this transaction.

The aforementioned derivatives are traded with well-known domestic and foreign banks, whose credit is good and therefore the credit risk is not high.

For forward exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

9. Fair value level

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1:	Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date
Level 2:	The observable input of the asset or liability, directly or indirectly, except for the quotation included in Level 1.
Level 3:	Non-observable input of the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

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

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$13,401	$-	$-	$13,401
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	48,950	-	3,401	52,351

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	$50,750	$-	$2,122	$52,872
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	6,250	-	6,250

Transfers between Level 1 and Level 2 fair value hierarchy

Between January 1, 2021 and December 31, 2022, the assets and liabilities measured at the Group's repeated fair value have not been transferred between the first and second levels of the fair value level.

Details on changes in repetitive Level 3 fair value hierarchy

For those of the Group's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

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

	Investments in equity instruments measured
	Stock
2022.1.1	$2,122
2022 annual total profit (loss):	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	1,279
2022.12.31	$3,401

	Investments in equity instruments measured
	Stock
2021.1.1	$3,367
Total profit (loss) recognized for 2021:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	(1,245)
2021.12.31	$2,122

<u>Information on material unobservable input of Level 3 fair value hierarchy</u>

For the Group's assets measured at repetitive fair value and categorized as Level 3 fair value hierarchy, the material unobservable input used toward fair value measurement is as follows:

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

December 31, 2022:

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$387,000 (increase by NT$486,000)

December 31, 2021:

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$303,000 (increase by NT$303,000)

(3) Fair value hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value shall be disclosed

On December 31, 2022, the Japanese company did not only disclose its fair value liabilities.

December 31, 2021:

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

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$484,555	$-	$484,555

10. Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant assets and liabilities denominated in foreign currencies are listed below:

Unit: thousand dollars

	2022.12.31			2021.12.31		
	Foreign currencies	Exchange Rate	NT$	Foreign currencies	Exchange Rate	NT$
Financial assets						
Monetary items:						
USD	$7,489	30.6600	$229,610	$4,765	27.6300	$131,655
EUR	2,194	32.5200	71,354	1,465	31.1200	45,594
JPY	26	0.2304	6	959	0.2385	229
RMB	40,906	4.3830	179,292	10,485	4.3190	45,285
GBP	4	36.8900	146	898	37.1000	33,320
Financial liabilities						
Monetary items:						
USD	2,012	30.7600	61,891	938	27.7300	26,013
EUR	2,008	32.9200	66,106	3,404	31.5200	107,305
JPY	5,160	0.2344	1,210	4,460	0.2425	1,082
CHF	23	33.3300	763	23	30.3000	687
RMB	5,395	4.4330	23,916	5,432	4.3690	23,733
NZD	-	19.5400	-	13	18.9900	253
GBP	12	37.2900	466	275	37.5000	10,308

As the entities within the Group transact in numerous functional currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign currency exchange gain (loss) from January 1 to December 31, 2022 and 2021 was NT$46,070,000 and (NT$44,176),000, respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. 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 its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Supplementary Disclosures

1. Information on Significant Transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.14 and Note 12 to the Consolidated Financial Statements.

(10) Others: Business relations and significant transactions between parent and subsidiary companies: Please refer to Table 6.

2. Information on investees: Please refer to Table 7.

3. Information on investments in Mainland China: Please refer to Table 8.

4. Information on major shareholders: Please refer to Table 9.

XIV. Segment Information

1. The Group's primary income comes from sales of hip/knee replacements, artificial spine, trauma-treatment products, and OEM products. According to the management's judgment, the Group belongs to a single operating segment.

2. Geographical Information

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

Revenue from external customers:

	2022	2021
Taiwan	$982,441	$917,106
Asia	506,889	433,144
Americas	657,987	522,650
Europe	907,120	623,870
Africa	95,460	46,214
Australia	18,783	27,882
Total	$3,168,680	$2,570,866

Non-current Assets:

	2022.12.31	2021.12.31
Taiwan	$2,336,288	$2,396,162
United States	172,831	119,162
Europe	407,236	259,189
Japan	57,703	50,742
Total	$2,974,058	$2,825,255

3. Information of Major Customers

	2022.12.31	2021.12.31
Shanghai Lianyi Biotechnology Co., Ltd.	$130,335	$43,200

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 1. Capital financing to others as December 31, 2022:

Unit: NT$ 1,000

S/N	Lending company	Participants	Account item	Is it a related party	Maximum amount in the current period	Balance at the end of the period (Board of Directors approved amount)	Actual Amount Drawn	Interest Rate	Nature of capital financing	Business transaction amount	Reasons for the need for short-term financing	Provision for loss	Collateral security		Loans and Limits to Individuals	Capital loans and total limits
													Name	Value		
0	United Orthopedic EquipmentCo., Ltd.	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	$99,615	$99,615	$83,930	2.4969%	Business nature	$442,230	None	$-	None	$-	$264,335	$264,335
0	United Orthopedic EquipmentCo., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	Long-Term Receivables - related party	Yes	88,160	88,160	85,984	2.5000%	Business nature	124,198	None	-	None	-	124,198	264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	23,244	23,244	-	2.4969%	Business nature	386,769	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Accounts receivable - related parties	Yes	33,205	33,205	-	2.4969%	Business nature	15,214	None	-	None	-	15,214	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	Long-Term Receivables - related party	Yes	13,282	13,282	5,161	2.4969%	Business nature	16,047	None	-	None	-	16,047	132,167

Note 1. The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.

Note 2. Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.

Note 3. The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

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

Table 2. Endorsements/Guarantees for others as of December 31, 2022:

Unit: NT$ 1,000

S/N	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement /Guarantee Amount	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$264,335	$245,680	$245,680	$153,550	$-	8.20%	$440,558	Y	N	N

Note 1. The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

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

Table 3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) as of December31, 2022:

Unit: NT$ 1,000

Securities Holding Company	Types and names of securities(Note1)	Relationship with Issuer of Securities(Note2)	Ledger Account	Ending Balance				Notes (Note4)
				Number of shares/units	Carrying amount(Note3)	Percentage of Ownership	Fair value	
	Stock							
United OrthopedicCorporation	Changgu BiotechCorporation	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	477,568	$2,813	16.09%	$2,813	None
United OrthopedicCorporation	Chailease FinanceCo., Ltd.	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	500,000	48,950	0.03%	48,950	“
	bond fund							
United OrthopedicCorporation	PineBridge GlobalESGQuantitative Bond Fund	-	Financial assets at fair value through profit or loss - current	520,432	4,628	*	4,628	“
United OrthopedicCorporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,773	*	8,773	“
	Stock							
A-Spine AsiaCo., Ltd.	Taiwan Main Orthopedics BiotechnologyCo., Ltd.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	235,040	588	2.99%	588	“

* The shareholding ratio is less than 0.01%.

Note 1. The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2. If the issuer is not a related party, this field is not required.

Note 3. For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after original acquisition cost or amortization cost deduction of accumulated impairment.

Note 4. If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

Company that imports (sells) goods	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and AccountsReceivable(Payable)		Remark
			Purchases (Sales)	Amount	Percentage ofTotal Purchases(Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage oftotal receivables(payables) (%)	
United OrthopedicCorporation	UOC USA, Inc.	Parent Subsidiary	Sales	$(181,339)	8.44%	120 days	Note	Note	$80,719	6.72%	
United OrthopedicCorporation	United Orthopedic Japan Inc.	Parent Subsidiary	Sales	$(101,681)	4.73%	120 days	Note	Note	$122,951	10.24%	
United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(432,682)	20.13%	120 days	Note	Note	$559,102	46.58%	
United OrthopedicCorporation	United Medical Co., Ltd.	Associate	Purchase of goods	$130,499	20.83%	90 days	Note	Note	$17,769	12.53%	
United OrthopedicCorporation	Shanghai Lianyi Biotechnology Co., Ltd.	Associate	Sales	$(124,198)	5.78%	90 days	Note	Note	$8,995	0.75%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	$(374,453)	75.62%	90 days	Note	Note	$270,259	76.17%	

Note: The payment term in principle has no significant differences from general clients; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

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

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as ofDecember31, 2022:

Unit: NT$ 1,000

The companies that record such transactions as receivables	Name of transacting party	Relationship	Balance of receivables from related parties	Turnover	Overdue accounts receivable from related party		amount recovered after the due from related parties	Provision for loss
					Amount	Handling method		
United OrthopedicCorporation	United Orthopedic Japan Inc.	Parent Subsidiary	$122,951	1.01	$-	-	$13,579	$-
United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	559,102	0.95	-	-	51,410	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	270,259	1.78	-	-	55,786	-

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 6. Business relations and significant transactions between parent and subsidiary companies:

No.(Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets(Note 3)
2022							
0	United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	$432,682	Note 4	13.47%
0	United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	559,102	-	9.96%
0	United OrthopedicCorporation	United Orthopedic Japan Inc.	1	Sales revenue	101,681	Note 4	3.17%
0	United OrthopedicCorporation	United Orthopedic Japan Inc.	1	Accounts receivable	122,951	-	2.19%
0	United OrthopedicCorporation	A-Spine Asia Co., Ltd.	1	Sales revenue	1,442	Note 4	0.04%
0	United OrthopedicCorporation	A-Spine Asia Co., Ltd.	1	Accounts receivable	1,514	-	0.03%
0	United OrthopedicCorporation	UOC USA, Inc.	1	Sales revenue	181,339	Note 4	5.65%
0	United OrthopedicCorporation	UOC USA, Inc.	1	Accounts receivable	80,719	-	1.44%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	374,453	Note 4	11.66%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	270,259	-	4.81%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Sales revenue	15,177	Note 4	0.47%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	18,961	-	0.34%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Sales revenue	16,047	Note 4	0.50%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Accounts receivable	15,482	-	0.28%
2	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	7,414	Note 4	0.23%
3	United Orthopedics Limited	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	345	Note 4	0.01%
3	United Orthopedics Limited	United Orthopedic Corporation (France)	6	Sales revenue	1,348	Note 4	0.04%

Note 1. The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. Six types of relations with transaction parties are applicable; simply marking the type:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.
4. Parent company to sub subsidiary.
5. Subsidiary to sub subsidiary
6. Sub subsidiary to Sub subsidiary

Note 3. The transaction amount is calculated as the combined total operating revenue or the total asset ratio. If it is an asset-liability account, the ending balance is calculated as the combined total assets;

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 7. Information on investees:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000/GBP 1,000

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount: Ending Balance for the Current Period	Initial Investment Amount: End of previous year	Ending Balance: Number of Shares	Ending Balance: Shareholding	Ending Balance: Carrying amount	Profit(Loss) ofInvestee for the Period	Investment Profit(Loss) Recognized	Remarks
United OrthopedicCorporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$-	$286,986	-	-	$-	$-	$-	Subsidiary
				(Note8)	(USD 9,380)						
United OrthopedicCorporation	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96.00%	87,258	47,214	45,249	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note2)					
United OrthopedicCorporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	104,604	85,994	88,658	95.00%	2,473	(4,922)	(4,574)	Subsidiary
				(JPY 339,724)	(JPY 259,724)	(Note4)					
United OrthopedicCorporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	74.90%	541,658	8,008	5,998	Subsidiary
						(Note5)				(Note9)	
United OrthopedicCorporation	UOC USA, Inc.	USA	Trading, wholesale	283,905	-	13,861,016	100.00%	118,614	(27,383)	(27,383)	Subsidiary
				(USD 9,360)	-	(Note1)					
United OrthopedicCorporation	United Orthopedic (Australia) Pty Ltd	Australia	Trading, wholesale	413	-	20,001	100.00%	(718)	(1,135)	(1,135)	Subsidiary
				(AUD 20)	-	(Note7)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100.00%	82,242	62,130	62,130	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100.00%	288,403	26,765	26,765	Sub-subsidiary
				(EUR 8,782)	(EUR 8,782)	(Note3)					
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	30,154	17,194	900	100.00%	(2,248)	(8,569)	(8,569)	Sub-subsidiary
				(EUR 900)	(EUR 500)	(Note3)					
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840	-	540	100.00%	23,423	2,308	3,277	Sub-subsidiary
				(GBP 540)	-	(Note6)					

Note 1. The face value per share is USD 0.68.
Note 2. The face value per share is CHF 1,000.
Note 3. The face value per share is EUR 1,000.
Note 4. The face value per share is JPY 2,413.
Note 5. The face value per share is TWD 10.
Note 6. The face value per share is GBP 1,000.
Note 7. The face value per share is AUD 1.
Note 8. UOC America Holding Corporation, a subsidiary of the Company, was liquidated on March 21, 2022.
Note 9. The amortization effect of the share of the intangible assets arising from the acquisition of Crown Asia Technologies Co., Ltd. by the Company in proportion to its shareholding was not deducted from NT$4,474,000.

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8: Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit(Loss)of Investee for the Period	The Company's Direct or Indirect Ownership	Income (loss) for this period	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation	Production and sales	$1,436,694	(Note1)	$704,464	$-	$-	$704,464	$(193,142)	49%	$(94,640)	$422,988	$-
.	of implants, artificial joints	(CNY 300,000 thousand)		(CNY 147,000 thousand)			(CNY 147,000 thousand) (Note2)					

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
$704,464 (CNY 147,000 thousand)	$704,464 (CNY 147,000 thousand)	$1,853,925

Note 1. Direct investment in mainland China.
Note 2. Including technical value of CNY 30,000,000.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8-1. Significant transactions directly or indirectly invested by the Group through third-region companies and reinvested companies in Mainland China:

(1) Purchase amount and percentage, and ending balance of accounts payable and percentage:

Unit: NT$ 1,000

Year	Name of transacting party	Name of Company	Purchase amount	Percentage to the Company's purchase%	Ending balance of accounts payable	Percentage%
2022	United OrthopedicCorporation	United Medical Co., Ltd.	$130,499	20.83%	$17,769	12.53%
2022	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	762	2.56%	55	1.38%

(2) Sales amount and percentage, and ending balance of accounts receivable and percentage:

Year	Name of transacting party	Name of Company	Sales amount	Percentage to the Company's sales%	Ending balance of accounts receivable	Percentage%
2022	United OrthopedicCorporation	Shanghai Lianyi Biotechnology Co., Ltd.	$124,198	5.78%	$8,995	0.75%
2022	United OrthopedicCorporation	United Medical Instrument(Shanghai) Co., Ltd.	78,779	3.66%	78,476	6.54%
2022	United OrthopedicCorporation	United Medical Co., Ltd.	1,167	0.05%	202	0.02%
2022	United OrthopedicCorporation	Shinva United Orthopedic Corporation	130	0.01%	1,357	0.11%
2022	A-Spine Asia Co., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	6,137	1.86%	1,532	2.45%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:
None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:
None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:
None.

V. The Company's Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year

Independent Auditors' Report

To United Orthopedic Corporation:

Audit opinion

We have audited the parent company only balance sheets of United Orthopedic Corporation as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to parent company only financial statements (including summary of significant accounting policies) for the years then ended.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the financial status of United Orthopedic Corporation as of December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of United Orthopedic Corporation in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China ("the Code"), and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of United Orthopedic Corporation for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Inventory valuation</u>

The net inventories of United Orthopedic Corporation were NT$663,677 thousand, which accounted for 14% of the individual total assets. It was considered significant to the individual financial statements. With the continuous innovation of orthopedic supplies and equipment production technology, the inventory may become outdated or the selling price may drop. The estimated net realizable value and obsolescence loss involve significant management judgment. We believed that inventory valuation was of significance to the audit of parent company only financial statements; hence, we determined inventory valuation to be a key audit item. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the parent company only financial statements.

Key audit matters (Continued)

Revenue recognition

United Orthopedic Corporation's primary products are orthopedic implants - artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products, and their revenue is NT$2,149,743,000, which is significant to the parent company only financial statements. As the characteristics of the industry, it is necessary to judge and determine the performance obligations and the timing of meeting the performance obligations. We believe that the recognition of revenue from contracts with customers was of significance to the audit of parent company only financial statements; hence, we determine revenue recognition to be a key audit item. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of intangible assets arising from internal development

United Orthopaedic Equipment Co., Ltd. net carrying amount of intangible assets was NT $34,334 (thousand) on December 31, 2022, which is significant for the individual financial statements. United Orthopedic Corporation invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

Responsibilities of the management and governance bodies for the parent company only financial statements

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of United Orthopedic Corporation in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the United Orthopedic Corporation or cease the operations, or has no realistic alternative but to do so.

The governance bodies of United Orthopedic Corporation (including the Audit Committee or Supervisors) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the parent company Only financial statements

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

We have exercised our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. The accountant will also perform the following duties:

7. Identify and evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

8. Obtain necessary knowledge concerning internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Orthopedic Corporation's internal control.

9. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

10. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on United Orthopedic Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in United Orthopedic Corporation ceasing to continue as a going concern.

Auditors' responsibilities for the audit of the parent company Only financial statements (Continued)

1. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.

2. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within United Orthopedic Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

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

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

From the matters communicated with governance bodies, we determine the key audit matters within the audit of United Orthopedic Corporation's parent company only financial statements for the year ended December 31, 2022. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Approval Number from Competent Authority for the Auditing and Attestation of Public Companies' Financial Statements by Certified Public Accountants:

Approved Document:	Jin-Guan-Zheng-Shen-Zi No. 1060027042
	Financial Supervisory Securities Official Letter No. VI-0930133943

CPA:	Ma Chun-Ting
	Hsu Jung-Huang

March 21, 2023

United Orthopedic Corporation
Parent Company Only Balance Sheets
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Assets			December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$232,702	5	$484,385	11
1110	Financial assets at fair value through profit or loss - current	IV and VI.2	13,401	-	-	-
1150	Notes receivable, net	IV, VI.5 and VI.19	1,412	-	2,377	-
1170	Net accounts receivable	IV, VI.6 and VI.19	343,813	7	260,423	6
1180	Notes receivable - related parties, net	IV, VI.6, VI.19 and VII	855,098	18	505,841	11
1200	Other receivables	IV	5,703	-	13,260	-
1210	Other accounts receivable - related parties (net)	4 & 7	3,232	-	528	-
1220	Current income tax assets	IV and VI.24	-	-	103	-
130x	Inventories	IV and VI.7	663,677	14	600,745	13
1410	Prepayments		22,479	1	14,195	1
1470	Other current assets		887	-	71	-
11xx	Total current assets		2,142,404	45	1,881,928	42
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	IV and VI.3	51,763	1	52,383	1
1535	Financial assets at amortized cost - non-current	IV, VI.4 and VIII	6,980	-	8,820	-
1550	Investment accounted for using equity method	IV and VI.8	1,172,273	25	1,276,360	28
1600	Property, Plant, and Equipment	IV, VI. 9 and VIII	806,111	17	869,164	19
1755	Right-of-use assets	IV and VI.20	131,661	3	132,936	3
1780	Intangible assets	IV and VI.10	157,844	3	147,586	3
1840	Deferred income tax assets	IV and VI.24	92,319	2	87,119	2
1900	Other non-current assets	7	200,846	4	104,719	2
1975	Net defined benefit assets - non-current	IV and VI.15	8,313	-	-	-
15xx	Total non-current assets		2,628,110	55	2,679,087	58
1xxx	Total assets		$4,770,514	100	$4,561,015	100

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Parent Company Only Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term loans	IV and VI.11	$536,317	11	$639,066	14
2110	Financial Liabilities at Fair Value through Profit or Loss - Current	IV, VI.12 and VI.13	-	-	6,250	-
2130	Contract liabilities - current	IV and VI.18	7,182	-	6,859	-
2150	Notes payable	IV	1,994	-	186	-
2170	Accounts Payable	IV	122,085	3	66,560	2
2180	Accounts payable - related parties	4 & 7	17,769	-	19,394	-
2200	Other payables	IV	371,483	8	242,489	6
2220	Other payables - related parties	4 & 7	1,550	-	-	-
2230	Current income tax liabilities	IV and VI.24	70,688	1	35,993	1
2280	Lease liabilities - current	IV and VI.20	5,231	-	5,646	-
2300	Other current liabilities		7,925	-	10,491	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	IV and VI.13	-	-	484,555	11
2322	Long-term loan due within one year or one operating cycle	IV and VI.14	31,591	1	8,341	-
21xx	Total current liabilities		1,173,815	24	1,525,830	34
	Non-current Liabilities					
2540	Long-term loans	IV and VI.14	405,509	9	106,350	2
2570	Deferred income tax liabilities	IV and VI.24	73	-	78	-
2580	Lease liabilities - non-current	IV and VI.20	130,051	3	130,090	3
2600	Other non-current liabilities		669	-	669	-
2630	Long-term deferred income	IV and VI.8	65,694	1	72,239	2
2640	Net defined benefit liabilities - non-current	IV and VI.15	-	-	3,423	-
25xx	Total non-current liabilities		601,996	13	312,849	7
2xxx	Total liabilities		1,775,811	37	1,838,679	41

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Parent Company Only Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Equity	IV, VI.13, VI.16 and VI.26				
3100	Capital Stock					
3110	Capital stock - common shares		781,316	16	781,116	17
3120	Capital - preferred stock		99,800	2	100,000	2
	Totalcapital		881,116	18	881,116	19
3200	Capital surplus		1,743,729	37	1,743,438	38
3300	Retained earnings					
3310	Legal reserve		102,629	2	97,755	2
3320	Special reserve		132,311	3	88,451	2
3350	Unappropriated earnings		233,295	5	48,734	1
	Totalretainedearnings		468,235	10	234,940	5
3400	Other equity					
3410	Differences on translation of foreign financial statements		(93,938)	(2)	(133,265)	(3)
3420	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income		(4,439)	-	(3,893)	-
	Total other equity		(98,377)	(2)	(137,158)	(3)
3xxx	Total equity		2,994,703	63	2,722,336	59
	Total liabilities and equity		$4,770,514	100	$4,561,015	100

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen   Manager: Lin, Yan-Shen   Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

			2022		2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
4000	Operating revenue	IV, VI. 18 and VII	$2,149,743	100	$1,682,232	100
5000	Operating costs	IV, VI.7, VI.20, VI.21 and VII	1,010,311	47	795,599	47
5900	Gross profit		1,139,432	53	886,633	53
5920	Unrealized sales profit		(66,299)	(3)	(51,461)	(3)
5950	Net gross profit		1,073,133	50	835,172	50
6000	Operating expenses	IV, VI.19, VI.20, VI.21 and VII				
6100	Selling and marketing expenses		448,434	21	391,967	23
6200	General and administrative expenses		159,717	7	134,187	8
6300	R&D expenses		139,665	6	114,249	7
6450	Expected credit impairment (benefits) gain/loss		(821)	-	(5,198)	-
	Total operating expenses		746,995	34	635,205	38
6900	Operating profit		326,138	16	199,967	12
7000	Non-operating income and expenses	IV, VI.8, VI.22 and VII				
7100	Interest income		4,623	-	2,733	-
7010	Other income		23,417	1	7,860	-
7020	Other gains and losses		41,451	2	(54,596)	(3)
7050	Finance costs		(15,582)	(1)	(13,653)	(1)
7775	Share of the losses of subsidiaries, associates and joint ventures accounted for using the equity method		(80,959)	(4)	(61,880)	(3)
	Total non-operating income and expenses		(27,050)	(2)	(119,536)	(7)
7900	Income before tax		299,088	14	80,431	5
7950	Income tax expenses	IV and VI.24	(77,555)	(4)	(28,160)	(2)
8200	Net profit for the period		221,533	10	52,271	3
8300	Other comprehensive income	IV and VI.23				
8310	Components that will not be reclassified to profit or loss					
8311	Gains (losses) on re-measurementsof defined benefit plans		11,762	1	(3,389)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		(620)	-	(161)	-
8320	Shares of other comprehensive income of subsidiaries, associates and joint ventures accountedfor using the equity method - Items that will not be reclassified to profit or loss		74	-	(100)	-
8360	Components that may be reclassified to profit or loss					
8380	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - Items that may be reclassified to profit or loss		39,327	2	(48,447)	(3)
	Other Comprehensive Income (Net After Tax) of Current Period		50,543	3	(52,097)	(3)
8500	Total amount of comprehensive income (loss) for this period		$272,076	13	$174	-
	Earnings per share (NT$)	IV and VI.25				
9750	Basic earnings per share		$2.84		$0.37	
9850	Diluted earnings per share		$2.51		$0.37	

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Parent Company Only Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

		Capital Stock			Retained earnings			Other equity items			
		Capital stock - common shares	Capital - preferred stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized (loss) gain on financial assets measured at FVTOCI	Employees' unearned remuneration	Total Equity
Code	Item	3100	3120	3200	3310	3320	3350	3410	3420	3491	3XXX
A1	Balance as of January 1, 2021	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$2,818,759
	Earnings appropriation and distribution in 2020										
B1	Legal reserve	-	-	-	8,451	-	(8,451)	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	-	(65,370)	-	-	-	(65,370)
B7	Cash dividend of extraordinary stock	-	-	-	-	-	(23,400)	-	-	-	(23,400)
B17	Special reserve reversal	-	-	-	-	(12,709)	12,709	-	-	-	-
D1	Net profit for year 2021	-	-	-	-	-	52,271	-	-	-	52,271
D3	Other comprehensive income in 2021	-	-	-	-	-	(3,389)	(48,447)	(261)	-	(52,097)
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	48,882	(48,447)	(261)	-	174
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	(148)	-	-	-	(148)
N2	Share-based payment transaction - new restricted employee shares	(2,782)	-	(12,633)	-	-	-	-	-	7,736	(7,679)
Z1	Balance as of December 31, 2021	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$2,722,336
A1	Balance as of January 1, 2022	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$2,722,336
	Earnings appropriation and distribution in 2021										
B1	Legal reserve	-	-	-	4,874	-	(4,874)	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	43,860	(43,860)	-	-	-	-
D1	Net profit for year 2022	-	-	-	-	-	221,533	-	-	-	221,533
D3	Other comprehensive income in 2022	-	-	-	-	-	11,762	39,327	(546)	-	50,543
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	233,295	39,327	(546)	-	272,076
J1	convertible special share conversion	200	(200)	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	291	-	-	-	-	-	-	291
Z1	Balance as of December 31, 2022	$781,316	$99,800	$1,743,729	$102,629	$132,311	$233,295	$(93,938)	$(4,439)	$-	$2,994,703

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

Code	Item	2022 Amount	2021 Amount
AAAA	Cash flow from operating activities:		
A10000	Current net income before tax	$299,088	$80,431
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	117,185	115,753
A20200	Amortization expenses	27,661	24,588
A20300	Expected credit impairment income	(821)	(5,198)
A20400	Net loss on financial liabilities measured at fair value through profit or loss	7,507	4,982
A20900	Interest expenses	15,582	13,653
A21200	Interest income	(4,623)	(2,733)
A21900	Share-based payment remuneration cost	-	(7,679)
A22300	Share of the losses of subsidiaries, associates and joint ventures accounted for using the equity method	80,959	61,880
A22500	Loss on disposal of property, plant, and equipment	2,591	18
A22800	Loss on disposal of intangible assets	-	1,739
A24000	Unrealized sales profit	66,299	51,461
A24200	gain on repurchase of corporate bonds payable	(816)	-
A29900	Other income	(6,545)	(1,185)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in notes receivable	965	(784)
A31150	Increase in accounts receivable	(82,569)	(21,980)
A31160	Gain in accounts receivable - affiliated	(438,569)	(43,152)
A31180	Increase in other receivables	(4,429)	(11,358)
A31190	(Increase) decrease in other receivables - related parties	(2,704)	139
A31200	(Increase) decrease in inventories	(62,932)	4,748
A31230	(Increase) decrease in prepayments	(8,284)	5,810
A31240	Increase in other current assets	(816)	(10)
A32125	Increase in contractual liabilities	323	4,377
A32130	Increase (decrease) in notes payable	1,808	(1,010)
A32150	Increase (decrease) in accounts payable	55,525	(5,971)
A32160	Decrease in accounts payable - related parties	(1,625)	(1,244)
A32180	Increase (decrease) in other payables	136,843	(12,331)
A32190	Increase in other payables - related parties	1,550	-
A32230	(Decrease) increase in other current liabilities	(2,566)	320
A32240	Increase (decrease) in net defined benefit liabilities	26	(31)
A33000	Cash inflow generated from operations	196,613	255,233
A33100	Interest received	4,119	3,116
A33200	Dividends received	15,135	20,179
A33500	Income tax paid	(35,472)	(10,317)
AAAA	Net cash flows generated from operating activities	180,395	268,211

United Orthopedic Corporation
Individual cash flow statement (continued)
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

Code	Item	2022 Amount	2021 Amount
BBBB	Cash flow from investment activities:		
B00040	Acquisition of financial assets at amortized cost	(5,297)	-
B00050	Proceeds from sale of financial assets at amortized cost	7,137	6,033
B00100	Acquisition of financial assets at fair value through profit or loss	(15,000)	-
B00200	Disposal of financial assets at fair value through profit or loss	-	27,871
B01800	Acquisition of investments using equity method	(19,023)	(20,792)
B01900	Disposal of investments accounted for using the equity method	411	-
B02700	Acquisition of property, plant, and equipment	(54,455)	(41,150)
B02800	Disposal of property, plant and equipment	129	81
B03700	Increase in refundable deposits	(4,048)	(7,085)
B04500	Acquisition of intangible assets	(37,119)	(26,339)
B06700	Increase in other non-current assets	(1)	-
B07100	Increase in prepayments for business facilities	(7,914)	(2,263)
BBBB	Net cash flows used in investing activities	(135,180)	(63,644)
CCCC	Cash from financing activities:		
C00100	Increase in short-term loans	2,963,959	2,233,436
C00200	Decrease in short-term loans	(3,066,708)	(2,332,489)
C01300	Repayments of bonds	(500,000)	-
C01600	Proceeds from long-term loans	335,000	-
C01700	Repayments of long-term loans	(12,591)	(71,091)
C03000	Decrease in deposits received	-	(54)
C04020	Repayment of lease principal	(7,870)	(7,521)
C04500	Cash dividends paid	-	(88,770)
C05600	Interest paid	(8,688)	(5,829)
CCCC	Net cash flows used in financing activities	(296,898)	(272,318)
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	-	(1,881)
EEEE	Decrease in cash and cash equivalents in the current period	(251,683)	(69,632)
E00100	Beginning balance of cash and cash equivalents	484,385	554,017
E00200	Cash and cash equivalents at end of the period	$232,702	$484,385

(Please refer to the notes to the parent company only financial statements)

Chairman: Lin, Yan-Shen　　Manager: Lin, Yan-Shen　　Accounting Manager: Deng, Yuan-Chang

United Orthopedic Corporation
Notes to Parent Company Only Financial Statements
January 1 to December 31, 2022 and January 1 to December 31, 2021
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

United Orthopedic Corporation (hereinafter referred to as "the Company") was established on March 5, 1993. Its primary operations include research, development, production, manufacturing, and sales of orthopedic implants and orthopedic surgical instruments; manufacturing equipment, special metal and plastics materials, as well as the import and export of aforementioned products.

The Company's common shares were publicly listed in Taipei Exchange (TPEx) on July 5, 2004, and began transactions on September 29, 2004. Its registered office and the main operations base are located at No. 57, Yuanqu 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan (R.O.C.).

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The parent company only financial statements of the Company for 2022 and 2021 were authorized for issue by the Board of Directors on March 21, 2023.

III. Application of New and Amended Standards and Interpretations

1. Changes in accounting policies due to the first-time adoption of the International Financial Reporting Standards (IFRSs):

   The company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by Financial Supervisory Commission (FSC) and applicable since January 1, 2022. First-time application of new standards and amendments has no significant impact on the company.

2. As of the date of issuance of the financial statements, the Company has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)	January 1, 2023

(1) Disclosure Initiative - Accounting Policies (Amendments to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

(2) Definition of Accounting Estimates (Amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

(3) Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)

This amendment limits the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS 12, "Income Taxes", so that the exemption does not apply to transactions that give rise to the same amount of taxable and deductible temporary differences on initial recognition.

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and have been approved by HKFAS for fiscal years beginning on or after January 1, 2023. The company assesses that the newly issued or amended standards or interpretations have no significant impact on the company.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

3. As of the date of issuance of the financial statements, the Company has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
4	Lease liability in a sale and leaseback (amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (amendments to IAS 1)	January 1, 2024

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

The plan deals with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28 so that gains or losses shall be recognized in full for sale or contribution of assets that constitute a business as defined in IFRS 3.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary, that does not constitute a business as defined in IFRS 3, between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

(2) IFRS 17 "Insurance Contracts"

This Standard provides a model for the comprehensiveness of insurance contracts, including all accounting-related components (recognition, measurement, expression and disclosure principles), with the general model at the core of the Standard, under which the insurance contract group is originally recognized by the sum of the cash flows from performance and the margin of contractual services; the carrying amount at the end of each reporting period is the sum of the residual safeguard liability and the incurred physiological liability.

In addition to the general model, it also provides specific applicable methods for contracts with direct participation characteristics (variable fee approach); and simplified methods for short-term contracts (premium allocation approach).

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to the fiscal year beginning on or after January 1, 2023 (from the original effective date of January 1, 2021) and additional transition reliefs are provided. Some requirements are simplified to reduce the costs of applying IFRS 17 and some requirements are revised to make certain conditions easier to explain. IFRS 17 replaces an interim standard - IFRS 4 "Insurance Contracts" - from annual reporting periods beginning on or after January 1, 2023.

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

This amendment targets sections 69-76 in IAS 1 "Presentation of Financial Statements" concerning the classification of liability as either current or non-current.

(4) Lease liability in a sale and leaseback (amendments to IFRS 16)

This is consistent with one of the additional accounting treatments added by the seller and lessee in a sale and leaseback transaction to enhance IFRS 16 “Lease”.

(5) Non-current Liabilities with Covenants (amendments to IAS 1)

This amendment enhances the ability of companies to provide information about long-term debt contracts. It specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting date for the purposes of classifying a liability as current or non-current.

For the aforementioned standards or interpretations announced by the IASB but have not yet approved by the FSC, the actual adoption date will be made in accordance with the FSC. The Company has evaluated that the aforementioned newly announced or amended standards or interpretations do not pose material effects on the Company.

IV. Summary of Significant Accounting Policies

1. Compliance declaration

The parent company only financial statements for the years ended December 31, 2022 and 2021 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Preparation basis

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income of the period presented in parent company only financial reports shall be the same as the share of profit or loss and other comprehensive income attributable to owners of the parent presented in the consolidated financial statements, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Therefore, investments in subsidiaries are expressed as "investments accounted for using the equity method" in the parent company only financial statements with evaluation adjustments, if needed.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars unless otherwise stated.

3. Foreign Currency Transactions

The parent company only financial statements of the Company are expressed in New Taiwan Dollars, which is the Company's functional currency.

Transactions in foreign currencies are initially recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
(3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on 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.

4. Translation of foreign-currency financial statements

Each foreign operation in the Company may determine its functional currency, and use it to measure its financial statements In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The loss of control, significant influence or joint control over a foreign operation while retaining partial equity is accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted via "investments accounted for using the equity method" instead of being recognized in profit or loss. In partial disposal of an associate or a joint-controlled equity that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

5. Classification of current and non-current assets and liabilities

An asset is classified as current when it meets the following conditions, and all other assets are classified as non-current:

(1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) The Company holds the asset primarily for the purpose of trading.
(3) The Company expects to realize the asset within twelve months after the reporting period.

(4) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it meets the following conditions, and all other liabilities are classified as non-current:

(1) The Company expects to settle the liability in its normal operating cycle.
(2) The Company holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with terms equal to or less than twelve months).

7. Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

For financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments," they are measured at fair value at the time of initial recognition, and the transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (except for the financial assets and financial liabilities measured at FVTPL) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The Company accounts for regular way recognition or derecognition of financial assets on the trade date basis.

The Company classifies financial assets as subsequently measured at amortized cost, at FVTOCI or at FVTPL based on the following two conditions:

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

Financial assets at amortized cost

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables on the balance sheet:

A. Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and
B. Contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

These financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost (the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance). These financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost (the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

A. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
B. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

A financial asset satisfying both conditions below is measured at FVTOCI and presented as financial assets measured at FVTOCI on the balance sheet:

A. Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and
B. Contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gain or loss on such a financial asset is described below:

A. Prior to its derecognition or reclassification, the gain or loss on a financial asset measured at FVTOCI is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.
B. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

   (a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
   (b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at FVTOCI on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at FVTOCI due to the satisfaction of certain conditions, all other financial assets are measured at FVTPL and presented as financial assets measured at FVTPL on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

(2) Impairment of Financial Assets

The company recognises and measures impairment losses on expected credit losses on financial assets measured at amortized cost.

The Company measures expected credit loss in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. Time value of money; and
C. Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort at the balance sheet date).

Loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.
B. At an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.
C. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each balance sheet date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

Financial assets held by the Company are derecognized when one of the following conditions applies:

A. The contractual rights to the cash flows from the financial asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a 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 Company classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract of the Company that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the host contract before separating the equity element.

For liability component excluding derivatives, its fair value is determined based on the market interest rate of an equivalent non-convertible bond. This component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the economic characteristics and risks of the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal to the amortized cost of the debt instrument on each exercise date), it is classified as a liability component and subsequently measured at FVTPL unless it qualifies for an equity component. The equity component is determined as the residual amount after deducting from the fair value of the convertible bond the amount of the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 concerning compound instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instrument is initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of its liability component is adjusted to the carrying amount as of the conversion date to be the recognition basis for the issuance of common stocks.

Financial liabilities

Financial liabilities within the scope of IFRS 9 "Financial Instruments": Recognition and measurement are classified as financial liabilities measured at FVTPL or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated as measured at FVTPL.

A financial liability is classified as held for trading if:

A. It is acquired principally for the purpose of selling it in the short term;
B. It is part of a portfolio of identifiable financial instruments that are managed together on initial recognition and for which there is evidence of a pattern of short-term profit-taking recently; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at FVTPL; or a financial liability may be designated as measured at FVTPL upon initial recognition when doing so results in more relevant information, because either:

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial assets and liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and the portfolio information provided to the management within the merged company is also based on fair value.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid is recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables, borrowings, and corporate bonds payable that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Derivative

The Company uses derivative instruments held or issued to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities measured at FVTPL while derivatives that are designated effective hedging instruments which are classified as derivative assets or liabilities for hedging in the balance sheet.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation shall be recognized under profit or loss or equity.

Where a host contract is a non-financial asset or non-financial liability, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as measured at FVTPL.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes the transactions of asset selling and liability transferring occur in one of the following markets:

(1) The primary market for the asset or liability; or
(2) If there is no primary market, the most advantageous market for the asset or liability

The principal or most advantageous markets shall be the ones that the Corporation have access to and can transact in.

Assumptions that market participants would use when pricing the asset or liability are used in the fair value measurement. Market participants are assumed to act in their economic best interest.

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

The Company uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

10. Inventories

Inventories are valued at the lower of cost or net realizable value item by item.

Costs refer to costs incurred in bringing each inventory to its available-for-sale or available-for-production status and location. They are accounted for as follows:

Raw materials	-	Actual purchase cost, adopting the weighted average method.
Finished goods and work in progress	-	Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The provision of labor services is accounted for in accordance with IFRS 15 and is not within the scope of inventory.

11. Investments Accounted for Using the Equity Method

The Company's investments in subsidiaries are accounted for as "investments accounted for using the equity method" with evaluation adjustments, if needed, pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The adjustments are made so that the profit or loss and other comprehensive income of the period presented in individual financial statements are the same as the share of profit or loss and other comprehensive income attributable to owners of the parent presented in the consolidated financial statements, and the owners' equity presented in the individual financial statements are the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Those adjustments mainly take into account the accounting treatments for investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the difference in IFRSs adoption by different reporting entities. The Company debits or credits "investments accounted for using the equity method," "share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method" or "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method."

The Corporation's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as assets held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investments in the affiliate companies are carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associates. After the carrying amount and other related long-term interests in associates are reduced to zero under the equity method, additional losses and liabilities are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associates. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the Company's interest in the associates.

When changes in the ownership interest of associates are not caused by profit or loss and other comprehensive income items and do not affect the Company's ownership percentages in those entities, the Company recognizes all changes in ownership interest based on its ownership percentage. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associates on a pro rata basis.

When the associates issue new shares and the Company's shares in the net assets of those entities has changed as a result of failing to acquire shares newly issued in proportion to its original ownership interest, the changes are adjusted through "capital surplus" and "investments accounted for using the equity method." When the interest in the associates or joint ventures is reduced, relevant items previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate accounts by the reduced percentage. The aforementioned capital surplus recognized shall be reclassified to profit or loss upon the disposal of the associates on a pro rata basis.

The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associates or joint ventures is impaired in accordance with IAS 28 "Investment in Related Companies and Joint Ventures." If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and their carrying value and recognizes the amount in the "share of profit or loss of associates or joint ventures" in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets." If the investment's value in use is adopted as the recoverable amount, the Company determines the value in use based on the following estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from the dividends and the proceeds on the ultimate disposal of the investment.

Because goodwill that forms part of the carrying amount of the investment in associates is not separately recognized, the impairment test on goodwill of IAS 36 "Impairment of Assets" does not apply.

Upon loss of significant influence over the associates, the Corporation measures and recognizes the retaining investment at its fair value. The difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment plus proceeds from disposal is recognized in profit or loss.

The Company's investments in joint-controlled entities are also accounted for using the equity method, other than those classified as held-for-sale assets. Joint-controlled entities refer to companies, partnerships or other entities whose establishment involves the Company and the Company has joint control over.

12. Property, Plant, and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and necessary borrowing costs for construction in progress. Each part of property, plant and equipment that is significant is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts separately as individual assets with specific useful lives and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Housing and Construction	3 to 50 years
Machinery	10 to 16 years
Tooling equipment (except for forging die)	3 to 5 years
Transportation Equipment	5 to 6 years
IT equipment	3 to 5 years
Leasehold improvements	Over the shorter of the lease terms or useful lives

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

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

13. Leases

For all contracts, the Company evaluates whether the contracts are (or include) leases on the date they are formed. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Company will evaluate whether the following two factors occurred during the entire duration of use:

(1) Rights to nearly all economic benefits of the identified asset have been received; and
(2) The control over the right to use the identified asset.

For contracts that are (or include) leases, the Company will treat each lease component in the contract individually, as well as separating them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Company will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Company will maximize the use of observable information to estimate their respective single unit prices.

The Company as a lessee

Except for leases that meet and are selected to be treated as short-term leases or low-value assets, when the Company is the lessee of a lease contract, the Company will recognize all right-of-use asset and lease liabilities related to all leases.

At the start date, the Company measures the lease liability at the present value of the unpaid lease payments on that date. If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If such interest rate is difficult to determine, the lessee's incremental borrowing rate of interest will be used. On the start date, the lease payment of the lease liability will be accounted for, including the following payments that have to do with the target right-of-use asset during the lease period that have not been paid on that date:

(1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
(2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
(3) Lease payments expected to be paid by the lessee under the residual value guarantee; and
(4) Exercise price for purchase of options, if the Company can be reasonably assured that the right 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 start date, the Company will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

On the start date, the Company will measure the right-of-use asset at cost, and the cost of the right-of-use asset will include:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payment paid on the start date or before, minus any lease incentives taken;
(3) Any initial direct costs incurred by the lessee; and
(4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Valuation of the right-of-use asset will be cost minus accumulated depreciation and accumulated impairment loss, or the right-of-use asset can be measured at cost model.

If the ownership of the target asset will be transferred to the Company when the lease period expires, or if the cost of the right-of-use asset reflects that the Company will exercise purchase option, then the depreciation of the right-of-use asset will be measured from the start date of the lease until the end of the asset's useful life. Otherwise, the Company will depreciate the right-of-use asset from the start date until the end of its useful life, or the end of the lease term, whichever is the earlier of the two.

The Company uses IAS 36 "Asset Impairment" to determine whether an asset has been impaired and treats any identified impairment loss.

Except for lease of assets that meet and were selected to be short-term lease or low-value asset, the Company will recognize right-of-use assets and lease liabilities on the balance sheet, and separately recognize any depreciation expense and interest expense related to the lease on the statement of comprehensive income.

For short-term leases and low-value asset leases, the Company chooses to use straight-line basis or another systematic basis, and recognizes related lease payments as expenses during the lease terms.

In respect of the relevant rent concession which are the direct result of the COVID-19 pandemic, the Company has chosen not to assess whether it is a lease modification, but to treat the said rent concession as a change in lease payments, and has applied the practical expedient to all qualifying lease concessions.

<u>The Company being a lessor</u>

On the date of establishment the contract, the Company will classify each lease as either operating lease or financing lease. If nearly all risks and rewards associated with the ownership of the asset will be transferred during the lease, it will be categorized as a financing lease; if risks and rewards will not be transferred, it will be an operating lease. The Company will recognize assets held under financing leases on the balance sheet on the start date, and express them as lease payment receivable based on the net lease investment.

For contracts that include lease components and non-lease components, the Company will distribute the considerations in the contract using regulations from IFRS 15.

The Company uses direct-line basis or another systematic basis to recognize lease payments from operating leases as lease revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as lease revenue when they occur.

14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination 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, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. Intangible assets with indefinite life are reviewed at each reporting period to determine whether there are events and circumstances continuing to support the classification of indefinite life. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Intangible assets under development – research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when they meet the following conditions:

(1) The technical feasibility of completing the intangible asset has been achieved, and the said asset will be thus available for use or sale.
(2) The Company intends to complete the said asset to use or sell it.
(3) There is an ability to use or sell the said asset.
(4) How the intangible asset will generate highly likely economic benefits in the future. In addition, the Company can prove that the output of the intangible asset or the intangible asset itself already exists in the market, or if the intangible asset is for internal use, the Company can prove the usefulness of the asset.
(5) The Company has sufficient technological, financial, and other resources to complete this development, and is able to use or sell the intangible asset.
(6) Expenditures during the development stage of the intangible asset can be reliably measured.

Following initial recognition of the capitalized development expenditure, the cost model is applied, i.e. the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the development period, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Specialized technology

Specialized technology obtained externally is granted 15 years of right-of-use and amortized on a straight-line basis. Specialized technology developed internally is amortized on a straight-line basis during the expected future sales period of relevant projects.

Computer Software

Computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years)

The Company's accounting policies for intangible assets are summarized as follows:

	Intangible assets under development	Specialized technology	Computer Software
Useful lives	Finite	Finite	Finite
Amortization method	Amortized on a straight-line basis over the forecast sales period for the related projects	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internal production or external acquisition	Internal production	Internal production and external acquisition	External acquisition

15. Impairment of non-financial assets

The Company assesses whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Corporation would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made by the Company at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of goodwill, then to the other assets pro rata based on the carrying amount of each asset. Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

16. Revenue recognition

The Company's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

<u>Sales of goods</u>

The Company manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Company are orthopedic implants, etc. Revenues are recognized based on the prices stated on the contracts.

The credit period of the Company's product sale transactions is 30 days to 180 days. Most contracts are recognized as accounts receivable when the control of products is transferred and the right to receive the consideration unconditionally is obtained. These accounts receivables are usually short-term and do not contain significant financing components. For a small number of contracts, the products are transferred to customers but the right to receive the consideration unconditionally has not yet been obtained; thus, the said contracts are recognized as contract assets. The contract assets shall be additionally measured for their loss allowance based on the amount of the lifetime expected credit losses in accordance with IFRS 9. As for contracts where a part of the considerations is collected upon signing the contracts, the Company assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities.

As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

17. Government grants

Government subsidy is recognized by the Company where there is reasonable assurance that the subsidy will be received and all attached conditions will be complied with. Where the subsidy relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the subsidy relates to an expense item, it is recognized as income over the period necessary to match the subsidy on a systematic basis to the costs that it is intended to compensate.

18. Post-retirement Benefit Plan

The post-employment regulations of the Company are applicable to all regular employees hired through official procedures. The retirement fund is managed by the Supervisory Committee of Labor Retirement Reserve and deposited in the specific account for the retirement fund. As the aforementioned pension is deposited in the name of the Supervisory Committee of Labor Retirement Reserve, it is not associated with the Company. Therefore, it is not included in the parent company only financial statements.

For the post-employment benefit plan regarding the defined contribution plan, the Company's monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period.

For post-employment benefit plan that is classified as a defined benefit plan, the Projected Unit Credit Method is adopted to measure the obligations and costs based on actuarial report at the end of annual reporting period. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses. The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

(1) When a plan amendment or curtailment occurs; and
(2) The date when the Company recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

19. Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative cost recognized for share-based payment transactions as at the beginning and end of that period is recognized as profit or loss for the period.

No expense is recognized for awards that do not ultimately vest. Except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of equity-settled transactions are modified, the minimum expense recognized is the cost of original awards as if they were not modified. Additional equity-settled transaction costs are recognized where the modifications on the terms of the share-based payment transactions increase the total fair value of the share-based payment transactions or are beneficial to the employees.

Where equity-settled awards are cancelled, they are deemed as fully vested on the cancellation date, and the unrecognized remaining share-based payment expenses, including awards where non-vesting conditions within the control of the entity or employees are not met, shall be recognized immediately. However, if the awards cancelled are substituted by new awards which are designated as replacement award on the grant date, the cancelled and new awards are deemed as modifications to the original awards.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

For the issuance of restricted stock awards, salary expenses are recognized based on the fair value of equity instruments on the grant date, together with a corresponding increase in equity over the vesting period. The Company recognized unearned employee salary, which is a transitional account, on the grant date as a deduction to equity on the consolidated balance sheet and the amount in the account will be reclassified to salary expenses over the passage of vesting period.

20. Income Tax

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

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The 10% income tax for unappropriated earnings is recognized as income tax expense in the year when the distribution proposal is approved by the shareholders' meeting.

Deferred income tax

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the taxable temporary differences arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

(2) Where the taxable temporary differences is associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
(2) Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

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

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's individual financial statements requires 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 reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

1. Judgment

In the process of adopting the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Judgment on whether development expenditures are eligible for capitalization

The Company determines whether the intangible asset developed and produced internally has achieved technical feasibility and will be available for use or sale mainly due to the Company's judgments, which are made based on the facts that the Company has controlled the sophisticated technology as well as resources required for the research and development projects, and the development schedule along with product specifications are confirmed. In addition, the Company evaluates whether the asset is expected to generate future economic benefits and whether the benefits will be greater than the cost of the relevant investments.

Only when the research and development project meet the aforementioned conditions would the Company reclassify development expenditures attributable to the project to intangible assets under development.

2. 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. The explanations are as follows:

(1) Inventory valuation

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6 for details.

(2) 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 between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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 taxation authority. Such differences of interpretation may cause a wide variety of issues due to conditions prevailing at the location of the Company's respective entities.

Deferred income 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 that 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 income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets unrecognized by the Company as of December 31, 2022 are disclosed in Note 6.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

VI. Details of Significant Accounts

1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash in treasury	$7	$9
Checks and demand deposits	34,234	17,091
Time deposits	198,461	467,285
Total	$232,702	$484,385

2. Financial assets at fair value through profit or loss

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Fund	$13,401	$-
Current	$13,401	$-

The Company's financial assets measured at FVTPL are not pledged.

3. Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$48,950	$50,750
Unlisted stocks		
Changgu Biotech Corporation	2,813	1,633
Total	$51,763	$52,383

(1) The Company's financial assets measured at FVTPL are not pledged.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(2) September 10, 2020, the Company invested in Zhonglei Holdings Co., Ltd. in the amount of NT$50,000 thousand and acquired 500,000 special shares. As of December 31, 2022 and December 31, 2021, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$48,950,000 and NT$50,750,000, respectively, and the differences between the initial investment amount and the fair value were NT$(1,050),000 and NT$750,000, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2022 and December 31, 2021, the investment inChanggu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 16.09%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$2,813,000 and NT$1,633,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,963,000 and NT$3,143,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets at amortized cost

	2022.12.31	2021.12.31
Time deposits	$6,980	$8,820
Less: Loss allowance	-	-
Total	$6,980	$8,820
Non-current	$6,980	$8,820

The Company has classified a part of financial assets as financial assets measured at amortized cost; for the information about loss allowance, please refer to Note 6.19. Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

5. Notes receivable

	2022.12.31	2021.12.31
Notes receivable - arising from operation	$1,412	$2,377
Less: Loss allowance	-	-
Total	$1,412	$2,377

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

The Company's notes receivables were not pledged.

The Company assesses information related to impairment and loss allowance in accordance with IFRS 9. Please refer to Note 6.19 for details; please see Note 12 for information on credit risk.

6. Account receivables and account receivable - related party

	2022.12.31	2021.12.31
Accounts receivable	$343,906	$261,337
Less: Loss allowance	(93)	(914)
Subtotal	343,813	260,423
Accounts receivable - related parties	855,098	505,841
Less: Loss allowance	-	-
Total	$1,198,911	$766,264

The Company's accounts receivable was not pledged.

TheCompany's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2022 and 2021 were NT$1,199,004 and NT$767,178,000, respectively. Please refer to Note 6.19 for detailed information on loss allowance for 2022 and 2021; please see Note 12 for information on credit risk.

7. Inventories

	2022.12.31	2021.12.31
Commodities	$2,443	$3,298
Finished product	351,305	358,979
Work in process	234,522	175,826
Raw material	75,407	62,642
Total	$663,677	$600,745

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) The cost of inventories recognized as expenses by the Company is listed below:

Item	2022	2021
Cost of goods sold	$997,422	$795,599
Allowance for inventory valuation and obsolescence loss	12,889	-
Total	$1,010,311	$795,599

(2) No inventories aforementioned were pledged.

8. Investments Accounted for Using the Equity Method

The following table lists the Company's investments accounted for using the equity method:

	2022.12.31		2021.12.31		
Name of Investee	Amount	Percentage of Ownership	Amount	Percentage of Ownership	
Investments in subsidiaries:					
UOC America Holding Corporation	$-	-	$134,474	100%	Note 1
UOC USA, Inc.	118,614	100%	-	-	Note 1
UOC Europe Holding SA	87,258	96%	59,813	96%	
United Orthopedic Japan Inc.	2,473	95%	9,155	92%	Note 2
United Orthopedic (Australia) Pty Ltd	(718)	100%	-	-	Note 3
A-Spine Asia Co., Ltd.	541,658	75%	555,338	75%	
Investments in associates:					
Shinva United Orthopedic Corporation	422,988	49%	517,580	49%	
Subtotal of items under assets	1,172,273		1,276,360		
Total	$1,172,273		$1,276,360		

Note 1. On April 28, 2021, the Board of Directors resolved to liquidate UOC America Holding Coporation, and the Company directly held the equity interest in UOC USA, Inc. As of February 28, 2022, the Company directly held UOC USA, Inc. Equity, in addition to UOC America Holding Coporation, was liquidated on March 21, 2022 and has been registered with the Financial Services Commission of the British Virgin Islands.

Note 2. The Company's cash increase in the second quarter of 2022 by United Orthopedics Japan Inc. Acquired 32 thousand shares, the shareholding ratio rose to 95%. As of December 31, 2022, the accumulated remittance amounted to JPY 339,724,000 (equivalent to NT $104,604,000).

Note 3. The Company invested in United Orthopedic (Australia) Pty Ltd in the fourth quarter of 2022. As at 31 December 2022, the accumulated remittance of investment amounted to AUD 20,000 (equivalent to NT $413,000).

(1) Investments in subsidiaries

Investments in subsidiaries are expressed as "investments accounted for using the equity method" in parent company only financial report with valuation adjustments if necessary.

(2) Investments in associates

Information of the Company's significant associates is as follows:

Company name: Shinva United Orthopedic Corporation

Relation: This company engages in the manufacturing or sales of products associated with the Company's industry chain. For integration of upstream and downstream businesses, we decided to invest in this company.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Primary operation place (registration country): Mainland China.

Fair value with open market quotation: Shinva United Orthopedic Corporation is not a listed company, and is not listed in any securities exchange.

Summarizedfinancialinformation and reconciliation of the investments' carrying amount:

	2022.12.31	2021.12.31
Current assets	$251,826	$321,666
Non-current assets	980,735	1,030,110
Current Liabilities	(301,697)	(242,698)
Non-current Liabilities	-	-
Equity	930,864	1,109,078
Shareholding ratio of the Company	49%	49%
Subtotal	456,123	543,448
Elimination and adjustment due to inter-company transactions	(33,135)	(25,868)
Carrying amount of investments	$422,988	$517,580

	2022	2021
Operating revenue	$37,413	$412,870
Net loss of continuing business units for this period	(193,142)	(101,014)
Other comprehensive income	-	-
Comprehensive income or loss for this period	(193,142)	(101,014)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

The Companyinvests in affiliated enterprises on a technical basis of RMB 30,000,000, equivalent to NT$149,844,000 in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2022 and December 31, 2021, accumulated amortization of NT$84,150,000 and NT$77,605,000, respectively.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2022 and 2021, nor was there guarantee provided.

9. Property, Plant, and Equipment

	2022.12.31	2021.12.31
Property, plant and equipment for own use	$806,111	$869,164
Property, plant and equipment for operating leases	-	-
Total	$806,111	$869,164

(1) Property, plant and equipment for own use

	Land	Housing and Construction	Machinery	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Cost:								
2022.1.1	$87,763	$436,750	$575,609	$102,895	$15,223	$8,003	$243,761	$1,470,004
Addition	-	-	468	8,375	3,195	-	42,417	54,455
Disposal and obsolescence	-	(470)	(67,912)	(18,749)	(9,917)	(3,974)	(37,952)	(138,974)
Reclassifications	-	-	2,900	(8,506)	-	-	1,447	(4,159)
2022.12.31	$87,763	$436,280	$511,065	$84,015	$8,501	$4,029	$249,673	$1,381,326
2021.1.1	$87,763	$436,750	$556,045	$105,152	$14,495	$8,003	$243,119	$1,451,327
Addition	-	-	2,268	6,053	757	-	32,072	41,150
Disposal and obsolescence	-	-	-	-	(29)	-	(31,430)	(31,459)
Reclassifications	-	-	17,296	(8,310)	-	-	-	8,986
2021.12.31	$87,763	$436,750	$575,609	$102,895	$15,223	$8,003	$243,761	$1,470,004

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(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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	Land	Housing and Construction	Machinery	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Depreciation and impairment:								
2022.1.1	$-	$85,466	$310,245	$53,663	$12,213	$6,785	$132,468	$600,840
Depreciation	-	14,045	42,873	13,948	1,450	813	37,500	110,629
Disposal and obsolescence	-	(470)	(67,912)	(16,098)	(9,917)	(3,974)	(37,883)	(136,254)
Reclassifications	-	-	-	-	-	-	-	-
2022.12.31	$-	$99,041	$285,206	$51,513	$3,746	$3,624	$132,085	$575,215
2021.1.1	$-	$71,421	$267,302	$39,575	$10,386	$5,887	$127,834	$522,405
Depreciation	-	14,045	42,943	13,771	1,856	898	35,965	109,478
Disposal and obsolescence	-	-	-	-	(29)	-	(31,331)	(31,360)
Reclassifications	-	-	-	317	-	-	-	317
2021.12.31	$-	$85,466	$310,245	$53,663	$12,213	$6,785	$132,468	$600,840
Net carrying amount:								
2022.12.31	$87,763	$337,239	$225,859	$32,502	$4,755	$405	$117,588	$806,111
2021.12.31	$87,763	$351,284	$265,364	$49,232	$3,010	$1,218	$111,293	$869,164

(2) The majority composition of the Company's buildings is main building, electric engineering and refurbishment engineering, etc., and the depreciation of them is recognized by useful lives, 50, 20 and 5 years, respectively.

(3) For guarantees provided based on property, plant and equipment, please refer to Note 8.

10. Intangible assets

	Computer software costs	Specialized technology	Development expenditure	Total
Cost:				
2022.1.1	$11,791	$119,401	$77,207	$208,399
Additions - development by internal units	-	-	34,334	34,334
Additions - separate acquisition	2,785	-	-	2,785
Disposal and obsolescence	(7,854)	-	-	(7,854)
Reclassifications	800	-	-	800
2022.12.31	$7,522	$119,401	$111,541	$238,464
2021.1.1	$10,631	$70,447	$101,721	$182,799
Additions - development by internal units	-	-	25,079	25,079
Additions - separate acquisition	1,160	-	100	1,260
Disposal and obsolescence	-	-	(1,739)	(1,739)
Reclassifications	-	48,954	(47,954)	(739)
2021.12.31	$11,791	$119,401	$77,207	$208,399

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(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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	Computer software costs	Specialized technology	Development expenditure	Total
Amortization and impairment:				
2022.1.1	$9,487	$26,992	$24,334	$60,813
Amortization	1,820	22,778	3,063	27,661
Disposal and obsolescence	(7,854)	-	-	(7,854)
2022.12.31	$3,453	$49,770	$27,397	$80,620
2021.1.1	$7,592	$7,332	$21,301	$36,225
Amortization	1,895	19,660	3,033	24,588
Disposal and obsolescence	-	-	-	-
2021.12.31	$9,487	$26,992	$24,334	$60,813
Net carrying amount:				
2022.12.31	$4,069	$69,631	$84,144	$157,844
2021.12.31	$2,304	$92,409	$52,873	$147,586

Amortization for recognition of intangible assets is as follows:

	2022	2021
Operating costs	$22,218	$19,101
Operating expenses	5,443	5,487
Total	$27,661	$24,588

11. Short-term loans

	2022.12.31	2021.12.31
Credit loans	$536,317	$639,066
Interest rate range (%)	0.9000-2.4969	0.4400-0.8200

As of December 31, 2022 and December 31, 2021, the Company had unused short-term loansof NT$1,226,683 thousand and NT$1,203,694 thousand respectively, and unused long-term loans of NT$100,000 thousand and NT$84,240 thousand respectively.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

12. Financial liabilities measured at FVTPL

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$-	$6,250
Current	$-	$6,250
Non-current	$-	$-

13. Corporate bonds payable

	2022.12.31	2021.12.31
Domestic unsecured bonds payable	$-	$484,555
Less: Liabilities due within one year	-	484,555
Long-term domestic convertible bonds payable	$-	$-

Domestic convertible bonds payable

	2022.12.31	2021.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$-	$500,000
Discount on domestic convertible bonds payable	-	(15,445)
Subtotal	-	484,555
Less: Liabilities due within one year	-	484,555
Net amount	$-	$-
Embedded derivative - liabilities	$-	$6,250
Equity elements	$-	$26,300

(1) On September 10, 2019, the Company issued the 3rd domestic non-pledge convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer, and an option of requesting the issuer's redemption), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

Total issuance: NT$500,000,000. Face amount per equity: NT$100,000. The issuance is in full carrying amount.

Period of issuance: September 10, 2019 to September 10, 2024.

Critical clauses for redemption:

A. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), If the closing price of the Company's common stock at the securities firm’s business premises exceeds the conversion price by more than 30 percent for 30 consecutive business days, the Company may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

B. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), if the Company's convertible bonds circulating externally are lower than NT$50,000,000 (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

C. If a bond holder fails to respond to the Company's share registrar in writing before the final bond recall date set out in the "Bond Recall Notice", the Corporation will recall the bonds by cash on the due date.

Critical clauses for redemption:

On the day when the convertible bonds have been issued for three years (September 10, 2022) and on the day when the bonds have been issued for four years (September 10, 2023), the bond holders may request the Company to redeem their bonds in cash by the face amount.

Conversion methods:

A. Converted target: Common stock of the Company.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

B. Conversion period: From December 11, 2019 to September 10, 2024, the bond holders can request for conversion into the Company's ordinary shares to replace the cash payout made by the Company.

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021, each share carried the value of NT$49.10.

D. Redemption on maturity: When the corporate bonds are due and not settled yet, the repayment should be made in cash by the nominal amount in full.

In addition, the above-mentioned corporate bonds recovered NT $466,200,000 and NT $33,800,000 in cash at the face value of the bonds on September 10, 2022 and December 1, 2022, respectively, and had been fully recovered as of December 31, 2022.

14. Long-term loans

Details of long-term loans for the years ended December 31, 2022 and 2021 are as follows:

Creditor	2022.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$106,350	1.7283	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.6600	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.

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(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Creditor	2022.12.31	Interest rate (%)	Repayment period and method
CTBC Bank Co., Ltd.	80,750	1.6500	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.6400	From September 13, 2022 to September 13, 2027; the first repayment was due on October 13, 2023; repayments of NT$2,083 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
Less: long-term loans due within one year	(31,591)		
Net amount	$405,509		

Creditor	2021.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$114,691	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Less: long-term loans due within one year	(8,341)		
Net amount	$106,350		

The secured loans with Bank of Taiwan and CTBC Bank Co., Ltd. have lands, buildings and machinery and equipment, etc. pledged with first priority entitlement. For more details, please refer to Note 8.

15. Post-retirement Benefit Plan

Defined contribution plans

The post-employment regulations in accordance with "Labor Pension Act" of the company belong to the defined contribution plan. According to the Act, the Company's monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The Company has complied with the post-employment regulations stipulated in accordance with the Act, and on a monthly basis contributed 6% of employees' monthly salary to the individual pension accounts under the supervision of the Bureau of Labor Insurance.

The Company's expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 are NT$19,662,000 and NT$18,412,000, respectively.

Defined benefits plan

The Company's post-employment regulations stipulated in accordance with the "Labor Standards Act" belong to the defined benefits plan. The payout of employees' pension is calculated based on the years of service and approved monthly average wage upon retirement. For service duration of 15 years or less, two base points shall be assigned for every year. Once the duration exceeds 15 years, one base point shall be assigned for each year thereafter. The maximum base points are 45. In accordance with the "Labor Standards Act", the Corporation contributes 2% of total salaries as the pension fund on a monthly basis, which is deposited in the special account of Bank of Taiwan, in the name of the Supervisory Committee of Labor Pension Reserve. Also, the Company would assess the balance in the aforementioned labor pension reserve account at the end of each year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2022, the Company's defined benefits plan has been estimated to contribute NT$196,000 in the following year.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

For the years ended on December 31, 2022 and December 31, 2021, the Company's defined benefits plans are expected to due in 2032.

The table below summarizes the defined benefits plan recognized in costs of profit or loss:

	2022	2021
Service costs for the current period	$198	$184
Net interest of net defined benefit liability	24	1
Total	$222	$185

The reconciliation of the present value of defined benefit obligations and the fair value of the plan assets are as follows:

	2022.12.31	2021.12.31	2021.1.1
Present value of defined benefit obligation	$40,357	$52,693	$50,010
Fair value of plan assets	(48,670)	(49,270)	(49,946)
Net defined benefit (asset) liabilities on the book	$(8,313)	$3,423	$64

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Reconciliation of net defined benefit (asset) liabilities:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liabilities
2021.1.1	$50,010	$(49,946)	$64
Service costs for the current period	184	-	184
Interest expenses (income)	175	(174)	1
Previous service cost and settlement gains or losses	-	-	-
Subtotal	50,369	(50,120)	249
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	3,361	-	3,361
Experience adjustment	777	-	777
Remeasurements of defined benefit assets	-	(749)	(749)
Subtotal	54,507	(50,869)	3,638
Benefits paid	(1,814)	1,814	-
Employer contributions	-	(215)	(215)
2021.12.31	52,693	(49,270)	3,423
Service costs for the current period	198	-	198
Interest expenses (income)	369	(345)	24
Previous service cost and settlement gains or losses	-	-	-
Subtotal	53,260	(49,615)	3,645
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(7,086)	-	(7,086)
Experience adjustment	(869)	-	(869)
Remeasurements of defined benefit assets	-	(3,807)	(3,807)
Subtotal	45,305	(53,422)	(8,117)
Benefits paid	(4,948)	4,948	-
Employer contributions	-	(196)	(196)
2022.12.31	$40,357	$(48,670)	$(8,313)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Following assumptions are used to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.33%	0.70%
Expected salary increase rate	3.00%	4.00%

Sensitivity analysis of each significant actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increases by 0.5%	$-	$1,926	$-	$2,715
Discount rate decreases by 0.5%	2,055	-	2,916	-
Expected salary increases by 0.5%	2,011	-	2,806	-
Expected salary decreases by 0.5%	-	1,905	-	2,644

The aforementioned sensitivity analysis is conducted to analyze the possible impact on defined benefit obligations under the assumption that there are reasonable changes to a single actuarial assumption (e.g., discount rate or expected salary) while all other assumptions remain constant Since some actuarial assumptions are in connection with to each other, it is rare to see changes on a single actuarial assumption in practice. Hence, this analysis has its own limitation.

The method and assumptions of the sensitivity analysis in the current period are the same as the previous period.

16. Equity

(1) Capital Stock

As of January 1, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued share capital of common stock in the amount of NT$781,116,000 and NT$783,898,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,112,000 shares and 78,390,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

Common stock

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 272,000 shares on March 23, 2021 with the base date of capital reduction set on April 19, 2021, and the registration of the changes were completed on April 29, 2021.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 6,000 shares on August 6, 2021 with the base date of capital reduction set on August 16, 2022, and the registration of the changes were completed on August 24, 2021.

Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 418,000 shares and 6,000 shares on August 9, 2021 and November 8, 2021, respectively.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated unappropriated earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year.

C. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

D. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company's shareholders' meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voted nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

J. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.

The aforesaid special shares were converted into 15,000 ordinary shares and 5,000 ordinary shares on December 23, 2022 and December 29, 2022, respectively.

As of December 31, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued share capital of common stock in the amount of NT$781,316,000 and NT$781,116,000, respectively. The share capital of preferred shares issued were NT$99,800,000 and NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,132,000 shares and 78,112,000 shares have been issued, respectively. Preferred shares were issued at a par value of NT$10, dividing into 9,980,000 shares and 10,000,000 share, respectively.

(2) Capital surplus

	2022.12.31	2021.12.31
Issuance premium	$1,535,085	$1,535,085
Stock options – convertible corporate bonds	-	26,300
Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	163,986	163,986
Others	44,658	18,067
Total	$1,743,729	$1,743,438

According to the laws, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

Please refer to Note VI.26 for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

(3) Earnings distribution and dividend policy

According to the Company's Articles of Association, current year's earnings, if any, shall be distributed in the following order:

A. Payment of all taxes and dues.
B. Deficit compensation.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.
E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals total capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) that the Corporation elects to transfer to retained earnings by application of the exemption under IFRS 1, "First-time Adoption of IFRS", the Corporation shall set aside special earnings reserves. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2022 and 2021, there is no reversal of special capital reserve to unappropriated earnings.

Details of the 2022 and 2021 earnings appropriation and distribution and dividends per share as approved by the Board of Directors meeting and the annual general meeting of shareholders on March 21, 2023 and June 21, 2022, respectively, are as follows:

	Distribution of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$23,329	$4,874		
Provision (reversal) for special surplus reserve	(33,934)	43,860		
Cash dividends of common stock	196,027	-	$2.50	$-
Dividend of preferred stock	22,700	-	2.34	-

Please refer to Note VI.21 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

17. Share-based payment plans

Employees of the Company are entitled to share-based payment as part of their compensation. Services rendered by employees are considerations for the equity instruments granted. These transactions are accounted for as equity-settled share-based payment transactions.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) Restricted employee share plans of the Company

The Company's shareholders' meeting on June 12, 2018 resolved to issue restricted employee shares of up to 750 thousand common stocks at NT$0. The stock price at the grant date stood at NT$55.4. The restricted employee shares issued by the Company shall not be transferred within the three-year vesting period, however, the holders are still entitled to dividend distribution. The Company's Board of Directors resolved to cancel 6,000 shares, 272,000 shares, 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on August 8, 2021, March 23, 2021, November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. The Company has met the vested conditions for the allocation of new shares with restricted employee rights, and on August 6, 2021, it lifted 418,000 new shares with restricted employee rights. As of December 31, 2022 and December 31, 2021, the Company had issued 0,000 shares.

After the issuance of restricted employee shares, they shall be transferred immediately to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the restricted employee shares for any reason or in any manner. Moreover, during the restricted employee shares' trust period, the Corporation is delegated to act on behalf of the employees in dealing with the stock trust agency concerning the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the delivery, use and disposal of the trust property.

When the employee fails to meet the vesting conditions, the Company is entitled by law to retrieve the restricted employee shares and cancel them.

(2) The expense recognized for employee share-based payment plans of the Company is shown in the following table:

	2022	2021
Plan of restricted employee shares	$-	$(7,679)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

18. Operating revenue

	2022	2021
Income from sales of goods	$2,139,281	$1,682,232
Other operating revenues	10,462	-
Total	$2,149,743	$1,682,232

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2022.12.31	2021.12.31
Sales of goods	$7,182	$6,859

The significant changes in the balance of contract liabilities of the Company from January 1 to December 31, 2022 and 2021 are as follows:

	2022	2021
Beginning balance recognized as revenue in the current period	$(6,808)	$(725)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	7,131	5,102

19. Expected credit losses (or reversal)

	2022	2021
Operating expenses - expected credit loss (reverse gain)		
Notes receivable	$-	$-
Accounts receivable	(821)	(5,198)
Total	$(821)	$(5,198)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

For information on credit risk, please refer to Note 12.

The Company's financial assets and longterm receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2022 and 2021 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

The Company's receivables (including notes receivable and accounts receivable) are all measured for the loss allowance based on the lifetime expected credit losses. Relevant description of assessing the amount of loss allowance on December 31, 2022 and 2021 is as follows:

Loss allowanceis measured by taking into account the credit ratings of the counterparties, the geographical regions and the industry, and adopts the provision matrix. Relevant information is as follows:

2022.12.31

	Not Past Due	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Total carrying amount	$1,116,374	$83,772	$26	$-	$244	$1,200,416
Loss ratio	0%	0~2%	4%	5%	5%	
Lifetime expected credit losses	32	48	1	-	12	93
Total	$1,116,342	$83,724	$25	$-	$232	$1,200,323
Carrying amount						$1,200,323

2021.12.31

	Not Past Due	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Total carrying amount	$724,982	$44,573	$-	$-	$-	$769,555
Loss ratio	0%	4%~34%	54%	67%	67%	
Lifetime expected credit losses	325	589	-	-	-	914
Total	$724,567	$43,984	$-	$-	$-	$768,641
Carrying amount						$768,641

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Note: None of the Company's notes receivable is past due.

The changes in the Company's loss allowance for notes and accounts receivables in 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
2022.1.1	$-	$914
Amount reversed in the current period	-	(821)
2022.12.31	$-	$93
2021.1.1	$-	$8,206
Amount reversed in the current period	-	(5,198)
Write off due to inability to recover	-	(2,094)
2021.12.31	$-	$914

20. Leases

(1) Where the Company is a lessee:

The Company leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Company's financial position, financial performance, and cash flow:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2022.12.31	2021.12.31
Land	$131,107	$131,232
Housing and Construction	554	1,704
Total	$131,661	$132,936

In 2022 and 2021, the companyaddedNT$5,280,000 and NT$744,000, respectively, to the category of right-of-use assets.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	$135,282	$135,736
Current	$5,231	$5,646
Non-current	$130,051	$130,090

Please refer to Note VI.22(4) for the interest expenses of the Company's 2022 and 2021 lease liabilities; please refer to Note XII.5 Liquidity risk management for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2022 and 2021.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2022	2021
Land	$5,406	$5,278
Housing and Construction	1,150	997
Total	$6,556	$6,275

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

C. Revenues and expenses related to the lessee and lease activities

	2022	2021
Short-term lease expense	$3,715	$3,236
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	744	778
Revenue from sublease of right-of-use asset	1,124	1,155

As of December 31, 2022 and 2021, the Company had no commitments to short-term lease portfolio.

D. Cash flow related to the lessee and lease activities

The Company's total cash outflow to leases in 2022 and 2021 was in the amount of NT$12,329,000 and NT$11,535,000, respectively.

21. Summary statement of employee benefits, depreciation and amortization expense by function:

By function / Type of nature	2022			2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	$246,045	$233,329	$479,374	$188,623	$176,266	$364,889
Labor and health insurance premiums	23,733	16,995	40,728	22,498	16,500	38,998
Retirement fund expense	10,979	8,905	19,884	10,179	8,417	18,596
Remuneration Paid to Directors	-	10,556	10,556	-	2,839	2,839
Other employee benefits expenses	10,041	5,622	15,663	8,586	4,934	13,520
Depreciation expenses	73,012	44,173	117,185	73,223	42,530	115,753
Amortization expenses	22,218	5,443	27,661	19,101	5,487	24,588

Note 1. The number of employees in the current year and the previous year was 576 and 560 respectively, of which the number of directors who were not concurrently employees was 7 in the current year and the previous year, respectively.

Note 2. The average employee benefits expensefor the current year and the previous yearwas NT$977,000 and NT$788,000, respectively. The average salaries expensefor the current year and the previous yearwas NT$842,000 and NT$660,000, respectively. The average salary adjustment was 28%.

The Company has acted pursuant to the Securities and Exchange Act and established an Audit Committee comprising all Independent Directors. No Supervisors are established, so there is no remuneration for them.

The Company's policies concerning the remuneration of Directors and managerial officers are in compliance with Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and are submitted to Remuneration Committee for review. The remuneration policy for the managerial officers is mainly determined with reference to the individual's experience, performance, contribution to the Company, future potential and operating performance of the Company. The remuneration policy of the employees and Directors in the years in which the Company have a surplus is governed by the Articles of Association. Employee compensation includes the basic salary, allowances, supplementary pay, overtime pay and bonuses. The basic salary is determined based on the employee's education level, professional skills and the value of the position held, and taking into account the salary level within the industry. The distribution of bonuses is dependent on the Company's annual surplus position and the achievement of targets set by departments and individuals.

The Group’s Articles of Association provide that if there is profit in the year, 12 percent of profit shall be allocated for employee remuneration, and no more than 3 percent shall be allocated for compensations of the directors and members of the supervisory board. However, the Company's accumulated losses shall first be offset. The aforementioned employees' compensation shall only be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such distribution shall be submitted to the shareholders' meeting. Information relating to employees' and directors' remunerations approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Based on the profits of 2022, the Company allocated 12% and 3% of the profits as compensation to employees and remuneration to Directors and Supervisors in the amounts of NT$42,224,000 and NT$10,556,000 recognized under salary expenses, respectively. If the Company's Board of Directors resolves to distribute employee compensation with shares, the closing price of the day before the Board of Directors' resolution shall be adopted as the basis for calculating the number of shares distributed. If there is any discrepancy between the estimated amount and the actual distribution amount resolved by the Board of Directors, it will be listed as profit/loss for the next year. On March 21, 2023, the Company's Board of Directors resolves to distribute compensation to employees and remuneration to Directors and Supervisors distributed in the amounts of NT$42,224,000 and NT$10,556,000, respectively.

On March 24, 2022, the Board of Directors of the Company resolved to cash out the remuneration of employees in 2021 and the remuneration of directors and supervisors of the Company in the amount of NT$11,355,000 and NT$2,838,000, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2021. In addition, on April 29, 2022, the Board of Directors resolved that the Company may allocate a surplus of RMB 0,000 after considering the provision for special surplus reserve in 2021, and therefore does not allocate remuneration to directors.

The actual employee remuneration of the company in 2021 was NT$11,355,000, which is not significantly different from the amount recorded as expenses in the financial report of the company in 2021.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

22. Non-operating income and expenses

(5) Interest income

	2022	2021
Interest on bank deposits	$2,979	$1,884
Other interest income	1,644	849
Total	$4,623	$2,733

(6) Other income

	2022	2021
Subsidy income	$4,971	$970
Dividend of preferred stock	1,900	604
Other income - others	16,546	6,286
Total	$23,417	$7,860

(7) Other gains and losses

	2022	2021
Loss on disposal of property, plant, and equipment	$(2,591)	$(18)
Loss on disposal of intangible assets	-	(1,739)
Foreign exchange gain (loss), net	46,248	(47,857)
Gain (loss) on financial assetsand financial liabilities measured at FVTPL (Note)	(3,022)	(4,982)
gain on repurchase of corporate bonds payable	816	-
Total	$41,451	$(54,596)

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(8) Finance costs

	2022	2021
Interest on bank loans	$(9,345)	$(5,793)
Interest on bonds payable	(4,103)	(5,726)
Interest on lease liabilities	(2,134)	(2,134)
Total	$(15,582)	$(13,653)

23. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2022 are as follows:

	Arising during the period	Current reclassification adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$11,762	$-	$11,762	$-	$11,762
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(620)	-	(620)	-	(620)
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	74	-	74	-	74
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	39,327	-	39,327	-	39,327
Total	$50,543	$-	$50,543	$-	$50,543

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Components of other comprehensive income for the year ended December 31, 2021 are as follows:

	Arising during the period	Current reclassification adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$(3,389)	$-	$(3,389)	$-	$(3,389)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(161)	-	(161)	-	(161)
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(100)	-	(100)	-	(100)
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(48,447)	-	(48,447)	-	(48,447)
Total	$(52,097)	$-	$(52,097)	$-	$(52,097)

24. Income Tax

The major components of income tax expense (benefit) for the years ended December 31, 2022 and 2021 are as follows:

Income tax recognized in profit or loss

	2022	2021
Current income tax expense (benefit):		
Current income tax payable	$82,287	$22,636
Adjustments on current income tax of prior periods	473	-
Deferred income tax expense:		
Deferred income tax expenses relating to its original generation from the temporary differences	(5,205)	5,524
Income tax expenses	$77,555	$28,160

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax expense:		
Gains (losses) on re-measurements of defined benefit plans	$-	$-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	-
Exchange differences on translation of financial statements of foreign operations	-	-
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	-	-
Income tax relating to the components of other comprehensive income	$-	$-

Reconciliation between tax expense (benefit) and the product of accounting profit multiplied by applicable tax rates is as follows:

	2022	2021
Profit before tax from continuing operations	$299,088	$80,432
Tax at the domestic tax rates applicable of profits in the country of main operation	$59,818	$16,087
Tax effect of revenues exempt from taxation	(1,276)	(2,823)
Tax effect of deferred income tax assets/liabilities	18,540	14,896
Adjustments on current income tax of prior periods	473	-
Total income tax expense (benefit) recognized in profit or loss	$77,555	$28,160

Balance of deferred income tax assets (liabilities) related to the following items:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized transactions between Company entities	$64,838	$13,260	$-	$78,098
Unrealized exchange gain (loss)	7,063	(6,301)	-	762
Long-term deferred income	14,448	(1,309)	-	13,139
Valuation on financial assets measured at FVTPL	770	(450)	-	320
Remeasurements of the net defined benefit plan	(78)	5	-	(73)
Deferred income tax benefits (expenses)		$5,205	$-	
Deferred income tax assets/(liabilities), net	$87,041			$92,246
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$87,119			$92,319
Deferred income tax liabilities	$(78)			$(73)

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized transactions between Company entities	$54,546	$10,292	$-	$64,838
Unrealized exchange gain (loss)	(550)	7,613	-	7,063
Long-term deferred income	14,685	(237)	-	14,448
Valuation on financial assets measured at FVTPL	(286)	1,056	-	770
Remeasurements of the net defined benefit plan	(72)	(6)	-	(78)
Loss carryforwards	24,242	(24,242)	-	-
Deferred income tax benefits (expenses)		$(5,524)	$-	
Deferred income tax assets/(liabilities), net	$92,565			$87,041
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$93,473			$87,119
Deferred income tax liabilities	$(908)			$(78)

Unrecognized deferred income tax assets

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

As of December 31, 2022 and 2021, since taxable profit is expected to be insufficient for unused tax losses and deductible temporary differences, the unrecognized deferred income tax assets amounted to NT$78,142,000 and NT$62,180,000, respectively.

Business income tax approval status

As of December 31, 2022, the Company's business income tax settlement and declaration were approved by the tax authority as of 2020.

25. Earnings per Share

Basic earnings per share is calculated by dividing the net profit of parent company ordinary shares holders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company (after adjusted for interests on convertible bonds) by weighted average number of common stocks outstanding of the period, plus weighted average number of common stocks to be issued when all dilutive potential common stocks are converted into common stocks.

	2022	2021
(1) Basic earnings per share		
Net income of the period (NT$ thousand)	$221,533	$52,271
Dividend of preferred stock (NT$ thousand)	-	(23,400)
Net income used in calculating basic earnings per share	$221,533	$28,871
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Basic earnings per share (NT$)	$2.84	$0.37

(Continued on next page)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(Continued from previous page)

	2022	2021
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$221,533	$28,871
Conversion of special share dividend (NT$ thousand)	-	(Note)
Interest of convertible bond (NT$ thousand)	-	(Note)
Net income of the period after dilution effect adjustment (NT$ thousand)	$221,533	$28,871
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Dilution effect:		
Convertible special shares (thousand shares)	9,980	(Note)
Convertible bonds (thousand shares)	-	(Note)
New restricted employees' shares (thousand shares)	-	260
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	88,092	78,114
Diluted earnings per share (NT$)	$2.51	$0.37

Note: Convertible special shares and convertible corporate bonds have anti-dilutive effect in 2021, so it is not intended to be included in the calculation of diluted earnings per share.

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

26. Changes in ownership equity of subsidiaries

United Orthopedic Japan Inc. On April 15, 2021, the capital increase issued new shares, the Company's ownership thereby increased to 92%. Cash acquired by the Company from capital increase was JPY 80,000,000 (NT$20,792,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 146,972,000 (NT$37,875,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2021
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	148
Difference in retained earnings recognized in equity	$148

United Orthopedic Japan Inc. issued new shares on April 1, 2022. As a result, the Group's ownership increased to 95%. Cash acquired by the Group from capital increase was JPY 80,000,000 (NT$18,610,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 173,009,000 (NT$40,709,000). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
decrease in non-controlling interest	291
Differences in paid-in capital recognized in equity	$291

VII. Related Party Transactions

The related parties who have had transactions with the Company during the financial reporting period are as follows:

Name of related-party and relationship

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Related Party	Relationship with the Company
UOC USA Inc.	Subsidiary of the Company
United Orthopedic Corporation (Suisse) SA	Subsidiary of the Company
United Orthopedic Japan Inc.	Subsidiary of the Company
United Orthopedic (Australia) Pty Ltd	Subsidiary of the Company
A-Spine Asia Co., Ltd.	Subsidiary of the Company
Shinva United Orthopedic Corporation	Associate of the Company
United Medical Co., Ltd.	Associate of the Company
United Medical Instrument (Shanghai) Co., Ltd.	Associate of the Company
Shanghai Lianyi Biotechnology Co., Ltd.	Associate of the Company
Changgu Biotech Corporation	The Company is a shareholder of the company

Major transactions with related parties

1. Sales

	2022	2021
Subsidiary of the Company		
UOC USA Inc.	$181,339	$100,194
United Orthopedic Corporation (Suisse) SA	432,682	288,353
United Orthopedic Japan Inc.	101,681	66,654
A-Spine Asia Co., Ltd.	1,442	-
Associate of the Company		
Shinva United Orthopedic Corporation	130	171,893
United Medical Co., Ltd.	1,167	3,261
United Medical Instrument (Shanghai) Co., Ltd.	78,779	-
Shanghai Lianyi Biotechnology Co., Ltd.	124,198	41,842
The Company is a shareholder of the company		
Changgu Biotech Corporation	4,475	4,447
Total	$925,893	$676,644

The sales price offered by the Company to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Company may offer a longer credit period in consideration of the related parties' funding conditions.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

2. Purchase of goods

	2022	2021
Subsidiary of the Company		
UOC USA Inc.	$39	$3,526
Associate of the Company		
United Medical Co., Ltd.	130,499	75,225
Total	$130,538	$78,751

The purchase price offered by the Company to related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

3. Operating expenses - Rent expense

	2022	2021
Subsidiary of the Company		
A-Spine Asia Co., Ltd.	$80	$80

4. Accounts receivable - related parties

	2022.12.31	2021.12.31
Subsidiary of the Company		
UOC USA Inc.	$80,719	$34,376
United Orthopedic Corporation (Suisse) SA	559,102	348,944
United Orthopedic Japan Inc.	122,951	77,594
A-Spine Asia Co., Ltd.	1,514	-
Associate of the Company		
Shinva United Orthopedic Corporation	1,357	1,152
United Medical Co., Ltd.	202	538
United Medical Instrument (Shanghai) Co., Ltd.	78,476	-
Shanghai Lianyi Biotechnology Co., Ltd.	8,995	41,941
The Company is a shareholder of the company		
Changgu Biotech Corporation	1,782	1,296
Total	$855,098	$505,841

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

5. Accounts payable - related parties

	2022.12.31	2021.12.31
Associate of the Company		
United Medical Co., Ltd.	$17,769	$19,394

6. Other receivables - related parties

	2022.12.31	2021.12.31
Subsidiary of the Company		
UOC USA Inc.	$754	$-
United Orthopedic Corporation (Suisse) SA	324	41
United Orthopedic Japan Inc.	311	206
United Orthopedic (Australia) Pty Ltd	216	-
A-Spine Asia Co., Ltd.	433	276
Associate of the Company		
Shinva United Orthopedic Corporation	1,194	-
United Medical Co., Ltd.	-	5
Total	$3,232	$528

7. Other accounts payable - related parties

	2022.12.31	2021.12.31
Associate of the Company		
United Medical Co., Ltd.	$1,550	$-

8. Long-term receivables (accounted as other non-current assets)

	2022.12.31	2021.12.31
Subsidiary of the Company		
United Orthopedic Corporation (Suisse) SA	$83,930	$80,601
Associate of the Company		
Shanghai Lianyi Biotechnology Co., Ltd.	85,984	-
Total	$169,914	$80,601

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

9. Othercurrent liabilities

	2022.12.31	2021.12.31
Associate of the Company		
Shinva United Orthopedic Corporation	$1,566	$1,566

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2022 and 2021, the Company has collected NT$1,566,000 (RMB 360,000) and recorded other current liabilities - receipts in advance.

10. Capital loans

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

11. The maximum limit for

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

12. Remuneration for the Company's key management

	2022	2021
Short-term employee benefits	$44,769	$29,871
Share-based payments	-	1,441
Total	$44,769	$31,312

13. Operating expenses

	2022.12.31	2021.12.31
Associate of the Company		
United Medical Co., Ltd.	$1,726	$-

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

14. Other income

	2022	2021
Subsidiary of the Company		
UOC USA Inc.	$778	$-
United Orthopedic Corporation (Suisse) SA	2,132	-
United Orthopedic Japan Inc.	364	-
Associate of the Company		
Shinva United Orthopedic Corporation	6,817	1,185
United Medical Co., Ltd.	15	26
The Company is a shareholder of the company		
Changgu Biotech Corporation	24	-
Total	$10,130	$1,211

The Companyinvests the long-term deferred income of related enterprises in a technology-based manner, except for the deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the start of the provision of labor services, and the remaining amortized on an average basis for ten years after the completion of the establishment of Shinva United Orthopedic Corporation. in September 2021 and the successive acquisition of product registration certificates for each product, and is transferred to other income from the deferred income.

VIII. Pledged Assets

The following table lists assets of the Company pledged as collaterals:

Item	Carrying amount 2022.12.31	Carrying amount 2021.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$6,980	$8,820	Performance bond and import tariff guarantee
Property, plant and equipment - land and building	411,219	303,473	Comprehensive credit line
Total	$418,199	$312,293	

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

1. On March 21, 2023, the Board of Directors resolved that the Company intends to raise and issue the fourth domestic unsecured convertible corporate bonds with a total face value of up to NT$500,000,000.

2. Shinva United Orthopaedic Equipment Co., Ltd., an affiliated enterprise of the Group, intends to raise RMB 45,000,000 to enrich its working capital. On March 21, 2023, the Company, through a resolution of the Board of Directors, intends to waive its subscription rights and authorize the Chairman to handle subsequent matters.

XII. Others

1. Category of financial instruments

Financial assets

	2022.12.31	2021.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$13,401	$-
Financial assets at fair value through other comprehensive income	51,763	52,383

(Continued on next page)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(Continued from previous page)

	2022.12.31	2021.12.31
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	232,695	484,376
Financial assets at amortized cost	6,980	8,820
Notes receivable	1,412	2,377
Accounts receivable (including related parties)	1,198,911	766,264
Other receivables (including related parties)	8,935	13,788
Refundable deposits	27,833	23,785
Subtotal	1,476,766	1,299,410
Total	$1,541,930	$1,351,793

Financial liabilities

	2022.12.31	2021.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$-	$6,250
Financial liabilities measured at amortized cost:		
Short-term loans	536,317	639,066
Receivables (including related parties)	514,881	328,629
Bonds payable (including bonds due within one year)	-	484,555
Long-term loans (including loans due within one year)	437,100	114,691
Lease liabilities	135,282	135,736
Guarantee deposits received	669	669
Subtotal	1,624,249	1,703,346
Total	$1,624,249	$1,709,596

2. Financial risk management objectives and policies

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

The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company shall comply with its financial risk management policies while managing its financial activities.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk, and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rate of U.S. dollar. The information on sensitivity analysis is as follows:

When NT dollar appreciates/depreciates against US dollar by 1%, the Company's profit or loss for the years ended December 31, 2022 and 2021 will increase/decrease by NT$2,192,000 and NT$1,079,000, respectively.

When NT dollar appreciates/depreciates against EUR by 1%, the Company's profit or loss for the years ended December 31, 2022 and 2021 will increase/decrease by NT$5,968,000 and NT$3,403,000, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the interest rate risk relates primarily to its investments with variable interest rates and bank loans with fixed and variable interest rates.

The Company manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, hedge account is not adopted.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps, and it was assumed that the said items had been held for a fiscal period; when the interest rates rose/fell by 0.1%, the Company's profit and loss in 2022 and 2021 would increase/decrease by NT$734,000 and decrease/increase by NT$261,000, respectively.

Equity price risk

The fair value of listed and unlisted equity securities held by the Company are susceptible to equity price risk arising fromuncertaintiesabout future values of the investment securities. The Company's listed and unlisted equity securities include respective ones measured at FVTPL or measured at FVTOCI. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Corporation's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Company's interests for the years ended December 31, 2022 and 2021.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets and accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

The Company manages its credit risk in accordance with its credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Company's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by the Company by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

As of December 31, 2022 and 2021, the Company'stotal ten receivables from customers accountedfor 81% and 73% of the Company's total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

5. Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2022.12.31					
Loans	$568,345	$165,890	$180,633	$65,761	$980,719
Accounts payable	514,881	-	-	-	514,881
Lease liabilities	7,279	13,376	13,376	141,072	175,073
2021.12.31					
Loans	$647,494	$16,855	$16,855	$73,741	$754,945
Accounts payable	328,629	-	-	-	328,629
Convertible bonds	500,000	-	-	-	500,000
Lease liabilities	7,699	13,625	13,034	141,270	175,628

6. Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2022.1.1	$639,066	$114,691	$484,555	$669	$135,736	$1,374,717
Cash flows from:	(102,749)	322,409	(500,000)	-	(7,870)	(288,210)
Non-cash changes	-	-	15,445	-	7,416	22,861
2022.12.31	$536,317	$437,100	$-	$669	$135,282	$1,109,368

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2021.1.1	$740,000	$185,782	$478,829	$723	$140,380	$1,545,714
Cash flows from:	(99,053)	(71,091)	-	(54)	(7,521)	(177,719)
Non-cash changes	-	-	5,726	-	2,877	8,603
Changes in exchange rates	(1,881)	-	-	-	-	(1,881)
2021.12.31	$639,066	$114,691	$484,555	$669	$135,736	$1,374,717

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Company in measuring or disclosing the fair values of financial assets and liabilities:

A. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

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

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Company's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		Fair value	
	2022.12.31	2021.12.31	2022.12.31	2021.12.31
Financial assets				

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Carrying amount		Fair value	
	2022.12.31	2021.12.31	2022.12.31	2021.12.31
Financial assets at amortized cost	$6,980	$8,820	$6,980	$8,820
Financial liabilities				
Corporate bonds payable	-	484,555	-	484,555

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Company.

8. Derivative

As of December 31, 2022 and 2021, the Company's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at FVTPL. Please refer to Note 6.12 for the contract information involved in this transaction.

For forward exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

9. Fair value level

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date

Level 2: The observable input of the asset or liability, directly or indirectly, except for the quotation included in Level 1.

Level 3: Non-observable input of the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Company does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$13,401	$-	$-	$13,401
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	48,950	-	2,813	51,763

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	$50,750	$-	$1,633	$52,383
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	6,250	-	6,250

Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Company's assets and liabilities measured at fair value on a recurring basis.

Details on changes in repetitive Level 3 fair value hierarchy

For those of the Company's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Investments in equity instruments measured
	Stock
2022.1.1	$1,633
2022 annual total profit (loss):	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	1,180
2022.12.31	$2,813

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Investments in equity instruments measured
	Stock
2021.1.1	$2,744
Total profits (loss) recognized for 2021:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	(1,111)
2021.12.31	$1,633

Information on material unobservable input of Level 3 fair value hierarchy

For the Company's assets measured at repetitive fair value and categorized as Level 3 fair value hierarchy, the material unobservable input used toward fair value measurement is as follows:

December 31, 2022:

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$402,000 (increase by NT$402,000)

December 31, 2021:

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$233,000 (increase by NT$233,000)

Valuation of Level 3 fair value measurement

The Company's finance department is responsible to verify the fair value by using independent sources to make the valuations close to the market status and confirming that the sources used are independent, reliable, consistent with other resources, and representative of executable prices. The finance department is also responsible to analyze the changes in the value of assets and liabilities to be remeasured or reassessed according to the Company's accounting policies on each reporting day to make sure that the valuations are reasonable.

(3) Fair value hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value shall be disclosed

On December 31, 2022, the Japanese company did not only disclose its fair value liabilities.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$484,555	$-	$484,555

10. Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant assets and liabilities denominated in foreign currencies are listed below:

Unit: thousand dollars

	2022.12.31		
	Foreign currencies	Exchange Rate	NT$
Financial assets			
Monetary items:			
USD	$8,975	30.6600	$275,162
EUR	20,164	32.5200	655,729
JPY	535,018	0.2304	123,268
RMB	40,631	4.3830	178,086
GBP	342	36.8900	12,602
Financial liabilities			
Monetary items:			
USD	$1,819	30.7600	$55,957
EUR	1,791	32.9200	58,963
JPY	5,160	0.2344	1,210
CHF	23	33.3300	763
RMB	4,562	4.4330	20,223
GBP	12	37.2900	466

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2021.12.31		
	Foreign currencies	Exchange Rate	NT$
Financial assets			
Monetary items:			
USD	$4,602	27.6300	$127,164
EUR	14,240	31.1200	443,157
JPY	327,162	0.2385	78,028
RMB	10,413	4.3190	44,972
GBP	235	37.1000	8,713
Financial liabilities			
Monetary items:			
USD	$693	27.7300	$19,217
EUR	3,263	31.5200	102,851
JPY	4,460	0.2425	1,082
CHF	8	30.3000	252
RMB	4,631	4.3690	20,232
GBP	4	37.5000	148

As the Company transacts in numerous functional currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Company'sforeign currency exchange gain (loss)from January 1 to December 31, 2022 and 2021was NT$(47,857,000) and NT$8,380,000, respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Supplementary Disclosures

1. Information on Significant Transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.12 and Note 12 to the financial statements.

2. Information on investees: Please refer to Table 6.

3. Information on investments in Mainland China: Please refer to Table 7.

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

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

Table 1. Capital financing to others as December 31, 2022:
Unit: NT$ 1,000

S/N	Lending company	Participants	Account item	Is it a related party	Maximum amount in the current period	Balance at the end of the period (Board of Directors approved amount)	Actual Amount Drawn	Interest Rate	Nature of capital financing	Business transaction amount	Reasons for the need for short-term financing	Provision for loss	Collateral security		Loans and Limits to Individuals	Capital loans and total limits
													Name	Value		
0	United Orthopedic Equipment Co., Ltd.	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	$99,615	$99,615	$83,930	2.4969%	Business nature	$442,230	None	$-	None	$-	$264,335	$264,335
0	United Orthopedic Equipment Co., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	Long-Term Receivables - related party	Yes	88,160	88,160	85,984	2.5000%	Business nature	124,198	None	-	None	-	124,198	264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	23,244	23,244	-	2.4969%	Business nature	386,769	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Accounts receivable - related parties	Yes	33,205	33,205	-	2.4969%	Business nature	15,214	None	-	None	-	15,214	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Limited	Long-Term Receivables - related party	Yes	13,282	13,282	5,161	2.4969%	Business nature	16,047	None	-	None	-	16,047	132,167

Note 1. The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.
Note 2. Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.
Note 3. The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

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

Table 2. Endorsements/Guarantees for others as of December 31, 2022:

Unit: NT$ 1,000

S/N	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement/ Guarantee Amount	Ending Balance	Actual Amount Drawn	Amount of Endorsements /Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsement s/Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$264,335	$245,680	$245,680	$153,550	$-	8.20%	$440,558	Y	N	N

The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

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

Table 3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2022:

Unit: NT$ 1,000

Securities Holding Company	Types and names of securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Ledger Account	Ending Balance				Notes (Note 4)
				No. of Shares/Unit	Carrying amount (Note 3)	Percentage of Ownership	Fair value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	477,568	$2,813	16.09%	$2,813	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	500,000	48,950	0.03%	48,950	〃
	bond fund							
United Orthopedic Corporation	PineBridge Global ESG Quantitative Bond Fund	-	Financial assets at fair value through profit or loss - current	520,432	4,628	*	4,628	〃
United Orthopedic Corporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,773	*	8,773	〃
	Stock							
A-Spine Asia Co., Ltd.	Taiwan Main Orthopedics Biotechnology Co., Ltd.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	235,040	588	2.99%	588	〃

* The shareholding ratio is less than 0.01%.

Note 1. The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2. If the issuer is not a related party, this field is not required.

Note 3. For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after original acquisition cost or amortization cost deduction of accumulated impairment.

Note 4. If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

Company that imports (sells) goods	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total receivables (payables) (%)	
United Orthopedic Corporation	UOC USA, Inc.	Parent Subsidiary	Sales	$(181,339)	8.44%	120 days	Note	Note	$80,719	6.72%	
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent Subsidiary	Sales	$(101,681)	4.73%	120 days	Note	Note	$122,951	10.24%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(432,682)	20.13%	120 days	Note	Note	$559,102	46.58%	
United Orthopedic Corporation	United Medical Co., Ltd.	Associate	Purchase of goods	$130,499	20.83%	90 days	Note	Note	$17,769	12.53%	
United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	Associate	Sales	$(124,198)	5.78%	90 days	Note	Note	$8,995	0.75%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	$(374,453)	75.62%	90 days	Note	Note	$270,259	76.17%	

Note: The payment term in principle has no significant differences from general clients; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

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

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as of December 31, 2022:

Unit: NT$ 1,000

The companies that record such transactions as receivables	Name of transacting party	Relationship	Balance of receivables from related parties	Turnover	Overdue accounts receivable from related party		amount recovered after the due from related parties	Provision for allowance
					Amount	Handling method		
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent Subsidiary	$122,951	1.01	$-	-	$13,579	$-
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	559,102	0.95	-	-	51,410	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	270,259	1.78	-	-	55,786	-

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

Table 6. Information on investees:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000/AUD 1,000

				Initial Investment Amount		Ending Balance					
Name of Investor	Name of Investee	Location	Main Business Activities	Ending Balance for the Current Period	End of previous year	Number of Shares	Shareholding	Carrying amount	Profit (Loss) of Investee for the Period	Investment Profit (Loss) Recognized	Remark
United Orthopedic Corporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$-	$286,986	-	-	$-	$-	$-	Subsidiary
				(Note 8)	(USD 9,380)						
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96.00%	87,258	47,214	45,249	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note 2)					
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	104,604	85,994	88,658	95.00%	2,473	(4,922)	(4,574)	Subsidiary
				(JPY 339,724)	(JPY 259,724)	(Note 4)					
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	74.90%	541,658	8,008	5,998	Subsidiary
						(Note 5)				(Note 9)	
United Orthopedic Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905	-	13,861,016	100.00%	118,614	(27,383)	(27,383)	Subsidiary
				(USD 9,360)	-	(Note 1)					
United Orthopedic Corporation	United Orthopedic (Australia) Pty Ltd	Australia	Trading, wholesale	413	-	20,001	100.00%	(718)	(1,135)	(1,135)	Subsidiary
				(AUD 20)	-	(Note 7)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100.00%	82,242	62,130	62,130	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note 2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100.00%	288,403	26,765	26,765	Sub-subsidiary
				(EUR 8,782)	(EUR 8,782)	(Note 3)					
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	30,154	17,194	900	100.00%	(2,248)	(8,569)	(8,569)	Sub-subsidiary
				(EUR 900)	(EUR 500)	(Note 3)					
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840	-	540	100.00%	23,423	2,308	3,277	Sub-subsidiary
				(GBP 540)	-	(Note 6)					

Note 1. The face value per share is USD 0.68.
Note 2. The face value per share is CHF 1,000.
Note 3. The face value per share is EUR 1,000.
Note 4. The face value per share is JPY 2,413.
Note 5. The face value per share is TWD 10.
Note 6. The face value per share is USD 1,000.
Note 7. The face value per share is AUD 1.
Note 8. UOC America Holding Corporation, a subsidiary of the Company, was liquidated on March 21, 2022.
Note 9. The amortization effect of the share of the intangible assets arising from the acquisition of Crown Asia Technologies Co., Ltd. by the Company in proportion to its shareholding was not deducted from NT$4,474,000.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 7. Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Income (loss) for this period	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation	Implants, artificial joint production and sales	$1,436,694 (CNY 300,000 thousand)	(Note 1)	$704,464 (CNY 147,000 thousand)	$-	$-	$704,464(CNY (CNY 147,000 thousand) (Note 2)	$(193,142)	49%	$(94,640)	$422,988	$-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
$704,464 (CNY 147,000 thousand)	$704,464 (CNY 147,000 thousand)	$1,853,925

Note 1. Direct investment in mainland China.
Note 2. Including technical value of CNY 30,000,000.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 7-1. Significant transactions directly or indirectly invested by the Company through third-region companies and reinvested companies in Mainland China:

Unit: NT$ 1,000

(1) Purchase amount and percentage, and ending balance of accounts payable and percentage:

Year	Name of transacting party	Name of Company	Purchase amount	Percentage to the Company's purchase %	Ending balance of accounts payable	Percentage %
2022	United Orthopedic Corporation	United Medical Co., Ltd.	$130,499	20.83%	$17,769	12.53%

(2) Sales amount and percentage, and ending balance of accounts receivable and percentage:

Year	Name of transacting party	Name of Company	Sales amount	Percentage to the Company's sales %	Ending balance of accounts receivable	Percentage %
2022	United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	$124,198	5.78%	$8,995	0.75%
2022	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	78,779	3.66%	78,476	6.54%
2022	United Orthopedic Corporation	United Medical Co., Ltd.	1,167	0.05%	202	0.02%
2022	United Orthopedic Corporation	Shinva United Orthopedic Corporation	130	0.01%	1,357	0.11%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:
None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:
None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:
None.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 8. Disclosure of information on major shareholders:

Shareholding / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1. The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. As for the share capital recorded in the Company's financial reports and the Company's actual number of shares delivered registration of non-physical securities, there may be differences between the two due to differences in the basis of the calculation.

Note 2. If the aforementioned information concerns shareholders registering their shareholding as insider holding more than 10 percent of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to the Market Observation Post System for information on insider equity registration.

VI. Impacts of financial difficulties the Company and affiliates have for the most recent year and up to the publication date of the Annual Report on the Company's financial status: None

Chapter 7. Review and Analysis of Financial Status and Financial Performance and Risk Assessment Matters

I. Analysis of financial status

Consolidated financial statements

Comparative analysis of financial conditions

Unit: NT$1,000

Item \ Year	2022	2021	Increases (decreases)	Increase/decrease ratio (%)
Current assets	2,641,465	2,419,573	221,892	9.17
Investments valued using equity method	422,988	517,580	(94,592)	-18.28
Property, plant and equipment	1,454,499	1,373,902	80,597	5.87
Intangible assets	573,128	518,898	54,230	10.45
Other Assets (Note 1)	523,443	414,875	108,568	26.17
Total assets	5,615,523	5,244,828	370,695	7.07
Current liabilities	1,736,306	1,929,327	(193,021)	-10.00
Non-current liabilities	789,341	494,860	294,481	59.51
Total liabilities	2,525,647	2,424,187	101,460	4.19
Share capital	881,116	881,116	0	0.00
Capital surplus	1,743,729	1,743,438	291	0.02
Reserved Earnings	468,235	234,940	233,295	99.30
Other equity interest	(98,377)	(137,158)	38,781	-28.27
Non-controlling interests	95,173	98,305	(3,132)	-3.19
Total equity	3,089,876	2,820,641	269,235	9.55

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets, other non-current assets, net long-term finance lease receivables and net defined benefit assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
  Increase in other assets: mainly due to the increase in long-term accounts receivable for capital loans to related parties in Mainland China this year.
  Increase in non-current liabilities: mainly due to the increase in long-term borrowings this year.
  Increase in retained earnings: mainly due to the increase in profit as a result of the increase in sales revenue, gross profit on sales and exchange benefits this year.
  Decrease in other equity: mainly due to the increase in the translation of the financial statements of foreign operations as a result of the depreciation of the New Taiwan dollar in this period compared to last year.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

Individual financial statement

Comparative analysis of financial conditions

Unit: NT$1,000

Item \ Year	2022	2021	Increases (decreases)	Increase/decrease ratio (%)
Current assets	2,142,404	1,881,928	260,476	13.84
Investments accounted for using the equity method	1,172,273	1,276,360	(104,087)	-8.15
Property, plant and equipment	806,111	869,164	(63,053)	-7.25
Intangible assets	157,844	147,586	10,258	6.95
Other Assets (Note 1)	491,882	385,977	105,905	27.44
Total assets	4,770,514	4,561,015	209,499	4.59
Current liabilities	1,173,815	1,525,830	(352,015)	-23.07
Non-current liabilities	601,996	312,849	289,147	92.42
Total liabilities	1,775,811	1,838,679	(62,868)	-3.42
Share capital	881,116	881,116	0	0.00
Capital surplus	1,743,729	1,743,438	291	0.02
Reserved Earnings	468,235	234,940	233,295	99.30
Other equity interest	(98,377)	(137,158)	38,781	-28.27
Total equity	2,994,703	2,722,336	272,367	10.00

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets, other non-current assets and net defined benefit assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
  Increase in other assets: mainly due to the increase in long-term accounts receivable for capital loans to related parties in Mainland China this year.
  Decrease in current liabilities: mainly due to the repayment of corporate bonds due within one year or within one operating cycle or the execution of put options in this year.
  Increase in non-current liabilities: mainly due to the increase in long-term borrowings this year.
  Increase in retained earnings: mainly due to the increase in profit as a result of the increase in sales revenue, gross profit on sales and exchange benefits this year.
  Decrease in other equity: mainly due to the increase in the translation of the financial statements of foreign operations as a result of the depreciation of the New Taiwan dollar in this period compared to last year.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

II. Financial performance

Consolidated financial statements

<u>Comparison and analysis table for financial performance</u>

Unit: NT$1,000

Item \ Year	2022	2021	Increases (decreases)	Ratio of the changes (%)
Net Revenue	3,168,680	2,570,866	597,814	23.25
Operating costs	805,697	729,522	76,175	10.44
Gross profit before adjustment	2,362,983	1,841,344	521,639	28.33
Realized (unrealized) sales profit and loss	(7,267)	1,906	(9,173)	-481.27
Gross profit	2,355,716	1,843,250	512,466	27.80
Operating expense	2,014,134	1,681,825	332,309	19.76
Operating income	341,582	161,425	180,157	111.60
Non-operating income and expenses	(38,561)	(86,831)	48,270	-55.59
Net income before tax	303,021	74,594	228,427	306.23
Income tax expense	(79,440)	(21,717)	(57,723)	265.80
Current Period Net Profit	223,581	52,877	170,704	322.83
Other comprehensive income for this period (net of tax)	50,726	(54,055)	104,781	-193.84
Total comprehensive income or loss for this period	274,307	(1,178)	275,485	-23385.82
Net profits that belong to parent company for the current period	221,533	52,271	169,262	323.82
Total net profits and losses that belong to parent company for the current period	272,076	174	271,902	156265.52

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

  Increase in net operating revenue: mainly due to the increase in revenue in all regions this year except the Mainland China market compared with last year, among which the international and European market contributed the most .

  Increase in operating gross profit before adjustment: mainly due to the fact that the revenue of all regions except Mainland China has increased compared with last year, and the gross profit of subsidiaries in the United States and Europe is higher than that of other regions, resulting in the increase of the operating gross profit compared with the last year.

  Increase in unrealized sales profit and loss: mainly due to the increase in inventory of the subsidiary in Mainland China invested under the equity method.

  Increase in operating gross profit: mainly due to the fact that the revenue of all regions except Mainland China has increased compared with last year, and the gross profit of subsidiaries in the United States and Europe is higher than that of other regions, resulting in the increase of the operating gross profit compared with the last year.

  Increase in operating income: mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.

  Decrease in non-operating expenses: mainly due to the increase in foreign exchange benefits resulting from the depreciation of the New Taiwan dollar this year and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year.

  Increase in net profit before tax: mainly due to the increase in operating income and operating gross profit this year, and the increase in exchange benefits and investment losses recognized using the equity method due to the depreciation of the New Taiwan dollar this year, which resulted in an increase in net profit before tax compared to last year.

Increase in income tax expenses: mainly due to the increase in profit this year, resulting in an increase in income tax expenses this year compared to last year.

Increase in net profit for current period: mainly due to the increase in operating income and operating gross profit this year, and the increase in exchange benefits and investment losses recognized using the equity method due to the depreciation of the New Taiwan dollar this year, which resulted in an increase in net profit for current period compared to last year.

Increase in other comprehensive income (net after tax) in the current period: mainly due to the increase in the remeasurement amount of the defined benefit plan this year compared to last year, and the increase in the exchange benefit from the translation of the financial statements of foreign operations due to the depreciation of the New Taiwan dollar this year.

Increase in net amount of comprehensive income for current period: mainly due to the increase in operating income and operating gross profit this year, and the increase in exchange benefits and investment losses recognized using the equity method due to the depreciation of the New Taiwan dollar this year, which resulted in an increase in the net amount of comprehensive income for current period compared to last year.

Increase in net profit attributable to shareholders of the parent company in the current period: mainly due to the increase in operating income and operating gross profit this year compared with last year, and the increase in exchange benefits and investment losses recognized using the equity method due to the depreciation of the New Taiwan dollar this year.

Decrease in the total comprehensive income attributable to shareholders of the parent company in the current period: mainly due to the increase in operating revenue and operating gross profit this year compared with last year, and the increase in exchange benefits and investment losses recognized using the equity method due to the depreciation of the New Taiwan dollar this year, resulting in an increase in net profit for the current period; and this year, due to the depreciation of the New Taiwan dollar, which resulted in the increase in the exchange benefit from the translation of the financial statements of foreign operations. .

- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales: In the future, it can be expected that due to the successful control over the epidemic, the global artificial joint market will be active, so the Company will increase the visibility and popularity of the Company's brands and products by participating in web conferences, self-organized medical societies, publishing clinical reports, etc., and continue to actively expand the direct sales market with its own branded products, and develop high-end new product R&D plans successively, enabling the Company to grow continuously.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

Analysis of changes in gross profit: Mainly due to the fact that the revenue and gross profit of all regions except Mainland China have increased compared with last year and the growth of gross profit is mainly attributed to the higher gross profit margin of the Company in the United States, Europe and Japan than that in other regions, resulting in an increase in overall gross profit this year compared with last year.

Individual financial statement

Comparison and analysis table for financial performance

Unit: NT$1,000

Item \ Year	2022	2021	Increases (decreases)	Ratio of the changes (%)
Net Revenue	2,149,743	1,682,232	467,511	27.79
Operating costs	1,010,311	795,599	214,712	26.99
Gross profit before adjustment	1,139,432	886,633	252,799	28.51
Realized (Unrealized) profits from sales	(66,299)	(51,461)	(14,838)	28.83
Gross profit	1,073,133	835,172	237,961	28.49
Operating expense	746,995	635,205	111,790	17.60
Operating income	326,138	199,967	126,171	63.10
Non-operating income and expenses	(27,050)	(119,536)	92,486	-77.37
Net income before tax	299,088	80,431	218,657	271.86
Income tax expense	(77,555)	(28,160)	49,395	175.41
Current Period Net Profit	221,533	52,271	169,262	323.82
Other comprehensive income for this period (net of tax)	50,543	(52,097)	102,640	-197.02
Total comprehensive income or loss for this period	272,076	174	271,902	156265.52

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
  Increase in net operating revenue: mainly due to the containment of the epidemic and the increase of revenues in Taiwan and other regions and from sales to subsidiaries.
  Increase in operating costs: mainly due to the containment of the epidemic and the increase of revenues in Taiwan and other regions and from sales to subsidiaries, resulting in an increase in cost of sales.
  Gross profit before adjustment: mainly due to the containment of the epidemic and the increase of revenues in Taiwan and other regions and from sales to subsidiaries, resulting in an increase in gross profit from sales.
  Increase in unrealized sales profit: mainly due to growth in revenue from sales to subsidiaries, leading to an increase in unrealized sales profit and loss.
  Gross profit: mainly due to the containment of the epidemic and the increase of revenues in Taiwan and other regions and from sales to subsidiaries, resulting in an increase in gross profit from sales.
  Increase in operating income: mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.
  Decrease in non-operating expenses: mainly due to the increase in other income and foreign exchange benefits resulting from the depreciation of the New Taiwan dollar this year, and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year.
  Increase in profit before tax: mainly due to the increase in operating revenue and operating gross profit this year compared with last year, the increase in other income and foreign exchange benefits resulting from the depreciation of the New Taiwan dollar this year, and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year, resulting in the increase in profit before tax.
  Increase in income tax expenses: mainly due to the increase in profit this year, resulting in an increase in income tax expenses this year compared to last year.
  Increase in profit in current period: mainly due to the increase in operating revenue and operating gross profit this year compared with last year, the increase in other income and foreign exchange

benefits resulting from the depreciation of the New Taiwan dollar this year, and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year, resulting in the increase in current period.
Decrease in other comprehensive income (net value after tax) in the current period: mainly due to the profit resulting from depreciation of the New Taiwan dollar and fluctuation in foreign exchange rates for subsidiaries and affiliates that are accounted for using equity method.
Decrease in total comprehensive income for the current period: mainly due to the increase in operating revenue and operating gross profit this year compared with last year, the increase in other income and foreign exchange benefits resulting from the depreciation of the New Taiwan dollar this year, and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year, resulting in an increase in net profit for the current period, and due to the profit of the subsidiaries and affiliates invested using the equity method resulting from depreciation of the New Taiwan dollar and fluctuation in foreign exchange rates.

- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales: In the future, it can be expected that due to the successful control over the epidemic, the global artificial joint market will be active, so the Company will increase the visibility and popularity of the Company's brands and products by participating in web conferences, self-organized medical societies, publishing clinical reports, etc., and continue to actively expand the direct sales market with its own branded products, and develop high-end new product R&D plans successively, enabling the Company to grow continuously.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

Analysis of changes in gross profit: Mainly due to the containment of the epidemic and the increase of revenues in Taiwan and other regions and from sales to subsidiaries, resulting in an increase in gross profit from sales, and less impact on the overall gross margin.

III. Cash flow

Consolidated financial statements

Cash flow analysis

Unit: NT$1,000

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (insufficient)	Measures for insufficient cash	
				Investing plan	Financing plan
638,683	356,840	(597,466)	398,057	None.	None.

- Analysis of the changes in cash flow this year:
  The net cash inflow from operating activities is mainly due to the net profit before tax in the current period, the share of losses of affiliates and joint ventures recognized using the equity method, accounts receivable, accounts receivable from related party, inventories, and other payables.
  The cash outflow from investment activities is mainly used for the purchase of equipment, surgical instruments and equipment and intangible assets.
  Cash outflows from financing activities are mainly used for the repayment of short-term loans, corporate bonds, and borrowing of long-term loans.
- Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.
- Analysis of cash liquidity for the following year: not applicable.

Individual financial statement

Cash flow analysis

Unit: NT$1,000

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (insufficient)	Measures for insufficient cash	
				Investing plan	Financing plan
484,385	180,395	(432,078)	232,702	None.	None.

- Analysis of the changes in cash flow this year:
  The net cash inflow from operating activities is mainly due to the net profit before tax in the current period, the share of losses of affiliates and joint ventures recognized using the equity method, accounts receivable, accounts receivable from related party, inventories, accounts payable and other payables.
  The cash outflow from investment activities is mainly used for the purchase of equipment, surgical instruments and equipment and intangible assets, and the acquisition of financial assets measured at fair value through profit or loss.
  Cash outflows from financing activities are mainly used for repayment of corporate bonds and long-term borrowings.
- Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.
- Analysis of cash liquidity for the following year: not applicable.

IV. The impact of major capital expenditures in the most recent year on the Company's finance: None.

V. Policy on re-investment in other companies, main reasons for profit or losses resulting therefrom, improvement plans and investment plans for the upcoming fiscal year

Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
UOC America Holding Corporation(註 1)	0%	Indirect investments in the U.S. through third region	The majority of the profits of the holding company is sourced from the gains and losses of the investment.	None.	None.
UOC Europe Holding SA	96%	Indirect investments in Europe through third region	The majority of the profits of the holding company is sourced from the gains and losses of the investment.	None.	None.
United Orthopedic Japan Inc.	95%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the long time to obtain the certification, the scale of operation to be increased, and the insufficient income to	Actively explore the market and sales activities.	(Note 3)

Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
			cover the management and marketing expenses.		
A-Spine Asia Co., Ltd	74.9%	In response to the Company's strategy for business diversification, we enter the market of spine products	and actively expands spinal products in Taiwan and international markets.	None.	None.
UOC USA,Inc.	100%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the continuous expansion of the market, relatively high management and marketing expenses are, and insufficient income to cover the expenses.	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.
United Orthopedic (Australia) Pty Ltd	100%	Arrange investments in response to the local market channels, in order to get access to the market	The Company is still in the early stage of the development since its establishment and has not yet obtained certification, so there is no income generated. The loss is mainly due to management personnel salaries and office rent and other expenses.	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.
Shinva United Orthopedic Corporation	49%	Work with Shinva Medical Instrument Co.,Ltd to expand the sales of domestic and imported products in the market of China due to China's made in China policy.	Mainly due to the low-price competition in the market affected by the Chinese government's national collective bidding procurement policy, resulting in great reduction of profits.	It has built a comprehensive marketing system and domestic products to enhance market shares.	None.
United Orthopedic Corporation (Suisse) SA (Note 2)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.
United Orthopedic Corporation (France) (Note 2)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.
United Orthopedic Corporation (Belgium) (Note 2)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the fact that the Company is still in the early stage since its establishment, in the stage of development and promotion, and the revenue has not yet reached a satisfactory scale.	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.

Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
United Orthopedic Limited (Note 2)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.

Note 1. UOC America Holding Corporation is a subsidiary of the Company, liquidated on March 21, 2022.

Note 2. It is a reinvestment of UOC Europe Holding SA, a subsidiary of the Company.

Note 3. In response to the local market layout and operational needs, an additional investment of JPY 80 million is planned.

VI. Risk assessments shall evaluate the following items for the most recent year and up to the publication date of the Annual Report

(I) The Impacts of interest rates, exchange rate fluctuation and inflation situation on the company's profit and loss, and the future countermeasures:

(1) Impact from interest rate changes

The Company has loans with banks in Taiwan dollars and other foreign currencies. The fluctuation in future interest rates will impact the Company's profits and losses. The Company will monitor interest rate changes and continuously keep long-term stable transactions with banks. Various financing tools will be adopted to hedge against the risk of interest rates in line with market conditions.

(2) Impact from exchange rate changes

The Company sells its products mainly in US dollars, Euro, RMB and Japanese Yen. Thus, if the exchange rate of New Taiwan Dollars against the above currencies fluctuated, the Company's revenue and profits will be affected, accordingly. On the whole, the Company relies on the response principle of natural hedging and continuously monitors the fluctuation of the market exchange rate, and tries to minimize the possible risks that changes in the exchange rate might do to the Company.

(A) The effect of changes in exchange rates on the Company's revenue for the last three years, as follows:

Units: NT$ 1,000; %

Item / Year	2022	2021	2020
Net currency exchange gain (loss)	46,070	(44,176)	3,562
Net Revenue	3,168,680	2,570,866	2,342,226
Operating (loss) gain	341,582	161,425	89,878
Net foreign exchange profits (losses) / Net operating income profits (losses)	1.45	-1.72	0.15%
Net foreign exchange profits (losses) / Operating profits (losses)	13.49%	-27.37%	3.96%

(B) Specific measures in response to changes in exchange rates:

a. The business units would first evaluate the trends of currencies and consider the impact of changes in exchange rate before making a quote to the customer, and the business unit would take a more robust and conservative exchange rate as the basis for the quote, so that the impact of appreciation and depreciation of NTD is minimized for the orders.

b. Open an foreign currency account at the banks to keep the foreign currency for the needs of foreign currency. Exchange the remittance of sales into TWD in accordance with actual exchange rate and deposit it in NTD account or foreign currency account. Foreign currencies that are earned from the exports are preferred to used when paying for the import to reduce the impact of changes in foreign exchage.

c. Collect information with regards to changes in foreign exchange at any time and fully grasp the domestic and international exchange rate movements to adjust the ratio of foreign currency assets and liabilities, so that the exchange rate fluctuations have a natural hedge effect.

(C) Impact from inflation

If inflation keeps up, the interest rate and costs will keep growing. In the future, the Company will monitor the market price changes, keep good interaction with suppliers and clients to reduce the impact of inflation to the Company's profits and losses.

(II) Policies on high risk, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

(1) The Company is not engaged in high risk or highly leveraged investments for the most recent year.

(2) As of March 31, 2021, the actual loan amount taken out by the Company in accordance of the Procedures for Loaning of Funds for the reinvestment of United Orthopedic Corporation (Suisse) SA, a second-tier subsidiary of the Company, was EUR 2,517,200 and GBP 72,800.

As of March 31, 2023, the actual loan amount taken out by the second-tier subsidiary United Orthopedic Corporation (Suisse) SA reinvested by the Company in accordance of the Procedures for Loaning of Funds, to the in reinvested second-tier subsidiary United Orthopedics Limited was GBP 138,100.

(3) As of March 31, 2023, the Company has taken out a loan from the bank that is worth US$ 5,500,000 with joint liability for UOC USA, Inc., a reinvested second-tier subsidiary, in accordance with the Operating Procedures for Endorsements and Guarantees.

(4) The Company engages in the trading of derivatives products. As of March 31, 2023, there are no future transactions of derivative products that has not been settled.

(III) Future R&D projects and estimated R&D expenditures:

Unit: NTD

Plan title	Progress	Need to invest more R&D expenses	Time expected to complete mass-production	Main reasons that would affect the success of R&D
United DA power hook	Under manufacturing development	2,000,000	2023 Q4	1. Passed safety test 2. Application for certification
Resolve Modular Hip Stem	Under manufacturing development	10,000,000	2023 Q4	1. Passed verification test 2. Application for FDA certification
Momentum cup	Under manufacturing development	15,000,000	2024 Q3	1. Passed verification test 2. Application for certification
PSA & Hinge Knee Integration	In design and development	1,000,000	2024 Q1	1. Design to meet customer needs 2. Coordination of process resources
PSA slot stem	In design and development	500,000	2024 Q1	1. Product manufacturing cost
PF+ Patella	Under manufacturing development	4,000,000	2024 Q3	1. New process development 2. Application for certification
SYSTEM ONE shoulder	Under manufacturing development	30,000,000	2024 Q4	1. New process development 2. Passed verification test 3. Application for certification
UMS Knee	In design and development	30,000,000	2025 Q2	1. Design to meet customer needs 2. Passed verification test 3. Application for certification

(IV) Impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures thereof: None

(V) Impact of changes in technology(including information and communication security risks)and industry on the Company's financial operations, and countermeasures thereof:

With the advancement of medicine and the understanding of bio-compatible materials, artificial joint products have become stable and mature. Artificial joints must be designed with appropriate bio-compatible materials and developed to meet the needs of patients. In addition that sufficient knowledge and clinical data are required in design, the technology of precision machinery is also required in manufacture. The Company's R&D direction is to design joint implants suitable for Chinese people, provide product experience suitable for Chinese people, and then develop products suitable for Asians, supply products in Asian markets and other international markets, and establish the highest level of artificial joint R&D and production center outside the European and American regions, which is the long-term goal of the Company; there is no major impact on the Company's financial business due to changes in technology and industry.

Regarding the information security, the Company will quantify and classify the impact of the "confidentiality", "integrity" and "availability" of the data contained in its main system, take into account common network attack risk events, formulate various operating specifications, such as: account permissions, firewalls, network management requirements..., and implement regular monitoring and measurement; any system changes shall be undergone rigorous testing to ensure the data integrity. The responsible department needs to monitor from time to time, regularly review and keep records. In addition, email social engineering drills shall be performed occasionally or educational training cases shall be used to raise the awareness of staff. In the future, it is also planned to conduct information security audits through third-party companies to ensure compliance with information security requirements and compliance with regulatory updates.

(VI) Impacts of corporate image change on risk management and response measures:

Ever since the Company has been listed on September, 2004, the Company has always uphold the professional and integrity of the operating principles, paid attention to corporate image and risk control, and has a positive impact on the company's visibility and improvements of image, sound management of the company, and sustainability of the company. The Company will continue to operate in maximum efficiency to retrieve the best interest and share the results with all shareholders and employees. Thus, there are no major events that would have an impact on the company's corporate image.

(VII) Potential risks and rewards associated with M&A and the response measures: Not applicable.

(VIII) Potential impact associated with capacity expansion and the response measures: Not applicable.

(IX) The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures:

(1) Purchase: The Company has established a good cooperative relationship with various suppliers, and the source of supply is still stable. Therefore, the Company and its subsidiaries have no risk of concentrated purchase.

(2) Sales: The Company and its subsidiaries do not have customers to whom more than 20% of products are sold, and are actively expanding product sales in various regions to diversify operational risks. Therefore, the Company and its subsidiaries have no risk of concentrated sales.

(X) The impacts and risks arising from major exchange or transfer of shares by Directors, Supervisors or shareholders with over 10% of stake in the Company and the countermeasures:

The Directors, Supervisors or shareholders of more than 10% of the Company's shares do not have any substantial transfers or changes in the shares of the Company for the most recent year and as of the publication date of the Annual Report. Thus, it did not have any significant impact on the Company.

(XI) Effects of, risks relating to and response to the changes in management rights: Not applicable.

(XII) Litigation and non-litigation events:

(1) Confirmed judgment, ongoing significant litigation, and non-litigation or administrative contention items involving the Company for the most recent two years and as of the publication date of the annual report, which might have a significant impact on the shareholders' equities or price of securities: None.

(2) Confirmed judgment, ongoing significant litigation, and non-litigation or administrative contention items involving Directors, Supervisors, General Manager, responsible person, and stockholders that hold more than 10% of this company's stock in the last two years and up to the printing of this annual report that can have a significant impact on shareholders' equity or securities prices: None.

(XIII) Other Material Risks and Response Measures: None.

VII. Other important matters: None.

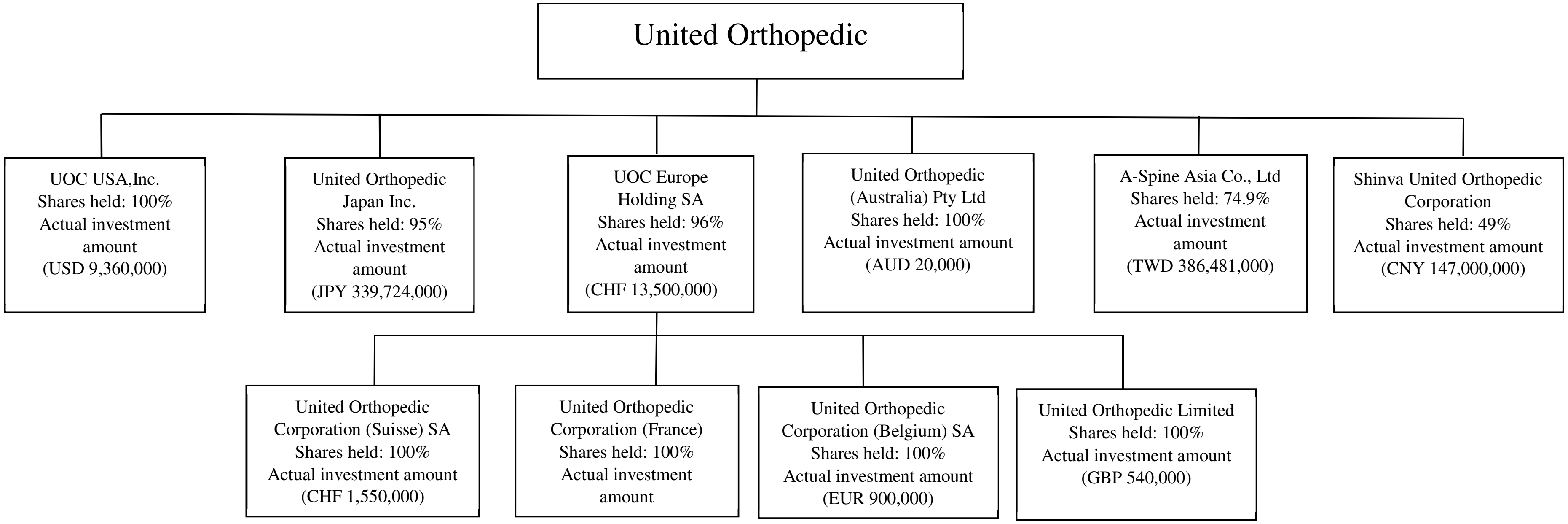
Chapter 8. Special Items

I. Relevant information on affiliates:

(I) Consolidated Business Report of Affiliates

1. Organization structure of affiliates

December 31, 2022



2. Basic information of various affiliates

Unit: NT$ 1,000

Name of business	Date of Incorporation	Address	Actual paid-in capital	Main business and product
UOC America Holding Corporation	2012.05.10	Note 4 (1)	USD0	Investment and trading business
UOC USA,Inc.	2012.07.19	Note 4 (2)	USD9,360	Sales of medical equipment
UOC Europe Holding SA	2016.05.23	Note 4 (3)	CHF14,000	Investment and trading business
United Orthopedic Corporation (Suisse) SA	2016.06.29	Note 4 (4)	CHF1,550	Sales of medical equipment
United Orthopedic Corporation (France)	2016.07.05	Note 4 (5)	EUR8,782	Sales of medical equipment
United Orthopedic Corporation (Belgium) SA	2019.07.11	Note 4 (6)	EUR500	Sales of medical equipment
United Orthopedic Japan Inc.	2016.08.05	Note 4 (7)	JPY225,740	Sales of medical equipment
Shinva United Orthopedic Corporation	2016.01.13	Note 4 (8)	CNY300,000	Manufacture and sale of orthopedic equipment
A-Spine Asia Co., Ltd	2001.06.15	Note 4 (9)	TWD134,710	Manufacturing and sales of medical equipment
United Orthopedic Limited	2019.07.24	Note 4 (10)	GBP540	Sales of medical equipment
United Orthopedic (Australia) Pty Ltd	2022.05.16	Note 4(11	AUD20	Sales of medical equipment

Note 1. All affiliates shall disclosed regardless of their sizes.

Note 2. For all affiliates that have plants, and the production value of products of the plants worth more than 10% of the operating income of the holding company, the name of the plants, founding dates, addresses, the main productions of the plants shall also be listed.

Note 3. If the affiliate is a foreign company, the title of the company and the address may be shown in English, and the founding date may also be expressed in Gregorian calendar. The paid-in capital may be expressed in foreign exchange (However, the exchange rate as of the publish date shall be listed).

Note 4.

(1) Portcullis TrustNet Chambers, POBox 3444 Road Town, Tortola, British Virgin Islands.
(2) 15251 Alton Parkway, Suite 100, Irvine, CA 92618
(3) Avenue Général Guisan 60A, 1009 Pully
(4) Y Parc, Avenue des sciences 15, 1400 Yverdon, Switzerland
(5) 7 Allée des Peupliers, 54180 Houdemont, France
(6) Rue Auguste Beernaert 1-12, 1480 Tubize (Saintes), Belgium
(7) 2-9-40 Kitayuki Nishi-ku Ginyo Building, Yokohama
(8) No. 1999, Luxin Road, High-tech Zone, Zibo City, Shandong Province
(9) 20F., No. 80, Sec. 1, Chenggong Road, Yonghe District, New Taipei City
(10) 2 Grange Farm Business Park, Grange Road, Hugglescote, Leciestershire, LE67 2BT, UK
(11) Level 2, 29-35 COTHAM RD. KEW VIC 3101

3. Companies presumed as having control and subordinate relationships in accordance with Article 369-3 of the Company Act:

   According to the above organization chart, the Company's affiliates are all subsidiaries of the Company.

4. Industries that are covered by affiliates and their distribution of work if the businesses of affiliates are interconnected with others:

   (1) Industries that the overall affiliates are involved with: Mainly for orthopedic artificial implants, surgical equipment manufacturing and sales.

   (2) Distribution of work if the businesses of affiliates are interconnected with others:

   The Company invested in UOC America Holding Corporation in 2012, and the liquidation was completed on March 21, 2022. Instead, the Company invested in UOC USA, Inc. as the base for marketing operations in the America. The marketing model adopted are dealer and directly selling to quickly establish a complete marketing system to increase market share.

   The Company also invested in Shinva United Orthopedic Corporation in 2016 for production and sales of artificial joints in Mainland China. It also imports the artificial joints of the Company to build a comprehensive marketing system and increase market share.

   The Company invested in UOC Europe Holding SA in 2016, which in turn invested in United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France). Indirect investment in United Orthopedic Corporation (Belgium) SA and United Orthopedic Limited in 2019 was made to establish sales bases in Switzerland, France, Belgium and Great Britain in Europe region. By simultaneously adopting the distribution method and direct sales method, the Company aimed to achieve sustained high growth in the European market and accelerate the expansion of market share.

   The Company invested in United Orthopedic Japan Inc. in 2016 as a sales and operation base in Japan. United Orthopedic Japan Inc. has completed product registration and started marketing and sales activities in 2019 to continuously develop the business and expand market share.

   The Company invested in A-Spine Asia Co., Ltd. in 2017 in response to the Company's strategy of business diversification. We were looking to quickly enter the spine product market through M&A to accelerate the development of spine products in Taiwan and international markets, as well as boosting the Company's revenue and profit.

   The Company invested in United Orthopedic (Australia) Pty. Ltd. in 2022 as the base for sales and operation in Australia, to actively expand the market via distributors or the direct selling model according to regional characteristics.

5. Information of Directors, Supervisors and General Managers in all Affiliates:

Name of business	Title (note 1)	Name or representative	shares held	
			Not Yet Lifted	holding ratio
UOC America Holding Corporation(Note 2)	Chairman	Yan-Shen Lin	0	0%
UOC USA, Inc.	Chairman	Yan-Shen Lin	13,861,016	100%
UOC Europe Holding SA	Chairman	Yan-Shen Lin	13,500	96%
United Orthopedic Corporation (Suisse) SA	President	Bopp François	1,550	100%
United Orthopedic Corporation (France)	President	Bopp François	8,782	100%
United Orthopedic Corporation (Belgium) SA	President	Bopp François	900	100%
United Orthopedic Japan Inc.	Chairman	Tetsuhiko Niwa	88,658	95%
Shinva United Orthopedic Corporation	Chairman	Cui Hongtao	147,000,000	49%
A-Spine Asia Co., Ltd	Chairman	Yan-Shen Lin	10,089,696	74.9%
United Orthopedic Limited	President	Pearson Malcolm	540	100%
United Orthopedic (Australia) Pty Ltd	President	DAVID VEALE	20,001	100%

Note 1. If the affiliate is a foreign company, list those whose job position is equivalent.
Note 2. UOC America Holding Corporation liquidated on March 21, 2022.
Note 3. If the invested company is a joint-stock company, please list the amount of stocks and shareholding ratio. For others, please list the capital contribution and contribution ratio and make a note on that.

6. Operating status of affiliates:

Unit: NT$1,000

Name of business	Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating income	Current profit or loss (after tax)	Earnings per share (after tax/dollar)
UOC USA,Inc.	283,905	583,386	322,337	261,049	439,106	(23,783)	(27,383)	–
UOC Europe Holding SA	436,770	222,395	0	222,395	0	(34,647)	47,214	–
United Orthopedic Corporation (Suisse) SA	49,987	790,225	707,983	82,242	495,209	46,877	62,130	–
United Orthopedic Corporation (France)	310,304	731,686	443,284	288,402	693,607	18,958	26,765	–
United Orthopedic Corporation (Belgium) SA	30,154	30,542	32,790	(2,248)	27,174	(8,545)	(8,569)	–
United Orthopedic Japan Inc.	60,672	196,691	139,415	57,276	129,725	(4,473)	(4,922)	–
Shinva United Orthopedic Corporation	1,436,694	1,208,082	277,219	930,863	37,278	(179,221)	(193,142)	–
A-Spine Asia Co., Ltd	134,710	511,008	233,933	277,075	330,157	7,729	8,008	0.59
United Orthopedic Limited	20,840	46,490	24,165	22,325	35,885	1,301	2,308	–
United Orthopedic (Australia) Pty Ltd	413	530	1,248	(718)	0	(1,135)	(1,135)	–

Note 1. All affiliates shall disclosed regardless of their sizes.
Note 2. If the affiliate is a foreign company, all relevant numbers shall be expressed in NTD by using the exchange rate as of the publish date.

Note 3. The exchange rates for the balance sheet are as the following: 1 USD = 30.710 NTD, 1 CNY = 4.408 NTD,
1 EUR = 32.720 NTD, 1 CHF = 33.205 NTD,
1 GBP = 37.090 NTD, 1 JPY = 0.2324 NTD,
1 AUD = 20.830 NTD, 1 GBP = 1.1336 EUR,
1 CHF = 1.0148 EUR, 1 EUR = 0.9854 CHF,
1 CHF = 0.8953 GBP, 1 GBP = 1.1170 CHF

The exchange rates for the income statement are as follows: 1 USD = 29.195 NTD, 1 CNY = 4.376 NTD,
1 EUR = 32.020 NTD, 1 CHF = 31.690 NTD,
1 GBP = 37.195 NTD, 1 JPY = 0.2365 NTD,
1 AUD = 20.830 NTD, 1 GBP = 1.1623 EUR,
1 EUR = 1.0117 CHF, 1 CHF = 0.9891 ERU
1 CHF = 0.8522 GBP, 1 GBP = 1.1766 CHF

(II) Reports of all entities: Please refer to the consolidated financial report.

II. For private issuance of marketable securities in the most recent year and up to the publication date of the Annual Report, the Company shall disclose the approval date and amount of the shareholders' meeting or the Board of directors meeting, the basis and rationale of the pricing, the selection method of specific person and the necessary reasons for private issuance: None.

III. Holding or disposal of this Company's shares by a subsidiary company in the most recent year, up to the publication date of the Annual Report: None.

IV. Other necessary supplementary information: None.

Chapter 9. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of the Annual Report: None.

United Orthopedic

Chairman: Lin, Yan-Sheng