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United Orthopedic

2017 Annual Report

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N/A

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3, Sub-paragraph 2 of the Securities and Exchange Act that has occurred during the past year, up to the publication date of this report

Chapter 1 Letter to Shareholders

Dear shareholders,

On behalf of United Orthopedic Corporation, I would like to welcome all of you to the 2018 Annual General Meeting of the Company.

I. 2017 operating results

(I) Results of the implementation of the Operating plan

The Company's 2017 net operating revenue is NT\$1,581,054 thousand, which is an increase of 16.9% over the 2016 net operating revenue of NT\$1,352,145 thousand. The 2017 net consolidated operating revenue is NT\$1,972,592 thousand, which is an increase of 42.6% over the 2016 net consolidated operating revenue of NT\$1,383,340 thousand. The profit after tax in 2017 is NT\$110,939 thousand, which decreases NT\$29,910 thousand comparing to 2016 profit after tax of NT\$140,849 thousand.

(II) Budget execution

The Company's undisclosed budget amount and overall operating performance are roughly the same as the predestinated operating plan in accordance with the current laws.

(III) Analysis of the consolidated income, expenses and profitability

(1) Consolidated income and expenses

Unit: NT\$1,000

Item	2017	2016
Current period net profit	110,939	140,849
Cash inflow from operating activities	21,635	182,702
Cash outflow from investing activities	(1,114,512)	(725,292)
Cash inflow from financing activities	1,018,026	299,534
Increase (decrease) in cash and cash equivalents	(76,539)	(253,511)
Opening balance of cash and cash equivalents	477,926	731,431
Closing balance of cash and cash equivalents	401,387	477,926

(2) Analysis of Consolidated Profit

The 2017 annual revenue is NT\$1,972,592 thousand, which has increased from NT\$1,383,340 thousand of last year. The 2017 profit after tax is NT\$110,939 thousand, which is a NT\$29,910 thousand decrease over the 2016 profit after tax of NT\$140,849 thousand. The EPS is NT\$1.78, which is lower than last year's NT\$2.06 mainly due to the establishment of European and Japan subsidiaries in the fourth quarter of 2016, which results in higher expenses in 2017 than 2016.

(IV) R&D Status

The Group's 2017 R&D expense is NT\$198,734 thousand, which is a NT\$37,503 thousand increase from 2016. The annual growth rate of R&D expense is 23.3%. It constitutes 10.1% of the annual revenue, or about one tenth of the revenue.

II. Overview of 2017 operations

(I) Operational objectives

- A. Improve the completeness of product lines: In the case of artificial joints, we have laid quite a foundation with our existing product lines. At present, the overall product completeness is about 70 percent to 80 percent of that of major international manufacturers. In the next one or two years, we will strive to improve the product lines. The goal is to cover more than 90 percent of the products offered by international manufacturers by the end of 2018 to effectively enhance the Company's overall competitiveness.
- B. Actively build international brand awareness: In the past, Taiwan industries tend to over-focus on manufacturing and neglect to manage and invest resources on brand awareness. As a result, brand value cannot be accumulated nor manifested. The Company has reached the same standard in manufacturing skill and quality as major plants in Europe and U.S.A. With over 300 thousand clinical case studies on hand, we shall invest resources to strengthen our brand value all the more. Since 2016, the Company has collaborated with professional consultants to build an international brand image. In professional academic clinical researches, we cooperate and engage well-known doctors and consultants both domestic and foreign to transform our international brand image completely to the next level.
- C. To continuously develop domestic and foreign distribution channels: The global output of artificial joint industry is valued at US\$16.5 billion and the Company accounts for a mere 0.3 percent at present. We will utilize the existing distribution and direct channels in domestic and foreign for market penetration and development. We will also accelerate our international regulatory application processes to enter the new markets at the earliest possible date. We aim to complete the regulatory application at Japan, the benchmark in Asian, and to officially launch products there this year.

(II) Estimated sales volume and relevant information

Unit: pcs	
Main products	2018 Sales Target

	Quantity
Artificial joints	263,375pcs
OEM products	2,820pcs

Note: Income from other products is not shown as the statistics of the quantity of these products is not available.

The 2018 sales target is set based on the future development of products in the Company, orders for the products, and supply and demand in the market, and based on capacity expansion of the Company.

(III) Significant sales and production policies

The phase three of new construction of Kaohsiung plant is officially completed in the third quarter of 2017 and put into production. It completes the one-stop production line at Kaohsiung plant and provides a strong and powerful foundation for the Company's revenue growth in the future.

III. Developmental Strategies for the Company in the Future

It is very challenging to forge an international brand in Taiwan's operating environment. The revenue of the United Orthopedic Corporation is still small in the global orthopedic market. However, we have set up sales offices in 38 countries and regions under our own brand with hard work. On this basis, the Company shall learn from the experience of international plants in regard of management, system, legal compliance, human resources, market layout, etc. With an open mind, make steady progress to provide better products and services and build brand reputation and image, so that the Company can soon rank as one of top international companies.

IV. Influences from external competitive environment, legal environment, and overall economy

Apart from the FDA of U.S, CE Mark of European Union, CFDA of China, and TFDA of Taiwan, regulators have tightened the controls in recent years, which increase the time required to obtain certifications and the cost of testing. Fortunately, the Company can meet all the requirements with over 20 years of regulatory application experience.

Chapter 2 Company Profile

I. Date of Founding

The Company was founded on March 5, 1993.

II. Company History

1993	<ul style="list-style-type: none">•The Company was founded with a registered capital of NT\$27,500,000.
1994	<ul style="list-style-type: none">•The registered capital is NT\$112,250,000.•"United" Unhip Total Hip System has received authorization from the Department of Health. License No.: Department of Health Medical Machine Production No.000587 for marketing the product.•First clinical use of Unhip Total Hip System.
1995	<ul style="list-style-type: none">•"The Sintering Technology of Porous Coating on Cocoa Alloy" was awarded the Science-Based Industrial Park subsidy of NT\$1,900,000 for innovative technology.•Obtained international quality assurance certification ISO 9001.
1996	<ul style="list-style-type: none">•"United Pinand Wire" has received authorization from the Department of Health for marketing of the product. License No.: Department of Health Medical Machine Production No.000630.
1997	<ul style="list-style-type: none">•The registered capital is NT\$116,125,000.•"United Pin" has received authorization from the Department of Health for marketing it. License No.: Department of Health Medical Machine Production No.000659.•"United" UKNEE Total Knee System products have received approval from the Department of Health for its marketing. License No.: Department of Health Medical Machine Production No.000663.•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	<ul style="list-style-type: none">•The Science-Based Industrial Park has awarded in 1997 the innovative product award for "United UKNEE Total Knee System".•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.•Science-Based Industrial Park in 1998 has awarded the "Tumor UKNEE Total Knee System" for innovative product.•<u>The Ministry of Economic Affairs Taiwan has awarded the Excellence Certification for UKNEE Total Knee System.</u>•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.•The Department of Health has authorized the marketing of "United" Hip System under License No.: Department of Health Medical Machine Production No.000717.

1999	<ul style="list-style-type: none"> •Increased the capital by NT\$40,000,000. The registered capital after the increase is NT\$226,125,000. •<u>The Ministry of Economic Affairs has awarded the "Small and Medium Sized Enterprises Innovative Research Award" for United UKNEE Total Knee System.</u> •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" •<u>United UKNEE Total Knee System has been awarded "National Quality Gold Award".</u> •<u>Science-Based Industrial Park in 1999 has awarded innovative product award for the "Stabilized UKNEE Total Knee System".</u>
2000	<ul style="list-style-type: none"> •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. •Unhip Total Hip System has been certified by FDA of US.
2001	<ul style="list-style-type: none"> •The FDA of US has approved the certification of "United" U2 Hip Stem (HA/Porous). •The Department of Health has approved the marketing of "United" UNIFY Femur Plate System under License No.: Department of Health Medical Machine Production 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	<ul style="list-style-type: none"> •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. •CE of European Union has certified "United" 22 mm/28 mm ceramic femoral head.22mm28mm •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	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •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 capital by NT\$28,500,000 to NT\$254,625,000. •9月29日 The Company was listed on Sept. 29. •Founded the United Medical (B.V.I.) Corporation.
2005	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “United” slim fit anterior cervical plate system under License No.: Department of Health Medical Machine Production No.002134. •The Department of Health has approved the marketing of “United” Century spinal system under License No.: Department of Health Medical Machine Production No.002254. •<u>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.</u> •<u>The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights of the surgery tools for operating UKNEE Total Knee System under License No.: ZL 200620139229.4.</u> •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". •Established the United Orthopedic (U.S.A.) Corporation. •Established the U.S. branch offices of the United Orthopedic Corporation USA.

2008	<ul style="list-style-type: none"> •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 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. •<u>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.</u> •Increased the registered capital by NT\$38,000,000 to NT\$423,625,000.
2009	<ul style="list-style-type: none"> •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 the U.S. branches of the United Orthopedic Corporation USA.
2010	<ul style="list-style-type: none"> •<u>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.</u> •<u>The United States Patent and Trademark Office has approved the patent rights of Thighbone shaft under Patent No. US 7753961 B2.</u> •<u>The United States Patent and Trademark Office approved the patent rights of Expansion mechanism for minimally invasive lumbar operation under Patent No. US 7811230 B2.</u>
2011	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “UNITED” Hip System-U2 Bipolar Implant under License No.: Department of Health Medical Machine Production No.003187. •The Department of Health has approved the marketing of “United” ceramic femoral head under License No.: Department of Health Medical Machine Production No.003331.

	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “United” hip system under License No.: Department of Health Medical Machine Production No.003335. •Established the Kaohsiung plant at Tainan Science-Based Industrial Park Luchu Base. •<u>The United States Patent and Trademark Office has approved the patent rights of Support mechanism for operation auxiliary tools under Patent No. US 8083196 B2.</u>
2012	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “United” compression intramedullary pinning under License No.: Department of Health Medical Machine Production 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 the U.S. Branch of UOC USA Inc. •<u>The United States Patent and Trademark Office has approved the patent rights of Artificial joint fixation mechanism under Patent No. US 8172906 B2.</u> •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 bagged the "Institute for Biotechnology and Medicine Industry Silver Award".
2013	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “United” CENTURY spinal system II under License No.: Department of Health Medical Machine Production 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. •The Department of Health has approved the marketing of “United” Hip System II under License No.: Department of Health Medical Machine Production No.004220. •The Department of Health has approved the marketing of “United” BIOLOX OPTION Ceramic Femoral Head under License No.: Department of Health Medical Machine Production No.004236. •Capital increased by NT\$70,000,000 to NT\$533,625,000. •Issued NT\$200 million worth of convertible bonds. •U-Motion II was awarded the "Taiwan Excellence Certification". •U-Motion artificial hip joint system was awarded the "10th National Innovation Award".
2014	<ul style="list-style-type: none"> •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. •The Department of Health has approved the marketing of “United” FENCE anterior staple fixation system under License No.: Department of Health Medical Machine Production 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.

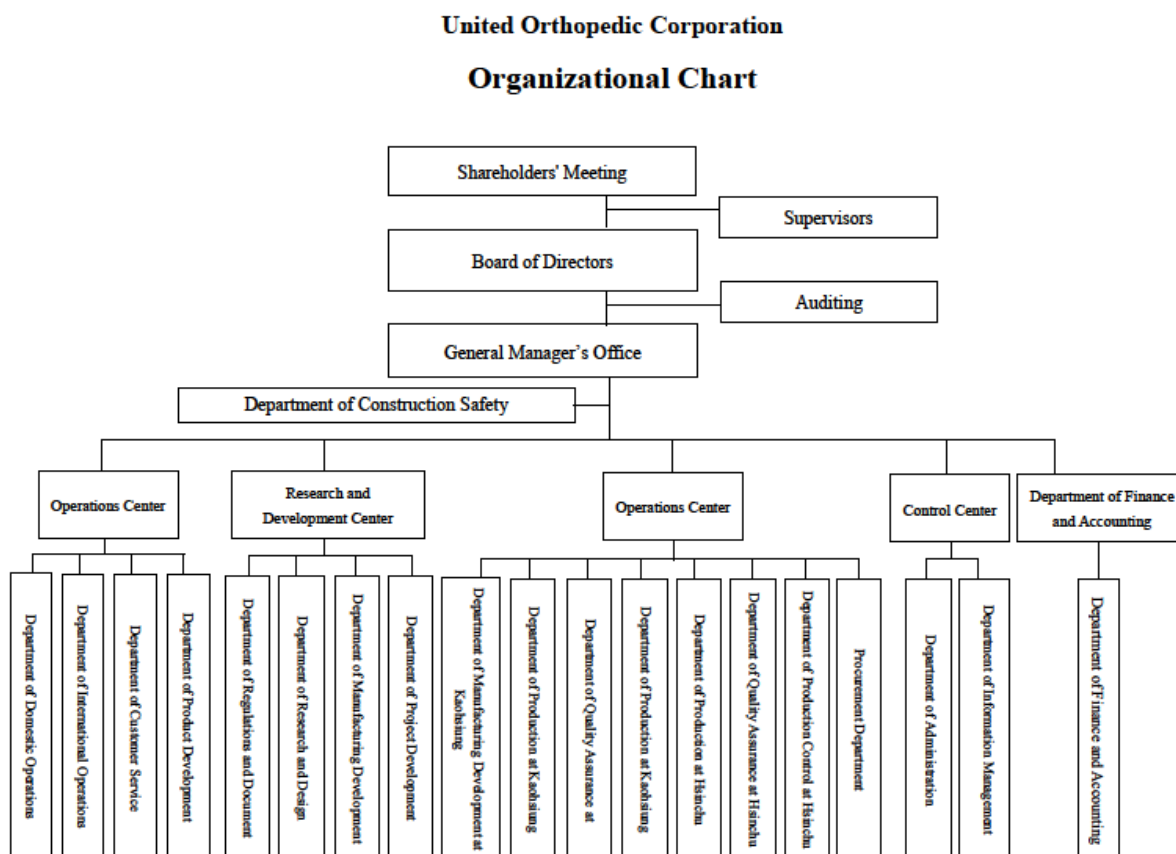
	<ul style="list-style-type: none"> •The Department of Health has approved the marketing of “United” Slim fit anterior cervical plate system II under License No.: Department of Health Medical Machine Production No.004697. •The Department of Health has approved the marketing of "United" E-XPE cemented hip stem under License No.: Department of Health Medical Machine Production No.004825. •<u>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.</u> •<u>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.</u> •<u>Republic of China has awarded utility patent of stacked tibial insert under License No.: New Utility M479734.</u> •<u>The United States Patent and Trademark Office has awarded the patent rights of connecting device of joint prosthesis under Patent No. US 8721729 B1.</u> •<u>The Republic of China has awarded the utility patent of femoral resection regulation under License No.: New Utility M495826.</u>
2015	<ul style="list-style-type: none"> •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. •<u>The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for Femoral resection regulation under License No.: ZL 2014 2 0579814.0.</u> •<u>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.</u> •<u>The United States Patent and Trademark Office has awarded the patent rights of Acetabular cup inserter under Patent No. US 8926621 B2.</u> •<u>The United States Patent and Trademark Office has awarded the patent rights of Structure improvement of an orthopedic implant of an artificial knee joint acetabular cup inserter under Patent No. US 9044327 B2.</u> •<u>Stack-up assembly for tibial insert trial</u> <u>The United States Patent and Trademark Office has awarded the patent rights of Stack-up assembly for tibial insert trial under Patent No. US 9144495 B2.</u> •<u>Acetabular cup inserter has been awarded patent certification that is issued by Republic of China. License No.: Innovation I508698.</u> •Capital increased by NT\$128,000,000 to NT\$712,128,680. •Signed cooperation agreements with Shinva Medical Instrument Co., Ltd. and New China Life Health Co., Ltd. of China.
2016	<ul style="list-style-type: none"> •Disposed of the equities of three affiliated companies—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. •<u>The Republic of China has approved the utility patent for Joint prosthesis under License No.: New Utility M521999.</u>

	<ul style="list-style-type: none"> •<u>The State Intellectual Property Office of the People's Republic of China has awarded the utility model title patent rights for Femoral resection regulation under License No.: ZL 2016 2 0133047.X.</u> •Founded the United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) SAS in Switzerland and France, respectively. •Founded the United Biotech Japan Co., Ltd. •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	<ul style="list-style-type: none"> •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 convertible bonds.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Responsibilities and functions of major departments

Departments	Main Functions
General Manager'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	Develop, coordinate, and review the measures over labor safety and health policies, management, education and training, and operation environment. Generate proposals for safety and health measures, publish inspection results of automatic inspection of safety and health audit, of machinery, equipment, raw materials, materials, hazard prevention measures, and of occupational hazards. Other relevant public safety and safety, and health management matters.
Department of Finance and Accounting	Management and auditing of accounting, taxation and cost calculation of the Group, preparation and control of the final accounts of the Company's operational budget, shareholding and financial planning and execution of the Group.

Control Center	<p>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.</p> <p>Planning, development and maintenance management of the information system.</p>
Departments	Main Functions
Operational Center	<p>Responsible for 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 delivery schedules, control over purchase and refunds, periodical inventory control and check and test machinery tools.</p> <p>Responsible for proposal and tracking of operations and product marketing plan. Plan and participate in domestic and international exhibitions. Analyze, assess, and promote domestic and foreign market. New product development and oversee its progress. Training for domestic and foreign distribution business products.</p> <p>Responsible for developing internal product database and for internal educational training. Publish the literature for the new product and assist in writing the text, and designing the new product. Collect the clinical outcomes for the company's products and publish them. Discuss the rationality and discuss with the consulting doctors on the possibility of publication of the results; assist in clinical discussions and solution.</p>
Research and Development Center	<p>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 new products.</p> <p>Establish the product production process protocol, process quality inspection, mechanical maintenance, and operating standards. Development, manufacture and maintenance of surgical instruments.</p> <p>Responsible for product compliance, product listing, patent and trademark application. Coding, registration, and issuance of documents and control and preserve the documents.</p> <p>Test and verify plan of product development.</p>
Operation Center	<p>Execution, management, and control of production plans.</p> <p>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.</p> <p>Production planning, scheduling and maintenance, production control and feedback, material requirements, procurement planning and maintenance.</p> <p>Raw materials and forgings, castings and surface titanium bead sintered products, titanium surface coating, and inventory control of surface titanium and products of HA composite, warehouse control and maintenance.</p> <p>Quality assurance, develop inspection standards of raw materials purchased, first sample, and final manufacturing. Customer complaint processing, SPC application planning, measurement and calibration of equipment, ISO quality management system implementation and maintenance.</p> <p>Businesses, such as purchase of raw materials from international and domestic markets for the plants and export of the OEM products.</p>

	<p>Maintenance and management of plant's facility, integration of the project construction, maintenance and cleaning of the machinery, and other management matters in relation to the plants.</p>
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II. Information on Directors, Supervisors, President, Vice-Presidents, Assistant Vice-Presidents, and heads of various departments and branches

(I) Directors and Supervisors

(1) Directors and Supervisors

April 14, 2018

Title	Nationality or place of registration	Name	Gender	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		Significant Experience and Education	Positions Currently Held in Other Companies	Any executive officer, director or supervisor who is a spouse or relative at the second degree of kinship		
							Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage			Title	Name	Relationship
President and General Manager	Republic of China	Lin, Yan-Shen	Male	Jun. 6, 2017	3 years	Mar. 05, 1993	2,150,000	3.00%	2,240,000	2.81%	468,000	0.59%	0	0	Public Relations, Shih Hsin University Manager of 3M, USA3M President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc.	Supervisor, Taiwan Home Care Co., Ltd. Person-in-charge, LEMAX COMPANY LIMITED Person-in-charge, United Medical (B.V.I.) Corporation Person-in-charge, UOC America Holding Corporation Person-in-charge, UOC USA INC. Vice-President, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. Director, United Biotech Japan Co., Ltd. Person-in-charge, UOC Europe Holding SA	Director	Lin, Chun-Sheng	Brother
Director	Republic of China	Lin, Chun-Sheng	Male	Jun. 6, 2017	3 years	Jun. 15, 2006	1,758,629	2.45%	1,905,743	2.39%	0	0	0	0	Industrial Management, Aletheia University Director, Chuan-Yi Investment Inc. Vice-President, United Orthopedic Corporation Vice President, Sinopharm United Medical Device Co., Ltd.	Director, United Biotech Japan Co., Ltd. Director, A-SPINE Asia Co., Ltd.	Chairman	Lin, Yan-Shen	Brother
Director	Republic of China	Hau, Hai-Yen	Male	Jun. 6, 2017	3 years	May 15, 1997	661,714	0.92%	698,646	0.88%	0	0	0	0	Doctor of Philosophy in Electrical Engineering, Purdue University Associate Professor of Electrical Engineering, National Taiwan University Deputy General Manager, 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. Director, ENE Technology Inc.	None	None	None
Director	U.K.	Ng Chor Wah Patrick	Male	Jun. 6, 2017	3 years	Jun. 16, 1005	1,180,076	1.64%	1,322,139	1.66%	0	0	0	0	The Hong Kong Polytechnic University Country manager, MEDTRONICS OFAMOR DANEK CHINA Executive Director, SCHWARTZ GROUP Vice president, STRYKER PACIFIC LTD Director, Only care Medical Company Ltd.	Person-in-Charge, United Medical Instrument Co., Ltd. Person-in-Charge, United Medical Technology (ShangHai) Co., Ltd. Director, Onlycare Medical Company Ltd. Director, Shinva United Orthopedic Corporation Director, Super Joint Engineering Limited	None	None	None
Director	Republic of China	Chi-Yi Investment Co. Ltd.	-	Jun. 6, 2017	3 years	Jun. 13, 2007	1,029,312	1.43%	665,417	0.83%	0	0	0	0	None	None	None	None	None
Corporate Investors Representative	Republic of China	Lee, Chi-Fung	Female	Jun. 6, 2017	3 years	Jun. 13, 2007	0	0	450,000	0.56%	0	0	0	0	Education for librarianship, National Taiwan University Project Manager, China Management Consultant Inc.	Person-in-Charge, Chi-Yi Investment Co. Ltd.	None	None	None

Independent Director	Republic of China	Wang, Yueh-Cheng	Male	Jun. 6, 2017	3 years	Jun. 13, 2008	0	0	0	0	0	0	0	0	MBA, National Chengchi University Full-Time, Part-Time Instructor for Business Management, Soochow University General Manager, Primasia Securities Co., Ltd. Director, Deputy General Manager, Vigor International Inc.	None	None	None	None
Independent Director	Republic of China	Lee, Chun-Hsien	Male	Jun. 6, 2017	3 years	Jun. 17, 2003	0	0	0	0	0	0	0	0	MBA, The City University of New York Officer, Credit Department of Bank of Taiwan Director of Department of Investment Management and Accounting Tax, Macronix International Co., Ltd. General Manager, Director, Biomorph Microsystems Corporation	Senior Director of Department of Business Development Finance, TSMC	None	None	None
Supervisor	Republic of China	Wong, Chi-Yin	Male	Jun. 6, 2017	3 years	Jun. 23, 2014	758,993	1.06%	800,993	1.00%	0	0	0	0	Medical Studies, National Defense Medical Center Director of Orthopedics Department, Kaohsiung Veterans General Hospital Attending Physician, Taipei Veterans General Hospital	Attending Physician of Orthopedics Department, YUANHOSP	None	None	None
Supervisor	Republic of China	Wang, Ching-Hsiang	Male	103.06.23	3 years	Jun. 17, 2004	0	0	0	0	0	0	0	0	Master of Accounting, Soochow University Partner, Solomon & Co., CPAs Convener of Finance and Taxation Commission, Kaohsiung City Association of Small & Medium Enterprises Instructor, Shih Chien University Part-Time Instructor of Accounting, Tunghai University	Person-in-Charge and Partner of Yangtze CPAs & CO. Director, Hua De Alliance Independent Director, Full Wang International Development Co., Ltd. Independent director, Strong H Machinery Technology Cayman Inc.	None	None	None
Supervisor	Republic of China	Chen, Li-Ju	Female	Jun. 6, 2017	3 years	Jun. 19, 2009	0	0	0	0	0	0	0	0	Accounting, National Chengchi University GMB, National Chengchi University Chairman, Ping Nan CATV Co., Ltd. Supervisor, Eastern Broadcasting Co., Ltd. Supervisor, HANROC Project Finance Consultant, Carlyle Asia Investment Advisors Limited General Manager, Administrative Finance, Melchers Trading GMBH (Taiwan Branch)	Person-in-Charge, Li-Ru Chen Accounting Firm	None	None	None

(2) Major Shareholders of Institutional Shareholders:

① Major shareholders of institutional shareholders

April 14, 2018

Names of institutional shareholders	Major shareholders of institutional shareholders
Chi-Yi Investment Co. Ltd.	Lee, Chi-Fung (40%), Chia , Chen-I (60%)

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

(3) iii. Professional knowledge and independency possessed by the Directors or Supervisors and the work experience required by and qualified for the following items:

Condition Name (Note 1)	Does the Director have five or more years of work experience and the following professional qualifications?			Compliance to the independence (note 2)										Currently serving as an independent director of other public companies
	Served in lecturer role or above in public or private college institutions in one of the following departments : business administration, law, finance, accounting, or other disciplines relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant or other professional or a technical staff certified by national examinations and licensed by the competent authorities	Work experience necessary for Business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Lin, Yan-Shen			✓					✓	✓	✓		✓	✓	None
Lin, Chun-Sheng			✓					✓	✓	✓		✓	✓	None
Hau, Hai-Yen			✓	✓			✓	✓	✓	✓	✓	✓	✓	2
Ng Chor Wah Patrick		✓	✓				✓	✓	✓	✓	✓	✓	✓	None
Chi-Yi Investment Co. Ltd.			✓	✓			✓	✓	✓	✓	✓	✓		None
Lee, Chun-Hsien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Wang, Yueh-Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Wong, Chi-Yin		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	None
Wang, Ching-Hsiang	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Li-Ju		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: Please add more rows to accommodate additional entries.

Note 2: Please "P" the box under each criteria number if the director or supervisor meets the criteria two years prior to resuming the position or during the term of service. ✓

(1) Not employed by the Company or its affiliated companies.

(2) Not a director or supervisor of the Company of any of its affiliates (excluding independent directors set up by the

- Company, its parent company or subsidiaries in compliance of the local regulations).
- (3) Not a shareholder that hold more than 1% of the Company's total shares or rank among top-ten shareholders, this applies for the Director himself/herself, spouse, minor children, or shares held under others' names.
 - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three subparagraphs.
 - (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
 - (6) Not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.
 - (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business, or spouse. However, members of Remuneration Committee who executes their responsibility according to Article 7 of 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 are not bound by this limitation.
 - (8) Not the spouse or being a relative within the second degree of kinship to any other director of the Company.
 - (9) Not under of any conditions defined in Article 30 of the Company Act.
 - (10) Not elected as a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) General Manager, Deputy General Manager, assistant manager, and managerial officer of various departments or branches

April 22, 2018

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shares Held		Shares Currently Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Significant Experience and Education (Note 2)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage			Title	Name	Relationship
General Manager	Republic of China	Lin, Yan-Shen	Male	Jun. 30, 2008	2,240,000	2.81%	468,000	0.59%	0	0	Public Relations, Shih Hsin University Manager of 3M, USA3M President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc.	Supervisor, Taiwan Home Care Co., Ltd. Person-in-charge, LEMAX COMPANY LIMITED Person-in-charge, United Medical (B.V.I.) Corporation Person-in-charge, UOC America Holding Corporation Person-in-charge, UOC USA INC. Vice-President, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. Director, United Biotech Japan Co., Ltd. Person-in-charge, UOC Europe Holding SA	None	None	None
Deputy General and Director of Department of Operating Center	Republic of China	Liau, Jiann-Jong	Male	Jul. 1, 2016	22,293	0.03%	0	0	0	0	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, President, A-Spine Asia Co., Ltd.	None	None	None
Deputy General Manager and Director of Department of Operating Center	Republic of China	Peng, Yu-Hsin	Female	Oct. 1, 2016	91,933	0.12%	0	0	0	0	Statistics, Tamkang University Financial Manager, Chuan-Yi Investment Inc. President, Taiwan Home Care Co., Ltd.	Director, President, A-Spine Asia Co., Ltd. Director, United Biotech Japan Co., Ltd.	None	None	None
Research and Development Center	Republic of China	Ho, Fang-Yuan	Female	Jul. 1, 2016	2,059	0.00%	37,167	0.05%	0	0	Graduate Institute of Materials Science & Engineering, National Taiwan University Assistant Researcher, Mackay Memorial Hospital	None	None	None	None

Divisional Head															
Operation Center Divisional Head	Republic of China	Chou, Chin-Jung	Male	Jul. 1, 2016	13,805	0.02%	0	0	0	0	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
Department of Finance and Accounting Divisional Head	Republic of China	Teng, Yuan-Chang	Male	Oct. 3, 2016	0	0.00%	0	0	0	0	Business Administration, Tamkang University University of Illinois Manager, Finance Department, Visera Technologies Co., Ltd. Assistant General Manager, Pihsiang Machinery MFG. Co., Ltd.	Supervisor, A-SPINE Asia Co., Ltd.	None	None	None

Note 1: Shall include information General Manager, Deputy General Manager, Assistant General Managers, Supervisors of Departments and Branch Agencies. Details of people holding positions equivalent to General Manager, Deputy General Manager, or Assistant General Managers shall also be disclosed.

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

III. Compensation to Directors, Supervisory Board Members, President and Vice-Presidents

(I) Companies may choose to disclose the names and their remuneration levels, or the method of individual disclosure of the names and their remuneration: The Company shall adopt the former method.

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

Unit: 1000 NT\$; December 31, 2017

Title	Name	Remuneration of Directors								The ratio of total amount of A, B, C, D to the NIAT (Note 10)		Remuneration Paid to Concurrent Employees								Proportion of NIAT after summing up items A, B, C, D, E, F, and G (Note 10)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 11)
		Remuneration (A) (Note 2)		Retirement pension (B)		Director's remunerations (C)(Note3)		Business execution fees (D) (Note 4)				Salaries, bonuses, and special expenses (E) (Note 5)		Retirement pension (F)		Employees' Salary (G) (Note 6)						
		CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB	Companies in the consolidated financial statements (Note 7)	CCSB		Companies in the consolidated financial statements (Note 7)		CCSB	Companies in the consolidated financial statements (Note 7)	
Chairman	Lin, Yan-Shen	0	0	0	0	6,199	6,199	960	960	5.5%	5.5%	6,032	6,032	0	0	1,213	0	1,213	0	11.1%	11.1%	None
Director	Lin, Chun-Sheng																					
Director	Hau, Hai-Yen																					
Director	Chi-Yi Investment Co. Ltd. Lee, Chi-Fung																					
Director	Ng Chor Wah Patrick																					
Independent Director	Wang, Yueh-Cheng																					
Independent Director	Lee, Chun-Hsien																					

*Unless disclosed above, the remuneration of the directors of the current year for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report.

Executive Compensation by Position

Table of Remuneration Range for Directors	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	All companies listed in this financial report (Note 9) H	The company (Note 8)	All companies listed in this financial report (Note 9) I
Less than NT\$2,000,000	Lin, Yan-Shen, Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd., Hau, Hai- Yen, Lee, Chun- Hsien, Wang, Yueh-Cheng	Lin, Yan-Shen, Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd., Hau, Hai- Yen, Lee, Chun- Hsien, Wang, Yueh-Cheng	Lin, Chun- Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd., Hau, Hai- Yen, Lee, Chun- Hsien, Wang, Yueh-Cheng	Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd., Hau, Hai- Yen, Lee, Chun- Hsien, Wang, Yueh-Cheng
NT\$2,000,000 (included)~NT\$5,000,000 (not included)	None	None	None	None
NT\$5,000,000 (included)~NT\$10,000,000 (not included)	None	None	Lin, Yan-Shen	Lin, Yan-Shen
NT\$10,000,000 (included)~NT\$15,000,000 (not included)	None	None	None	None
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 NT\$100,000,000	None	None	None	None
Total	7 people	7 people	7 people	7 people

Note 1: The names of directors will be listed separately (names of institutional shareholders and representatives will be listed separately), and the payment amounts will be disclosed collectively. If a director also serves as a general manager or deputy general manager, he/she should fill up this form and (3-1) or (3-2) below.

Note 2: Remuneration of directors in 2017 (including salaries, remuneration, severance, bonuses, and performance fees).

Note 3: Remuneration paid to directors in 2017 on the approval by the Board of Directors.

Note 4: Business expenses paid out to directors in the past year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall also be disclosed. If a driver is provided, please show the remuneration paid to such driver. However, such remuneration shall not be included.

Note 5: Remuneration for directors concurrently holding positions in the company in the past year (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and other physical items, etc. If housing, vehicle or other means of transportation, or personal expense are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall also be disclosed. If a driver is provided, please show the remuneration paid to such driver. However, such remuneration shall not be included. However, such remuneration will not be included. Remuneration 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 compensation.

Note 6: For directors concurrently holding positions in the company in the most recent year (including General Manager, Deputy Manager, other managerial officers, or employees) and receiving the remuneration (including stock and cash), the employee's salary paid in 2017 on the approval by the Board of Directors shall also be disclosed. If such remuneration cannot be estimated, the remuneration to be paid in 2017 shall be based on the proportion of remuneration distributed last year and filled in Schedule 1-3.

Note 7: The total remuneration on various counts paid to the Company's directors by all companies (including this Company) listed in the consolidated statement has to be shown.

Note 8: For the total remuneration on various counts paid to the Company's directors, their names be included in the corresponding range of remuneration.

Note 9: Total remuneration on various counts paid to every director of this Company by all companies (including this Company) listed in the consolidated statement has to be shown. The names of the directors shall be listed in the proper remuneration range.

Note 10: Net income after tax refers to the net income after tax in the past year. If IFRS is adopted, the net income after tax refers to the net income after tax in each individual company only or individual financial report in the past year.

Note 11: a. Remuneration received by the Company's directors from other non-subsidiary companies invested by the Company shall be shown in this column.

b. If the director receives remuneration from investments in other companies that are not subsidiaries of this company, the said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

c. Remuneration in this case refers to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of this Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that this company has invested in.

* The content of compensation discussed in this table is calculated based on a concept different from that of income stipulated in the Income Tax Act. The content of this table is provided for the purpose of information disclosure, not for taxation purpose.

(2) Supervisor's remuneration

Unit: 1,000 NT\$; Year 2017

Unit: 1,000 NT\$, Year 2017

Title	Name	Supervisor's remuneration						Proportion of NIAT after summing up items A, B, and C (Note 8)		Whether the person receives remuneration from other no subsidiary companies that this company has invested in (Note 9)
		Base Compensation (A) (Note 2)		Remuneration (B) (Note 3)		Business execution fees (C) (Note 4)				
		CCSB	All companies listed in this financial report (Note 5)	CCSB	All companies listed in this financial report (Note 5)	CCSB	All companies listed in this financial report (Note 5)	CCSB	All companies listed in this financial report (Note 5)	
Supervisor	Wang, Ching-Hsiang	0	0	0	0	1,440	1,440	1.1%	1.1%	0
Supervisor	Chen, Li-Ju									
Supervisor	Wong, Chi-Yin									

Executive Compensation by Position

Remuneration Brackets for the Company's supervisors	Name of Supervisor	
	Total of (A+B+C)	
	The company (Note 6)	All companies listed in the financial report (Note 7) D
Less than NT\$2,000,000	Wang, Ching-Hsiang, Chen, Li-Ju Wong, Chi-Yin	Wang, Ching-Hsiang, Chen, Li-Ju Wong, Chi-Yin
NT\$2,000,000 (included)~NT\$5,000,000 (not included)	None	None
NT\$5,000,000 (included)~NT\$10,000,000 (not included)	None	None
NT\$10,000,000 (included)~NT\$15,000,000 (not included)	None	None
NT\$15,000,000 (included)~NT\$30,000,000 (not included)	None	None
NT\$30,000,000 (included)~NT\$50,000,000 (not included)	None	None
NT\$50,000,000 (included)~NT\$100,000,000 (not included)	None	None
More than NT\$100,000,000	None	None
Total	3 people	3 people

Note 1: The names of directors shall be shown separately (names of institutional shareholders and representatives shall be shown separately) and total payments received be disclosed.

Note 2: Supervisor's remuneration in 2017 (including supervisor's salary, job remuneration, severance pay, various bonuses, and performance fees).

Note 3: Remuneration paid to directors in 2017 on approval by the Board of Directors.

Note 4: Business expenses paid to supervisors in 2017 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments be disclosed. Where a driver is provided, record the remuneration paid to such driver. However, such remuneration should not be included.

Note 5: Total remuneration on various counts paid to this Company's supervisors by all companies (including this Company) listed in the consolidated statement shall be shown.

Note 6: For the total remuneration on various counts paid to the Company's supervisors, and their names shall be shown in the corresponding range of remuneration.

Note 7: Total remuneration paid on all counts to all supervisors of the Company by all companies (including this Company) listed in the consolidated statement shall be shown in the proper remuneration range.

Note 8: Net income after tax (NIAT) refers to the after tax net income in the past year. If IFRS is adopted, NIAT refers to after tax net income of each individual company or in each individual financial report of the past year.

Note 9: a. The remuneration the company's supervisor receives from other non-subsidiary companies that this company has invested in shall be disclosed in this column.

b. If the supervisor receives remuneration from investments in other companies that are not subsidiaries of this company, the said remuneration shall be included in Column D in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

- c. Compensation refers to remunerations (including remuneration for employees, directors and supervisors), rewards and reimbursement of expenses received by the supervisors of the Company in their capacity as directors, supervisors or executive officers of non-subsidiary companies invested by the Company.
- * The content of compensation disclosed in the table is calculated based on a concept different from that of income stipulated in the Income Tax Act. The content of the table is provided for the purpose of information disclosure, and not for taxation purpose.

(3) Remuneration for the General Manager and the Deputy General Manager

Unit: 1,000 NT\$; Year 2017

Title	Name	Remuneration(A)(Note2)		Retirement Pension (B)		Bonuses and special expenses (C) (Note 3)		Employees' Salaries (D)(Note 4)				The ratio (%) of total amount of A, B, C, D to the NIAT (Note 8)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 9)
		CCSB	All companies listed in this financial report (Note 5)	CCSB	All companies listed in this financial report (Note 5)	CCSB	All companies listed in this financial report (Note 5)	CCSB		All companies listed in this financial report (Note 5)		CCSB	All companies listed in this financial report (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Lin, Yan-Shen	10,792	10,792	0	0	0	0	2,737	0	2,737	0	10.4%	10.4%	None
Vice-President	Liau, Jiann-Jong													
Vice-President	Peng, Yu-Hsin													

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

Executive Compensation by Position

Remuneration Brackets of General Managers and Deputy General Managers	Name	
	The company (Note 6)	All companies in the consolidated statement (Note 7) E
Less than NT\$2,000,000	None	None
NT\$2,000,000 (inclusive)~NT\$5,000,000	Liau, Jiann-Jong, Peng, Yu-Hsin	Liau, Jiann-Jong, Peng, Yu-Hsin
NT\$5,000,000 (inclusive)~NT\$10,000,000	Lin, Yan-Shen	Lin, Yan-Shen
NT\$10,000,000 (inclusive)~NT\$15,000,000	None	None
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 NT\$100,000,000	None	None
Total	3 people	3 people

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 a general manager or deputy general manager, he/she should fill up this form and the (1-1) or (1-2) above.

Note 2: Remuneration, executive differential pay and severance pay to the President and Vice Presidents.

Note 3: Cash and non-cash compensations to the President and Vice Presidents in the most recent year, including bonus, reward, and reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to such driver. However, such remuneration shall 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: Employee remunerations (including shares and cash) given to the General Manager and Deputy General Manager approved by the Board of Directors in the most recent fiscal year shall be disclosed. But, if an estimated figure cannot be derived, this year's budgeted compensations shall be calculated based on last year's actual compensations and Schedule 1-3 shall be filled out. Net income after tax (NIAT) refers to after-tax net income for the most recent fiscal year. For those adopted IFRS, NIAT refers to after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 5: Total remuneration paid out to this Company's General Manager and Deputy General Manager by all companies (including CCSB) listed in the consolidated statement shall be disclosed.

Note 6: Compensations paid to the President and Vice Presidents by CCSB - Names of the President and Vice Presidents are disclosed in the corresponding range.

Note 7: For the remunerations paid to the General Manager and Deputy General Manager by all companies included in the consolidated statements (including CCSB), the names of the General Manager and Deputy General Manager shall be disclosed in the corresponding range.

Note 8: Net income after tax (NIAT) refers to the after tax net income in the most recent year. If IFRS is adopted, the NIAT refers to after tax net income disclosed by each individual company or in each individual financial report of the most recent year.

Note 9: a. The remuneration the company's general manager and deputy general manager receives from other non-subsidiary companies that this company has invested in shall be disclosed in this column.

b. If the Company's General Manager and Deputy General Manager received remunerations from companies other than non-subsidiaries companies, the remunerations received by the General Manager and Deputy General Manager shall be included in Column E of the table and the column shall be renamed as "All re-investment businesses".

c. Remuneration in this case shall refer to remuneration, compensation (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the General Managers or Deputy General Managers of this Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that this company has invested in.

* The compensation shown in the table is calculated based on a concept different from that of income stipulated in the Income Tax Act. The content of this table is provided for the purpose of information disclosure, and not for taxation purpose.

(4) Names of managerial officers provided with employee's salary and state of payments

2017						
	Title	Name	Stock	Cash	Total	The ratio (%) of total amount to the NIAT
Manager	Chairman	Lin, Yan-Shen	0	4,531	4,531	3.48%
	Vice- President	Liau, Jiann-Jong				
	Deputy General Manager	Peng, Yu-Hsin				
	Director, Operating Center	Chou, Chin-Jung				

	Director, Research and Developing Center	Ho, Fang-Yuan				
	Director, Department of Finance and Accounting	Teng, Yuan-Chang				

Note 1: Individual names and titles have to be shown, but profit received can be shown as total sum.

Note 2: Employee remuneration (including shares and cash) given to the General Manager and Deputy General Manager approved by the Board of Directors in the past fiscal year has to be shown. But, if an estimate cannot be done, this year's budgeted remuneration shall be calculated based on the actuals last year. 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 "executive" refers to the positions listed below, as provided in the Financial Supervisory Commission Memorandum No. 0920001301 of March 27, 2013: 92年3月27日

- (1) General Manager and its equivalent
- (2) Deputy General Manager and its equivalent
- (3) Vice-President and its equivalent
- (4) Chief of Finance
- (5) Chief of Accounting
- (6) Other personnel with the authority to manage company affairs and sign for approval.

Note 4: If the Directors, General Manager or Deputy General Managers in the company receive employee benefits (including shares and cash), fill out Schedule 1-2, as well as this table.

(II) For companies that exhibit one of the following features, the remuneration of individual director and supervisors shall be shown as follows:

- (1) The remuneration of individual director and supervisor of a company or an individual financial report that show net losses after tax over the past two years, has to be disclosed. (However, an individual company or individual financial report that shows net income after tax and has made up the losses over the past two years is not subject to the restriction): Not Applicable.
- (2) The remuneration of individual Director, who did not hold sufficient shares for three consecutive months over the past year, has to be disclosed. The remuneration of individual Supervisor who did not hold sufficient shares for three consecutive months over the past year, has to be disclosed: No such situation for the Company.
- (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 remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and if 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: The company does not have any individual falling in this category.

(III) Compare and analyze the total remuneration as a percentage of net income stated in the parent company financial reports or individual financial reports, paid by this company and by all consolidated entities over the past two fiscal

years to each of the company's directors, supervisors, general managers, and assistant general managers, and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. The total remuneration paid by the Company and by all consolidated entities over the past two fiscal years as a percentage of net income stated in the individual financial reports of the Company or individual financial reports to each of the company's directors, supervisors, general managers, and assistant general managers is as follows:

Title		The ratio of remuneration of the Directors, Supervisors, General Manager, and Deputy General Manager in 2016 to the net income stated in the parent company's financial reports or individual financial reports	The ratio of remuneration of the Directors, Supervisors, General Manager, and Deputy General Manager paid by all the companies in consolidated statement in 2016 to the net income stated in the parent company financial reports or individual financial reports	The ratio of remuneration of the Directors, Supervisors, General Manager, and Deputy General Manager in 2017 to the net income stated in the parent company's financial reports or individual financial reports	The ratio of remuneration of the Directors, Supervisors, General Manager, and Deputy General Manager paid by all the companies in consolidated statement in 2017 to the net income stated in the parent company financial reports or individual financial reports
Director	First 4 items	3.9%	3.9%	5.5%	5.5%
	First 7 items	9.9%	9.9%	11.1%	11.1%
Supervisor		1.0%	1.0%	1.1%	1.1%
President and Vice-Presidents		11.2%	11.2%	10.4%	10.4%

2. Policies, standards, and package of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure:
 - (1) With regards 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 in accordance with the remuneration policy of the Company.
 - (2) The remuneration for the General Manager and Deputy General Manager is paid as per the level in the industry, the functionality of the position, and the contribution made to the company's objectives.
 - (3) The procedure for determining the remuneration in the company: In accordance with the standards of the industry. In addition, performance bonus is given as preoperational performance and personal contribution.

- (4) Future risks: The Company has obtained liability insurance for the Directors, Supervisors and managerial officers. The Company follows conservative policies in financial operations. There are no high risks and highly leveraged investments over the past two years, and no loans have been given. Therefore, no risks are seen from the situation.

IV. Implementation of Corporate Governance

(I) Operation of Board of Directors

The Board met seven times during the past year. The table below shows the attendance of directors and supervisors:

Title	Names (Note 1)	Actual attendance in person (B)	Attendance by proxy	Rate of actual attendance in person (%) 【B/A】 (Note 2)	Remark
Chairman	Lin, Yan-Shen	7	0	100%	None
Director	Lin, Chun-Sheng	6	1	85.7%	None
Director	Hau, Hai-Yen	6	0	85.7%	None
Director	Ng Chor Wah Patrick	4	0	57.1%	None
Director	Chi-Yi Investment Co. Ltd. Representative: Lee, Chi-Fung	7	0	100%	None
Independent Director	Lee, Chun-Hsien	3	4	42.9%	None
Independent Director	Wang, Yueh-Cheng	7	0	100%	None
Supervisor	Wong, Chi-Yin	5	0	71.4%	None
Supervisor	Wang, Ching-Hsiang	7	0	100%	None
Supervisor	Chen, Li-Ju	7	0	100%	None
Other disclosures:					
I. <u>Should any of the following take place at a board meeting, the date and number of the meeting, the content of the proposal, independent director's opinion and the Company's response to such opinions should be recorded.</u>					
(I) <u>Items listed in Section 3, Article 14 of the Securities and Exchange Act.</u>					
(II) <u>Other than the matters mentioned above, other resolutions that have been objected to and reserved by the Independent Directors and are documented or stated.</u>					
Independent Directors do not have any objections or reservations on important resolutions passed by the Board in 2017. Please refer to page 31 of the annual report for details on the date and number of the 2017 Board meeting and the content of the proposal.					
II. When Directors abstain themselves from voting on certain proposals for being a stakeholder, the name of the Directors, the content of the proposal, the reasons for abstentions and the results of voting counts should be stated.					
No Director has abstained from participating in important resolutions passed by the Board in 2017 due to conflict of interest.					
III. The goal to enhance the functionality of the Board (such as the establishment of an audit committee and enhancement of transparency of information, etc.) in the current year and the past year: To achieve the objective of information transparency enhancement, information associated with the Company is disclosed timely on the Market Observation Post System (MOPS) for investors.					

Note 1: Where Directors and Supervisors are artificial persons, the name of the shareholders and representative of the said artificial person shall be disclosed.

Note 2: (1) Where Directors or Supervisors resign prior to the end of the year, the information be provided in the Notes column along with the date of their resignation. The actual presence (attendance) rate (%) can be calculated using the number of Directors' Meetings convened and the actual presence (attendance) during the term of service.

(2) Where re-elected before the end of the year, the information on both the incoming and outgoing Directors and Supervisors shall be given accordingly. The Notes column shall be annotated if the Director or Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. The actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and the actual presence (attendance) during the term of service.

(II) Operation of the Audit Committee or Supervisors' Involvement in the Operation of the Board of Directors:

1. The Company does not have an Audit Committee.
2. Supervisors' involvement in the operations of the Board of Directors:

The Board of Directors has held seven meetings during the past year. Information on attendance is provided in the table below:

Title	Name	Actual attendance in person (B)	Rate of actual attendance in person (%) (B/A)	Remark
Supervisor	Wong, Chi-Yin	5	71.4%	None
Supervisor	Wang, Ching-Hsiang	7	100%	None
Supervisor	Chen, Li-Ju	7	100%	None

Other required disclosures:

I. Composition and responsibilities of the supervisors:

- (I) Communication between the supervisors and employees, and shareholders (e.g. channel and method of communication):

Communication is made directly to the employees or shareholders wherever necessary.

- (II) Communication between supervisors and the head of internal audit and CPA (including issues, audit methods and results relating to the Company's finances and business):

The Supervisors know of the operations and audit of the company through auditor's reports provided by the auditing units periodically, and learn of the financial status of the company, internal audits, implementation, and items reported by participating accountants with their participation at the Board of Directors' meetings periodically. The Supervisors may also communicate with the accountants directly through phones, mails, and other formats.

- II. If the Supervisors have any comments while attending the Directors' Meetings, the date, session, content of the case discussed, and the resolution passed at the Directors' Meeting as well as the Company's opinion as stated by the Supervisors be described: None.

Note:

*In the event a supervisor resigns before the end of the year, the Remark column shall be annotated with the date of resignation. The actual attendance rate (%) shall be calculated based on the number of meetings actually attended during the supervisor's term of service.

*Where Supervisors were re-elected before the end of the year, the details of both the incoming and outgoing Supervisors be given accordingly. The Notes column should state whether the Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. The actual attendance rate (%) is calculated using the number of meetings actually attended during the term of service.

(III) State of corporate governance, differences in Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies, and reasons.

Assessed items	Current Operation (Note)			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
I. Has the Company formulated and disclosed its code of practice on corporate governance based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?		V	The Company's code of practice is not formulated as yet due to the current operating condition of the Company. The Company plans to promote and implement CSR in 2018. The relevant guidelines and procedures will be stipulated then.	The Company operates in accordance with relevant regulations and has in fact implemented in the company. The Company has currently stipulated "Guidelines of Shareholders' Meeting", "Elections of Directors and Supervisors", "Board of Directors' Meeting", and "Articles of Remuneration Committee".
<p>II. The shareholding structure of the Company and shareholders' rights</p> <p>(I) Has the Company established an internal SOP to respond to shareholders' suggestions, questions, disputes and lawsuits, and implement them according to existing rules?</p> <p>(II) Is the Company in control of the main shareholders who actually control the Company and the list of final controllers of the main shareholders?</p> <p>(III) Has the Company put in place the mechanism of risk management and firewall among its affiliates?</p> <p>(IV) Has the Company established an internal regulation to prohibit its employees to buy and sell any marketable securities using</p>	V V V V		<p>(I) Currently handled by the Spokesman.</p> <p>(II) Keep in touch with the main shareholders.</p> <p>(III) Conduct in accordance with the relevant regulations of the Company.</p> <p>(IV) Written internal control system maintained to prevent insider trading in accordance with Article 8 of "Regulations Governing Establishment of Internal Control Systems by Public Companies"</p>	No differences

Assessed items	Current Operation (Note)			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
undisclosed information in the market?				
<p>III. Organization and responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?</p> <p>(II) Has the Company formed any other functional committees, except for the Remuneration Committee and Auditing Committee, which are mandatory under law?</p> <p>(III) Has the Company established any regulations on evaluating the effectiveness of Board of Directors and the method of evaluation; do such evaluations take place annually and periodically?</p> <p>(IV) Does the Company assess the independence of Certified Public Accountants on a regular basis?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	V	<p>(I) Other than the management team, the members of the Board of Directors who are included in the operation of the Company include external Directors and Independent Director.</p> <p>(II) The Remuneration Committee has been formed in accordance with regulations. Committees with other functions will be formed in accordance with the operation scale of the Company.</p> <p>(III) The Remuneration Committee is responsible for periodic evaluation of the performance of the members of the Board of Directors.</p> <p>(IV) The Board of Directors has already in place periodic assessment of the independence of Certified Public Accountants. Actions taken include to review the shareholder register to ensure the auditors are not stakeholders of the Company and to obtain the Declaration of Independence from auditors and submit it to the Board of Directors for discussion before appointing the auditors.</p>	No differences

Assessed items	Current Operation (Note)			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
IV. <u>Has the publicly listed company set up a dedicated unit or appointed a designated personnel to handle governance-related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration, change of registration and prepare minutes of the board meetings and shareholder meetings)?</u>	V		The units that are responsible for governing the company are General Office and Department of Finance and Accounting. Other than providing information needed by the Directors and Supervisors to carry out business, they are also responsible for matters related to Shareholders' meeting and the Board of Directors.	No differences
V. Has your company set up channels of communication for stakeholders (<u>including but not limited to shareholders, employees, customers and suppliers</u>), dedicated a section of your company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		The acting spokesperson of the Company is currently serving as the contact window for the stakeholders, and is responsible for responding to issues and recommendations that are related to shareholders, employees, customers, and suppliers at the stakeholder section that is set up in the Company's website.	No differences
VI. Has the Company commissioned a professional shareholder service agency to organize Shareholders' Meeting and handle other relevant affairs?	V		The matter of securities of the company has been delegated to Transfer Agency Department of Jih-Sun Securities Co. Ltd.	No differences
VII. Information Disclosure (I) Has the Company built a website to disclose information on financial statements and corporate governance? (II) Has the Company utilized other methods of information disclosure (such as setting up English website,	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	The Company plans to promote and implement CSR in 2018. Information associated with corporate governance will be disclosed at the Company's website then.

Assessed items	Current Operation (Note)			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies” and Reasons
	Yes	No	Summary	
assigning someone to be responsible for the collection and disclosure of company information, implementing spokesperson system, and releasing the recorded investors' conference on the Company website)?			make enquiries on the website by themselves.	
VIII. Does the Company have other material information that would provide a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further roles of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	V		<p>(I) The Company treats the employee's with trust, and builds relationship with them by providing several benefits and skill training.</p> <p>(II) The training courses of the Directors and Supervisors: The Directors and Supervisors of the Company have attended six hours of courses related to corporate governance in 2017. They are updated with regulations related to corporate governance.</p> <p>(III) The risk management policy and implementation of risk measurement: Not applicable (Applicable to securities firms).</p> <p>(IV) Implementation of policies to protect consumers or customers: Not applicable (Applicable to securities firms).</p> <p>(V) The company has purchased liability insurance for the Directors and Supervisors: The Company has been purchasing liability insurances for the Directors, Supervisors,</p>	No differences

Assessed items	Current Operation (Note)			Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies” and Reasons
	Yes	No	Summary	
			and managerial officers since Jan, 2010.	
<p>IX. <u>Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the past year. For improvements not yet implemented, state the areas and policies your company set as priority for improvement. (Leave blank if your company was not evaluated.)</u></p> <p>The Company is not evaluated.</p>				

Note 1: Provide a brief description in the appropriate column, regardless of whether "yes" or "no" is selected.

The training courses attended by the Directors and Supervisors in 2017

Title	Name	Date	Organizer	Course Name	Time	Whether it conforms to "Guidelines for training courses of Directors and Supervisors of listed companies"?
Chairman and General Manager	Lin, Yan-Shen	2017/07/19	Securities and Futures Institute	The Development Trend and Cash Study of Merger and Acquisition	3 hours	Yes
		2017/07/05	Securities and Futures Institute	A Discussion on the Utilization of Employee Compensation Strategies and Tools	3 hours	Yes
Director	Lin, Chun-Sheng	2017/07/19	Securities and Futures Institute	Interpretation of Business Performance Information	3 hours	Yes
		2017/08/04	Taipei Exchange	Seminar on Insiders' Equity in Companies Listed on the General Stock Board or the Emerging Stock Board	3 hours	Yes
Director	Hau, Hai-Yen	2017/11/02	Securities and Futures Institute	Discussion on the Development of Anti-Tax Avoidance and Countermeasures Adopted by Enterprises both Overseas and in Taiwan	3 hours	Yes
		2017/11/02	Securities and Futures Institute	Case Analysis: Directors and Supervisors Guilty for Criminal Breach of Trust and the Establishment of Special Breach of Trust	3 hours	Yes
Representative of Directors of Legal Entity	Lee, Chi-Fung	2017/11/14	Securities and Futures Institute	Discussion on Legal Issues Associated with Insider Trading	3 hours	Yes
		2017/11/14	Securities and Futures Institute	Regulations and Operating Practices of Audit Committee	3 hours	Yes
Director	Ng Chor Wah Patrick	2017/3/23~24	BSI Training Academy	2016 Internal Auditor Course	16 hours	Yes

Independent Director	Wang, Yueh-Cheng	2017/09/04	Accounting Research and Development Foundation	The Reading of Corporate Social Responsibility (CSR) Report and Discussion on Operation Analysis - Internal Auditor Perspective	6 hours	Yes
Independent Director	Lee, Chun-Hsien	2017/11/21	Securities and Futures Institute	New Trends on Corporate Sustainability and Enhanced Corporate Governance	3 hours	Yes
		2017/12/19	Securities and Futures Institute	Discussion on Enterprise Operation and Related Tax Systems	3 hours	Yes
Supervisor	Wong, Chi-Yin	2017/08/18	Accounting Research and Development Foundation	Understanding of Regulations Associated with “Anti-Money Laundering & Counter Financing of Terrorism” and Practices Adopted by Enterprises	6 hours	Yes
Supervisor	Wang, Ching-Hsiang	2017/01/17	Taiwan CPA Association, ROC	Examples for First-Time Adoption of Enterprise Accounting Standard	3 hours	Yes
		2017/02/21	Taiwan CPA Association, ROC	Updates and Declaration of Profit-seeking Enterprise Income Tax	3 hours	Yes
		2017/06/07	Taiwan CPA Association, ROC	Deficiencies Identified during the Auditing and Attestation of Financial Statements Issued by Publicly Listed Companies	3 hours	Yes
		2017/07/19	Taiwan CPA Association, ROC	Looking at Offshore Companies from Anti-tax Avoidance Perspective	3 hours	Yes
Supervisor	Chen, Li-Ju	2017/03/22	Taiwan CPA Association, ROC	Analysis on Key Points of 2016 Profit-seeking Enterprise Income Tax	3 hours	Yes
		2017/12/06	Taiwan CPA Association, ROC	Analysis of Changes in Regulations and Practices in 2017	3 hours	Yes

(IV) Has the Company set up a Compensation Committee? If yes, disclose the composition, responsibility and operation of the Compensation Committee:

(1) Information of the Members of the Company's Remuneration Committee:

Identity status (Note 1)	Condition	Does the Director have five or more years of work experience and the following professional qualifications?	Compliance to the Independence (Note 2)	Number of other public	Remark
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	Name	Currently serving as a lecturer or a higher post in a private college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professionals or technician who complete national examinations and have specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	companies where he/she is a member of the compensation committee	
Independent Director	Lee, Chun-Hsien			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Wang, Yueh-Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Others	Lee, Kuen-Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: Please identify whether the person is a Director, Independent Director, or of any other position.

Note 2: Please tick the boxes below against each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Independent directors appointed by the Company, its parent company or its subsidiaries in accordance with this Act or the local regulations are not limited by this clause.
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a Director, Supervisor, managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, Director, Supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(2) Operating Conditions of the Company's Remuneration Committee:

- I. There are totally three members in the Remuneration Committee.
 II. Duration of the current term of service: June 20, 2017 to June 19, 2020. Three (A) Remuneration Committee meetings were held in the past year. The qualification of members and attendance are shown below:

Title	Name	Actual attendance in numbers (B)	Attendance by proxy	The actual attendance rate (%) (B/A) (Note)	Remark
Convener	Lee, Chun-Hsien	3	0	100%	
Committee Member	Wang, Yueh-Cheng	3	0	100%	
Committee Member	Lee, Kuen-Chang	3	0	100%	
Other required disclosures:					
<p>I. If the Board of Directors choose not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, outcome of meeting resolutions, and the company's opinions provided by the Salary and Remuneration Committee be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval be described in detail). The recommendations of Compensation Committee for the year 2017 have been approved by the Board of Director.</p> <p>II. Comments of members who vetoed or differed from the decisions made by the Remuneration Committee, be recorded in the records along with the date, the number, the content of the motion, opinions of all members, and ways in meeting the objections should be elaborated. There were no objections or reservations to the resolution of the Compensation Committee for the year 2017.</p>					

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. The rate of actual presence (%) be calculated using the number of Salary and Remuneration Committee meetings convened and the actual presence during the 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 actual attendance rate (%) shall be calculated based on the number of meetings held during the member's term in the compensation committee and the number of days of actual attendance of this member.

(V) Implementations of Corporate Social Responsibility

Assessed items	Current Operation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
<p>I. Implementing corporate governance</p> <p>(I) Has the Company established a corporate social responsibility (CSR) policy or system, and assessed the effectiveness of implementation?</p>	V		<p>(I) The Company has separately formulated working guidelines and SOP regulations. The Company plans to promote and implement</p>	No differences

Assessed items	Current Operation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
<p>(II) Does the Company periodically hold CSR training?</p> <p>(III) Has the Company established a designated full-(part) time unit to promote CSR, and has the Board authorized senior management to deal with and then report to the Board on implementation?</p> <p>(IV) Has the Company established a fair remuneration policy and linked employee performance evaluation with CSR policy as well as established a precise and effective incentive and disincentive system?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>CSR in 2018. The CSR policies or regulations will be stipulated then.</p> <p>(II) The Company holds periodic and occasional employee training programs to ensure compliance with company safety and health guidelines of CSR, SOP, and to award incentives or disincentives in accordance with working regulations and personnel regulations.</p> <p>(III) CSR is jointly handled by the Board of Directors, General Manager's Office, and Department of Administration and Management.</p> <p>(IV) (4) The Company has formulated performance assessment methods combining remuneration policies to share the company's operating results with the employees.</p>	
<p>II. Developing sustainable environment</p> <p>(I) Does the Company strive to enhance the utility rate of all resources and use renewable materials that lower the impact on the environment?</p> <p>(II) Has the Company formulated a suitable environmental management system in relation to industry standards?</p>	<p>V</p> <p>V</p>		<p>(I) The recycling and reuse of Company's waste is entrusted to a waste cleaning company. Waste water and rain water recycle device is planned for new plants, and the new plants comply with energy saving requirements.</p> <p>(II) The Company is compliant with the relevant the regulations on public safety of buildings, fire regulations, labor safety regulations, waste</p>	No differences

Assessed items	Current Operation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
(III) Has the Company paid attention to the impact of weather changes on its operational activities; in addition, has it carried out inspection on greenhouse gases, and implemented strategies to conserve energy and to lower CO2 emissions and greenhouse gases?	V		disposal regulations, energy saving and carbon reduction management stipulated by Science and Industrial Park. The Company also conducts inspection and reports regularly. The Company plans to introduce ISO14001 Environmental Management System in hope to reduce waste and utilize resources effectively. (III) The Company is engaged in an industry that produces non-energy consuming and non-high pollution products. The Company will continue to observe the impact of climates on the operating activities of the company, and carry out strategic and action plans to save energy and reduce carbon emission.	
III. Social Welfare Measures (I) Has the Company formulated management policy and procedures as per laws and regulations and the International Human Rights Treaty?	V		(I) The personnel guidelines of the Company re superior to the Labor Standards Act. Any major changes in employee rights will be negotiated in labor meetings. Currently, labor relations are harmonious.	No differences
(II) Has the Company established employee complaint mechanism and channels, and has it handled them appropriately?	V		(II) The Company has set up a hotline for employee complaints and established management procedures to deal with the issues raised.	
(III) Has the Company offered a safe and healthy work environment for its employees, and routinely implemented safety and health education for the employees?	V		(III) The Company conducts periodic health examination on employees in accordance	

Assessed items	Current Operation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
<p>(IV) Has the Company established a periodic communications mechanism, and alerts operational changes that may impact its employees significantly in a fair manner?</p> <p>(V) Has the Company established an effective career development plan for its employees?</p> <p>(VI) Has the Company established consumer rights protection policy and compliant procedures in terms of R&D, Procurement, Production, Operations, and Customer Support?</p> <p>(VII) Does the Company comply with related laws, regulations, and international standards pertaining to marketing activities and labels on its products and services?</p> <p>(VIII) Prior to conducting business with suppliers, has the Company evaluated the suppliers of past record of impact on the environment and the society?</p> <p>(IX) Does the Company's contract with its primary supplier contain</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>with the policies. Each plant has established Department of Construction Safety that directly reports to the General Manager, holds labor Safety and Health Committee meets periodically, and evaluates employee work environment. The Company currently plans to introduce the new ISO 45001 Occupational Health and Safety Management Systems to provide a healthy work environment for the employees.</p> <p>(IV) The Company has formed Labor Committee and holds labor meetings periodically to negotiate matters with regards to labor relations. The Committee also discloses the revenue of the Company and material matters of each departments to the employees every month.</p> <p>(V) Each department of the Company has planned annual training for its respective employees to comply with the requirements of the job.</p> <p>(VI) SOP has been set up for the workflow of the Company and the relevant records have been documented. The customer complaint channels have been clearly labeled on the product. Stakeholder section has been established on the Company's website for</p>	

Assessed items	Current Operation (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	Brief Description (Note 2)	
any immediate termination clause when the supplier violates corporate social responsibility and impacts the environment and the society significantly?			<p>providing feedback. A complaint handling procedure has been set up in the Company to provide effective response to the customers.</p> <p>(VII) The Company's products are related to artificial joints in the human bodies. The sale of products has to go follow strict regulatory certificate procedures.</p> <p>(VIII) The suppliers of the Company are required to go through standard certification procedure before they become eligible as suppliers. Relevant production materials are inspected prior to use in the human bodies and for follow-up.</p> <p>(IX) The contracts between the Company and the suppliers are not long-term purchase agreements. All products need inspection before they are added to inventory. Those that fail to meet the inspection standards will be returned. Assessment and field auditing will be given to suppliers periodically and the contractor those who fail to meet the requirement will be terminated.</p>	
<p>IV. Strengthening the information disclosure</p> <p>(I) On the Company's website and MOPS, has the Company disclosed relevant and reliable information pertaining to corporate social responsibility?</p>		V	The Company has compiled the 2016 CRS report. Relevant information is disclosed at the Company's website.	The Company plans to promote and implement CSR in 2017. Relevant information on Company's

Assessed items	Current Operation (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and root causes
	Yes	No	
			compliance with CSR will be disclosed on the corporate website then.
<p>V. If your company has set up corporate social responsibility practices based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”, please provide detailed information on the differences between your company’s practices and the practices provided in the above document:</p> <p>The Company has not established practical guidelines with regards to CSR. However, the Company conforms with the spirit of "CSR guidelines of listed company" as it is a medical instrument company and is related to the health of the physical body. To carry out CSR, other than providing transparent information, the Company strives to achieve internal labor harmony and promote orthopedic medicine externally. The Company requires extreme perfection on the quality side to meet customers' expectations. The Company continues to promote social welfare activities. The Company plans to promote and implement CSR in 2018, and the CSR policies or mechanisms will be stipulated by then.</p>			
<p>VI. Other important information helpful in understanding CSR operation:</p> <ol style="list-style-type: none"> 1. Environmental protection: The factory 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 plans to introduce ISO14001 Environmental Management System in hope to reduce waste and utilize resources effectively. 2. Social contribution: provide high-quality artificial joints at a reasonable price, break the monopoly of international corporations in orthopedic market, reduce medical expenses for patients, and reduce the inconvenience of elderly's in movement. Also, it proposes to gradually increase the investment in Taiwan and improve the skills in Taiwan to create more job opportunities and ancillary business opportunities. 3. Consumer rights: The Company has a strict control over the production quality during the production procedure, and all the Company's products have been insured under product liability insurance. 4. Human rights: In addition to relevant laws and regulations, the Company has purchased insurance for all employees, and also has set up labor meetings to protect the employees' rights and interests. The Company also takes into account the price level and the profitability of the Company to adjust the employee's salary and share the benefits from Company's operating results. 5. Safety and Hygiene: The Company has a safety and security department to regularly inspect and improve the labor environment. It also provides employees with education and training on labor safety, regular health checks for employees, and standard operating procedures for product manufacturing and quality inspection procedures to ensure product safety. The Company currently plans to introduce the new ISO 45001 Occupational Health and Safety Management Systems to provide a healthy work environment for the employees. 			
<p>VII. Provide detailed information if the company's CSR Report has been certified by an accreditation agency:</p> <p>The Company has prepared the 2016 CRS report in accordance with GRI G4 Guidelines in 2017. The report has been assured by Ernst & Young in accordance with ISAE 3000.</p>			

(VI) Your company's corporate integrity practices and action taken:

Assessed items	Current Operation (Note 1)			Differences in the Ethical Corporate Management Best Practice Principles of TWSE/TPEX-Listed Companies, and the reasons
	Yes	No	Summary	
<p>I. Formulating policies and plans for integrity</p> <p>(I) Does the Company specify the policies and methods of operation based on integrity in its regulations and in external document, and does the Board of Directors and executives advocate and implement these policies?</p> <p>(II) Has the Company formulated any alternative plans which prevent integrity-related issues from taking place, and specified operation procedures, behavioral guidance, penalties and appeal channels in the event of transgressions, and implemented these procedures?</p> <p>(III) Does the Company take precautions in the operational activities of higher non-integrity risky behaviors within its operational scope, or incidents pursuant to all sub-paragraphs of Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- Listed Companies"?</p>	V	V	<p>(I) The Company holds "integrity" as its core value. Integrity has been clearly stated in the personnel regulations and is implemented in daily transactions.</p> <p>(II) The Company has embedded relevant plans into regulations such as management regulations, guidelines, and handling procedures, and will fulfill the commitment to integrity through new employee and departmental training.</p> <p>(III) The Company has stipulated SOP and regulations in daily operational transactions and provides clear guidelines to deal with dishonest actions.</p>	No differences
<p>II. Implementation of ethical business operations</p> <p>(I) Has the Company assessed the integrity records of its business partners, and specified ethical business policy in contracts with them?</p> <p>(II) Has the Company established a full (part) time unit directly under the supervision of the Board, which is devoted to promoting corporate ethical business, and routinely reports its implementation to the Board?</p>	V	V	<p>(I) The contract between the Company and the dealing manufactures has clearly stipulated terms related to integrity, and should conform to the relevant regulations. The Company may terminate the contract if integrity is breached.</p> <p>(II) The Company does not currently have a full (part) time unit devoted to promoting corporate</p>	No differences

Assessed items	Current Operation (Note 1)			Differences in the Ethical Corporate Management Best Practice Principles of TWSE/TPEX-Listed Companies, and the reasons
	Yes	No	Summary	
<p>(III) Has the Company set up policies to prevent conflict of interest, and provide an appropriate reporting channel in practice?</p> <p>(IV) To implement ethical business policy, has the Company established an effective accounting system and internal control system, and routinely ask the internal auditing unit to verify or entrust accountant to review the systems?</p> <p>(V) Does the Company train in routine internal and external ethical business operations?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>ethical business, but is rather performed by managements of each department in accordance with the regulations of the Company. The internal auditing department is responsible for the review of implementation periodically and submit the auditing results to Independent Directors and Supervisors and report to the Board of Directors.</p> <p>(III) The Company has set appropriate guidelines in management regulations and has set up channels to prevent the emergence of transactions that have conflict of interest.</p> <p>(IV) The Company has set up an internal control system and relevant management regulations for trading cycles. The random review of annual auditing plan will be carried out by internal auditors, and the inspection results submitted to the Directors, Supervisors, and members of the Board of Directors. The execution of these procedures is good.</p> <p>(V) The Company sets internal and external training periodically to enable the employees acquire the required skills for internal regulations to conform with the spirit of</p>	

Assessed items	Current Operation (Note 1)			Differences in the Ethical Corporate Management Best Practice Principles of TWSE/TPEX-Listed Companies, and the reasons
	Yes	No	Summary	
			integrity.	
III. Operation of whistle-blower mechanism in the Company (I) Has the Company established a material reporting and rewarding system, set up a convenient reporting channel, and designated appropriate personnel to handle the investigations, depending on the identity of the person being reported? (II) Has the Company set up SOP for accepting and investigating reporting cases and relevant confidentiality structure? (III) Has the Company set up a protection plan for the whistleblower to prevent the person from being subjected to pressures from reporting the incident?	V V V		(I) The Company has set up employee opinion feedback mailbox that is handled by the administrative units in accordance with relevant regulations of the Company. (II) The Company has set up management guidelines for the opinion mailbox, which include acceptance and handling procedures. (III) The Company has stipulated confidentiality provisions for the opinions provided, which will be handled in accordance with regulations stipulated by the Company.	No differences
IV. Strengthening information disclosure (I) Has the Company disclosed the content and effectiveness of implementing its ethical corporate policy on its website and MOPS?	V		Even though the Company's website does not have sections on disclosing integrity operations, the Company believes in its core value of integrity which has been outlined in the Company's introduction.	No differences
V. Where the Company has set its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe any differences between the prescribed best practices and actual activities undertaken by the company: Despite the Company currently not having its own integrity operation guidelines, the company's operating philosophy and management regulations are in line with those of "Integrity Operation Guidelines for Listed Companies". The core values of the company—"integrity", "responsibility", "happiness", and "innovation"—are being gradually implemented among the company's employees at all levels. The management has set regulations such as working regulations, management practices, handling procedures, and SOP for daily operational management. All operations of the company uphold the commitment to integrity of operations through the overseeing of auditing unit; risk management mechanism executed by Independent Directors and Supervisors managed to meet the expectations of the investors and employees.				
VI. Any important information to better understand the Company's implementation of ethical corporate management: (for example, any review or amendment to best practices for ethical corporate management of the Company): None.				

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

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

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

(IX) The execution of internal control system should disclose the following items

(1) Statement of Internal Controls

United Orthopedic Corporation
Statement of Internal Control System

Date: March 20, 2018

As per the results from its self-evaluation, the Company makes the following statement pertaining to its internal control system in 2017:

- I. The Company reiterates that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has built such a robust system. Its goals are to provide reasonable assurance on target achievement (including profit, performance and guaranteeing the safety of assets, etc.), reliability of the information in the financial report, and compliance with relevant laws and regulations.
- II. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system can only provide reasonable assurance to achieve the aforementioned objectives. Moreover, the effectiveness of the internal control system may suffer from changes in the environment and under different situations. 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 assesses the effectiveness of the internal control system's design and practices through its effectiveness, as stated in the "Protocols and Measures for the Establishment of Internal Control System in Publicly Listed Companies" (hereinafter referred to as "the Protocols"). The criteria adopted by the Protocols are divided into 5 components in accordance with the procedures of management 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 evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation, the Company believes that, as of December 31, 2017, it has maintained, in all material respects, an effective internal control system (including the supervision and management of its subsidiaries), to provide reasonable assurance of its operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations.
- VI. This Statement will become an integral part of the Annual Report and the Prospectus of

the Company and shall be disclosed to the public. Any false statement, concealment, or any other illegal input in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

- VII. This statement has been approved by the Company's Board of Directors on March 20, 2018, and out of the 6 Board members in attendance, none had objected to it and all consented to the content expressed in this statement.

United Orthopedic Corporation

Chairman: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

- (2) The companies that delegate the responsibility of reviewing the internal system to accountants shall disclose the CPA's auditing report: None.
- (X) Since the past fiscal year until the date of publication of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentive measures the Company has followed for its personnel for breaching the internal control system, and any material deficiencies and revisions: None.
- (XI) Significant resolutions made in/at the Shareholders' Meeting and the Board of Directors in the past fiscal year up to the date of publication of this Annual Report
- (1) Shareholders' meeting

Date	Material resolution on the content of the meeting
2017.06.20	1. Passed the case of 2016 operating report and financial statement 2. Passed the case of 2016 profit distribution Results of implementation: The ex-dividend base date and issuance date were determined to be July 22, 2017 and August 18, 2017, respectively, on the Board of Directors' meeting on June 28, 2017. 3. Passed the case of Directors and Supervisors re-election 4. Passed the case of releasing Directors from non-compete restrictions

- (2) Board of Directors

Appointment	Significant Resolutions at the Meeting
2017.03.07	1. Passed the resolution for the distribution of 2016 employees, Directors, and Supervisors' remuneration 2. Passed resolution for remuneration adjustment case of the Company's managerial officer case 3. Passed the resolution for 2016 financial statements and operating reports of the Company 4. Passed the resolution for internal control system statement 5. Passed the resolution for the distribution of 2016 profit of the Company 6. Passed the resolution for Directors and Supervisors re-election at the shareholders' meeting 7. Passed the resolution for the release of newly-elected Directors from non-compete restrictions at the shareholders' meeting 8. Passed the shareholders' proposal rights in the 2017 shareholders' meeting

	9. Passed the resolution for convening of 2017 shareholders' meeting 10. Passed the resolution for the Company's proposal to purchase the equities of A-Spine Asia Co., Ltd.
2017.05.02	1. Passed the resolution for the review of Independent Director candidates nominated by shareholders 2. Passed the reference list of candidates for Directors and Supervisors re-election at the 2017 annual shareholders' meeting 3. Passed the resolution for the issuance of new shares for cash capital increase and the second issuance of unsecured convertible corporate bonds in Taiwan in 2017
2017.06.20	1. Passed the resolution for the election of chairman
2017.06.28	1. Passed the resolution for the determination of base date for 2016 cash dividend distribution 2. Passed the appointment of Remuneration Committee members 3. Passed the resolution for the Company's proposal to increase the amount of loans provided to companies that are re-invested by the Group
2017.08.08	1. Passed the resolution for the distribution of 2016 remuneration to employees, Directors, and Supervisors 2. Passed the resolution for the Company's proposal to increase the investment in the European subsidiary 3. Passed the resolution for matters associated with the 2017 issuance of new shares for cash capital increase 4. Passed the resolution for share subscription of managerial officers in the 2017 cash capital increase 5. Passed the resolution for the cancellation of new restricted employee shares recovered by the Company
2017.11.07	1. Passed the resolution for the cancellation of new restricted employee shares recovered by the Company 2. Passed the resolution for the ratification of new general manager appointment of A-Spine Asia Co., Ltd., a subsidiary of the Company
2017.12.27	1. Passed the resolution for the 2018 auditing plan 2. Passed the resolution for the Company's proposal to provide loans to companies that are re-invested by the Group 3. Passed the resolution for the Company's endorsements and guarantees to subsidiaries of subsidiary companies
2018.03.20	1. Passed the resolution for the distribution of 2017 remuneration to employees, Directors, and Supervisors 2. Passed resolution for remuneration adjustment case of the Company's managerial officer case 3. Passed the resolution for 2017 financial statements and operating reports of the Company 4. Passed the resolution for internal control system statement 5. Passed the resolution for the distribution of 2017 profit of the Company 6. Passed the resolution for the Company's proposal to issue new restricted employee shares 7. Passed the resolution for the Company's proposal to have the shareholders' meeting approve the delegation of the Board of Directors to handle the share offering of A-Spine Asia Co., Ltd. (A-Spine Asia), a subsidiary of the Company, or waive the share subscription right in the cash capital increase of A-Spine Asia in order for A-Spine Asia to comply with the listing application requirements. 8. Passed the resolution to convene the 2018 shareholders' meeting 9. Passed the shareholders' proposal rights in the 2018 shareholders' meeting 10. Passed the resolution for the cancellation of new restricted employee shares recovered by the Company 11. Passed the resolution for the Company's proposal to increase the investment in the European subsidiary 12. Passed the resolution for the Company's proposal to increase the investment in UOC USA, Inc., a subsidiary of subsidiary company, by

	US\$3 million
13.	Passed the resolution for the CPA competence and independence evaluation report
14.	Passed the resolution for the Company's proposal to revise the limit on loans provided to companies that are re-invested by the Group

(XII) Any dissenting opinion on record or stated in a written statement made by Directors or Supervisors on key resolutions at the Directors' Meeting in the past year up to the publication date of this report: None.

(XIII) In the past fiscal year and as of the date of publication of the Annual Report, a summary of the resignations and dismissals of the Company personnel: None.

April 30, 2017

TITLE	NAME	DATE OF ASSUMPTION OF DUTY	DATE OF DISMISSAL	REASONS FOR RESIGNATION OR DISMISSAL
None				

Note: The relevant personnel in this context refers to the Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor and R&D Supervisor.

V. Information on CPA professional fees

- (I) The Company may disclose the professional charges of accountants by disclosing it in range or as a fixed sum. The following items shall be disclosed if one of the following have occurred:

Range of professional charges by the CPA

Accounting firm	Name of the accountants		Auditing period	Remarks
Ernst & Young	Chang, Chih-Ming	Huang, Chien-Che	20170101-20171231	None

Note: Where this Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement will be provided in the Notes section accordingly.

Unit: NT\$1,000

Fee Bracket \ Category of Fees		Audit Fees	Non-Audit Fees	Total
1	Less than NT\$2,000,000			
2	NT\$2,000,000 (included)~NT\$4,000,000 (not included)	3,260	0	3,260
3	NT\$4,000,000 (included)~NT\$6,000,000 (not included)			
4	NT\$6,000,000 (included)~NT\$8,000,000 (not included)			
5	NT\$8,000,000 (included)~NT\$10,000,000 (not included)			
6	More than NT\$10,000,000			

1. When the non-audit fees paid to the Certified Public Accountants, their firm, and their affiliated companies accounts for 25% or more of the audit fees, the amount of audit fees and non-audit fees and the content of non-audit service provided must be disclosed.

Information on CPA Professional Fees and Replacement of Certified

Unit: NT\$1,000

Accounting firm	Name of the accountants	Audit Fees	Non-Audit Fees					Auditing period	Remarks
			System design	Business registration	Human resource	Others (Note2)	Subtotal		
Ernst & Young	Chang, Chih-Ming	3,260	0	0	0	0	0	20170101	None
	Huang, Chien-Che							20171231	

Note 1: When the Company replaces the CPA or the accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately citing the reason for the replacement. The accounting and non-accounting fees paid to the former and successor CPA or firm shall also be shown.

Note 2: Please list fees for non-audit services separately and provide explanation in the "remark column" if fees for "others" exceeds 25% of the total of the fees for non-audit services.

2. When the Company has changed the accounting firm, and in that particular fiscal year, if the audit fees paid was less than that of the fiscal year before that, the Company must disclose the decreased amount and the reason for it: Not applicable.
3. When the audit fees decrease by 15% or more than that of the last fiscal year, the Company must disclose the decreased amount, ratio, and reason: Not applicable.

- (II) The audit fees mentioned above is the fees paid to the accountant for services of financial report auditing, verification, review, financial forecast auditing, and tax visa.

VI. Information on replacement of certified public accountants:

(I) Information on the previous CPA

Date of Replacement	2015/04/24		
Reason for replacement and explanation	Due to the internal CPA's rearrangement at Ernst & Young, the Board of Directors has delegated the power to publish the financial statement to Chang, Chih-Ming, and Huang, Chien-Che, CPAs from Ernst & Young, starting from the first quarter of 2015.		
Has the authorizing party or the accountant terminated or rejected the authorization?	Contracting Parties	CPA	The authorizing party
	Situation		
	Voluntarily terminated the authorization	✓	
	Reject the (continuing) authorization		
The reasons cited in the signed and issued audit reports which were not "no reservations" in the last two years	The opinions are unqualified in both 2016 and 2017.		
Different opinions from the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of auditing
			Others
	None	✓	
	Explanation: Not Applicable		

Other disclosing items (paragraph 6-1-4 to 6-1-7 of article 10 of the principle shall be disclosed)	None
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(II) About the successor CPA

Name of the accounting firm	Ernst & Young
Name of the accountants	Chang, Chih-Ming, CPA, Huang, Chien-Che, CPA
Date of appointment	April 24, 2015
The accounting method 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 succeeding CPA's different opinions from the opinions of the previous CPA, expressed in writing.	None

(III) The former CPA's reply to paragraphs 6-1 and 6-2-3, Article 10 of the principle:
Not applicable.

VII. Has the Company's Chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters held a position at its CPA's accounting firm or at an affiliated enterprise in the past year: No.

VIII. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the past year to the publication date of this report

(I) Change in the equities of the Directors, Supervisors, Managers and major shareholders

Date: April 14, 2018 (book closure date); Unit: Share

Title	Name	2017		Up to April 13, 2018		Remarks
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	
Chairman	Lin, Yan-Shen	125,000	0	(35,000)	0	
Director	Lin, Chun-Sheng	147,114	0	0	0	
Director	Hau, Hai-Yen	36,932	0	0	0	
Director	Ng Chor Wah Patrick	142,063	0	0	0	
Director	Chi-Yi Investment Co. Ltd.	86,105	0	(450,000)	0	

Independent Director	Wang, Yueh-Cheng	0	0	0	0	
Independent Director	Lee, Chun-Hsien	0	0	0	0	
Supervisor	Wong, Chi-Yin	42,000	0	0	0	
Supervisor	Wang, Ching-Hsiang	0	0	0	0	
Supervisor	Chen, Li-Ju	0	0	0	0	
Vice-President	Liau, Jiann-Jong	4,422	0	0	0	
Vice-President	Peng, Yu-Hsin	(40,728)	0	0	0	
Director, Operating Center	Chou, Chin-Jung	3,767	0	0	0	
Director, Research and Developing Center	Ho, Fang-Yuan	1,085	0	0	0	
Director, Department of Finance and Accounting	-Chang	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) Stock transfer information: The counterparty of stock transfer who is also an interested person in the past year as of April 30, 2017: None.

(III) Stock-pledging information: The counterparty of stock pledging who is also an interested person in the past year as of April 30, 2017: None.

IX. Information on the top 10 shareholders of the Company's shares who are identified as related parties, spouse or relative within second-degree of kinship

Name (Note 1)	Shares held personally Shares held under spouse or minor children's names				Shares held in others' names		The interested party refers to relatives such as spouse, second tier relatives defined in No. 6 of financial accounting principle. Their titles, names, and relationship. (Note 3)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name (or individual)	Relationship	
Lin, Yan-Shen	2,240,000	2.81%	468,000	0.59%	0	0%	林春生	Brother	
Lin, Chun-Sheng	1,905,743	2.39%	0	0%	0	0%	Lin, Yan-Shen	Brother	
Name (Note 1)	Shares held personally Shares held under spouse or minor children's names				Shares held in others' names		The interested party refers to relatives such as spouse, second tier relatives defined in No. 6 of financial accounting principle. Their titles, names, and relationship. (Note 3)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name (or individual)	Relationship	
Lu, Wen Ye	1,897,822	2.38%	192,640	0.24%	0	0%	None	None	

New labor pension fund	1,550,243	1.95%	0	0%	0	0%	None	None	
Labor insurance fund	1,543,824	1.94%	0	0%	0	0%	None	None	
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	1,322,139	1.66%	0	0%	0	0%	None	None	
LGT Bank (Singapore) Ltd. in the custody of Standard Chartered	977,461	1.23%	0	0%	0	0%	None	None	
Management Board of Public Service Pension Fund	925,000	1.16%	0	0%	0	0%	None	None	
Yu, Tzai-Chiu	806,387	1.01%	474,997	0.60%	0	0%	None	None	
Wong, Chi-Yin	800,993	1.00%	0	0%	0	0%	None	None	

Note 1: Please separately identify the names of the corporate shareholders and their respective representatives under the category of substantial shareholders.

Note 2: The calculation of shareholding ratio should separately indicate percentage of shares held under the person's own identity, under spouse, minor children, and others' identities.

Note 3: The relationship among the aforementioned shareholders, including corporate and non-corporate shareholders, should be disclosed using the financial standard of the Company.

X. Information on the number of shares that are held by the Company, any of the Company's directors, supervisors and executive officers or a company directly or indirectly controlled on the very same re-invested and consolidated percentage of shareholding

December 31, 2017

Unit: shares

Re-investments in other companies (Note 1)	The Company's investments		Supervisors, Managers in directly or indirectly controlled businesses		Combined investments	
	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)	Number of Shares	Shareholding percentage (%)
United Medical (B.V.I) Co.	11,400	100	0	0	11,400	100
Lemax Co., Ltd.	0	0	11,400	100	11,400	100
UOC America Holding Corporation	4,500 (Note 2)	100	0	0	4,500	100
UOC USA, INC.	0	0	900 (Note 3)	100	900	100
UOC Europe Holding SA	3,750 (Note 4)	88			3,750	88
United Orthopedic Corporation (Suisse) SA			1,200 (Note 5)	100	1,200	100
United Orthopedic Corporation (France)			2,606 (Note 6)	100	2,606	100

United Biomech Japan	1,065 (Note 7)	59			1,065	59
A-Spine Asia Co., Ltd.	10,224,000 (Note 8)	100			10,224,000	100
Boiling Medical Co., Ltd.			480,000 (Note 9)	100	480,000	100

Note 1: The Company has adopted the equity method for its investments

Note 2: The face value of each share is USD 1,000

Note 3: The face value of each share is USD 5,000

Note 4: The face value of each share is CHF 1,000

Note 5: The face value of each share is CHF 1,000

Note 6: The face value of each share is EUR 1,000

Note 7: The face value of each share is JPY 50,000

Note 8: The face value of each share is TWD 10, with a subscription price of TWD 60 per share

Note 9: The face value of each share is TWD 10

Chapter 4 Funding Status

I. Capital and shares

(I) Source of Share Capital

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Others
1993.02	10	11,000,000	110,000,000	2,750,000	27,500,000	Initial capital 25,000,000	Technical stocks 2,500,000	--
1994.08	10	11,225,000	112,250,000	11,225,000	112,250,000	Capital injection 77,250,000	Technical stocks 7,500,000	(83) Yuan Jing No. 12643
1997.03	10	11,225,000	112,250,000	5,612,500	56,125,000	Capital reduction to make up for losses (56,125,000)	None	(86) Yuan Jing No. 05947
1997.03	15	11,612,500	116,125,000	11,612,500	116,125,000	Capital injection 53,630,000	Using bonds as stocks 6,370,000	(86) Yuan Jing No. 05947
1998.02	10	18,612,500	186,125,000	18,612,500	186,125,000	Capital injection 59,980,000	Using bonds as stocks 10,020,000	--
1998.12	20	30,000,000	300,000,000	22,612,500	226,125,000	Capital injection 40,000,000	None	(87) Yuan Tuo No. 029827
2003.09	13	30,000,000	300,000,000	25,462,500	254,625,000	Capital injection 28,500,000	None	Financial Supervisory Securities No. 0930136711
2005.08	11.50	40,000,000	400,000,000	33,962,500	339,625,000	Capital injection 85,000,000	None	Financial Supervisory Securities No. 0950111098
2007.10	45	60,000,000	600,000,000	38,562,500	385,625,000	Capital injection 46,000,000	None	Financial Supervisory Securities No. 0960042265
2008.12	9.60	60,000,000	600,000,000	42,362,500	423,625,000	Private cash capital increase 38,000,000	None	--
2009.06	20.60	60,000,000	600,000,000	46,362,500	463,625,000	Private cash capital increase 40,000,000	None	--
2012.04 2012.08	-	60,000,000	600,000,000	46,362,500	463,625,000	Supplemental public issuance for private common stocks 38,000,000/ 40,000,000	None	Financial Supervisory Securities Issuance No. 1010012282/ Financial Supervisory Securities Issuance No. 1010037604
2013.01	30	60,000,000	600,000,000	53,362,500	533,625,000	Capital injection 70,000,000	None	Financial Supervisory Securities Issuance 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 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 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 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 Issuance No. 10100577301
2015.11	46	100,000,000	1,000,000,000	71,212,868	712,128,680	Capital injection 128,000,000	None	Financial Supervisory Securities Issuance 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 No. 1040025385
Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Others
2016.2	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 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 No. 1040025385
2017.10	481	100,000,000	1,000,000,000	79,724,847	797,248,470	Capital injection 80,000,000	None	Financial Supervisory Securities Issuance 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 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 No. 1040025385

Type of Share	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Common stock	79,700,847	20,299,153	100,000,000	Listed stocks

Overall information with regards to reporting system: Not applicable.

(II) Shareholder Structure

Shareholder Structure	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreign persons	Natural persons	Total
Number of People	1	0	77	36	19,594	19,708
Shares Held	925,000	0	8,967,745	4,133,682	65,674,420	79,700,847
Holding percentage (%)	1.16%	0%	11.25%	5.19%	82.40%	100.00%

(III) Distribution of equities (Face value of each share is 10)

1. Common shares

Base date: April 14, 2018

Shareholder Ownership (Unit: share)	Number of Shareholders	Shares Held	Shareholding Percentage (%)
1-999	10,754	396,767	0.50%

1,000-5,000	7,028	13,436,705	16.86%
5,001-10,000	899	6,684,991	8.39%
10,001-15,000	350	4,307,911	5.41%
15,001-20,000	175	3,120,155	3.91%
20,001-30,000	173	4,204,863	5.28%
30,001-40,000	70	2,395,802	3.01%
40,001-50,000	57	2,536,163	3.18%
50,001-100,000	98	6,872,245	8.62%
100,001-200,000	55	7,229,314	9.07%
200,001-400,000	25	6,654,920	8.35%
400,001-600,000	9	4,352,410	5.46%
600,001-800,000	5	3,538,989	4.44%
800,001-1,000,000	4	3,509,841	4.40%
More than 1,000,001	6	10,459,771	13.12%
Total	19,708	79,700,847	100.00%

2. Preferred share: Not applicable.

(IV) List of Major Shareholders

Name of Substantial Shareholders	Shares Held	Shareholding percentage (%)
Lin, Yan-Shen	2,240,000	2.81%
Lin, Chun-Sheng	1,905,743	2.39%
Lu, Wen Ye	1,897,822	2.38%
New labor pension fund	1,550,243	1.95%
Labor insurance fund	1,543,824	1.94%
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	1,322,139	1.66%
LGT Bank (Singapore) Ltd. in the custody of Standard Chartered	977,461	1.23%
Management Board of Public Service Pension Fund	925,000	1.16%
Yu, Tzai-Chiu	806,387	1.01%
Wong, Chi-Yin	800,993	1.00%

(V) Market Price, Net Worth, Earnings, and Dividends in the Past 2 Years

Item		Year		As of March 31 of the current year (Note 8)
		2016	2017	
Market value of each share (Note 1)	Highest	92.50	76.80	72.90
	Lowest	57.00	60.10	59.60
	Average	74.82	69.00	64.86
The Net Asset Value of Each Share (Note 2)	Before distribution	25.33	30.35	28.64
	After distribution	23.93	Resolution Pending for shareholder's meeting	--
Earnings per Share	Weighted Average Shares	71,116,210	73,089,696	79,182,847
	Earnings per share (Note 3)	2.06	1.78	0.34
Dividends per Share	Cash Dividend	1.38757647	Resolution Pending for shareholder's meeting	--
	Stock Dividends	0	Resolution Pending for shareholder's meeting	--
	Dividends from Retained Earnings			

	Capital Surplus Distribution	0	Resolution Pending for shareholder's meeting	--
	Accumulated dividend not paid out (Note 4)	0	0	--
Return on Investment	P/E Ratio (Note 5)	36.32	38.76	--
	P/E Ratio (Note 6)	53.92	Resolution Pending for shareholder's meeting	--
	Cash dividend yield (Note 7)	1.85%	Resolution Pending for shareholder's meeting	--

*When an Enterprise increases the capital out of earnings or capital reserves, it shall provide information on market price and cash dividends per share adjusted retrospectively for increased number of shares.

Note 1: The highest and the lowest market value of common shares in each year, and the average market value for each year based on transaction value and quantity.

Note 2: Please fill the info based on the shares issued by year-end and share allocation resolution at the shareholders' meeting in the subsequent year.

Note 3: If any retrospective adjustments are needed due to stock grants, earnings per share before and after the adjustment should be shown.

Note 4: In cases where any conditions are attached to issuing equity securities that allow for unpaid out dividend for the year to be accumulated in subsequent years in which there is profit, then the Company should separately disclose the accumulated unpaid dividend up to that year.

Note 5: Price-Earnings ratio = average price per share for that year/Earnings per share.

Note 6: Price-Dividend ratio = average price per share for that year/cash dividend per share.

Note 7: Yield on cash dividend = cash dividend per share/average price per share for that year.

Note 8: For net asset value per share and net earnings per share, the data from the latest quarter audited (reviewed) by a CPA until the date of the publication of the Annual Report should be used. For all other columns, the Company should include the year's information until the date of publication of the Annual Report.

(VI) Dividend Policy and Implementation:

(1) Company Dividend Policy and Implementation:

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

The employees' bonus and the Directors' and Supervisors' bonus mentioned above shall be distributed only through cash. It shall be determined by the Board of Directors and reported at 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 reversed in accordance with the regulations or requests made by competent agencies, 50% to 100% of the earning, along with the undistributed earnings for the previous year 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.

- (2) The proposal of divided distribution during the current shareholders' meeting: The Company proposed to distribute NT\$1.25955590 in cash for every share for the 2017 earning distribution. The proposal has been approved by the Board of Directors on March 20, 2018, and will be determined at the shareholders' meeting on June 12, 2018 in accordance with relevant regulations.
 - (3) Explanations for anticipated changes in dividend policy: None.
- (VII) Impact on the company's business performance and earnings per share (EPS) offered shares allotment proposed at this shareholder's meeting: None.

(VIII) Compensation for employees, directors, and supervisors

- (1) The percentage or range of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation is:
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 bonus distribution to the employees, Directors, and Supervisors), 12% of it shall be allocated towards employee bonus and no more than 3% as bonus to the Directors and Supervisors. However, when the Company has accumulated losses (including adjustment on non-distributed earnings), the loss should offset first from profits.
The employees' salaries and the Directors' and Supervisors' remunerations mentioned above shall be distributed only by cash. It shall be determined by the Board of Directors and reported at the shareholders' meeting.
- (2) The basis for estimating the amount of employee, director, and supervisor compensation, to calculate the number of shares to be distributed as employee compensation, 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 2017 (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 Association.
The account handling procedure in case there are discrepancies between the estimation bases of the employees' compensations distributed through stocks and the actual distributed amount: Recognize it as profit and loss of 2018.

The difference, reasons, and handling method of the discrepancies between the estimation basis of the 2017 employees' bonus and the Directors' and Supervisors' bonuses distributed and the actual distributed amount

Unit: NT\$

	Estimated amount	Actual distributed amount	Variance	Reasons for variance and its handling method
Employee's Salary	26,211,840	24,762,042	1,449,798	The discrepancies between the estimation basis of employees'

Directors and Supervisors' remuneration	6,552,960	6,199,010	353,950	salaries and the Directors' and Supervisors' remunerations distributed and the actual distributed amount are mainly due to difference between the unaudited and audited profits. The difference will be recognized in the profit and loss account of 2018.
Total	32,764,800	30,961,052	1,803,748	

Note: Employees' salaries and Directors and Supervisors' remunerations are distributed in cash.

- (3) The Board of Directors have passed the proposal to distribute employees' salaries:
1. The Board of Directors proposed to distribute Employees' bonus and Directors and Supervisors' bonuses through cash or stock: The Board of Directors has determined to distribute in cash NT\$24,762 thousand as employees' bonuses, and NT\$6,199 thousand as Directors and Supervisors' bonuses from the earnings of 2017.
 2. The amount of Employees' salaries proposed by the Board of Directors to be distributed in the form of stocks and its percentage to the net income of the parent company only and the individual financial statements and the sum of Employees' salaries: The Company did not distribute stock dividends to employees in 2017.
- (4) Actual distribution of remunerations for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, directors, and supervisors, the difference, cause, and treatment of the discrepancy be described:
The Employees' salaries and Directors and Supervisors' remunerations that were distributed by the Company in the previous year (2016) were not different from the proposals passed by the Board of Directors.

Unit: NT\$

Distribution	Distributed amount determined at the shareholders' meeting and by the Board of Directors	Actual amount distributed	Difference
Employees' salary	23,060,803	23,060,803	-
Directors and Supervisors' remunerations	5,694,632	5,694,632	-
Total	28,755,435	28,755,435	-

- (IX) Repurchase by the company of its own shares: None.

II. Issuance of corporate bonds:

(I) Issuance of corporate bond

The Company's second unsecured corporate bonds in the country were issued through a notice of the Financial Supervisory Commission on July 18, 2017: Financial Supervisory Securities Issuance No. 10600254971. It has become effective from July 18, 2017 and the total amount issued was NT\$400 million. The trading has begun at the operation site of the securities firm on August 11, 2017 based on the notice sent out by Taipei Exchange on August 8, 2017: Taipei Exchange Bond No. 10600214142.

Type of corporate bond	Second issuance of unsecured convertible corporate bonds in Taiwan	
Issuance Date	2017/08/11	
Face Value	100,000 NTD	
Issuance and Trading place	R.O.C.	
Issue Price	Issued at par	
Total Amount	NT\$400,000 thousand	
Interest rate	Coupon rate 0%	
Term	3 years maturity date: Aug. 11, 2020	
Guarantee agencies	None	
Consignee	Taipei Fubon Commercial Bank Co., Ltd.	
Underwriter	Fubon Securities Co., Ltd.	
Certified Lawyers	Chiu, Ya-Wen Lawyer	
Appointed CPA	Ernst & Young, Chang, Chih-Ming Accountant and Huang, Chien-Che Accountant	
Redemption method	The term is 3 years. Besides conversion to Company's common shares pursuant to Article 10 of the Rules Governing the Issuance and Conversion of Second Corporate Bonds or early redemption by the Company in accordance with Article 18 of the Rules, the bond holders may redeem at 101.5075% of the face value in a lump sum by cash at maturity.	
The principal that has not been redeemed as of the date of the publishing of the annual report	NT\$0 thousand	
Articles for redemption or early liquidation	Please refer to the rules governing the issuance and conversion of bonds.	
Restrictive Clauses	None	
Name of credit rating agency (CRA), rating date, and results of corporate bond ratings	None	
Other rights attached	The amount that has been converted (exchange or subscription) into common stocks, offshore depository receipts, and other marketable securities as of the publishing date of the annual report	0
	Issuance and conversion (exchange or options) methods	Please refer to the rules governing the issuance and conversion of bonds.
Possible dilution of the equity or impact on the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks	The total amount of convertible corporate bonds issued this time is NT\$400,000 thousand. The impact on the earnings per share of the current shareholders may not be major as the duration of the bond is 3 three years and the timing of each creditor's conversion request is different. The coupon rate of the corporate bond is 0% and its conversion price is at a premium; therefore, there should be no negative impact on the rights of shareholders.	
Name of the commissioned custodian of exchangeable investments	N/A	

(II) Information on convertible bonds

Types of convertible bonds (Note 1)		Second issuance of unsecured convertible corporate bonds in Taiwan	
Item	Year	2017	The current year is cut off as of March 31, 2018 (Note 4)
Market price of corporate bond conversion (Note 2)	Highest	0	0
	Lowest	0	0
	Average	0	0
Conversion price		0	0
Issuance (placement) date and the conversion price on issuance		2017/08/11 NT\$77.30	2017/08/11 NT\$77.30
Methods to fulfill the conversion obligation (Note 3)		Issuance of new shares	Issuance of new shares

Note 1: The number of rows is adjusted according to the actual entries.

Note 2: If the offshore corporate bonds are traded at several locations, they will be listed as per the terms of the respective exchanges.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: The information of the current year is as of the date of publication.

III. Issuance of preferred stocks: None

IV. Issuance of overseas depositary receipt: None

V. Issuance of employees' stock option certificate and new restricted employee shares:

(I) The employees' stock option certificate will have the following information:

- (1) The company's employees' stock option certificates yet to mature shall disclose the current situation of the issuance as of the publish date of the annual report and the impact on the rights of the shareholders. The private employees' stock option certificates shall be highlighted: Not applicable
- (2) Names, acquisition, and subscription of managerial officers who have obtained employees' stock option certificates as well as employees who rank among the top 10 in terms of the number of shares obtained via employees' stock option certificates, cumulative to the date of publication of the annual report: Not applicable

(II) New restricted employee shares shall include the following:

- (1) The new restricted employee shares that have not fully met the vested conditions as of the publication date of the annual report and its impact on the rights of the shareholders.

New restricted employee shares

April 30, 2018

Types of New Restricted Employee Shares (Note 1)	The First Time (Period) New Restricted Employee Shares
Effective Date	July 6, 2015
Issue Date (Note 2)	July 27, 2015
Number of new restricted employee shares issued	572,000

Issue price	0			
The ratio of new restricted employee shares issued to the total number of shares issued	1.02%			
Vested conditions of new restricted employee shares	(I) Managers who have received the new restricted employee shares approved by the Board of Directors: 1. Employees who are still serving in the company three years after the date of capital base increase. 2. The employees' annual performance assessments are A and above. 3. The Company uses 15% consolidated operating income growth and 20% net profit after tax growth, respectively, in each year as the standard value for performance evaluation. The vested share ratio is calculated by the average standard value achieved in three years. The vested share ratio larger than 100% will be counted as 100%. (The consolidated revenue in each year may not be lower than 12% and the net profit after tax may not be lower than 16%).			
	Assessed items		Revenue yoy	Profit after tax yoy
	Assessment Standard Value		15%	20%
	Lowest Standard Value		12%	16%
	Assessment year	2015	● if yoy <12%, then x1 = 0 ● if yoy >=12%, then x1=yoy/15%	● if yoy <16%, then x2=0 ● if yoy >=16%, then x2=yoy/20%
		2016	● if yoy <12%, then x3 = 0 ● if yoy >=12%, then x3=yoy/15%	● if yoy <16%, then x4=0 ● if yoy >=16%, then x4=yoy/20%
		2017	● if yoy <12%, then x5= 0 ● if yoy >=12%, then x5=yoy/15%	● if yoy <16%, then x6=0 ● if yoy >=16%, then x6=yoy/20%
	Vested share ratio (z)	z =Σxi / 6, (i=1~6, if z>=100%, it shall be counted as 100%)		
	Note 1: Vested share ratio is rounded to the second digit. Note 2: The vested shares are rounded to the integer.			
	(II) R&D engineers that receive the new restricted employee shares approved by the Board of Directors: Employees who are still serving in the company three years after the date of capital base increase, and the employees' annual performance assessments are A and above. Their vested share ratio is: 100%.			
Restriction of Rights on New restricted employee shares	(I) After receiving the new restricted employee shares and before meeting vesting conditions, employees should not sell, pledge, transfer, endow, or dispose of the restricted employee shares by any means. (II) The right to vote on shareholders' meeting: Same as other common stock of the company. (III) The option and right of interest of shareholders: Same as other common stock of the company			

	<p>(IV) The right to participate, propose, speak, vote in shareholders' meeting are all delegated and executed by trust custody institutions in accordance with the contract.</p> <p>(V) The new restricted employee shares will be delivered to trust custody institutions after issue, and the employees may not request the return of new restricted employee shares for any reason before the vested conditions are met.</p>
Custody of new restricted employee shares	All in custody of CTBC Bank Co., Ltd.
The procedures for handling employees who have received the purchasing options or purchased the new shares, but have yet to meet the vested conditions	If the employees violate this contract, labor contract, or working guidelines which result in one first-level demerit or above, or violate the law and found guilty after the employees have received the new restricted employee shares, those shares that the employees have received but have yet to meet the vesting conditions may be considered as not meeting the conditions and the company has the right to recover the shares and write them off in accordance with law. However, the stock and cash dividend received during the period will be given to the employees unconditionally.
The Number of New Restricted Employee Shares Recovered or Purchased	54,000
The number of shares which the restricted rights of new restricted employee shares have been lifted	0
The number of shares which the restricted rights of new restricted employee shares have not been lifted	518,000
The ratio of shares which the restricted rights of new restricted employee shares have not been lifted to the total shares that have been issued (%)	0.65%
The impact on shareholders' right	The 572,000 new restricted employee shares that are issued at this time are unconditionally issued. The employees must still be serving the company three years after the date of capital base increase. The current ratio of new restricted employee shares to the total shares issued is 0.65% and it shall not have material impact on the current shareholders' rights.

Note 1: The number of rows is adjusted as per the actual entries.

Note 2: Shares with different issuance dates shall be fulfilled separately.

- (2) Names and status of managerial officer and the top ten employees holding new restricted employee shares accumulated as of the publication date of the annual report:

Names and status of managerial officer and the top ten employees holding new restricted employee shares

April 30, 2018

	Title (Note 1)	Name	Number of new restricted employee shares	Percentage of the new restricted employee shares to total shares issued	Restricted rights lifted (Note 2)				Restricted rights not lifted (Note 2)			
					Number of shares with restricted rights lifted	Issuance price	Issuance Amount	Percentage of number of shares with restricted rights lifted to total shares issued	Number of Shares that the restricted rights have not been lifted	Issuance price	Issuance Amount	Percentage of number of shares with restricted rights to total shares issued
Executive	General Manager	Lin, Yan-Shen	152,000	0.19%	0	10	0	0%	152,000	10	1,520,000	0.19%

	Deputy General Manager	Liau, Jiann-Jong										
	Deputy General Manager	Peng, Yu-Hsin										
	Director, Research and Developing Center	Ho, Fang-Yuan										
	Director, Operating Center	Chou, Chin-Jung										
Employee (Note 3)	Manager, Department of Finance and Accounting	Pan, Yun-Han	120,000	0.15%	0	10	0	0%	120,000	10	1,200,000	0.15%
	Manager, Department of Information Management	Kuo, Yao-Chung										
	Manager, Department of Production Management at Hsinchu	Lin, Shiou-Chuen										
	Manager, Department of Manufacturing Development	Lu, Yu-Hen										
	Manager, Department of Quality Assurance at Hsinchu	Chen, Chie-Song										
	Manager, Department of Industry Development	Liu, Yu-Liang										
	Auditing Manager, General Manager Office	Liao, Wei-Chang										
	Manager, Department of Administration	Chuang, Ya-Yen										
	Manager, Customer Service	Wang, I-Yung										
	Manager, Department of Production at Kaohsiung	Tu, Chia-Jung										

Note1: The name and the title of the managerial officers and employees (please indicate ones who had resigned or passed away) shall be disclosed, but the stock options received and purchasing status may be consolidated.

Note 2: The number of rows is adjusted as per the actual entries.

Note 3: The top ten employees who hold the new restricted employee shares refer to employees beside managerial officers.

Note 4: The total number of stocks issued is the number of stocks registered with the Ministry of Economic Affairs.

VI. Status of new share issuance in connection with mergers and acquisitions: **None.**

VII. Implementation of capital deployment:

The increase in capital of NT\$800,000 thousand from the second issuance of unsecured convertible corporate bonds in Taiwan in 2017 and the increase in capital by NT\$588,800 thousand in 2015 are included in the public or private issuance of marketable securities that are yet to be completed or the issuance has been completed within the past three years but the effect was not significant as of the first quarter of 2018. The issuance plan and its relevant information and execution are detailed below:

● Cash Capital Increase in 2017

(I) The Plan:

1. The competent authority's approval date and the document number:

Financial Supervisory Securities No.10600254971 and No. 1060025497 dated July 18, 2017.

2. The total capital needed for this plan: NT\$800,000 thousand.

3. Sources of funds:

- (1) Issued 8,000 thousand shares of common stocks for this cash capital increase. The face value of each share is NT\$10 and the preliminary issue price per share is set at NT\$50. The total fund raised is expected to be NT\$400,000 thousand.
- (2) Issued 4,000 unsecured convertible corporate bonds for the second time in Taiwan, each with a face value of NT\$100 thousand. The issuance period is three years. The nominal interest rate is 0%, and the total issued amount is NT\$400,000 thousand.
- (3) With regard to the plan to issue new shares for the cash capital increase, if the funds raised is insufficient due to changes in the actual issuing price as a result of market fluctuation, the Company's owned funds or bank loans would cover the difference. If the funds raised exceeded the capital needed under the plan, the excess would be used to replenish working capital.

4. Progress in planned activities and fund application:

Unit: NT\$1,000

Project plan	Expected completion date	Total capital needed	Expected capital utilization schedule			
			2017			
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Reinvestment	3rd Quarter, 2017	613,440	(Note) 89,739	(Note) 238,679	285,022	-
Replenish working capital	4th Quarter, 2017	186,560	-	-	-	186,560
Total		800,000	89,739	238,679	285,022	186,560

Note: Bank loans and self-owned funds would be used first due to time constraints. After the completion of fund raising, the money would be used to repay bank loans and replenish working capital.

5. Changes in plan, reasons for change, and the effectiveness of change: Not applicable.

6. The date on which the information of this plan has been entered into the reporting website identified by the Financial Supervisory Commission: 2017/07/19

7. The benefits that are expected to flow:

(1) Reinvestment

The Company acquired 100% equity of A-Spine Asia Co., Ltd. (A-Spine Asia) and introduced its spinal products to our existing channels. We thus go from the artificial

joint sector into traumatology and enhance the completeness of our product lines. We can provide customers with one-stop services and demonstrate the complementary effects between products. It is estimated that a total investment gain of NT\$672,657 thousand would be recognized between 2017 to 2027 with a payback period of 9.95 years.

(2) Working capital replenishment

The increase in working capital is mainly for future business growth. If we apply the weighted average borrowing rate from financial institutions of 1.14%, the Company can save NT\$355 thousand in interest expense in 2017 and NT\$2,127 thousand annually from 2018 onwards. Moreover, it improves the Company's indicators concerning financial structure and solvency, reduces the degree of dependence on bank borrowings and lowers financial risks. It helps to enhance the Company's overall operation and competitiveness.

(II) Status of implementation:

Unit: NT\$1,000

Project Items	Implementation status		Until fourth quarter, 2017	The reasons for exceeding or falling behind on progress and the improvement plan
Reinvestment	Expenses	Expected	613,440	Completed on schedule. Thus, it is not applicable.
		Actual	613,440	
	Implementation progress	Expected	100.00%	
		Actual	100.00%	
Replenish working capital	Expenses	Expected	186,560	
		Actual	186,560	
	Implementation progress	Expected	100.00%	
		Actual	100.00%	
Total	Expenses	Expected	800,000	
		Actual	800,000	
	Implementation progress	Expected	100.00%	
		Actual	100.00%	

(III) Benefit Assessment:

(1) Reinvestment

The Company used bank loans to pay for the investment in A-Spine Asia Co., Ltd. (A-Spine Asia) due to time constraints. As of the fourth quarter of 2017, the loan is repaid according to the plan.

The Company applied the funds raised through cash capital increase in the fourth quarter of 2017 to repay the bank loans for the investment in A-Spine Asia. A-Spine Asia generated profits in 2017 and remained profitable as of March 2018. Thus, the benefits of acquiring the equity of A-Spine Asia are emerging.

(2) Working capital replenishment

The plan to increase capital to improve the working capital has been completed. The approved preliminary price for the cash capital increase plan was NT\$50, and the actual issuance price was NT\$48 (the actual fund raised was NT\$384,000 thousand). The shortage was covered by bank loans. The financial ratios in the table below shows an obvious improvement after the fund raising. The Company's 2017 operating revenue, gross profit and operating income have increased to NT\$1,581,054 thousand, NT\$840,992 thousand, and NT\$190,185 thousand, respectively. They are all significantly higher than at the same period last year. The benefits of this working capital replenishment from cash capital increase are showing.

● Cash Capital Increase in 2015

(I) The Plan:

1. The competent authority's approval date and the document number: Financial Supervisory Securities No.1040035809 dated September 9, 2015.
2. The total capital needed for this plan: NT\$588,800 thousand.
3. Sources of funding: Issued 12,800 thousand shares of common stocks for this capital increase. The face value of each share is NT\$10 and the issue price per share is NT\$46. The total fund raised was NT\$588,800 thousand.

4. Progress in planned activities and fund application:

Unit: NT\$1,000

Project plan	Total capital needed	Expected capital utilization schedule						
		2015	2016				2017	
		4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Plant Expansion	179,000	6,550	51,760	38,330	57,495	14,320	10,545	-
Purchase Machinery and Equipment	181,000	-	-	15,900	35,900	54,900	60,560	13,740
Replenishment of working capital	228,800	228,800	-	-	-	-	-	-
Total	588,800	235,350	51,760	54,230	93,395	69,220	71,105	13,740

5. Changes in plan, reasons for change, and the effectiveness of change: Not applicable.
6. The date on which the information of this plan has been entered into the reporting website identified by the Financial Supervisory Commission: 2014/09/09
7. The benefits that are expected to flow:
 - (1) The three-phase expansion of Kaohsiung plant and the purchase of machinery and equipment

There is totally a capital increase of NT\$360,000 thousand for plant expansion and for purchase machinery and equipment. These funds are used to expand production capability of implant products (including hips and knees). It is expected that the three-phase expansion of the Kaohsiung plant will support the production demand from increasing revenue starting 2018. Thus, the benefits shall be calculated as the

increased revenue starting 2018. The production capacity of HIP and KNEE will increase after the expansion and will increase the sales volume also. The increase in the operating net profit after expansion is conservatively estimated based on the average selling price, gross margin, selling expenses and management fees. The expected payback period is 4.462 years. The expected benefits are as follows:

Unit: pieces, NT\$1,000

Year	2018	2019	2020	2021	2022
Expected increase in production	216,000	216,000	216,000	216,000	216,000
Expected increase in sales volume	74,650	89,580	107,495	128,995	154,793
Expected increase in sales value	389,148	466,978	560,374	672,448	806,938
Year	2018	2019	2020	2021	2022
Expected promotion fees	142,273	170,727	204,873	245,847	295,017
Expected management fees	52,523	63,028	75,634	90,761	108,913
Expected increase in operating net profit	56,917	68,301	81,961	98,353	118,023

Source: The Company

(2) Increase in working capital

The reason for the company to increase the capital is to improve the working capital to meet the needs of working capital requirements for continuous growth in operating revenue. The capital is increased by cash to avoid operational risks due to increase in debt ratio, or reduction in profitability due to increase in interest expense. Moreover, the Company's current ratio and quick ratio are likely to increase after the plan completion. It will increase the Company's solvency and financial scheduling will become more flexible.

Unit: %

Item	2013	2014	2015 (after financing, estimation)
Debt ratio	44.38	41.03	28.16
Long-term capital to property, plant, and equipment ratio	234.76	220.60	328.86
Current ratio	308.91	214.00	303.63
Quick ratio	189.29	137.45	234.62
Interest coverage ratio	5.07	13.97	24.75

Note: The table above is calculated based on individual reports in 2013 and 2014

The fundraising of the Company is expected to be completed by November 2015. In comparison to borrowing all the funds from the banks, a sum of NT\$4,851 thousand in interest expense is likely to be saved, at the short-term interest rate of 2.12%.

(II) Status of implementation:

Unit: NT\$1,000

Project Items	Implementation status		Until first quarter, 2018	The reasons for exceeding or falling behind on progress and the improvement plan
Plant Expansion	Expenses	Expected	179,000	In accordance with the actual progress, the consent letter
		Actual	213,837	

	Implementation progress	Expected	100.00%	and construction license from the Southern Taiwan Science Park Administration was obtained in February 2016. The fund utilization plan was postponed accordingly. It is expected that the plan will be completed after the final payment for machinery and equipment in late April.
		Actual	100.00%	
Purchase Machinery and Equipment	Expenses	Expected	181,000	
		Actual	151,255	
	Implementation progress	Expected	100.00%	
		Actual	83.57%	
Replenish working capital	Expenses	Expected	228,800	
		Actual	228,800	
	Implementation progress	Expected	100.00%	
		Actual	100.00%	
Total	Expenses	Expected	588,800	
		Actual	559,005	
	Implementation progress	Expected	100.00%	
		Actual	94.95%	

(III) Benefit Assessment:

- (1) The three-phase expansion of Kaohsiung plant and purchase of machinery and equipment

The Company is executing the plan as scheduled, and the benefit will hopefully emerge starting 2018.

- (2) Working capital replenishment

The plan to increase capital to improve the working capital has been completed. The financial ratios in the table below shows an obvious improvement after the fund raising. The benefits of this working capital replenishment from cash capital increase are showing.

Unit: %

Item	2013	2014	2015
Debt ratio	44.38	41.03	24.85
Long-term capital to property, plant, and equipment ratio	234.76	220.60	319.34
Current ratio	308.91	214.00	399.87
Quick ratio	189.29	137.45	279.72
Interest coverage ratio	5.07	13.97	24.16

Note: The ratio of the table above is calculated based on the individual reports of 2013, 2014, and 2015.

Chapter 5 Operational Highlights

I. Business activities

(I) Business Scope:

(1) The business scope of the company

1. Research, develop, produce, manufacture, and sell the following products:
 - 1.1. Artificial orthopedic implants: including artificial joints, artificial bone plate, bone nails, bone needles and so on.
 - 1.2 Orthopedic surgical equipment and its manufacturing equipment.
 - 1.3 Special metal and plastic materials.
2. The import and export and trading business of the products mentioned above.

(2) Proportion of business

Unit: NT\$1,000

Unit: NT\$1,000	2017 Net operating revenue	Ratio
Artificial joints	1,612,581	81.7%
Spine and injury products	311,699	15.8%
Other products	42,783	2.2%
OEM products	5,529	0.3%
Total	1,972,592	100.0%

(3) The main products of the Company

1. Artificial hip joint: Artificial hip joint, semi-hip joint, large trochanter joints for fracture, Moorish artificial bones, and artificial hip joint for tumor custom-made for a single patient.
2. Artificial knee joint: Artificial knee replacement joint, artificial all knee replacement joint, restricted artificial knee joint, and artificial knee joint for tumor custom-made for a single patient.
3. Spine products: Spinal fixator.
4. Injury and other orthopedic products: Orthopedic fixed nails, bone plate, bone nails, bone needles, bone screws and products as such.
5. OEM products: Orthopedic fixator.

(4) New products (services) planned

1 The second generation of reconstruction joint replacements for oncology and tool	2 U2+ Artificial knee joint component system and tool
3 Vitamin E artificial joint insert and fillings	4 Disposable surgical instruments
5 No collar femoral head	6 Modeled acetabula cage system
7 Short stalk handle and tool	8 3D printed acetabula system and tool
9 Single condyle artificial knee joints and tool	10 Double movement acetabula system and tool
11 Modeled stalk handle and tool	12 Conformity stalk handle and tool
13 Uncemented artificial knee joints and tools	

(II) Industry Overview:

(1) Current state and development of the industry

According to THE ORTHOPAEDIC INDUSTRY ANNUAL REPORT published by ORTHOWORLD in 2017, the global artificial knee joint has an output value of US\$9.18 billion in 2018 billion, and the expected compound growth rate is 3.7 ~ 3.8% from 2017 to 2021. The artificial hip joint has an output value of US\$7.31 billion and the expected compound growth rate is 2.3 ~ 2.5% from 2017 to 2021. In addition, the overall price fluctuations in the end product market is minimum. In this market, which is approximately NT\$500 billion and continues to grow due to the ageing population, the future development of the Company can be expected.

(2) Correlation between upstream, midstream, and downstream sections of the industry

The artificial joint industry has developed in overseas market for a long period of time with comprehensive supply chains, especially in the advanced countries in Europe and the United States. The Company used to rely on foreign companies for parts of key upstream and downstream manufacturing processes and the progresses are often limited by external factors. Fortunately, the Company has continued to invest funds on the Kaohsiung Plant in recent years and gradually establishes key manufacturing technologies for artificial joints in the plant. Currently, we have built a vertically integrated manufacturing process which encompasses the upper, middle, and downstream. In other words, except for the most upstream raw materials, all processes can be completed in a one-stop manner. Except for the most upstream raw materials, the Company has good control over costs and inventory supply chain.

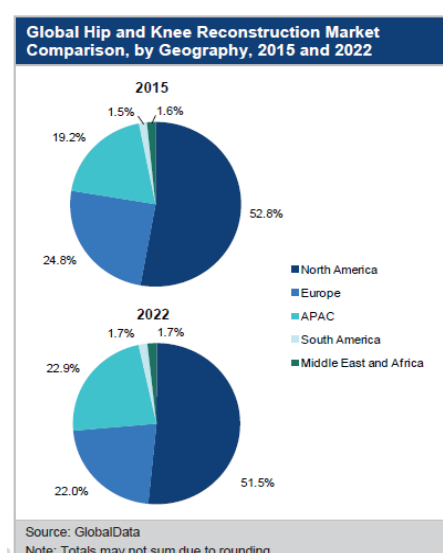
(3) Various product development trends

In the field of artificial joints, sales of standardized products continues to account for the majority of revenue. Nevertheless, international corporations, with their advantages over resources, control the product trends and enjoy leadership. The development in recent years lean towards improvements on customized joints, more precise operations and shorter recovery period. The Company has accumulated a certain amount of R&D potential through the human resources, materials and money invested in R&D over the years. We believe we can quickly respond to market challenges brought on by new technologies and concepts.

(4) Competition

According to the statistics of Global Data, North America is still the largest market. Therefore, the four largest plants are all in the U.S., and these plants produce about 80% of the output value. The Company's product is positioned to compete with world-class plants both in quality and price. Even though the quality and functionality of our products are at the same level as other major plants, our marketing capability and brand awareness are inferior to those major plants. Improving the visibility of the brand to compete with major plants is something we need to work on and catch up in that direction.

Hip and Knee Reconstruction, Key Metrics in the Global Market, 2015 and 2022		
Market Forecast	2015	2022
Global Market Value	\$13.83bn	\$16.80bn
North America Market Value	\$7.30bn	\$8.66bn
Europe Market Value	\$3.43bn	\$3.70bn
APAC Market Value	\$2.66bn	\$3.85bn
South America Market Value	\$0.21bn	\$0.29bn
Middle East and Africa Market Value	\$0.22bn	\$0.29bn



(III) Overview of technology and R&D:

- (1) The R&D expense and as a percentage to revenues in the past two years and as of March 31, 2018 are as follows:

Unit: NT\$1,000

Year	R&D Spending	On the revenue (%)
2016	161,231	11.7%
2017	198,734	10.1%
As of March 31, 2018	54,477	9.46%

- (2) Technologies or products developed successfully

1 The Machining Technology of CoCrMo Alloy for Orthopedic Joint Replacements	2 The Sintering Technology of Porous Coating on CoCrMo Alloy
3 The Mirror Polishing Technology of CoCrMo Alloy	4 The Machining Technology of Titanium Alloy for Orthopedic Joint Replacements
5 The Surface Treatment and hardening Technology of Stainless Surgical Instruments	6 The Diamond Shape Manufacturing Technology for Stem Broach Surface
7 The Robotic Grinding Technology for Femoral Components	8 The Ceramic Liner
9 The Revision Hip Replacement System	10 The Revision Knee Replacement System
11 The Reconstruction Joint Replacements for Oncology	12 Spinal Implants
13 The Precision Forging Technology of Titanium Alloy for Orthopedic Joint Replacements	14 The Precision Forging Technology of CoCrMo Alloy for Orthopedic Joint Replacements
15 The Sintering Technology of Porous Coating on Titanium Alloy	16 The Precision Casting Technology of CoCrMo Alloy for Orthopedic Joint Replacements
17 The Second Generation of Greater Trochanter Fracture Stem	18 The Polished Cemented Stem
19 The Second Generation of All Polyethylene-type Acetabula Liner	20 The New Knee Surgical Instrument System
21 The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Titanium Alloy Surface	22 The Plasma Spray Coating Technology of Titanium on CoCrMo Alloy Surface

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

(1) Short-term development plan:

1. Marketing strategy

- (A) Establish branches at key regions or engage dealers as logistic platforms in response to the implementation of two-invoice system in China in order to be more effective in developing the China market. At the same time, as joint venture parties continue to invest resources, we would aggressively push the registration process of domestic products in order to expedite their launches to the market. Also, the spinal products from A-Spine Asia are added to the existing marketing network. Those are factors that shall contribute to our growth in China.
- (B) Continue to seek business opportunities in other European markets through our European subsidiaries.
- (C) Understand the registration and certification procedures under Japanese product regulations to guarantee the layout and planning for the initial sales of our Japanese subsidiaries in the second half of 2018.
- (D) Work with sales consultant in the Latin America market for new customer development and subsequent regulatory requirements. There have been some achievements at local markets recently.
- (E) For America market, the Company mostly adopts direct selling method in developing the hospital channels. We increase our brand awareness and build brand image through clinical cooperation and studies with well-known doctors.
- (F) For the domestic market, we will add sales teams to enhance our understanding of customers and ensure service quality and strength in order to gradually increase our market share.

2. Production policy and product development direction

- (A) The phase three of new construction of Kaohsiung plant was put into production in the third quarter of 2017 and expanded our production capacity. Based on sales volume, we will gradually acquire more machines and increase inventory level to meet market demand with flexibility.
- (B) To cope with local market demands, we will continue to develop diverse products to satisfy various demands from patients and doctors.

3. Operation scale and financial cooperation

- (A) Implement target management in the entire Company. Systematically recognize the employees' role and their confidence in the development of the Company and they also individually.
- (B) Establish a steady mechanism and channel for finance, cash flow, and financing for the future development of the Company.

(2) Long-term planning objectives:

1. Marketing strategy

The foremost focus of global layout strategy is regional balance. Sales shall not be concentrated on a single region or customer in order to minimize operational risks. The Group allocates resources pursuant to the same principle for a more stable development. The Company has sales offices in worldwide major strategic marketers, e.g. U.S., China, Europe and Japan. Due to the particular regionality nature of the pharmaceutical industry, it is

difficult for the Company to develop the market on its own. Thus, except for the 100%-owned subsidiary in the U.S., the Company relies on local managers and sales team to exploit local market via joint ventures. The Company can achieve sales target through profit and risk sharing with the managing parties in the joint venture arrangement. To quickly enter a new international market, joint venture arrangement might be a necessity for the Company's long-term development overseas.

2. Production policy and product development direction

In-house production has always been a Company's goal. The completion of phase-three Kaohsiung plant not only gradually increases the production capacity, but also realizes the one-stop production planning to effectively control the delivery schedule and costs. The new plant can satisfy the production demand for the next five years. As for product development, since we pride ourselves on working towards being a leading international corporation, it is essential to offer diverse product lines and develop innovative products. Our R&D experience accumulated over the years helps the Company stand firm among global peers and heads towards the "Me Better" direction to exploit the world market.

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) Market Analysis

(1) The sales (provided) regions for major products (services)

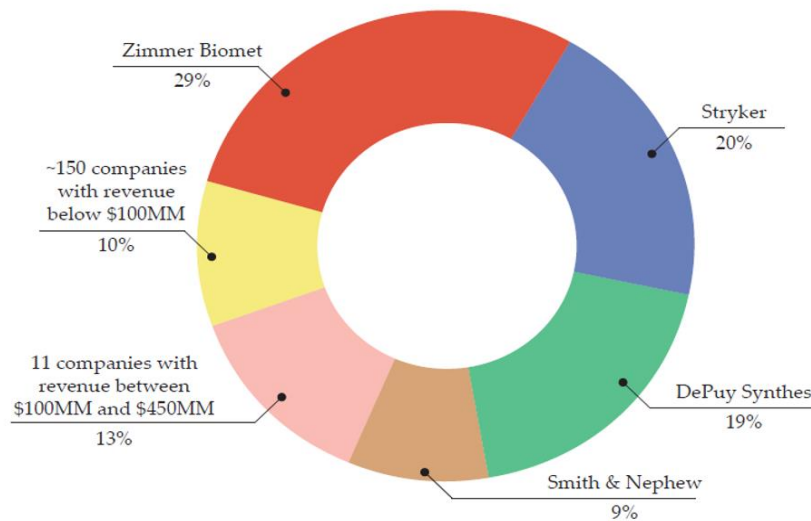
Unit: NT\$1,000

Region	Year	2015		2016		2017	
		Amount	%	Amount	%	Amount	%
Taiwan		312,029	22.4%	429,418	31.0%	734,392	37.2%
Asia		568,832	40.9%	446,570	32.3%	522,357	26.5%
America		397,510	28.5%	393,435	28.4%	424,144	21.5%
Europe		104,189	7.5%	100,705	7.3%	250,504	12.7%
Africa		10,013	0.7%	13,212	1.0%	11,214	0.6%
Australia		0	0.0%	0	0.0%	29,981	1.5%
Total		1,392,573	100.0%	1,383,340	100.0%	1,972,592	100.0%

(2) Market share

According to THE ORTHOPAEDIC INDUSTRY ANNUAL REPORT published by ORTHOWORLD in 2017, the world's major four plants account for 77% of the artificial joint market, whereas the Company accounts for 0.35%.

Exhibit 15
Joint Reconstruction Market Share: Largest Players and All Others (\$Millions)



(3) Future market supply and demand and growth

A. Market demand side

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 fitted 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 side

The market is still controlled by a few major plants. The four major plants in the U.S. produce 80% of the industrial output by value while the rest is divided among other smaller plants. However, the regulatory threshold of entering this industry has been on increase and would thus make it harder for new plants to enter the market. Even though a couple of Chinese plants have received domestic certifications, it is still challenging for them to participate in global competitions. Thus, the market supply is relatively stable.

C. Market growth

The current output value of the global artificial joint industry is around US\$16.5 billion and the annual growth rate is around 3~4%. However, as the global population ages, the UN forecast shows that elders over 60 years will account for 21% of the global population by 2050. The ratio of elders in the economically developed countries will increase from 20% to 33%. This aging trend will speed up the growth of the market for artificial joints even more. Moreover, with the improvement in economic prosperity for the people in developing countries, more people will be able to afford replacement surgery and increase market for artificial joints. Therefore, this industry will continue to flourish in the next 20- 30 years.

(4) Positive and negative factors affecting competitive niches and long-term development, as well as response strategies

A. Competitive niches

1. The Company is the only plant that has integrated the up, mid, and down streams of artificial manufacturing around the globe. We control the core technologies to respond to market changes.
2. Steady development along with increased regulations, and 20 years of accumulated R&D experience helps the Company stand firm among global peers. The Company's R&D and innovation are also heading towards the "Me Better" direction.

B. Favorable factors

One-stop production and sales accelerate the time to market the products—shorten the production cycle, effectively control the inventory level, and reduce costs. More customers have given confidence to the Company through marketing activities and product clinical efficacy, which have created brand awareness for the Company in the industry.

C. Unfavorable factors

The world's four major plants still lead the overall market, market development, channels, service, visibility and awareness. The scale of the Company's operations is still relatively small in comparison with these four major plants.

D. Unfavorable factors and countermeasures

With our inherent competition advantages, we need to accomplish our tasks to perfection, including product innovation, product quality and sales services, and on top of that, the establishment of sales channels. Through clinical cooperation and studies, we can strengthen our relationship with well-known doctors. By taking the initiatives in publishing clinical study theses at major periodicals at home and abroad, we can boost user confidence. Based on the market characteristics, we establish flexible marketing and pricing strategies and financial plans to attract more powerful strategic parties and secure our place in the market in order to expand our scale.

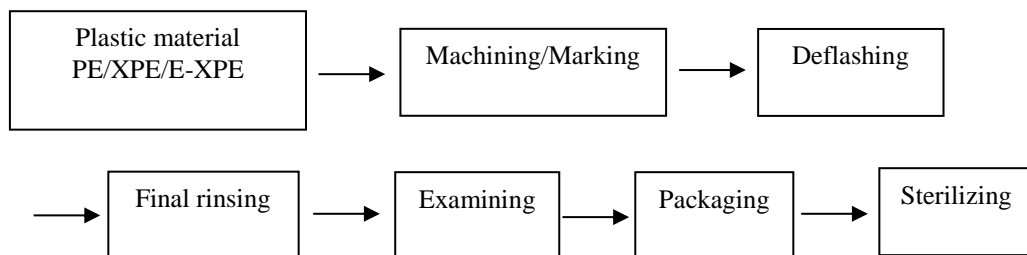
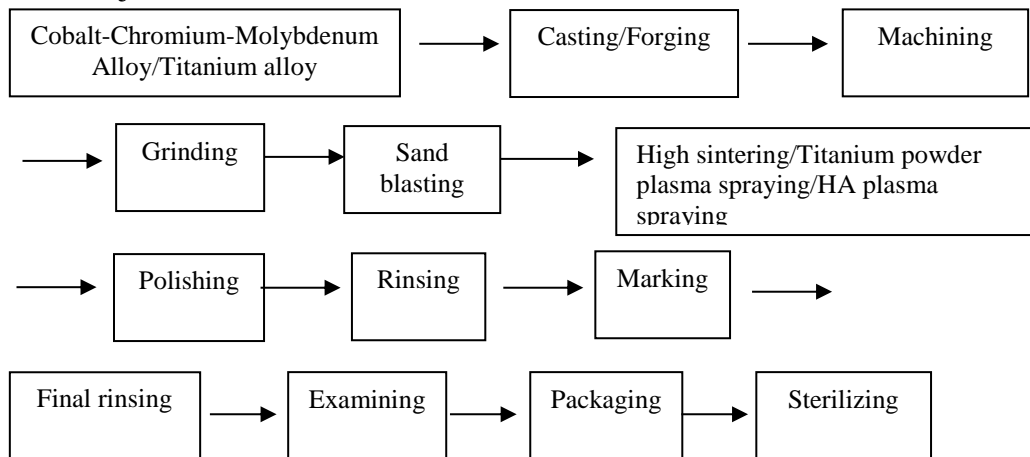
(II) Usage and manufacturing processes for the Company's main products

(1) Major uses of the major products:

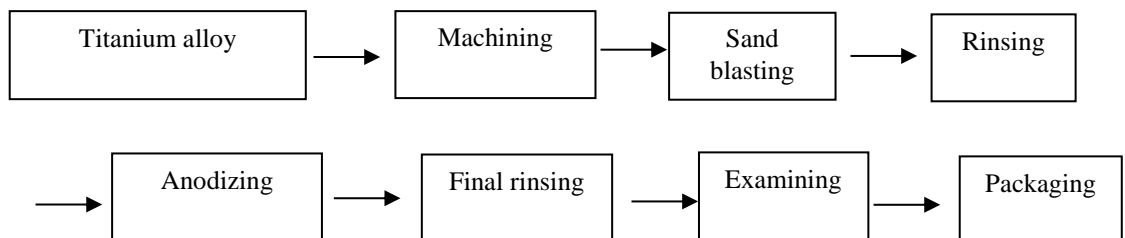
Major products:	Important use
Artificial hip joints	Replace artificial joints for patients suffering from rheumatic or degenerative hip disease
Artificial knee joints	Replace artificial joints for patients suffering from rheumatic or degenerative knee disease
Spinal products	To fix the spine for patients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

(2) The production process of the product:

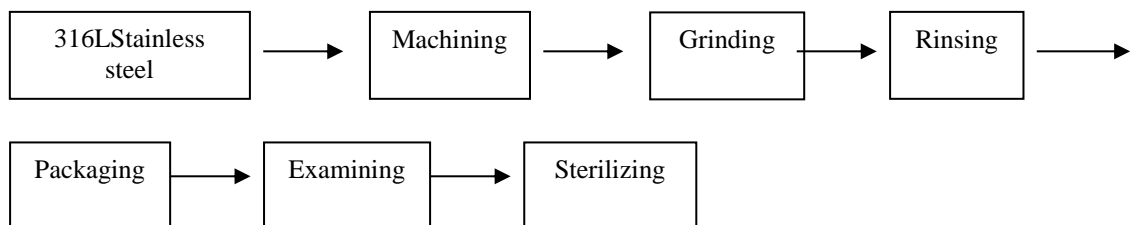
A. Artificial joints



B. Spinal products



C. Injury products



(III)Supply of main raw materials:

Domestic Purchase:

- (1) Titanium alloy bar: Mainly provided by Chung Cheng Co. Ltd and Acnis International & Carpenter Technology

Foreign procurement parts:

- (1) Stainless steel bar: The required stainless steel bar is imported mainly from the United States.

- (2) Titanium alloy bar: The titanium alloy bar is imported mainly from the United States, Italy 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 are mainly imported from the United States.
- (6) Ti / HA powder: Mainly imported from Europe.
- (7) F75 Ingot: The Ingot is mainly imported from the United States.

Main raw materials	Suppliers	Supply situation
Stainless steel bar	Carpenter	Good
Titanium alloy bar	Carpenter, Perryman, Chung Cheng, Acnis International	Good
Cobalt chrome molybdenum bar	Carpenter, Edge	Good
Plastic bar	Quadrant, Orthoplastics	Good
Ti bead	Phelly Materials, Inc.	Good
Ti /HA powder	Ceram Gmbh	Good
F75 Ingot	Cannon-Muskegon	Good

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

(1) Information of major suppliers in the 2 most recent years

Unit: NT\$1,000

	2016				2017				As of March 31, 2018 (Note 2)			
Item	Name	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of net procurement value for the first quarter of the current year (%)	Relationship with the issuer
1	UMC	59,744	19.36	Affiliate company	UMC	84,105	16.26	Affiliate company	UMC	26,730	16.21	Affiliate company
2	CeramTec AG	51,432	16.67	None	CeramTec AG	83,912	16.22	None	CeramTec AG	26,157	15.86	None
3	Hamagawa Industrial	21,328	6.91	None	Hamagawa Industrial	42,368	8.19	None	Carpenter	15,429	9.35	None
	Others	176,048	57.06		Others	306,889	59.33		Others	96,618	58.58	
	Net purchase	308,552	100.00		Net purchase	517,274	100.00		Net purchase	164,934	100.00	

Note 1: The names of suppliers and the purchase amount and of those that purchase more than 10% of the total purchase in the past two years. However, for suppliers whose names are not permitted to be disclosed due to contract or the counterpart is an individual who is not an interested party, a code may be used.

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

Reasons for addition or reduction in purchase: The increase in 2017 purchases is due to the operation growth of the Group. Also, the acquisition of A-Spine Asia's 100% equity increases the scale of consolidated entity and thus boosts the purchase volume of the Group. Therefore, generally speaking, the changes in major purchasing supplier in the past two years are relative and reasonable.

(2) Major trade debtor in the two most recent fiscal years:

Unit: NT\$1,000

	2016				2017				As of March 31, 2018 (Note 2)			
Item	Name	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
1	UMI	276,446	19.98	Affiliate company	UMI	339,520	17.21	Affiliate company	UMI	103,648	17.99	Affiliate company
2	Linkou Chang Gung Memorial Hospital	83,813	6.06	None	Linkou Chang Gung Memorial Hospital	112,536	5.70	None	Implantes Fico Alemana S.A	25,892	4.49	None
3	CPM MEDICAL	83,453	6.03	None	Implantes Fico Alemana S.A	92,820	4.71	None	Linkou Chang Gung Memorial Hospital	21,365	3.71	None
	Others	939,628	67.93		Others	1,427,716	72.38		Others	425,217	73.81	
	Net Sales	1,383,340	100.00		Net Sales	1,972,592	100.00		Net Sales	576,122	100.00	

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: At the date of publication of the annual report, if 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 addition or reduction in sales: As the revenue generated by each operation unit within the Group increases in 2017 and the acquisition of A-Spine Asia's 100% equity increases the scale of consolidated entity, the overall sales of the Group also increases. Therefore, generally speaking, the changes in major customers in the past two years are relatively reasonable.

(V) Production volume over the two past years

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

Year	2016			2017		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Main products						
Artificial joints	240,000pcs	230,260pcs	462,461	300,000pcs	248,105pcs	544,987
OEM products	2,309pcs	2,309pcs	4,923	2,154pcs	2,154pcs	4,963
Total	242,309pcs	232,569pcs	467,384	302,154pcs	250,259pcs	549,950

(VI) Sales volume over the two past years

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

Year	2016				2017			
	Internal sales		External sales		Internal sales		External sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Main products								
Artificial joints	74,912pcs	427,600	233,931pcs	912,399	102,266pcs	502,283	294,873pcs	1,110,298
Spine and injury products	0	207	0	32,798	0	144,096	0	167,603
OEM products	0	0	2,309pcs	6,611	0	0	2,095pcs	5,529
Other products	0	1,611	0	2,114	0	28,698	0	14,085
Total	74,912pcs	429,418	236,240pcs	953,922	102,266pcs	675,077	296,960pcs	1,297,515

III. Number of employees, average year of employment, average age, and the ratio of educational level among the employees who have been serving in the Company for the past two years and as of the date of publication of the annual report

March 31, 2018

Number of employees	Year	2016	2017	As of March 31, 2018
	Business personnel	47	74	76
	Technical personnel	262	342	350
	Administrative personnel	83	117	121
	R&D personnel	132	164	169
	Total	523	697	716
Average age		36.7	36.8	36.8
Average Year of Employment		4.8	4.7	4.8
Educational level distribution	PhD	2%	2%	2%
	Master	15%	15%	16%
	University	57%	57%	57%
	High school	23%	23%	23%
	Under high school	3%	3%	2%

IV. Disbursements for Environmental Protection

Losses caused by environmental pollution (including fines) and the total amount of penalties in the past year, up to the printing of this annual report, as well as future response

measures (including improvement measures) and possible expenditure (including losses incurred by not implementing response measures, penalties, and estimated amount of compensation; if reasonable estimation cannot be made, explain why such an estimation cannot be made.):

The Company has not received any penalties and fines due to pollution for the past year and as of the date of publication of the annual report.

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

V. Labor Relations:

- (I) Various employee benefit plans, continuing education, training, retirement systems, and the state of implementation as well as various employee-employer agreements and measures for maintaining employee rights and interests
 - 1. Implementation of welfare measures:
 - (1) The employees of United Orthopedic Corporation enjoy labor insurance, health insurance, and group insurance.
 - (2) When the Company has a surplus at the end of the year, performance bonuses and employee bonuses will be given for outstanding performance.
 - (3) Distribute employee benefits to establish the Employee welfare committee in accordance with regulations for 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 and so on.
 - (4) Increase the cohesion among the employees. Hold company family day activities and invite the employees, their relatives and friends to participate together.
 - (5) Award seniority awards to senior staff to appreciate their long-term support and contribution.
 - (6) Provide free health examination for employees 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 assigned by the organization, and thus improve the company's core competitive advantage. The training costs of the Company in 2017 were NT\$1.29 million.
 - (2) Training development system:
 - Our training types are currently divided as:
 - ①Professional function introduction training: When new employees and existing employees are appointed in new position, professional function introduction training is given, so the employees may be able to meet the requirements of the function.
 - ②New employee introduction training: Help the new employees get familiar with administration and relevant training in the professional field in a short period of time during probation period.
 - ③Functional training: Provide training for personnel whose functions would have an impact on whether the product meet its requirement, so that they can have the necessary capability.
 - ④Management Training: Courses that improve the management skill of the

managing personnel.

(3) Implementation of educational training:

United Orthopedic Corporation has strengthen the functional skills of the personnel and management skills of the managing personnel over the years to improve their ability. The Company periodically sets up and executes annual training plans to meet the requirement of work objectives, functionality, management, new employment, self-development, and regulations. The statistics for 2017 educational training are as the following:

Hours of internal training	Hours of internal training/person	Hours of external training	Hours of external training/person	Total hours/person
5,986 hours	9.9 hours	3,045 hours	5.0 hours	14.9 hours

3. Retirement policies and actual 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 channel:

- (1) The Company establishes the system of labor meetings in accordance with regulations. The meetings are held quarterly and are conducted in an open and two-way full communication manner.
 - (2) The Company has established employee opinion box in each plant to report on issues at work.
 - (3) A fully functional internal website (Portal): The contents include all important internal messages.
6. Protective measures for the work environment and personal safety of the employees
- (1) United Orthopedic Corporation puts safety as top priority while designing new plants.
 - (2) The Company holds employees' health examination in accordance with "Labor health protection regulations" and arranges educational training in accordance with "Training Rules of Labor Safety and Health Education".
- (3) Other than complying with Labor Safety and Health Act, the company has set up occupational hazard prevention plan, hired full-time health management personnel, conducts environment inspection periodically, and implements automatic inspection guidelines to effectively prevent the occurrence of occupational diseases and occupational hazards. The Company has also produced and posted labor safety and health slogan in the company premises to enable the employees learn safety measures more easily and develop good and correct environmental safety measures and health concepts.

(II) Losses arising as a result of labor disputes in the recent year up and as of the

publication date of this annual report and disclosure of potential current and future losses and countermeasures:

The company has always been operating based on the core values of "integrity, responsibility, innovation, and happiness". The working guidelines have been stipulated in accordance with relevant regulations to promote harmony in labor relationships. Therefore, the company did not suffer from any labor disputes.

VI. Important Contracts:

Supply and marketing contract, technical cooperation contract, project contract, long-term loan contract, and the parties, main contents, terms, and the start date of the material contract that affect the shareholders as of the publication date of the annual report should be listed: None.

Chapter 6 Financial Conditions

I. Condensed balance sheet and consolidated statement of comprehensive income for the most recent 5 years

(I) Condensed balance sheet - IFRS

Unit: NT\$1,000

<div>Year</div> <div>Item</div>		Financial information for the most recent 5 years					As of 3/31/2018 (Note 2)
		2013	2014	2015	2016	2017	
Current assets		976,276	1,094,666	1,862,972	1,503,925	1,991,021	2,183,991
Property, plant and equipment		677,048	764,357	661,865	927,242	1,360,136	1,396,231
Intangible assets		26,997	20,949	15,135	38,329	434,988	432,173
Other assets		55,763	59,335	53,262	486,269	509,266	537,199
Total assets		1,736,084	1,939,307	2,593,234	2,955,765	4,295,411	4,549,594
Current liabilities	Before distribution	448,003	693,494	639,828	843,254	1,319,631	1,543,180
	After distribution	472,989	761,573	754,631	942,808	(Note 1)	(Note 1)
Non-current liabilities		436,876	234,955	180,357	310,965	757,656	738,471
Total liabilities	Before distribution	884,879	928,449	820,185	1,154,219	2,077,287	2,281,651
	After distribution	909,865	996,528	934,988	1,253,773	(Note 1)	(Note 1)
Equity attributable to owners of parent		851,205	1,010,858	1,773,049	1,801,546	2,218,124	2,267,943
Capital		533,700	559,761	717,469	717,469	797,129	797,129
Additional Paid-in Capital		270,849	346,230	912,988	915,406	1,243,611	1,247,892
Reserved Earnings	Before distribution	44,677	95,943	156,049	187,080	216,990	243,625
	After distribution	19,691	27,864	41,246	87,526	(Note 1)	(Note 1)
Other equity		1,979	8,924	-13,457	-46,793	-52,815	-45,772
Treasury stock		0	0	0	0	0	0
Non-controlling equity		0	0	0	28,384	13,209	25,069
Equity Total	Before distribution	851,205	1,010,858	1,773,049	1,801,546	2,218,124	2,267,943
	After distribution	826,219	942,779	1,658,246	1,701,992	(Note 1)	(Note 1)

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

* Companies having embraced IFRS for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of table (2) below.

Note 1: Shareholders' meeting has not been held; hence, the distribution value is not included.

Note 2: Financial information as of 2018 above has been reviewed and verified by accountants, adopting IFRS.

Condensed statement of comprehensive income - IFRS

Unit: NT\$1,000

Item \ Year	Financial information for the most recent 5 years					As of 3/31/2018 (Note 1)
	2013	2014	2015	2016	2017	
Operating Revenue	956,212	1,100,788	1,392,573	1,383,340	1,972,592	576,122
Gross profit	601,831	763,264	985,844	947,652	1,429,624	413,792
Net operating income	20,867	101,480	179,228	159,686	161,936	37,097
Non-operating income and expenses	16,006	7,366	-13,458	-974	3,726	4,917
Net income before tax	36,873	108,846	165,770	158,712	165,662	42,014
Profit for the year from continuing operation Net profit	21,344	81,729	133,807	140,849	110,939	22,709
Loss from suspended operations	0	0	0	0	0	0
Net profit (loss)	21,344	81,729	133,807	140,849	110,939	22,709
Total other comprehensive income for the year (Net income after tax)	10,765	1,467	-3,149	-49,034	-17,224	5,238
Total amount of current comprehensive profit/loss	32,109	83,196	130,658	91,815	93,715	27,947
Profit attributable to: Owners of parent company	21,344	81,729	133,807	146,601	130,264	26,635
Net income attributable to non-controlling interests	0	0	0	-5,752	-19,325	-3,926
Comprehensive income (loss) attributable to owners of parent company	32,109	83,196	130,658	102,816	113,429	31,434
Comprehensive income (loss) attributable to non-controlling interests	0	0	0	-11,001	-19,714	-3,487
Earnings per Share	0.41	1.52	2.30	2.06	1.75	0.34

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

* Companies having embraced IFRS for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of table (2) below.

Note 1: Financial information as of 2018 above has been reviewed and verified by accountants, adopting IFRS.

(II) Condensed balance sheet - IFRS individual financial report

Unit: NT\$1,000

Item \ Year		Financial information for the most recent 5 years				
		2013	2014	2015	2016	2017
Current assets		845,393	1,045,489	1,624,188	1,277,147	1,520,576
Property, plant and equipment		535,377	555,703	611,699	815,043	1,008,602
Intangible assets		26,888	20,888	15,134	32,613	37,583
Other assets		122,885	92,353	108,559	684,615	1,239,084
Total assets		1,530,543	1,714,433	2,359,580	2,809,418	3,805,845
Current liabilities	Before distribution	273,662	488,535	406,175	726,447	949,086
	After distribution	298,648	556,614	520,978	826,001	(Note 1)
Non-current liabilities		405,676	215,040	180,356	309,809	651,844
Total liabilities	Before distribution	679,338	703,575	586,531	1,036,256	1,600,930
	After distribution	704,324	771,654	701,334	1,135,810	(Note 1)
Equity attributable to owners of parent		851,205	1,010,858	1,773,049	1,773,162	2,204,915
Capital		533,700	559,761	717,469	717,469	797,129
Additional Paid-in Capital		270,849	346,230	912,988	915,406	1,243,611
Reserved Earnings	Before distribution	44,677	95,943	156,049	187,080	216,990
	After distribution	19,691	27,864	41,249	87,526	(Note 1)
Other equity		1,979	8,924	-13,457	-46,793	-52,815
Treasury stock		0	0	0	0	0
Non-controlling equity		0	0	0	0	0
Equity Total	Before distribution	851,205	1,010,858	1,773,049	1,773,162	2,204,915
	After distribution	826,219	942,779	1,658,246	1,673,608	(Note 1)

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

* Companies having embraced IFRS for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines.

For details, refer to data of table (2) below.

Note 1: 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

Item \ Year	Financial information for the most recent 5 years				
	2013	2014	2015	2016	2017
Operating Revenue	877,991	961,450	1,129,436	1,352,145	1,581,054
Gross profit	434,786	506,521	633,072	761,299	840,992
Net operating income	55,945	99,912	149,255	176,661	190,185
Non-operating income and expenses	-25,901	10,417	15,766	-13,243	-16,316
Net income before tax	30,044	110,329	165,021	163,418	173,869
Profit for the year from continuing operation Current period net profit	21,344	81,729	133,807	146,601	130,264
Loss from suspended operations	0	0	0	0	0
Net profit (loss) in this period	21,344	81,729	133,807	146,601	130,264
Total other comprehensive income for the year (net income after tax)	10,765	1,467	-3,149	-43,785	-16,835
Total amount of current comprehensive profit/loss	32,109	83,196	130,658	102,816	113,429
Earnings per Share	0.41	1.52	2.30	2.06	1.78

* Companies having produced an individual financial report shall produce individual condensed balance sheet and composite

Income Statement of the most recent five years.

* Companies having adopted IFRS for financial reporting for less than five years shall compile additional financial data based on the financial and accounting guidelines enforced in R.O.C.. For details, refer to data of table (2) below.

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

(III) Condensed balance sheet - consolidated financial report based on ROC GAAP
Unit: NT\$1,000

Year		Financial information for the most recent 5 years (Note 1)				
Item		2013	2014	2015	2016	2017
Current assets		N/A	N/A	N/A	N/A	N/A
Funds and long-term investment						
Fixed assets						
Intangible assets						
Other assets						
Total assets						
Current liabilities	Before distribution					
	After distribution					
Long-term liabilities						
Other liabilities						
Total liabilities	Before distribution					
	After distribution					
Capital						
Additional Capital	Paid-in					
Retained earnings	Before distribution					
	After distribution					
Unrealized gains or losses of financial products						
Accumulated translation adjustments						
Not recognized as retirement pension						
Net loss of costs						
Shareholders' equity	Before distribution					
Total	After distribution					

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

Condensed balance sheet - consolidated financial report based on ROC GAAP

Unit: NT\$1,000

Year	Financial information for the most recent 5 years (Note 1)				
Item	2013	2014	2015	2016	2017
Operating Revenue	N/A	N/A	N/A	N/A	N/A
Gross profit					
Net operating income					
Non-operating income and gains					
Non-operating expenses and losses					
Income from Continuing Operations before Tax					
Income from Continuing Operations after Tax					
Income (loss) from discontinued operations					
Extraordinary gain (loss)					
Cumulative effect of changes in accounting principle					
Profit or loss for the current period					
Earnings per Share					

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

(IV) Condensed balance sheet - ROC GAAP

Unit: NT\$1,000

Year		Financial information for the most recent 5 years (Note 1)				
Item		2013	2014	2015	2016	2017
Current assets		N/A	N/A	N/A	N/A	N/A
Funds and long-term investment						
Fixed assets						
Intangible assets						
Other assets						
Total assets						
Current liabilities	Before distribution					
	After distribution					
Long-term liabilities						
Other liabilities						
Total liabilities	Before distribution					
	After distribution					
Capital						
Additional Capital	Paid-in					
Retained earnings	Before distribution					
	After distribution					
Unrealized gains or losses of financial products						
Accumulated translation adjustments						
Not recognized as retirement pension						
Net loss of costs						
Shareholders' equity	Before distribution					
Total	After distribution					

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

Condensed Statement of Income – Adoption the GAAP of R.O.C.

Unit: NT\$1,000

Year	Financial information for the most recent 5 years (Note 1)				
Item	2013	2014	2015	2016	2017
Operating Revenue	N/A	N/A	N/A	N/A	N/A
Gross profit					
Net operating income					
Non-operating income and gains					
Non-operating expenses and losses					
Income from Continuing Operations before Tax					
Income from Continuing Operations after Tax					
Income (loss) from discontinued operations					
Extraordinary gain (loss)					
Cumulative effect of changes in accounting principle					
Profit or loss for the current period					
Earnings per Share					

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

(III) Name of the CPA for the 5 most recent years and audit opinions

Audit year	Accounting firm	Name of the accountants	Audit opinion
2013	Ernst & Young	Zhang Zhi-Ming, Yang Zhi-Hui	Modified unqualified opinion
2014	Ernst & Young	Zhang Zhi-Ming, Yang Zhi-Hui	Unqualified opinion
2015	Ernst & Young	Zhang Zhi-Ming, Hunag Jian-Ze	Unqualified opinion
2016	Ernst & Young	Zhang Zhi-Ming, Hunag Jian-Ze	Unqualified opinion
2017	Ernst & Young	Zhang Zhi-Ming, Hunag Jian-Ze	Unqualified opinion

II. Financial ratios analysis for the most recent 5 years

(I) Financial analysis - IFRS

Items	Year (Note 1)	Financial analysis of the most recent 5 years					As of 3/31/2018 (Note 2)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to assets ratio	50.96	47.87	31.62	39.05	48.36	50.15
	Long-term capital to property, plant, and equipment ratio	190.24	162.98	295.38	227.82	218.78	215.32
Solvency (%)	Current ratio	217.91	157.84	291.91	178.34	150.87	141.53
	Liquidity ratio	108.19	75.8	210.46	107.45	79.75	74.75
	Interest coverage ratio	4.83	10.28	16.39	29.46	13.51	10.78
Operation performance	Receivables turnover rate (times)	7.11	6.55	7.22	5.69	5.02	4.51
	Average days of collection	51	55	50	64	72	81
	Inventory turnover rate (times)	0.83	0.65	0.78	0.81	0.73	0.67
	Accounts payable turnover rate (times)	6.69	6.08	7.53	7.43	6.09	4.40
	Average days of sale	439	553	467	450	500	545
	Property, plant and equipment turnover rate (times)	1.56	1.52	1.95	1.74	1.72	1.67
	Total assets turnover rate (times)	0.62	0.59	0.61	0.49	0.54	0.52
Profitability	Return on assets (%)	1.92	4.97	6.29	5.24	3.36	2.42
	Return on shareholders' equity (%)	2.90	8.77	9.61	7.88	5.52	4.05
	Profit before tax to paid-up capital ratio (%) (Note 7)	7.58	10.76	9.34	8.81	7.46	7.41
	Net income ratio (%)	2.23	7.42	9.60	10.18	5.62	3.94
	Earnings per share (NT\$)	0.41	1.52	2.30	2.06	1.78	0.34
Cash flow	Cash flow ratio (%)	2.41	13.39	39.60	21.66	1.39	-1.03
	Cash flow adequacy ratio (%)	16.82	22.12	38.75	36.72	24.07	85.43
	Cash re-investment ratio (%)	-0.66	4.26	8.59	2.90	-2.71	-0.54
Leverage	Operating leverage	21.77	5.99	4.57	4.45	6.12	7.84
	Financial leverage	1.85	1.13	1.06	1.03	1.08	1.15

Description of causes for changes to various financial ratios in the 2 most recent years. (analysis would not be required if the change is within 20%)

- (1) Debt to asset ratio: due to increases in plant, machinery and equipment for the phase 3 of the Kaohsiung Plant, short/long-term loans, issuance of corporate bonds, payables for equipment purchase and other consolidated payables generated from merger of A-Spine Asia Co., Ltd.
- (2) Quick ratio: due to increases in the plant, machinery and equipment for the Phase 3 construction of the Kaohsiung Plant, inventories after the merger with A-Spine Asia Co., Ltd., short-term loans and the overall payables after the merger with A-Spine Asia Co., Ltd.
- (3) Interest coverage ratio: due to the increase of current interests, and income tax.
- (4) Return on assets: due to increases in plant, machinery and equipment for Phase 3 of Kaohsiung Plant and combined inventories and goodwill after merging A-Spine Asia Co., Ltd.
- (5) Return on equity: due to the increases in equity and additional paid-in capital from this year's issuance of common stocks for cash.
- (6) Net income ratio: due to the increase in income tax expenses for the current period compared with last year.
- (7) Cash flow ratio: due to the reduction in net cash flow of current business operation over the previous period and the increase in short-term loans and overall payables after the merger of A-Spine Asia Co., Ltd.
- (8) Cash reinvestment rate: due to a decrease in the net cash inflow from operating activities and an increase in real estate, plant and equipment.
- (9) Operating leverage: due to an increase in revenue and the costs for changes in operations.

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

* Companies having embraced IFRS for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of table (2) below.

Note 1: Year of data which was not audited by the accountants shall be remarked.

Note 2: Financial information as of 2018 above has been reviewed and verified by accountants, adopting IFRS.

Individual financial analysis - IFRS

Year (Note 1)		Financial analysis of the most recent 5 years					As of 3/31/2018 (Note 2)	
Items		2013	2014	2015	2016	2017		
Financial structure (%)	Debt to assets ratio	44.38	41.03	24.85	36.88	42.06	N/A	
	Long-term capital to property, plant, and equipment ratio	234.76	220.60	319.34	255.56	283.23		
Solvency (%)	Current ratio	308.91	214.00	399.87	175.80	160.21		
	Liquidity ratio	189.29	137.45	279.14	107.58	93.31		
	Interest coverage ratio	5.07	13.97	24.16	36.77	17.16		
Operational performance	Receivables turnover rate (times)	2.77	2.53	2.67	3.33	3.11		
	Average days of collection	131	144	136	109	117		
	Inventory turnover rate (times)	1.45	1.24	1.15	1.24	1.23		
	Accounts payable turnover rate (times)	6.43	6.82	6.07	7.07	8.76		
	Average days of sale	251	292	315	292	296		
	Property, plant and equipment turnover rate (times)	1.77	1.76	1.93	1.89	1.73		
	Total assets turnover rate (times)	0.64	0.59	0.55	0.52	0.47		
	Profitability	Return on assets (%)	2.00	5.47	6.85	5.81		4.20
Return on shareholders' equity (%)		2.90	8.77	9.61	8.26	6.54		
Profit before tax to paid-up capital ratio (%) (Note 7)		3.52	10.91	9.30	9.21	7.88		
Net income ratio (%)		2.43	8.50	11.84	10.84	8.23		
Earnings per share (NT\$)		0.41	1.52	2.30	2.06	1.78		
Cash flow	Cash flow ratio (%)	34.54	11.98	68.69	21.89	11.96		
	Cash flow adequacy ratio (%)	30.77	32.74	52.93	48.61	44.03		
	Cash re-investment ratio (%)	5.13	2.39	9.96	1.95	0.45		
Leverage	Operating leverage	7.35	4.95	4.16	3.81	4.37		
	Financial leverage	1.15	1.09	1.05	1.02	1.05		
Description of causes for changes to various financial ratios in the 2 most recent years. (analysis would not be required if the change is within 20%)								
<div>(1) Interest coverage ratio: due to the reduction of current interests, and increase in income tax over the previous period.</div> <div>(2) Payables turnover rate: due to an increase in operating costs over the previous period.</div> <div>(3) Return on assets: due to increases in inventory, investment in A-Spine Asia Co., Ltd. and increase in the plant, machinery and equipment for Phase 3 of the Kaohsiung Plant.</div> <div>(4) Return on equity: due to the increases in equity and additional paid-in capital from this year's issuance of common stocks for cash.</div> <div>(5) Net income ratio: due to increases in the interest and income tax expenses over the previous year.</div> <div>(6) Cash flow ratio: due to the reduction of net cash flow of current business operation and the increase of short-term loan over the previous period.</div> <div>(7) Cash reinvestment rate: due to a decrease in the net cash inflow from operating activities and an increase in real estate, plant and equipment and investment in A-Spine Asia Co., Ltd.</div>								

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

* Companies having embraced IFRS for financial reporting for less than five years should compile additional financial data based on the nation's financial and accounting guidelines. For details, refer to data of table (2) below.

Note 1: Year of data which was not audited by the accountants shall be remarked.

Note 2: Financial data as of 2018 above does include individual financial data, as an individual financial report based on IFRS was not produced.

■ 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, factory and equipment ratio = (total equity + non-current liabilities)/net property, factory and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
 - (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
 - (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 = profit and loss after tax/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 flows
 - (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 calculation formula of earning per share above:

1. It should be based on the weighted average number of shares of common stock rather than 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 case of capital increase by surplus or by additional paid-in capital, 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 preferred stock is designated as non-cumulative, the dividend of the preferred stock 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 preferred stocks.
5. Gross value of PP&E shall refer 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 belonging to the owner of the parent company of the asset balance sheet.

(II) Financial analysis - ROC GAAP

Year			Financial data from the last five years									
analysis Item			2013	2014	2015	2016	2017					
Financial structure (%)	Debt to assets ratio		N/A	N/A	N/A	N/A	N/A					
	Long-term fund to fixed assets ratio											
Solvency (%)	Current ratio											
	Liquidity ratio											
	Interest coverage ratio											
Business operation Performance	Receivables turnover rate (times)											
	Average days of collection											
	Inventory turnover rate (times)											
	Payables turnover rate											
	Average days of sale											
	Fixed asset turnover (times)											
	Total assets turnover rate (times)											
Profit Performance	Return on assets (%)											
	Return on shareholders' equity (%)											
	to paid-in capital ratio	Operating Profit										
		Profit before tax										
	Net income ratio (%)											
	Earnings per share (NT\$)											
Cash Flow	Cash flow ratio (%)											
	Cash flow adequacy ratio (%)											
	Cash re-investment ratio (%)											
Leverage	Operating leverage											
	Financial leverage											
Description of causes for changes to various financial ratios in the 2 most recent years. (analysis would not be required if the change is within 20%): N/A												

Consolidated financial analysis - ROC GAAP

Year			Financial data from the last five years				
Analysis Items			2013	2014	2015	2016	2017
Financial structure (%)	Debt to assets ratio		N/A	N/A	N/A	N/A	N/A
	Long-term fund to fixed assets ratio						
Solvency (%)	Current ratio						
	Liquidity ratio						
	Interest coverage ratio						
Business operation Performance	Receivables turnover rate (times)						
	Average days of collection						
	Inventory turnover rate (times)						
	Payables turnover rate						
	Average days of sale						
	Fixed asset turnover (times)						
	Total assets turnover rate (times)						
Profit Performance	Return on assets (%)						
	Return on shareholders' equity (%)						
	to paid-in capital ratio	Operating Profit					
		Pre-tax net profit					
	Net income ratio (%)						
	Earnings per share (NT\$)						
Cash Flow	Cash flow ratio (%)						
	Cash flow adequacy ratio (%)						
	Cash re-investment ratio (%)						
Leverage	Operating leverage						
	Financial leverage						
Description of causes for changes to various financial ratios in the 2 most recent years. (analysis would not be required if the change is within 20%): N/A							

■ Calculation formula for financial analysis as follows:

1. Financial structure
 - (1) Debt-to-asset ratio = total liabilities / total assets.
 - (2) Long-term fund to fixed assets ratio = (net shareholders' equity + long-term debt) / net fixed assets.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
 - (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
 - (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) Fixed assets turnover ratio = net sales / average total assets.
 - (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 shareholders' equity = net income / net average shareholders' equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income - dividend to preferred stock) / weighted average of shares issued. (Note 4)
5. Cash flows
 - (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 reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross fixed assets + 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 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. It should be based on the weighted average number of shares of common stock rather than 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 additional paid-in capital, 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 preferred stock is designated as non-cumulative, the dividend of the preferred stock should be deducted from the net profit after tax if net profit after tax exists; no adjustment is required in case of loss.

Note 4: 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 preferred stocks.
5. Gross fixed assets refer to the total fixed assets before the deduction of accumulated depreciation.

Note 5: 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.

III. Audit Report of the Supervisors or Audit Committee in the Most Recent Fiscal Year

United Orthopedic Corporation

Supervisors Audit Report

The Board of Directors prepared the Corporation's 2017 Operation Report, Consolidated Financial Statements, and Profit Distribution Plan, which were reviewed and considered to be correct and accurate by the supervisors. According to Article 219 of the Company Act, we submit this report.

Regards

2018 Annual Shareholders Meeting

United Orthopedic Corporation

Supervisors: Wang Jin-Xiang

Wong, Chi-Yin

Chen, Li-Ju

M a r c h 2 1 , 2 0 1 8

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

AUDIT REPORT OF THE ACCOUNTANTS

To United Orthopedic Corporation:

Audit opinion

We have audited the consolidated balance sheets of United Orthopedic Corporation and its subsidiaries as of December 31, 2017 and December 31, 2016 and the related consolidated statement of comprehensive income, consolidated statements of changes in equity, consolidated cash flow statements and consolidated financial statements annotations (including major accounting policy summary) for the years ended December 31, 2017 and 2016.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of United Orthopedic Corporation and its subsidiaries as of December 31, 2017 and December 31, 2016, and the consolidated results of their operations and their cash flows for the years ended December 31, 2017 and 2016, in conformity with the requirement of the Regulations of Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for the Audit

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPA will further explain the responsibilities of auditors during the audit of consolidated financial statements on the principles below. The independent accountants of Ernst & Young shall comply with the ethical code of conduct for accountants and remain neutral to United Orthopedic Corporation and its subsidiaries in fulfilling their duties. We believe that the audit evidence obtained is sufficient and appropriate for us to provide a basis for our audit.

Key Audit Items

Key audit items refer to the most critical items in the 2017 consolidated financial statement of United Orthopedic Corporation and its subsidiaries being audited by the accountants when performing their professional judgment. 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

United Orthopedic Corporation and its subsidiaries' net inventories as of December 31, 2017, was NT\$ 906,019,000, accounting for 21% of consolidated assets, which is significant to the consolidated financial statement. Hence, the accountants have determined the inventory valuation as a key audit item. The audit procedure conducted by the accountants included but not limited to following audit procedures: learn and test the management with respect to the effectiveness of internal control established for inventory price drop and idle loss. We visited their warehouse to check the conditions and storage of their inventories. We evaluated the appropriateness of the management's accounting policy on idle and overdue inventories, including the identification of idle and overdue inventories. We randomly picked inventory samples to audit their sales certificates, and run the validation over the inventory valuation. Our accountants have also considered the appropriateness of inventory disclosure identified in note 5 and note 6 of the consolidated financial statement.

Revenue recognition

United Orthopedic Corporation and its subsidiaries' primary products are orthopedic implants - hip/knee replacement, trauma-treatment products and OEM products, and their recognized revenue as of 2017 was NT\$ 1,972,592,000, which is significant to the consolidated financial statement. Hence, the accountants have determined the inventory valuation as a key audit item. The audit procedure conducted by the accountants included but not limited to following audit procedures: learn and evaluate the appropriateness of the accounting policy on the revenue recognition. We learned and tested the management with respect to the effectiveness of internal control established for the sales cycle. We conducted analytical procedures on product types, regions and monthly gross profit ratio. We also conducted analytical procedures on major returns inward and allowance, including the understanding of the reasons behind returns inward and allowance. We run sales cut-off tests before and after the balance sheet as of date. We picked critical clients as samples to run transaction criteria confirmation and validate relevant certificates. Our accountants have also considered the appropriateness of revenue disclosure identified in note 6 of the consolidated financial statement.

Assessment of Impairment of Goodwill

United Orthopedic Corporation and its subsidiaries' net inventories as of December 31, 2017, was NT\$ 292,891,000, accounting for 7% of consolidated assets, which is significant to the consolidated financial statement. Goodwill has been generated from acquisition of A-Spine Asia Co., Ltd. by United Orthopedic Corporation and its subsidiaries for the purpose of expanding business into the domestic and foreign markets of artificial spine products. The goodwill obtained from business merger is subject to a impairment test every year to be carried out by the management. The goodwill impairment test involves significant judgement of the management. The assumption of recoverable amount has a high degree of uncertainty. Therefore, the CPA determines that the impairment assessment of goodwill is a key audit issue. The audit procedure

include, but is not limited to, the following verification procedures: understand the basis used by the management to identify the cash-generating unit and assesses its suitability. The CPA has examined the process and the basis on which the management has made its projections of the growth rate in sales and profit margin of the merged company in future operations. 3. The CPA has adopted the evaluation models and important assumptions (including discount rate etc.). The CPA has also used the data in assumptions made by the management to compare with market and historical data, and checked the calculation to ensure the appropriateness of the management's judgment. The CPA also considered the appropriateness of the disclosures relating to the impairment test of goodwill and durability of intangible assets described in in Note 5 and 6 to the consolidated financial statements.

Responsibilities of the management and the governing bodies for the consolidated financial statement

To ensure that the consolidated financial statements do not contain material misstatements due to fraud or errors, the management is responsible for preparing prudent individual financial statements in accordance with the regulations on the preparation of financial reports by securities issuers and in accordance with IFRS, IAS as recognized and announced by the FSC to be effective, in line with proper explanations, and to prepare and maintain necessary internal control procedures for the consolidated financial statements.

In preparing the Consolidated Financial Statements, the responsibility of management includes the assessment of the sustainability of United Orthopedic Corporation, and its subsidiaries, disclosure of related matters, and the adoption of a consistent accounting basis, unless the management intends to liquidate United Orthopedic Corporation, and its subsidiaries, terminate the business, or no practicable measures other than liquidation or termination of the business can be taken.

The governing units (including audit committee or supervisor) of United Orthopedic Corporation and its subsidiaries shall be responsible for supervising the financial reporting procedures.

Responsibilities of the CPA for auditing the consolidated financial statements

Our objective when auditing the consolidated financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. "Reasonable certainty" refers to a high level of credibility; nevertheless, our audit carried out according to GAAP cannot guarantee that material misstatement will be detected in the consolidated financial statements. There may still be material misstatements due to fraud or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, it will be deemed as material.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. The CPA has also implemented the following procedures:

1. Identifying and evaluating likely risks from significant false contents in the consolidated financial statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risks of material misstatements due to fraud is greater than that due to errors.
2. Obtaining necessary knowledge about the internal control mechanism that is closely related to auditing work and designing the appropriate audit procedure without the intention to express any opinion about the validity of the internal control of United Orthopedic Corporation and its subsidiaries.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly
4. Based on the audit evidence established, concluding on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of United Orthopedic Corporation and its subsidiaries to remain in operation or whether any significant uncertainty existed If the CPA considers that material uncertainty exists in these matters or conditions, the CPA shall remind the users of the consolidated financial statements to pay attention to relevant disclosure in the statements in their audit report, or to revise the audit opinions when such disclosure is inappropriate. Our conclusion is based on the audit evidence obtained as of the date of the audit report. Only future events or situations may lead to loss of operation of United Orthopedic Corporation and its subsidiaries.
5. Evaluating the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events
6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in the group to establish our opinion about the consolidated financial statements The CPA is responsible for the guidance, supervision and implementation of TOP Group's audit, and responsible for forming audit opinions on TOP Group.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with the professional ethics of accountants and communicated with the governing body the facts and issues that may be deemed to have an influence on our independence as accountants as well as other matters (including related protective measures).

In the communications between us and the company's governing body, we have determined the key audit items from 2017 consolidated financial statements of United Orthopedic Corporation and its subsidiaries. Such matters have been explicitly highlighted in the audit report, but do not include information prohibited by law or, in extremely rare cases and with reasonable anticipation, where we decided not to communicate about specific items in the audit report as the negative effects of such disclosure would exceed the benefits gained for public interest.

Others

United Orthopedic Corporation has produced individual financial statements as of 2017 and 2016, and our accountants have issued the audit report with unqualified opinion for reference.

Ernst & Young

Publication of corporate financial statements approved by the authorities

Audit Document No.: (91) Securities and Futures Bureau (6) No. 144183

Financial Supervisory Committee (6) No. 0970038990

Zhang Zhi-Ming

Accountant:

Huang Jian-Ze

March 20, 2018 Taiwan (R.O.C.)

United Orthopedic Corporation and its subsidiaries						
Consolidated balance sheets						
December 31, 2017 and December 31, 2016						
Unit: NTD thousand						
Assets			December 31, 2017		December 31, 2016	
Code	Accounting item	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 & 6.1	\$401,387	9	\$477,926	17
1150	Net notes receivable	4 & 6.5	16,754	-	3,252	-
1170	Net accounts receivable	4, 6.6 and 8	367,437	9	223,814	8
1180	Accounts receivable - related parties (net)	4, 6.6 and 7	106,001	3	68,640	2
1200	Other accounts receivable		15,484	-	8,994	-
1210	Other accounts receivable - related parties	7	106,059	2	107,274	4
1220	Current income tax assets	4	-	-	-	-
130x	Inventory	4 & 6.7	906,019	21	573,626	19
1410	Prepayment		63,644	2	37,159	1
1470	Other current assets		8,236	-	3,240	-
11xx	Total current assets		1,991,021	46	1,503,925	51
	Non-current Assets					
1510	Financial Assets at Fair Value through Profit or Loss - Non-current	4, 6.2 and 6.14	80	-	-	-
1543	Financial assets carried at cost - non-current	4 & 6.3	4,810	-	2,850	-
1546	Investment in debt instrument in inactive market - non-current	4 & 6.4 and 8	6,705	-	6,320	-
1550	Investment using equity method	4 & 6.8	407,565	9	414,657	14
1600	Property, plant and equipment	4, 6.9 & 8	1,360,136	32	927,242	31
1780	Intangible assets	4, 6.10 and 6.11	434,988	10	38,329	1
1840	Deferred income tax assets	4 & 6.24	68,646	2	51,483	2
1900	Other non-current assets		21,460	1	10,959	1
15xx	Total Non-current assets		2,304,390	54	1,451,840	49
1xxx	Total assets		\$4,295,411	100	\$2,955,765	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 its subsidiaries							
Consolidated Balance Sheet (continued)							
December 31, 2017 and December 31, 2016							
Unit: NTD thousand							
Liabilities and EquitiesThe following are the same as the "			December 31, 2017		December 31, 2016		
Code	Accounting item	Note	Amount	%	Amount	%	
	Current liabilitiesThe following are the same as the "						
2100	Short-term loan	4 & 6.12	\$690,048	16	\$395,625	13	
2110	Short-term bills payable	4 & 6.13	-	-	50,000	2	
2150	Notes payable		15,073	-	2,100	-	
2170	Accounts payable		86,181	2	41,596	1	
2180	Accounts payable - related parties	7	19,733	-	13,568	1	
2200	Other accounts payable		370,032	9	249,859	8	
2230	Current income tax liabilities	4 & 6.24	40,019	1	42,724	2	
2300	Other current liabilities		34,066	1	10,677	1	
2322	Long-term loan due within one year or one operating cycle	4 & 6.15	64,479	2	37,105	1	
21xx	Total current liabilities		1,319,631	31	843,254	29	
	Non-current liabilities						
2500	Financial Liabilities at Fair Value through Profit or Loss - Non-current	610		-		-	
2530	Corporate bonds payable	614	385,713	9	-	-	
2540	Long-term loans	4 & 6.15	228,500	5	155,977	5	
2570	Deferred income tax liabilities	4 & 6.24	19,488	1	-	-	
2600	Other non-current liabilities		1,834	-	1,766	-	
2630	Long-term deferred income	68	105,265	2	130,739	4	
2640	Net defined benefit liability - non-current	4 & 6.16	16,856	-	22,483	1	
25xx	Total non-current liabilities		757,656	17	310,965	10	
2xxx	Total Liabilities		2,077,287	48	1,154,219	39	
31xx	Equity attributable to owners of parent company	4 & 6.17					
3100	Capital						
3110	Capital - common stock		797,129	19	717,469	24	
	Total capital		797,129	19	717,469	24	
3200	Capital surplus		1,243,611	29	915,406	31	
3300	Retained earnings						
3310	Statutory surplus reserve		55,906	1	41,246	1	
3320	Special surplus reserve		31,620	1	-	-	
3350	Undistributed earnings		129,464	3	145,834	5	
	Total retained earnings		216,990	5	187,080	6	
3400	Other equity						
3410	Difference on translation of financial statements of foreign operations		(47,655)	(1)	(31,620)	(1)	
3491	Employee's unearned remuneration	4 & 6.18	(5,160)	-	(15,173)	-	
	Total other equity		(52,815)	(1)	(46,793)	(1)	
32xx	Non-controlling equity		13,209	-	28,384	1	
3xxx	Total Equity		2,218,124	52	1,801,546	61	
	Total liabilities and equities		\$4,295,411	100	\$2,955,765	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 its subsidiaries						
Consolidated Comprehensive Income Statement						
January 1 to December 31 of 2017 and 2016						
					Unit: NTD thousand	
			2017		2016	
Code	Notes		Amount	%	Amount	%
4000	Operating Revenue	4 & 6.19	\$1,972,592	100	\$1,383,340	100
5000	Operating costs	67	542,968	28	435,688	31
5900	Gross profit		1,429,624	72	947,652	69
5920	Realized (Unrealized) profits from sales		(7,193)	-	31,816	2
5950	Net gross profit		1,422,431	72	979,468	71
6000	Operating expenses					
6100	Marketing Expense		841,682	43	511,678	37
6200	Administrative Expense		220,079	11	146,873	11
6300	R&D Expenses		198,734	10	161,231	12
	Total operating expenses		1,260,495	64	819,782	60
6900	Operating Profit		161,936	8	159,686	11
7000	Non-operating income and expenses	4 & 6.22				
7010	Other income		40,514	2	40,977	3
7020	Other profit and loss		(28,629)	(1)	(23,169)	(2)
7050	Financial cost		(13,242)	(1)	(5,575)	-
7770	Recognized share of the loss of the affiliated enterprises and joint ventures	4 & 6.8	5,083	-	(13,207)	(1)
	Total non-operating income and expenses		3,726	-	(974)	-
7900	Net income before tax		165,662	8	158,712	11
7950	Income tax expenses	4 & 6.24	(54,723)	(3)	(17,863)	(1)
8200	Current period net profit		110,939	5	140,849	10
8300	Other comprehensive gain or loss	4 & 6.23				
8310	Items that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		(800)	-	(767)	-
8349	And income taxes relating to profit/loss items not to be reclassified		-	-	-	-
8360	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operations		(11,442)	(1)	(47,971)	(3)
8365	and directly related equity of non-current assets held for sale		-	-	(4,616)	-
8370	Recognized share of other comprehensive profit and loss of associated companies and joint venture under equity method- Items that may be reclassified to profit or loss .	4 & 6.8	(4,982)	-	-	-
8399	Income tax relating to items that may be reassigned to profits and losses		-	-	4,320	-
	Current comprehensive income or loss (net value after tax)		(17,224)	(1)	(49,034)	(3)
8500	Total amount of current comprehensive profit/loss		\$93,715	4	\$91,815	7
8600	Profit attributable to:					
8610	Owners of parent company		\$130,264		\$146,601	
8620	Non-controlling equity		(19,325)		(5,752)	
	Total		\$110,939		\$140,849	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		\$113,429		\$102,816	
8720	Non-controlling equity		(19,714)		(11,001)	
	Total		\$93,715		\$91,815	
	Earnings per share (NT\$)	4 & 6.25				
9750	Basic earnings per share		\$1.78		\$2.06	
9850	Diluted earnings per share		\$1.75		\$2.05	
(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 its subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31 of 2017 and 2016

Code	Item	Equity attributable to owners of parent company									Equity attributable to owners of parent company	Non-controlling equity	Total equity
		Capital	Bonds exchanging for stock rights certificate	Capital reserve	Retained earnings			Other Equity					
					Statutory Surplus reserve	Special Surplus reserve	Undistributed earnings	Exchange differences on translation of financial statements of foreign	Available For sale/Non-current Assets/Other related equity	Employee share-based compensation			
		3100	3130	3200	3330	3320	3350	3410	3470	3491	31XX	36XX	30XX
A1	Balance on January 1, 2016	\$712,049	\$5,420	\$912,988	\$27,865	\$-	\$128,184	\$7,567	\$3,831	\$24,835	\$1,773,049	\$-	\$1,773,049
	2015 earnings distribution												
B1	Appropriate statutory surplus reserve	-	-	-	13,381	-	(13,381)	-	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(114,803)	-	-	-	(114,803)	-	(114,803)
D1	Net Profit in 2016	-	-	-	-	-	146,601	-	-	-	146,601	(5,752)	140,849
D5	Other comprehensive profit/loss in 2016	-	-	-	-	-	(767)	(36,187)	(3,831)	-	(43,785)	(5,249)	(49,034)
D5	Total amount of current comprehensive profit/loss	-	-	-	-	-	145,834	(36,187)	(3,831)	-	102,816	(11,001)	91,815
E3	Certificate of Entitlement to New Shares from Convertible Bond Conversion	5,420	(5,420)	-	-	-	-	-	-	-	-	-	-
M7	Changes in equity of ownership of subsidiaries	-	-	2,418	-	-	-	-	-	-	2,418	-	2,418
N2	Share-based payment transaction - restricted employee entitlement to new shares	-	-	-	-	-	-	-	-	9,682	9,682	-	9,682
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	39,385	39,385
Z1	Balance on December 31, 2016	\$717,469	\$-	\$915,406	\$41,246	\$-	\$145,834	\$(31,620)	\$-	\$(15,173)	\$1,773,162	\$28,384	\$1,801,546
A1	Balance on January 1, 2017	\$717,469	\$-	\$915,406	\$41,246	\$-	\$145,834	\$(31,620)	\$-	\$(15,173)	\$1,773,162	\$28,384	\$1,801,546
	2016 earnings distribution												
B1	Appropriate statutory surplus reserve	-	-	-	14,660	-	(14,660)	-	-	-	-	-	-
B3	Appropriated as special surplus reserve	-	-	-	-	31,620	(31,620)	-	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(99,554)	-	-	-	(99,554)	-	(99,554)
C5	Composition of equity recognized due to convertible bond issuance generated by stock option	-	-	16,600	-	-	-	-	-	-	16,600	-	16,600
D1	2017 net profit	-	-	-	-	-	130,264	-	-	-	130,264	(19,325)	110,939
D5	Other comprehensive profit/loss in 2017	-	-	-	-	-	(800)	(16,035)	-	-	(16,835)	(289)	(17,224)
D5	Total amount of current comprehensive profit/loss	-	-	-	-	-	129,464	(16,035)	-	-	113,429	(19,714)	93,715
E3	Capital increase	80,000	-	304,000	-	-	-	-	-	-	384,000	-	384,000
M7	Changes in equity of ownership of subsidiaries	-	-	(4,539)	-	-	-	-	-	-	(4,539)	4,539	-
N1	Share-based payment transaction - employee stock option	-	-	13,555	-	-	-	-	-	-	13,555	-	13,555
N2	Share-based payment transaction - restricted employee entitlement to new shares	(340)	-	(1,411)	-	-	-	-	-	10,013	8,262	-	8,262
Z1	Balance on December 31, 2017	\$797,129	\$-	\$1,243,611	\$55,906	\$31,620	\$129,464	\$(47,655)	\$-	\$5,160	\$2,204,915	\$13,209	\$2,218,124

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

Manager:
an: Lin

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Manager:
Manager: Deng

United Orthopedic Corporation and its subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31 of 2017 and 2016

Unit: NTD thousand

Code	Item	2017	2016	Code	Item	2017	2016
		Amount	Amount			Amount	Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investment activities		
A10000	Current net profit before tax	\$165,662	\$158,712	B00600	Investment in debt instrument in inactive market	(385)	(235)
A20000	Adjustment items:			B01200	Financial assets acquired at cost	(1,460)	-
A20010	Income/expense items that do not affect cash flow:			B01800	Acquisition of the investment using equity method	-	(337,677)
A20100	Depreciation expense	135,464	97,273	B02200	Acquisition of subsidiaries (less the cash received)	(526,883)	-
A20200	Amortization expense	14,928	6,271	B02300	Disposal of subsidiaries	-	17,697
A20300	Bad debts recorded	698	9,591	B02700	Acquisition of property, plant and equipment	(571,092)	(364,697)
A20400	Gains on financial assets at fair value through profit and loss	(40)	-	B02800	Disposal of property, plant, and equipment	15	11
A20900	Interest Expense	13,242	5,575	B03700	Increases in refundable deposits	(5,414)	(1,380)
A21200	Interest Income	(2,426)	(3,867)	B04500	Intangible assets acquired	(13,342)	(29,832)
A21900	Share-based payment remuneration cost	21,817	9,682	B04600	Disposal of intangible assets	4,049	-
A22300	Recognized share of the loss of the affiliated enterprises and joint ventures using equity method	(5,083)	13,207	B06800	Decrease in other non-current assets	-	(9,179)
A22500	Loss on disposal of property, plant and equipment	458	301	BBBB	Net cash outflow from investing activities	(1,114,512)	(725,292)
A22800	Gain on disposal of intangible assets	(724)	-				
A23100	Gain on disposal of investments	-	(7,335)	CCCC	Cash from financing activities		
A24000	Gain on realized sales	7,193	(31,816)	C00100	Increases in short-term loans	294,423	322,786
A29900	Other income	(25,474)	(19,105)	C00500	Increases in short-term notes and bills payable	-	50,000
A30000	Changes in assets and liabilities related to operating activities			C00600	Increases in short-term notes and bills payable	(50,000)	-
A31130	Increases in notes receivable	(13,502)	(2,594)	C01200	corporate bond issuance	400,000	-
A31150	Increases in accounts receivable	(67,223)	(43,750)	C01600	Long-term loans borrowed	99,897	7,478
A31160	(Increase) decrease in accounts receivable - related parties	(37,361)	111,154	C03100	Decrease in guarantee deposits	(1,612)	-
A31180	Increases in other payables	(6,434)	(4,617)	C04300	Other noncurrent liabilities	1,680	-
A31190	Decrease (increase) in other receivables - related parties	1,215	(3)	C04500	Cash dividend payout	(99,554)	(114,803)
A31200	Increases in inventories	(215,510)	(81,853)	C04600	Capital Increase	384,000	-
A31220	Increase in prepayment	(1,459)	(7,707)	C05600	Interest Paid	(10,808)	(5,312)
A31240	Increase in other current assets	(4,228)	(2,564)	C05800	Changes in non-controlling equity	-	39,385
A32130	Increase (decrease) in notes payable	7,928	(1,640)	CCCC	Net cash inflow from financing activities	1,018,026	299,534
A32150	Increase (decrease) in accounts payable	38,411	(14,663)				
A32160	(Increase) decrease in accounts payables - related parties	6,165	(30,940)	DDDD	Impacts on cash and cash equivalents from changes in exchange rates	(1,688)	(10,455)
A32180	Increases in other payables	54,444	52,151	EEEE	Decrease in current cash and cash equivalents	(76,539)	(253,511)
A32230	Increase in other non-current liabilities	7,295	5,192	E00100	Balance of Cash and Cash Equivalents, Beginning of Year	477,926	731,437
A32240	Decreases in net defined benefit liability	(6,427)	(5,689)	E00200	Balance of Cash and Cash Equivalents, End of Year	\$401,387	\$477,926
A33000	Cash inflow generated by operation	89,029	210,966				
A33100	Interest income received	2,460	3,775				
A33500	Income Tax Paid	(69,854)	(32,039)				
AAAA	Net cash inflow from operating activities	21,635	182,702				

(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 its subsidiaries
Combined financial statement note
January 1 to December 31, 2017
January 1 to December 31, 2016
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

I. Company Profile

United Orthopedic Corporation ("the Corporation") was established on March 5, 1993. The primary operations include research, development, production, manufacturing, and sales of orthopedic implants and orthopedic surgical instruments; manufacturing equipment, special metal and plastics material, as well as import/export businesses for beforementioned products.

The Corporation's common shares were publicly listed in Taipei Exchange (TPEX) on July 5, 2004, and began transactions on September 29, 2005. Its registered office and the main operations base is located in No.57, Yuanqu 2nd Rd., East Dist., Hsinchu City, Taiwan (R.O.C.).

II. Approval date and procedures of the financial statements

The consolidated financial statements of the Corporation and its subsidiaries ("the Group") for 2017 and 2016 were authorized for issue by the Board of Directors on March 20, 2018.

III. Adoption of New and Amended Standards and Interpretations

1. Changes in accounting policies arising from first-time adoption of the International Financial Reporting Standards (IFRS):

The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Committee Interpretations (IFRIC) or Interpretations of the Standing Interpretations Committee (SIC) that have been approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) for the fiscal year beginning after January 1, 2017. Except for the following new standards and interpretations for the nature of the amendments and their impacts, the remaining initial applications have no significant impact on the Group:

IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The

amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

2. New promulgation, revised or amended standards and interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

- (1) IFRS 15: Revenue from Contracts with Customers

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Companies adopting the core principle to recognize revenue shall

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In addition, this amendment also includes an integrated set of standards for disclosure, which will mandate enterprises to provide users of the financial reports consolidated information relating to customer contract, including the nature of income and cash flow, amount, time and uncertainties. The new standard is effective for annual periods beginning on or after 1 January 2018.

- (2) IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018. Furthermore, this standard is adopted along with all relevant amendments regarding disclosure.

(3) 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 Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

In addition, the effective date of this amendment has been determined, however, an advanced adoption is still applicable.

(4) IAS 12 Recognition of deferred tax assets for unrealised losses (Amendment)

The amendment clarifies the recognition methods of deferred tax assets derived from unrealized losses.

The amendment is effective for annual periods beginning on or after 1 January 2017.

(5) Disclosure initiative (amendment to IAS 7 "Statement of Cash Flows")

The amendments refer to the increased reconciliation information at the beginning and end of the period with respect to the fundraising activities relating to liabilities.

The amendment is effective for annual periods beginning on or after 1 January 2017.

(6) Interpretations of IFRS 15 Revenue from Contracts with Customers

The amendment mainly clarifies on how to identify contractual obligations, how to determine a company as a principal or an agent, and how to determine authorized income to be recognized in a specific point of time or be progressively recognized. The amendment is effective for annual periods beginning on or after 1 January 2018.

(7) Amendment to IFRS 2 "Share-based Payment"

This amendment includes: (1) determine the fair value of the stock based payment of the estimated cash delivery on a daily basis, not to take into account the acquired conditions other than market conditions. On the contrary, the acquired conditions other than market conditions shall be considered by adjusting the amount of reward to the balance of liabilities arising from the exchange. (2) Clarify if the tax laws and regulations require the enterprise to be obligated to pay for the share based payment of the employee's tax deductions and transfer the amount to the taxation authority, and in order to fulfill this obligation, the terms of the stock based payment agreement may allow or prescribe a number of equity instruments in the total amount of the enterprise's equity tool to withhold the equivalent of the employee's tax obligation. If such transactions do not have the aforementioned net settlement characteristics, they will be classified as stock-based payment equity settlement transactions, and the transaction as a whole shall be classified as equity-settled share-based payment transactions. And (3) if, after clarification, the terms and conditions of the share-based payments for cash settlement have been modified to make it a share-based payment transaction for equity settlement, the stock-based payment transactions for equity settlement shall be processed based on the fair value of the given equity instruments on the date of modification, recognized as equity based on the portion of goods or services received on the date of modification, and delisted from liability of stock-based payment transaction of cash settlement on the date of modification. The differential between the carrying amount of liability and the recognized equity as of the modification date shall be recognized as profit or loss immediately.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(8) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendment helps resolve the issue arising from the difference between IFRS 9

"Financial Instruments" effective date (January 1, 2018) and the new insurance contract standard effective date (later than 2020) to be published by IASB. The amendment allows an enterprise to lower specific impacts when issuing the insurance contract within the application scope of IFRS 4 before IFRS 9 "Financial Instruments" and the new insurance contract standard takes effect. The amendment proposed two approaches, (i) overlay approach and (ii) deferral approach. The overlay approach enables entities to eliminate the accounting impacts of profit or loss when applying IFRS 9 prior to the effective date of new insurance contract standards. The deferral approach enables qualified entities to select deferral IFRS 9 before 2021 (i.e. applying IAS 39 before new insurance contract standards take effect).

(9) Transfers of Investment Property (Amendments to IAS 40 Investment Property)

This amendment added regulations relevant to transfer of investment in real estate and clarifies that when the real estate meets or no longer meets the definition of real estate investment and there is evidence showing that the use of such assets has changed, the enterprise shall transfer the real property to investment or

remove the property from an real estate investment . However, the management's sole intention to change the use of the real property does not provide evidence of change in usage.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(10) IFRS Annual Improvements 2014-2016

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment revised and added transitional provisions for partial standards revision, and removed Appendix E to IFRS 1 short-term exemptions for first-time adopters.

The amendment is effective for annual periods beginning on or after 1 January 2018.

IFRS 12: Disclosure of Interests in Other Entities

The amendment clarified that the disclosures required in IFRS 12 (with the exception of B10-B16) also apply to interests held for sale and discontinued operations in accordance with IFRS 5.

The amendment is effective for annual periods beginning on or after 1 January 2017.

IAS 28 - Investments in Associates and Joint Ventures

The amendment clarified that when the investment in the associate or joint venture is held by, or is held indirectly through, venture capital organizations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds. Those investments in associates and joint ventures may be measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. In addition, if the enterprise is not an investment entity, and it owns equities of the associate or joint venture, when the enterprise applies the equity method to the associate or joint venture, it should select the fair value measurement applied to maintain the associate or joint venture' equity to its subsidiary, by each associate or joint venture.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(11) IFRIC 22: Foreign Currency Transactions and Advance Payment Consideration.

This interpretation provides that when adopting paragraph 21 and 22 of IFRIC 21 regarding the impact of exchange rate changes, in order to determine the exchange rate used originally for recognition of the related assets, loss or gain (or part thereof), the transaction date shall be recognized as the date on which the non-monetary asset or non-monetary liability arising from the payment or advance (payment) was paid or collected. If there are multiple advance payments or collections, the company shall decide on the transaction date of each advanced payment or collection.

The interpretation is effective for annual periods beginning on or after 1 January 2018.

The above are new issues, amendments and corrections or interpretations released by the International Accounting Standards Board, approved by the FSC, and is applicable to the fiscal year beginning from January 1, 2018. The Group assessed the impact of the above (1), (2), (5) and (6), as stated below, and deemed that other new issues, amendments or interpretations has no significant impact on the Group:

Interpretations of IFRS 15 Revenue from Contracts with Customers (including interpretations of IFRS 15 Revenue from Contracts with Customers)

The Group has chosen to recognize the cumulative impact of initial application of this standard on the first day of issuance (i.e. January 1, 2018) and decided to implement this standard retroactively to the contracts which have not yet been finalized by the day of first-time adoption.

The Groups's revenue from contracts with customers mainly came from sales of goods. The impact of IFRS 15 on the recognition of the Group's revenue is described as follows:

- A. The Group's current product sales transactions are recognized as income at the time of delivery. At the date of issuance of IFRS 15, the above-mentioned income is recognized when the Group fulfills the obligation by transferring the promised goods to the customer. This change does not have any impact on the recognition of income from the goods sold.
- B. Disclosure by additional notes is required under IFRS 15.

IFRS 9: Financial Instruments

In accordance with IFRS 9, the Group chose not to amend the comparison period on the day of first-time adoption (January 1, 2018). The impact of adopting IFRS 9 is described below:

A. Classification and Measurement of Financial Assets

a. Available-for-sale financial assets - equity investment

Such investment will be assessed on the basis of the facts and circumstances existing on the day of first-time adoption, and the investment options are designated as financial assets at fair value through other comprehensive gains and losses as they are not investments held for trading. The amount of financial assets that were provided for sale on the day of first-time adoption to the financial assets by the fair value of the other comprehensive gains and losses is NTD 4,810 thousand. Other relevant information is described below.

- (a) Under the current IAS 39, a loss of NTD 4,810 thousand of unlisted stocks of the Company valued at cost has not been recognized. However, under IFRS 9, recognition of the loss is not required, but the amount shall be assessed at fair value. The Group assessed its fair value at NTD 2,493 thousand dollars, and therefore adjusted the amount of the book value of the financial assets valued through other comprehensive gains and losses at fair value to NTD 2,317 thousand.
- (b) No differences in book value has been generated in the Company's listed stocks measured at fair value. Therefore, the stocks were reclassified to the accounts of other equity through other comprehensive income and loss measured at fair value on the day of first-time adoption.

b. Assessment of financial asset impairment

This is for financial assets not measured as profit or losses by fair value. According to IFRS 9, impairment of liabilities are assessed by Expected Credit Loss Model. And credit loss is assessed through the receivables or contract assets incurred from transactions within the scope of IFRS 15 by simplified approach (including preparation matrix). The above-mentioned assessment of impairment is different from the model used to assess currently realized losses and therefore there is no major impact on the Group.

B. Others

Additional disclosure information is required due to adoption of IFRS 9 and the revision of the disclosure requirements of IFRS 7, including the disclosure requirements for first-time adoption of IFRS 9.

Disclosure initiative (amendment to IAS 7 Statement of Cash Flows)

The amendments refer to the increased reconciliation information at the beginning and end of the period with respect to the fundraising activities relating to liabilities.

3. Standards, amendments or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

- (1) IFRS 16 Leases

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for most leases in the balance sheets. Moreover, lessors continue to classify leases as operating or finance.

The standard is effective for annual periods beginning on or after 1 January 2019.

- (2) IFRIC Interpretations 23: Uncertainty over Income Tax Treatments

This interpretation describes how to recognize and measure adopting IFRS 12 income tax when income tax treatment is uncertain.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

- (3) IFRS 17 Insurance Contracts

This standard provides a comprehensive model for insurance contracts, including all accounting-related parts (principles of recognition, measurement, expression and

disclosure). The core of the standard is the general model. Under this model, the original recognition measures the insurance contract group based on the total margins of cash flow performance and contractual services. The performance cash flows include:

- A. Estimated future cash flow
- B. Discount rate: an adjustment that reflects the time value of money and the financial risks associated with future cash flows (within financial risks not included in the estimated value of future cash flows); and
- C. Risk adjustment for non-financial risks

The book amount of the insurance contract group at the end of each reporting period is the sum of the remaining secured liabilities and realized claims liabilities. In addition to the general model, the following are also provided:

- A. Specific applicable methods with contracts characterized by direct participation (variable fee method)
- B. Simplified short-term contract method (premium allocation approach)

IFRS 14 is effective for annual periods beginning on or after 1 January 2021.

(4) IAS 28 - Investments in Associates and Joint Ventures

This amendment clarifies the long-term interest of an enterprise in a part of the net investment in an affiliate or joint venture and shall apply IFRS 9 prior to IAS 28, and when applying IFRS 9, any adjustments arising from application of IAS 28 shall not be considered.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

(5) Prepayment characteristics with negative compensation (Amendment to IFRS 9)

This amendment allows financial assets with early repayment characteristics (allowing one party to the contract to pay or receive a reasonable compensation for early termination of the contract) to be measured as amortized cost or at fair value through other comprehensive profit and loss.

The amendment is effective for annual periods beginning on or after 1 January 2019.

(6) Improvements to International Financial Reporting Standards (2015-2017)

IFRS 3 Business Combinations

This amendment clarifies that an enterprise with joint control of a joint operation shall measure its previous interest in the joint operation when acquiring control of the business.

The amendment is effective for annual periods beginning on or after 1 January 2019.

IFRS 11: Joint Arrangements

This amendment clarifies that when a company that participates in a joint operation but does not have joint control has a joint control over the company should no longer measure the previously held interest in the combined operation when acquired joint control of the business.

The amendment is effective for annual periods beginning on or after 1 January 2019.

IAS 12 Income Tax

This amendment clarifies that entities shall recognize the income tax consequences of dividends in the current profit or loss, other comprehensive profit or loss, or equity based on its original recognition of past transactions or events.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

IAS 23 Borrowing Costs

This amendment clarifies that an entity should treat the borrowing directly attributable to the acquisition of an asset as a general borrowing when it is available for its intended use or sale.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

(7) Plan amendment, curtailment or settlement (IAS 19, 1998 superseded)

This amendment clarifies that when a change in a defined benefit plan (such as amendment, curtailment or settlements) occurs, the entity shall use the updated assumptions to reassess the net defined benefit liabilities or assets.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

Aforementioned are standards or interpretations which have been published by IASB, but not yet acknowledged by the FSC. The actual applying date should follow the FSC regulations. The Group currently is evaluating the potential impacts of newly published or amended standards, or interpretations as per point (1)~(2), and is unable to reasonably estimate the impacts of the beforementioned standards or interpretations, other than these,

the rest of newly published or amended standards, or interpretations pose no significant impacts on the Group.

IV. Significant Accounting Policies

1. Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and TIFRS as endorsed by the FSC.

2. Basis of preparation

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 (“NTD”) unless otherwise stated.

3. Basis of consolidation

Preparation principle of consolidated financial statements

When the company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. Especially when the company only owns the following three controlling elements, the investees are under the company control:

- (1) The authority over the investees (i.e. being able to grant the ability to dominate the existing rights of activities)
- (2) the risk exposure and rights of varied remunerations participated by the investees, and
- (3) using the authority over the investees to affect their ability of remuneration amounts.

When the company directly or indirectly owns the voting rights or similar rights fewer than the investees, the company considers relevant facts and conditions to evaluate whether the authority over the investees is still valid, including:

- (1) Contract agreements with the holders of other voting rights of the investees
- (2) Rights granted from other contract agreements
- (3) Voting rights and potential voting rights

When the facts and conditions reveal that one or multiple of the three controlling elements have changed, the company shall reevaluate whether the investees are still under the

company's control.

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 prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change 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 even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (1) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (2) derecognizes the carrying amount of any non-controlling interest;
- (3) recognizes the fair value of the consideration received;
- (4) recognizes the fair value of any investment retained;
- (5) 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:

Investment company name	Subsidiary name	Main Business	Percentage of ownership		Remark
			Dec. 31, 2017	Dec. 31, 2016	
The Corporation	United Medical (BVI) Corporation	Sales and investment	100.00%	100.00%	
The Corporation	UOC America Holding Corporation	Sales and investment	100.00%	100.00%	
The Corporation	UOC Europe Holding SA	Sales and investment	88.00%	75.00%	Note 1
The Corporation	United Biomech Japan	Sales	59.00%	51.00%	Note 2
The Corporation	A-Spine Asia Co., Ltd.	Sales, investment and manufacturing	100.00%	-	Note 5
United Medical (BVI) Corporation	Lemax Co., Ltd.	Investments	100.00%	100.00%	
UOC America Holding Corporation	UOC USA, Inc.	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC (Suisse) SA	Sales	100.00%	100.00%	Note 3
UOC Europe Holding SA	UOC (France)	Sales	100.00%	100.00%	Note 4
A-Spine Asia Co., Ltd.	Pauline Medical.Co.,Ltd	Sales	100.00%	100.00%	

Note 1: In Q2 2016, the Group invested in UOC Europe Holding SA. By the end of December 31, 2017, the aggregated remittance for investment has reached CHF 3,750 thousand (NTD 121,089 thousand).

Note 2: In Q3 2016, the Group invested in United Biomech Japan. By the end of December 31, 2017, the aggregated remittance for investment has reached JPY 106,500 thousand (NTD 32,047 thousand).

Note 3: In Q3 2016, the Group invested in UOC (Suisse) SA through UOC Europe Holding SA. By the end of December 31, 2017, the aggregated remittance for investment has reached CHF 1,200 thousand (NTD 39,309 thousand).

Note 4: In Q3 2016, the Group invested UOC (France) through UOC Europe Holding SA. By the end of December 31, 2017, the aggregated remittance for investment has reached EUR 2,606 thousand (NTD 94,884 thousand).

Note 3: The Group invested in A-Spine Asia Co., Ltd. in Q1 2017. As of December 31, 2017, the aggregated remittance for investment has reached NTD 613,440 thousand.

4. Foreign currency transactions

The functional currency of the Group's consolidated financial statements is NTD. Each entity in the Group shall determine its functional currency, and use it to measure its financial statements.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to 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 items within the scope of IAS 39 Financial Instruments: Recognition and Measurement 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 financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as partial disposals: the loss of control over a subsidiary of a foreign operation, associated enterprises of a foreign operation, or as disposals: reserved equities from a joint agreement including the financial assets of a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Current and non-current distinction

An asset is classified as current when any of following scenarios apply, and all other assets are classified as non-current:

- (1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (2) The Group holds the asset primarily for the purpose of trading.
- (3) The Group 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 any of following scenarios apply, and all other

liabilities are classified as non-current:

- (1) The Group expects to settle the liability in its normal operating cycle.
- (2) The Group 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 Group 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 (include fixed-term deposits that have matures of 12-month from the date of acquisition).

8. Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; 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 asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss 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, financial 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 information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Financial assets available for sale

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- A. significant financial difficulty of the issuer or obligor; or
- B. a breach of contract, such as a default or delinquency in interest or principal payments; or
- C. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- D. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group

of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the 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.

(2) Financial liabilities and equity

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 that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Hybrid instruments

The convertible bonds issued by the Group are confirmed with the financial liabilities and equity composition elements in accordance with the contract clauses. With respect to the issued convertible bonds, prior to the differentiation of equity elements, it is required to evaluate whether the embedded buy/sell right economic characteristics and risks are closely related to the primary debt products.

Regarding the liability which is not involved in derivatives, the fair value should be measured by the market interest rate evaluation with the equivalent features and non-convertible bonds. Upon the conversion or before redemption and clarification, the partial amount is classified as the amortized financial liability measured at cost. Regarding the embedded financial instruments which are not closely related to risks of other main contract economic characteristics (e.g. the execution price for embedded buy option and redeem option can barely equal to amortized cost of each execution date of liability products after confirmation), except from the equity element, they should be classified as liability elements, and measured at fair value through profit or loss during the subsequent period. Amount of equity elements is determined by fair value of convertible bonds minus liabilities, and its carrying amount will not be remeasured during the following accounting period. If the issued convertible bonds have not equity elements, IAS 39 "Financial Instruments: Recognition and Measurement" hybrid instruments shall be adopted.

Based on the proportion of liability and equity composition amortized from the

original recognition of convertible bonds, the transaction costs shall be amortized to the composition of liability and equity.

When the holders of convertible bonds request to exercise their conversion right before the due date of the convertible bonds, the carrying amount of the liability elements shall be adjusted to the carrying amount upon the conversion, serving as the account posting basis of issuing ordinary shares.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; 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 at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss 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, financial 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 information about the group is provided internally on that basis to the key management personnel.

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.

If the financial liabilities at fair value through profit or loss do not have quoted prices

in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(3) Offsetting of financial instruments

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 financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial 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, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value 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 at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

10. Fair Value Measurement

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

- (1) Primary market of the asset or liability, or
- (2) if no primary market is applicable, take the most beneficial market of the assets or liability

Primary or most beneficial markets must be accessible by the company to make transactions.

Fair value measurement of assets and liabilities adopts the assumption used by market participants in valuing assets or liabilities. The assumption considers market participants are seeking the best economic interests.

Fair value measurement of non-financial assets considers the ability to generate economic benefits demonstrated by market participants in making the best use of the assets, or by selling to another market participant, who will make the best use of the assets.

The company adopts the valuation technique applicable under related circumstances and with a sufficiency of data to measure fair value and maximize the use of observable entries and minimize the use of unobservable entries.

11. Inventories

Inventories to be measured at the lower of cost and net realizable value.

Cost refers to the expenses to make inventories achieve available-for-sale or available-for-production status and location.

Raw material - consider actual purchase cost; adopt weighed average method.

Finished goods and work in progress - including direct materials, labor and fixed

production expenses amortized by normal productivity, but excluding the loan cost.

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.

12. Non-current assets held for sale and discontinued operations.

Non-current assets held for sale or disposal groups refer to that under the current circumstance, they can be sold based on normal conditions or business protocols, and they are highly possible to be sold within one year. The classification of non-current assets held for sale or disposal groups is measured by the lower one using carrying amount and fair value to deduct disposal cost.

During the reporting period and the previous reporting year, income and expenses of discontinued operations in the statement of comprehensive income are still separately reported at the after-tax basis and continued operations. Even after the Group has disposed of its subsidiaries, non-controlling equity is still reserved. The after-tax profit or loss of discontinued operation shall be solely listed in the statement of comprehensive income.

Once property, plant and equipment, and intangible assets are recognized as held for sale, no depreciation or amortization is applicable.

13. 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 net assets of a joint agreement (joint controller).

Under the equity method, the investment in the associate or joint venture 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 associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting additional paid-in capital recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an

associate or joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and Investment in associate. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned additional paid-in capital recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture 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 Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture 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 dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Additionally, when investments in the associate become investments in the joint venture, or vice versa, the Group will continue to adopt the equity method, instead of remeasuring the reserved equities.

14. Property, plant and equipment

Property, plant and equipment is 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 borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. 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 based on following methods:

Depreciation of forging die of tooling equipment is calculated on a production basis.

Except for forging die of tooling equipment, rest of depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Building and construction	3~50 years
Machinery equipment	10~15 years
Tooling equipment (except for forging die)	3~5 years
Transportation equipment	5 years
Information equipment	3~5 years
Other equipment	3~5 years
Leasehold improvements	Considering the shorter one of leasing years 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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

15. Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining

balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating lease is recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

16. 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, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over the useful economic life 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 level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. 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 measured as the

difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Intangible assets under development - R&D cost

Expense is recognized when R&D cost occurs. If the expenses of an individual project at the development phase meet the following conditions, they are recognized as intangible assets:

- (1) The intangible asset of the development has reached technological feasibility and is available for use or sell.
- (2) Intend to complete the asset and is capable of using or selling the asset.
- (3) The asset will generate future economic benefits.
- (4) Have sufficient resources to complete the asset.
- (5) Expenses during the development phase can be measured reliably.

The development expense of capitalization, after the original recognition, is measured at cost, i.e taking the cost to deduct aggregated amortization and aggregated impairments to get the carrying amount. During the development period, the asset will undergo impairment tests on an annual basis. Upon development completion and reaching available for use status, it will be amortized within the period of forecast future benefit.

Trademark and licensing rights

Trademark and licensing rights are amortized on a straight-line basis over the usage entitlement granted for 5 to 10 years.

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 (1-5 years)

The Group's accounting policy on intangible assets:

	Intangible assets under development	Trademark and licensing rights	Brand	Computer software
Useful lives	Finite	Finite	Finite	Finite
Use of amortization method	Amortized on a straight-line basis over the forecast sales period for the related	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

	projects			
Internal production or external acquisition	Internal production	External acquisition	Incurred from merger	External acquisition

17. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made 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 asset's or cash-generating unit's recoverable amount. 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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, 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 any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

18. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Interest Income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

19. Loan costs

Loan costs are directly related to the assets from acquisition, construction or production, becoming part of the asset cost in capitalization. All the other loan costs are recognized in expense occurring over the period. Loan costs include interests and other costs arisen from capital borrowings.

20. Government subsidies

Government subsidies are recognized where there is reasonable assurance that the subsidy will be received and all attached conditions will be complied with. Where the subsidies relate 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.

Where the Group receives non-monetary subsidies, the asset and the subsidy are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government subsidy.

21. Post-employment benefit plan

The post-employment regulations for the company and domestic subsidiaries are applicable to all employees who are hired through official procedures. The retirement fund is all managed by the Supervisory Committee of Labor Retirement Reserve and

deposited in the special account for the retirement fund. The beforementioned pension is deposited in the name of the Supervisory Committee of Labor Retirement Reserve, which is completed detached with the company and its domestic subsidiaries, hence the record 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, a specific percentage of contribution will be recognized in the expense of the current period.

For the post-employment benefit plan regarding the defined contribution plan, by the end of the annual reporting period, it shall be recognized in the actuarial report. Net defined benefit liability (asset) remeasurement includes any changes in planned asset remuneration and the asset upper limit, and deduct the amount of net interest of net defined benefit liability (asset), as well as actuarial profit and loss. When net defined benefit liability (asset) remeasurement occurs, it will be put under other comprehensive profit and loss, and immediately recognized in reserved earnings. Previous service cost is the changed value when the plan has revised or narrowed and generate the current value of defined benefit obligation. Earlier occurrence of the following two events will be recognized in expense:

- (1) When the plan is revised or narrowed, and
- (2) when the Group recognizes related reorganization cost or resignation benefits.

Net interest of net defined benefit liability (asset) is determined by net defined benefit liability (asset) multiplied by discount rate. Both were determined at the beginning of the annual reporting period, including further consideration of changes in deposits and benefit payout for net defined benefit liability (asset).

22. Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. 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 income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that 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 an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

23. Income tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using 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 and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- (1) Where the deferred tax liability 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 or loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 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 tax relating to items recognized outside profit or loss is recognized outside profit or loss; deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

24. Corporate Mergers and goodwill

The acquisition method is used for accounting of corporate mergers. The transfer price, identifiable assets acquired and liabilities incurred from the merger are measured by the fair value of the date of purchase. The acquirer of a merger measures the uncontrolled interest in a relative proportion of the fair value or the net worth identified by the entity being merged. The costs incurred from the acquisition are recognized as expenses in the current period and included in the management expenses.

When acquiring a business, the Group evaluates the appropriateness of the classification and designation of assets and liabilities based on the contract conditions, economic conditions and other relevant conditions on the date of acquisition, including considerations given to whether to separate the embedded derivative financial instruments in the principal contract held by the acquiree.

When a business merger is to be completed in phases, the acquirer's previously held equity in the acquiree is remeasured at fair value on the date of acquisition and the resulting gain or loss is recognized as current profit or loss.

The acquirer expects that the contingent consideration of the transfer will be recognized at fair value on the date of acquisition. 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 IAS 39 "Financial Instruments: Recognition and Measurement". However, when the contingent consideration is classified as equity, it will not be re-measured until it finally settles under equity.

The original measurement of goodwill is the sum of the consideration after transfer plus the non-controlling interest, which exceeds the amount of fair value of the identifiable assets and liabilities obtained by the Group. If the consideration is lower than the fair value of the net assets obtained, the difference will be recognized as current profit or loss.

After the original recognition, goodwill is measured as cost less accumulated impairment. Goodwill arising from a business merger is apportioned from the date of acquisition to each cash-generating unit to which the Group expects to benefit from the merger, regardless of whether the other assets or liabilities of the acquiree are attributed to such cash-generating units. Each unit or group credited with the goodwill represents the lowest level of internal management for governance of goodwill and the unit shall not be greater than the operating department before consolidation.

When disposing part of the cash-generating units of goodwill, the carrying amount of the part includes the goodwill associated with the operations to be disposed. The goodwill to be disposed is measured based on the relative recoverable amount of the operation to be discontinued and the retained portion.

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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 assumption and estimate could result in outcomes that require a

material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

1. Valuation of inventories

The estimation of inventory's net realizable value shall consider following conditions, impairment of actuarial, all or partial out of date or dropping selling price, when estimating the most reliable evidence of the available inventory net realizable value. See Note 6 for more details.

2. Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. The recoverable amount refers to the fair value less cost of disposition and the use value, whichever is higher. The calculation of the fair value less cost of disposition is based on the price paid for the sale of assets or the transfer of liabilities in an orderly transaction among market participants on the measurement date, and the amount after deduction can be directly attributed to the incremental cost of the disposed assets or cash-generating unit. Calculation of the use value is based on cash flow discount model. The estimation of cash flow is based on the budget for the next five years and does not include the Group's uncommitted restructuring, or future major investments required to reinforce the performance of the tested cash-generating unit assets. The recoverable amount is affected by the discount rate used by the discounted cash flow model and the expected future cash inflows and growth rate used for extrapolation purposes. For the key assumptions used to determine the recoverable amount of different cash-generating units, including sensitivity analysis, please refer to note 6 for details.

3. Post-employment benefit plan

Pension cost and defined benefit obligation current value of post-employment benefit plan depend on the actuarial valuation. The actuarial valuation involves various assumption, including increase and decrease of discount rate and expected salary, etc. For more details about the assumptions used to measure pension cost and defined benefit obligation, please see Note 6.

4. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

5. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes 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 responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable 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 tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets, as of 31 December, 2017

VI. Important accounting items

1. Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Cash on hand	\$284	\$61
Checks and demand deposits	276,181	302,719
Time deposits	124,922	175,146
Total	<u>\$401,387</u>	<u>\$477,926</u>

2. Financial assets at fair value through profit and loss

	Dec. 31, 2017	Dec. 31, 2016
Hold for trading:		
Convertible corporate bond embedded derivative financial instruments	\$80	\$-
Total	<u>\$80</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	80	-
Total	<u>\$80</u>	<u>\$-</u>

3. Financial assets measured at cost - non-current

	Dec. 31, 2017	Dec. 31, 2016
Available-for-sale financial assets - stocks	<u>\$4,810</u>	<u>\$2,850</u>

- (1) The fair value of the above investments in unlisted entities are not reliably measurable as the variability in the range of reasonable fair value measurements is significant for the investment and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value. Therefore these investments are measured at cost.
 - (2) Financial assets measured at cost were not pledged.
 - (3) By the end of December 31, 2017, the investment amount for Changgu Biotech Corporation is NTD 2,850 thousand, acquiring 285,000 shares, and the shareholding ratio is 19.26%.
 - (4) As of end of December 31, 2017, the amount invested in Taiwan Main Orthopaedics Biotechnology Co.,Ltd. by a subsidiary, A-Spine Asia Co., Ltd, is NTD 1,960 thousand, acquiring 196,040 shares and the shareholding ratio is 19.26 percent.
4. Bond investments for which inactive market exists

	Dec. 31, 2017	Dec. 31, 2016
Time deposits	\$6,705	\$6,320
Non-current	\$6,705	\$6,320

Bond investments with no active market were no pledged; see Note 8 for more details.

5. Notes receivable

	Dec. 31, 2017	Dec. 31, 2016
Notes receivable - arising from operation	\$16,754	\$3,252
Less: Allowance for bad debts	-	-
Total	\$16,754	\$3,252

Notes receivables were not pledged.

6. Accounts receivable

	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable	\$377,890	\$233,639
Less: Allowance for bad debts	(10,453)	(9,825)
Subtotal	367,437	223,814
Account receivable - stakeholder	106,001	68,640
Less: Allowance for bad debts	-	-
Total	\$473,438	\$292,454

The Group's subsidiary, United Orthopedic Corporation (France), has pledged a guarantee financing of account receivables. Please refer to note 8 for details. According to the contract, the cash received from these accounts shall be used to repaid the borrowing in priority, and guarantee is not provided for the rest of the account receivables.

Trade receivables are generally on 60-180 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk

disclosure):

	Individually Assessed Impairment loss	Collectively Assessed Impairment loss	Total
Jan. 1, 2017	\$-	\$9,825	\$9,825
Charge/reversal for the current period	-	698	698
Incurred from business merger	-	42	42
Exchange differences	-	(112)	(112)
Dec. 31, 2017	<u>\$-</u>	<u>\$10,453</u>	<u>\$10,453</u>
Jan. 1, 2016	\$-	\$259	\$259
Charge/reversal for the current period	-	9,721	9,721
Write off	-	(130)	(130)
Exchange differences	-	(25)	(25)
Dec. 31, 2016	<u>\$-</u>	<u>\$9,825</u>	<u>\$9,825</u>

Aging analysis of trade receivables that are past due as at the end of the reporting period but

	Neither nor impaired	Past due but not impaired - accounts receivable					Total
		less or equivalent to 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	
Dec. 31, 2017	\$409,369	\$42,488	\$16,852	\$2,614	\$1,192	\$923	\$473,438
Dec. 31, 2016	283,010	6,720	1,466	523	407	328	292,454

7. Inventories

	Dec. 31, 2017	Dec. 31, 2016
Product	\$24,067	\$6,958
Finished goods	581,133	388,743
Work-in-process	190,484	127,159
Raw material	110,335	50,766
Total	<u>\$906,019</u>	<u>\$573,626</u>

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

Item	2017	2016
Cost of sales	\$475,213	\$435,688
Allowance for inventory valuation and obsolescence loss	67,755	-
	<u>\$542,968</u>	<u>\$435,688</u>

(2) No inventories aforementioned were pledged.

8. Investments accounted for using the equity method

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

	Dec. 31, 2017		Dec. 31, 2016	
Investee company name	Amount	Shareholding Ratio	Amount	Shareholding Ratio
Investment in the associate:				
Shinva United Orthopedic Corporation	<u>\$407,565</u>	49%	<u>\$414,657</u>	49%

(1) Investment in the associate

Information relating the associate significant to the Group:

Company name: Shinva United Orthopedic Corporation

Relation: The enterprise used to handle the product production and sales relating to the Group's industry chain. Considering the integration of upstream and downstream businesses, we decided to invest this enterprise.

Primary operation place (registration country): China

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

Summarized financial information and adjustment of the investment carrying amount:

	Dec. 31, 2017	Dec. 31, 2016
Current assets	\$411,106	\$530,679
Non-current Assets	601,765	477,395
Current liabilities	(115,157)	(110,567)
Non-current liabilities	-	-
Equity	897,714	897,507
Shareholding Ratio of the Group	49%	49%
Subtotal	439,880	439,778
Inter-company transaction elimination and adjustment	(32,315)	(25,121)
Carrying amount of investment	<u>\$407,565</u>	<u>\$414,657</u>
	Jan. 1, 2017~ Dec. 31, 2017	Jan. 1, 2016~ Dec. 31, 2016
Operating Revenue	\$-	\$-
Net profit (loss) of continuing business units for this period	10,374	(26,953)
Other comprehensive gain or loss	-	-
Current comprehensive gain or loss	10,374	(26,953)

The Group has invested CNY 30,000 thousand, equivalent to NTD 149,844 thousand to the associate in the way of technology price, which was recognized in long-term deferred income. Starting from the service provision date, it is amortized on average for three years. By the end of December 31, 2017 and 2016, NTD 44,579 and 19,105 thousand respectively has already been amortized.

The aforementioned investment-related companies did not have contingent liabilities or

capital commitments as of December 31, 2017 and December 31, 2016 and did not pledge any guarantees.

9. Property, plant and equipment

	Land	Building and construction	Machinery equipment	Tooling equipment	Information equipment	Leasehold improvements	Other equipment	Construction in process and equipment awaiting examination	Total
Cost:									
Jan. 1, 2017	\$87,763	\$214,195	\$413,172	\$64,792	\$8,978	\$10,042	\$314,245	\$137,005	\$1,250,192
Additions	86,826	36,466	16,009	15,993	3,023	3,133	195,547	214,095	571,092
Acquired from merger	-	-	2,403	295	301	2,198	4,293	-	9,490
Disposals	-	-	(25,115)	(5,055)	(1,494)	(3,913)	(14,008)	-	(49,585)
Reclassification	-	220,195	66,351	126	849	185	6,898	(293,844)	760
Effect of exchange rate changes	-	-	-	-	(17)	(168)	(14,961)	(5)	(15,151)
Dec. 31, 2017	<u>\$174,589</u>	<u>\$470,856</u>	<u>\$472,820</u>	<u>\$76,151</u>	<u>\$11,640</u>	<u>\$11,477</u>	<u>\$492,014</u>	<u>\$57,251</u>	<u>\$1,766,798</u>
Jan. 1, 2016	\$41,855	\$194,886	\$371,399	\$41,603	\$12,150	\$11,173	\$214,018	\$27,841	\$914,925
Additions	-	245	8,896	13,159	1,703	1,150	105,621	233,923	364,697
Disposals	-	-	(11,209)	(1,983)	(2,965)	(2,257)	(8,527)	-	(26,941)
Reclassification	45,908	19,064	44,086	12,013	(1,901)	-	5,588	(124,758)	-
Effect of exchange rate changes	-	-	-	-	(9)	(24)	(2,455)	(1)	(2,489)
Dec. 31, 2016	<u>\$87,763</u>	<u>\$214,195</u>	<u>\$413,172</u>	<u>\$64,792</u>	<u>\$8,978</u>	<u>\$10,042</u>	<u>\$314,245</u>	<u>\$137,005</u>	<u>\$1,250,192</u>
Depreciation									
Jan. 1, 2017	\$-	\$22,671	\$147,100	\$23,292	\$4,946	\$5,897	\$119,044	\$-	\$322,950
Depreciation	-	7,810	35,822	9,724	2,263	3,120	76,725	-	135,464
Acquired from merger	-	-	1,395	104	-	171	226	-	1,896
Disposals	-	-	(25,115)	(4,583)	(1,494)	(3,912)	(14,008)	-	(49,112)
Reclassification	-	-	-	-	-	95	665	-	760
Effect of exchange rate changes	-	-	-	-	(13)	(88)	(5,195)	-	(5,296)
Dec. 31, 2017	<u>\$</u>	<u>\$30,481</u>	<u>\$159,202</u>	<u>\$28,537</u>	<u>\$5,702</u>	<u>\$5,283</u>	<u>\$177,457</u>	<u>\$-</u>	<u>\$406,662</u>
Jan. 1, 2016	\$-	\$17,003	\$124,256	\$16,065	\$6,877	\$6,266	\$82,593	\$-	\$253,060
Depreciation	-	5,668	34,054	8,904	2,246	1,904	44,497	-	97,273
Disposals	-	-	(11,210)	(1,677)	(4,174)	(2,257)	(7,311)	-	(26,629)
Effect of exchange rate changes	-	-	-	-	(3)	(16)	(735)	-	(754)
Dec. 31, 2016	<u>\$-</u>	<u>\$22,671</u>	<u>\$147,100</u>	<u>\$23,292</u>	<u>\$4,946</u>	<u>\$5,897</u>	<u>\$119,044</u>	<u>\$-</u>	<u>\$322,950</u>
Net carrying amount:									
Dec. 31, 2017	<u>\$174,589</u>	<u>\$440,375</u>	<u>\$313,618</u>	<u>\$47,614</u>	<u>\$5,938</u>	<u>\$6,194</u>	<u>\$314,557</u>	<u>\$57,251</u>	<u>\$1,360,136</u>
Dec. 31, 2016	<u>\$87,763</u>	<u>\$191,524</u>	<u>\$266,072</u>	<u>\$41,500</u>	<u>\$4,032</u>	<u>\$4,145</u>	<u>\$195,201</u>	<u>\$137,005</u>	<u>\$927,242</u>

- (1) The majority composition of the Group'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.
- (2) Property, plant and equipment were pledged, please refer to note 8.

10. Intangible assets

	Computer Software cost	Development expenditure	Trademark and Franchise	goodwill	Brand	Total
Cost:						
Jan. 1, 2017	\$15,595	\$31,232	\$6,124	\$-	\$-	\$52,951
Additions - separate acquisition	3,123	10,219	-	-	-	13,342
Acquired from merger	2,034	-	-	292,891	107,940	402,865
Disposals	-	-	(4,049)	-	-	(4,049)
Others	(6,560)	-	-	-	-	(6,560)
Effect of exchange rate changes	1	-	(166)	-	-	(165)

Dec. 31, 2017	<u>\$14,193</u>	<u>\$41,451</u>	<u>\$1,909</u>	<u>\$292,891</u>	<u>\$107,940</u>	<u>\$458,384</u>
Jan. 1, 2016	\$32,955	\$12,886	\$-	\$-	\$-	\$45,841
Additions - separate acquisition	4,970	18,346	6,516	-	-	29,832
Others	(22,330)	-	-	-	-	(22,330)
Effect of exchange rate changes	-	-	(392)	-	-	(392)
Dec. 31, 2016	<u>\$15,595</u>	<u>\$31,232</u>	<u>\$6,124</u>	<u>\$-</u>	<u>\$-</u>	<u>\$52,951</u>
Amortization and impairment:						
Jan. 1, 2017	\$9,007	\$5,207	\$408	\$-	\$-	\$14,622
Amortization	4,562	4,125	844	-	5,397	14,928
Acquired from merger	1,149	-	-	-	-	1,149
Disposals	-	-	(724)	-	-	(724)
Others	(6,560)	-	-	-	-	(6,560)
Effect of exchange rate changes	-	-	(19)	-	-	(19)
Dec. 31, 2017	<u>\$8,158</u>	<u>\$9,332</u>	<u>\$509</u>	<u>\$-</u>	<u>\$5,397</u>	<u>\$23,396</u>
Jan. 1, 2016	\$26,723	\$3,983	\$-	\$-	\$-	\$30,706
Amortization	4,614	1,224	433	-	-	6,271
Others	(22,330)	-	-	-	-	(22,330)
Effect of exchange rate changes	-	-	(25)	-	-	(25)
Dec. 31, 2016	<u>\$9,007</u>	<u>\$5,207</u>	<u>\$408</u>	<u>\$-</u>	<u>\$-</u>	<u>\$14,622</u>
Net carrying amount:						
Dec. 31, 2017	<u>\$6,035</u>	<u>\$32,119</u>	<u>\$1,400</u>	<u>\$292,891</u>	<u>\$102,543</u>	<u>\$434,988</u>
Dec. 31, 2016	<u>\$6,588</u>	<u>\$26,025</u>	<u>\$5,716</u>	<u>\$-</u>	<u>\$-</u>	<u>\$38,329</u>

11. 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:

ASA cash generating unit

	<u>Dec. 31, 2017</u>
goodwill	<u>\$292,891</u>

The recoverable amount of the ASA cash-generating unit has been determined based on the use value, and the use value is calculated using the cash flow forecast of the five-year financial budget approved by the management. The cash flow forecast has been updated to reflect changes in the demand for related products. The pre-tax discount rate used for cash flow forecasting was 10.37 percent on December 31, 2017, and the cash flow over the five-year period on December 31, 2017 was extrapolate at a growth rate of 7%. This growth rate is equivalent to the long-term average growth rate of the industry. The management has assessed the results of this analysis and determined that there is no sign of impairment of goodwill.

Key assumptions used to calculate the use value

The calculation of the use value of the ASA cash-generating unit is most sensitive to the following assumptions:

- (1) Gross margin
- (2) Discount rate

- (3) Price increase of raw materials
- (4) Market share during the budget period; and
- (5) The cash flow growth rate exceeding the budget period used for extrapolation

Gross margin - The gross margin is calculated based on the average gross margin achieved during the first three years from the beginning of the financial budget period and is expected to increase during the budget period due to increased efficiency.

Discount rate - The discount rate represents the market's assessment of the specific risk for each cash-generating unit at the time (regarding the time value of the currency and the individual asset risk that has not yet been included in the cash flow estimation). The discount rate calculation is based on the specific circumstances of the Group and its operating divisions and is derived from its weighted average cost of capital (WACC). The WACC simultaneously considers liabilities and equity. The cost of equity is derived from the return-on-investment expected by the investors of the Group, while the cost of liability is calculated based on the interest-bearing borrowing which the group is obligated to repay. The sector-specific risks are incorporated using individual beta factors, which are evaluated annually based on publicly-available market data.

Market share assumptions - These assumptions are important, as the management uses the industry data to estimate the growth rate, while assessing the changes in market position during the budget period relative to the competitors. The management expects that the market share of the Group will be stable during the budget period. As explained in preceding sections, the Board expects that the Group's market position will be more stable than the competitors after the acquisition of A-Spine Asia Co., Ltd.

Estimation of growth rate - growth rate is estimated based on published industry research data. Estimation of growth rate - growth rate is estimated based on published industry research data. The long-term average growth rate of the ASA cash-generating unit budget was extrapolated, targeting on the above-mentioned reasons.

Sensitivity of changes in assumptions

Regarding the assessment of the use value of the ASA cash-generating unit, the management believes that the aforementioned key assumptions are not likely to change, and the book amount is significantly greater than its recoverable amount.

12. Short-term borrowings

	Dec. 31, 2017	Dec. 31, 2016
Unsecured bank loans	\$678,560	\$395,625
Secured bank loan	11,488	-
Total	\$690,048	\$395,625
Interest rate range (%)	0.9700-2.8800	0.9900-2.3081

- (1) By the end of December 31, 2017 and 2016, the Group's unused bank loans are USD 1,000 thousand, NTD 1,116,800 thousand and USD 2,500 thousand, NTD 606,800 thousand respectively.

- (2) The secured bank loan was set up by the bank's subsidiary, United Orthopedic Corporation (France), as a guarantee for account receivables financing. For the status of the guarantee, please refer to note 8.

13. Short-term notes payable

	Dec. 31, 2017	Dec. 31, 2016
Short-term notes and bills payable	\$-	\$50,000
Less: Payable commercial note discount	-	-
Net	\$-	\$50,000
Interest rate range (%)	-	0.54

14. Bonds payable

	Dec. 31, 2017	Dec. 31, 2016
Domestic unpledged bonds payable	\$385,713	\$-
Less: Liabilities due within one year	-	-
Long-term domestic convertible bonds payable	\$385,713	\$-

(1) Domestic convertible bonds payable

	Dec. 31, 2017	Dec. 31, 2016
Liability elements:		
Carrying amount of domestic convertible bonds payable	\$400,000	\$-
Converted amount	-	-
Discount of domestic convertible bonds payable	(14,287)	-
Subtotal	385,713	-
Less: Liabilities due within one year	-	-
Net	\$385,713	\$-
Embedded derivatives	\$80	\$-
Equity elements	\$16,600	\$-

On August 11, 2017, the Company issued the domestic unsecured 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: NTD 400,000 thousand. Face amount per equity: NTD 100 thousand. The issuance is in full carrying amount.

Period of Issuance: August 11, 2017 to August 11th, 2020.

Critical clauses for redemption:

On the next day after the convertible bonds issued for three month full (Nov. 13, 2017) till 40 days prior to the due date (Jul. 2, 2020), If the closing price of the Group'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 Group 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 (Nov. 13, 2017) till 40 days prior to the due date (Jul. 2, 2020), if the Company's convertible bonds circulating externally are lower than NTD 40,000 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond-carrying amount.

If the bondholder fails to respond in writing to the Group's stock agent before the final bond redemption date set out in the "Bond Redemption Notice", the Group will repay the bonds in cash on the maturity date.

Conversion methods:

A. Converted target: Ordinary shares of the Company.

B. Conversion period: From November 12, 2017 to August 11, 2020, 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 NTD 77.30 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, 2017, each share carried the value of NTD 75.00.

D. Redemption on maturity date: The Group's bonds not settled before the maturity date will be repaid in cash at a rate of 101.5075 percent (real return of 0.5 percent).

The Group's bonds have not been converted as of December 31, 2017.

15. Long-term loans

Long-term loan details for the years ended 2017 and December 31, 2016 are as follows:

Creditor	Dec. 31, 2017	Interest rate (%)	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Park Branch	\$13,647	1.5500	Between December 30, 2013 and December 30, 2018, the first repayment was paid from December 30, 2014. Every three months, NTD 3,412 thousand of principal on average will be amortized over 17 terms.
"	51,200	1.4500	Between September 18, 2013 and October 31, 2031, the first repayment was paid from September 18, 2014. Every three months, NTD 914 thousand of principal on average will be amortized over 70 terms.

Creditor	Dec. 31, 2017	Interest rate (%)	Repayment period and method
"	10,765	1.5500	Between January 29, 2014 and January 29, 2019, the first repayment was paid from January 29, 2015. Every three months, NTD 2,153 thousand of principal on average will be amortized over 17 terms.
"	56,470	1.5500	Between September 2, 2016 and September 2, 2021, the first repayment was paid from September 2, 2017. Every three months, NTD 3,765 thousand of principal on average will be amortized over 17 terms.
CTBC Bank	20,000	1.2800	Between October 19, 2017 and October 19, 2022, the first repayment was paid from November 19, 2018. Every month, NTD 111 thousand will be repaid, and the remaining principal will be repaid in the lump sum by the deadline.
Taipei Fubon Commercial Bank	41,667	1.0956	From May 31st, 2017 to May 31st, 2020, the payments start on August 31st, 2017 for 12 installments and a principal payment of NTD 4,167 thousand on average is paid every 3 months.
Mega International Commercial Bank - Neihsu	82,472	1.4500	From December 7, 2017 to December 7, 2022, the payments start from January 7, 2018 for 180 installments and a principal of NTD 458 thousand is paid every month.
"	16,758	1.4500	From December 7, 2017 to December 7, 2022, the payments start from January 7, 2018 for 180 installments and a principal of NTD 93 thousand is paid every month.
Total	292,979		
Less: long-term loan due in one year	(64,479)		
Net	<u>\$228,500</u>		

Creditor	Dec. 31, 2016	Interest rate (%)	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Park Branch	\$19,376	1.5500	Between January 29, 2014 and January 29, 2019, the first repayment was paid from January 29, 2015. Every three months, NTD 2,153 thousand of principal on average will be amortized over 17 terms.
"	54,857	1.4500	Between September 18, 2013 and October 31, 2031, the first repayment was paid from September 18, 2014. Every three months, NTD 914 thousand of principal on average will be amortized over 70 terms.
"	27,294	1.5500	Between December 30, 2013 and December 30, 2018, the first repayment was paid from December 30, 2014. Every three months, NTD 3,412 thousand of principal on average will be amortized over 17 terms.
"	64,000	1.6000	Between September 2, 2016 and September 2, 2021, the first repayment was paid from September 2, 2017. Every three months, NTD 3,765 thousand of principal on average will be amortized over 17 terms.
CTBC Bank	17,275	1.5700	Between November 3, 2014 and November 1, 2019, the first repayment was paid from December 3, 2014. Every month, NTD 185 thousand will be repaid, and the remaining principal will be repaid in the lump sum by the

Creditor	Dec. 31, 2016	Interest rate (%)	Repayment period and method
"	10,280	1.5700	deadline. Between April 24, 2012 and April 24, 2017, every month, NTD 120 thousand will be repaid over 28 terms, and the remaining principal will be repaid in the lump sum by the deadline.
Total	193,082		
Less: long-term loan due in one year	(37,105)		
Net	<u>\$155,977</u>		

Taiwan Cooperative Bank, CTBC Bank and Mega International Commercial Bank extended their secured loans with partial lands, buildings and machine equipment, etc. to register the entitlement to the first priority mortgage. For more details about the pledged conditions, please see Note 8.

16. Post-employment benefits

Defined contribution plan

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 Act to formulate the post-employment regulations, 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 overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for 2017 and 2016 are NT\$24,249 thousand and NT\$17,510 thousand, respectively.

Defined benefits plan

The company's post-employment regulations in accordance with the "Labor Standards Act" belong to the defined benefits plan. The payout of employees' pension is to consider service years as the base, and the approved monthly average wage upon retirement to make the calculation. Employees whose service years are 15 years or less, two cardinal numbers shall be assigned for every one year; those whose service years are over 15 years, one cardinal number shall be assigned for every one year. Maximum base numbers are 45. In accordance with the "Labor Standards Act", the Company 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 by the end of December 31, every 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 assets allocation is conducted the Ministry of Labor according to the regulations of labor pension collection, management and use. The investment of funds adopts the following approaches to realize the investment; 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 taking too much risk to achieve the target remuneration. In terms of the use of the fund, the minimum income following the annual settlement and distribution, it shall not be lower than the income of two-year fixed deposit. If there is insufficiency, the authority can authorize to make supplement by 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 asset fair value as per Paragraph 142, IAS 19. By December 31, 2017, the Company's defined benefits plan has estimated to contribute NTD 7,087 thousand for the following year.

For the years ended on December 31, 2017 and December 31, 2016, the Company's defined benefits plans are expected to due on 2032, and 2031.

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

	2017	2016
Current service cost	\$324	\$361
Net interest of net defined benefit liability	337	411
Total	<u>\$661</u>	<u>\$772</u>

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

	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Present value of defined benefit obligations	\$54,629	\$53,371	\$54,699
Fair value of plan assets	(37,773)	(30,888)	(27,294)
Booked value of net defined benefit liability	<u>\$16,856</u>	<u>\$22,483</u>	<u>\$27,405</u>

Adjustment of net defined benefit liability:

	Defined benefit Present value of obligations	Plan assets Fair value	Net defined benefit liabilities
Jan. 1, 2016	\$54,699	\$(27,294)	\$27,405
Current service cost	361	-	361
Interest expense (income)	820	(409)	411
Previous service cost and settlement gains or losses	-	-	-

Subtotal	55,880	(27,703)	28,177
Remeasurements of defined benefit liability/asset:			
Actuarial gains or losses from demographic assumptions	337	-	337
Actuarial gains or losses from financial assumptions	-	-	-
Experiencial adjustment	265	-	265
Remeasurements of defined benefit asset	-	165	165
Subtotal	602	165	767
Benefit payments	(3,111)	3,111	-
Employer contributions	-	(6,461)	(6,461)
Dec. 31, 2016	53,371	(30,888)	22,483
Current service cost	324	-	324
Interest expense (income)	801	(464)	337
Previous service cost and settlement gains or losses	-	-	-
Subtotal	54,496	(31,352)	23,144
Remeasurements of defined benefit liability/asset:			
Actuarial gains or losses from demographic assumptions	148	-	148
Actuarial gains or losses from financial assumptions	810	-	810
Experiencial adjustment	(309)	-	(309)
Remeasurements of defined benefit asset	-	151	151
Subtotal	55,145	(31,201)	23,944
Benefit payments	(516)	516	-
Employer contributions	-	(7,088)	(7,088)
Dec. 31, 2017	\$54,629	\$(37,773)	\$16,856

Following assumptions are used to determine the defined benefit plan of the Corporation:

	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.39%	1.50%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2017		2016	
	Defined benefit obligation increases	Defined benefit obligation decreases	Defined benefit obligation increases	Defined benefit obligation decreases
Discount rate	\$-	\$3,583	\$-	\$3,725
Discount rate increases by 0.5%	3,886	-	4,056	-
Discount rate decreases by 0.5%	3,804	-	3,974	-
Expected salary increases by 0.5%	-	3,545	-	3,690
Expected salary decreases by 0.5%	-	-	-	-

The beforementioned sensitivity analysis is conducted when the other assumptions do not have any change. When a single actuarial assumption (e.g. discount rate or expected salary) occurs reasonable changes, the analysis is conducted on how it shall impact the

defined benefit obligations. Since partial actuarial assumptions are inter-related, practically speaking, it is rare to see only a single actuarial assumption changes. Hence, this analysis has its own limitation.

The method and assumption of the sensitivity analysis of the current period have no differences from the previous period.

17. Equities

(1) Common stock

By January 1, 2016, the company's rated and issued equities are NTD 1,000,000 thousand and NTD 712,049 thousand with face amount NTD 10 per share; 71,205 thousand shares were issued.

The convertible bonds issued by the company applied for conversion of NTD 94,800 thousand in 2015; a total of 2,407 thousand shares of ordinary shares were converted. Under the resolution of the Board of Directors, July 27, 2015 and February 25, 2016 were defined as the capital increase base date for 542 thousand shares. The change registration was approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology.

The Board of Directors made a resolution on the May 2, 2017 meeting to issue 8,000 thousand shares of common stocks for cash with a face value of NTD 10 per share at a premium of NTD 48 per share. The base date of this capital increase project was set on October 6, 2017 and the changed were approved by and registered with the Hsinchu Science Park Administration (Ministry of Technology) on October 19, 2017.

Due to the fact that the Group's employee restricted stock did not reach the required criteria, the Board of Directors made a resolution to cancel 22,000 shares and 12,000 shares on August 8, 2017 and November 7, 2017 respectively. The capital reduction base dates were set on August 9 and November 10, 2017 respectively. Registration of the changes were completed on August 15, 2017 and November 24, 2017 respectively. As of December 31, 2017, total employee restricted stock issued is 530,000 shares.

By the end of December 31, 2017 and 2016, the Group's rated equities are NTD 1,000,000 thousand and NTD 712,049 thousand with face value of NTD 10 per share and 71,205 thousand shares and 71,747 shares were issued.

(2) Additional Paid-in Capital

	Dec. 31, 2017	Dec. 31, 2016
Issue premium	\$1,193,582	\$889,582
Recognized value of changes in equity of ownership of subsidiaries	(2,121)	2,418
Share-based payment remuneration cost	30,155	-
Issuance of employee restricted stock	21,995	23,406
Total	<u>\$1,243,611</u>	<u>\$915,406</u>

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 additional paid-in capital 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.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Payment of all taxes and dues
- B. Offset operation losses
- C. Appropriate 10% to be the statutory surplus reserve
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported 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, balance dividend and cater the long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. The distribution of shareholders' dividend shall appropriate 50%~100% of current year's distributable earnings as shareholders' dividend, among which 50% at least shall be cash dividend.

According to the Company Act, the contribution of the statutory surplus reserve shall reach to the capitalization. The statutory surplus reserve is subject to offset operation losses. When the company has no operation losses, it shall distribute new shares or cash of the 25% excessive statutory surplus reserve against paid-in capital to the shareholders at the original pro rata.

After adopting IFRS, the company complies with FSC Explanation Order No. 1010012865 issued on April 6, 2012: upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 "First-time Adoption of IFRS" is transferred into retained earnings, the special earnings reserve of the same amount shall be recognized. After adopting IFRS to produce the financial statements, with respect to the distribution of distributable earnings, the company has recognized the remaining balance of special earnings reserve and the difference of other equity deduction net amount to recognize the special earnings reserve. Afterward, if other shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

However, in the first-time adoption of IFRS, the company's reserved earnings are less, so special earnings reserve is not needed to be recognized. In addition, from January 1 to December 31, 2017 and 2016, the Company did not use, dispose or reclassify related assets, so there is no reversal of special earnings reserve

recognized in undistributed earnings.

Details of the 2017 and 2016 earnings distribution and dividends per share as approved by the Board of Directors and the shareholder's meeting on March 20, 2018 and June 20, 2017, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2017	2016	2017	2016
Statutory surplus reserve	\$13,026	\$14,660		
Special surplus reserve	16,035	31,620		
Cash dividend - Common stock	100,403	99,554	\$1.260	\$1.388
Total	<u>\$129,464</u>	<u>\$145,834</u>		

Please refer to Note 6.21 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

(4) Non-controlling interests

	Jan. 1, 2017~ Dec. 31, 2017	Jan. 1, 2016~ Dec. 31, 2016
Beginning balance	\$28,384	\$-
Loss attributable to non-controlling interests	(19,325)	(5,752)
Other comprehensive income, attributable to non-controlling interests:		
Conversion difference of financial statements of foreign operations	(389)	(5,249)
Recognized value of changes in equity of ownership of subsidiaries	4,539	-
Changes in non-controlling interests:	-	39,385
Balance at the end of current period	<u>\$13,209</u>	<u>\$28,384</u>

18. Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(1) Plan of new restricted employee shares by the parent company of the Group

According to the shareholders' meeting resolution as of June 23, 2015, the company issued new restricted employee shares up to 600 thousand shares of ordinary shares. The stock price at the given date stood at NTD 51.5. The new restricted employee shares issued by the company shall be transferred within three years, however, the holders are still entitled to dividend distribution. Due to the fact that the Group's employee restricted stock did not reach the required criteria, the Board of Directors

made a resolution to cancel 8,000, 22,000 and 12,000 shares on December 23, 2015, August 8, 2017 and November 7, 2017 Board of Directors Meetings respectively. As of December 31, 2017 and 2016, total employee restricted stock issued is 530,000 and 564,000 shares respectively.

After the issuance of new employee restricted shares, they should be transferred to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the new employee restricted shares for any reason or in any manner. And during the trust period of the new employee restricted shares, the company is fully responsible for delegating the employees to deal with the stock trust agency in conducting the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the transfer, 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 employee's ownership of the new employee restricted shares and cancel them.

- (2) The parent company of the Group reserves the employee subscription plan for issuance of common stock for cash according to the Company Act

Setting May 2, 2017 as the base date, the Company issued common stocks for cash with 8,000 thousand shares at the face value of NTD 10 per share and issued at the premium of NTD 48 per share. According to Paragraph 1, Article 267 of the Company Act, the Company has reserved 15% of new shares, total 1200 thousand shares for employees' subscription. According to IFRS 2 "Share-based Payment", the compensation cost recognized at the fair value of the given equity product by the given date is NTD 13,555 thousand.

- (3) The expense recognized for employee share-based payment plans is shown in the following table:

	2017	2016
Plan of new restricted employee shares	\$8,262	\$9,682
Subscription plan of common stock for cash for employees	13,555	-
Total	<u>\$21,817</u>	<u>\$9,682</u>

19. Operating revenue

	2017	2016
Sale of goods	\$2,001,788	\$1,411,579
Less: Sales returns, discounts and allowances	(29,575)	(28,239)
Other operating revenues	379	-
Total	<u>\$1,972,592</u>	<u>\$1,383,340</u>

20. Operating lease

Operating leases commitments - Group as lessee

The Group has entered into commercial leases on plant, office and parking space. These leases have an average life of three to thirty years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and 2016 are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Not later than one year	\$16,561	\$14,262
Later than one year and not later than five years	35,731	38,385
Later than five years	64,641	73,396
Total	<u>\$116,933</u>	<u>\$126,043</u>

21. Summary statement of employee benefits, depreciation and amortization expense by function:

Function Type	2017			2016		
	Fees that belong to operational costs	Fees that belong to operational expenses	Total	Fees that belong to operational costs	Fees that belong to operational expenses	Total
Employee benefits expense						
Salary costs	\$201,040	\$344,658	\$545,698	\$158,450	\$233,068	\$391,518
Labor and health insurance premiums	19,306	25,629	44,935	15,127	13,859	28,986
Pension expense	9,498	15,412	24,910	7,853	10,429	18,282
Other employee benefits expenses	8,084	4,985	13,069	6,608	3,922	10,530
Depreciation expense	51,283	84,181	135,464	42,461	54,812	97,273
Amortization expense	-	14,928	14,928	-	6,271	6,271

The Group's Articles of Incorporation 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. Beforementioned employees' salaries 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.

Based on the profit of 2017, the Group allocated 12 and 3 percent for remunerations of employees and directors/supervisors respectively and recognized the remunerations of employees and directors/supervisors at NTD 26,212 thousand and NTD 6,553 thousand respectively, which were listed under salary costs. The Group's Board of Directors made a resolution on March 20, 2018 to make the payment of employee and director remunerations at NTD 24,796 thousand and NTD 6,199 thousand respectively in cash.

The amounts of remunerations actually paid to the employees and directors/supervisors in 2016 were NTD 23,061 thousand and NTD 5,695 thousand respectively. There was

no material difference between the amount of remunerations paid and the amount listed in the 2016 financial reports.

22. Non-operating income and expenses

(1) Other income

	2017	2016
Interest Income	\$2,426	\$3,867
Other income - others	38,088	37,110
Total	<u>\$40,514</u>	<u>\$40,977</u>

(2) Other gains and losses

	2017	2016
Gains and losses on disposal of property, plant and equipment	\$(458)	\$(301)
Gain (loss) on disposal of intangible assets	724	-
Gain on disposal of investments	-	7,335
Gains (loss) on financial assets at fair value through profit and loss	719	-
Foreign exchange (losses) gains, net	(29,542)	(30,040)
Other expenses	(72)	(163)
Total	<u>\$(28,629)</u>	<u>\$(23,169)</u>

(3) Financial costs

	2017	2016
Interest of bank loan	(10,969)	\$(5,575)
Interest of bond payable	(2,273)	-
Total financial costs	<u>\$(13,242)</u>	<u>\$(5,575)</u>

23. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2017

	Arising during the period	Current Reclassification Adjustment	Others Comprehensive Income	Income Tax Gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
The amount to be measured again when the welfare plan is determined	\$(800)	\$-	\$(800)	\$-	\$(800)
Items that might be reclassified to profit or loss:					
Conversion difference of financial statements of foreign operations	(11,442)	-	(11,442)	-	(11,442)
Shares of profit of associates and joint ventures accounted for using the equity method	(4,982)	-	(4,982)	-	(4,982)
Total	<u>\$(17,224)</u>	<u>\$-</u>	<u>\$(17,224)</u>	<u>\$-</u>	<u>\$(17,224)</u>

Components of other comprehensive income for the year ended December 31, 2016

	Arising during the period	Current Reclassifica- tion Adjustment	Others Comprehen- sive Income	Income Tax Gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
The amount to be measured again when the welfare plan is determined	\$(767)	\$-	\$(767)	\$-	\$(767)
Items that might be reclassified to profit or loss:					
Conversion difference of financial statements of foreign operations	(52,587)	4,616	(47,971)	3,535	(44,436)
Equity directly relating to non-current assets held for sale	-	(4,616)	(4,616)	785	(3,831)
Total	<u>\$(53,354)</u>	<u>\$-</u>	<u>\$(53,354)</u>	<u>\$4,320</u>	<u>\$(49,034)</u>

24. Income tax

The major components of income tax expense (income) for the year ended December 31, 2017 and 2016 are as follows:

Income tax expense recognized in profit or loss

	2017	2016
Current deferred tax expenses (income):		
Current income tax charge	\$61,142	\$50,807
Adjustments in respect of current income tax of prior periods	-	(15,478)
Deferred tax expenses (income):		
Deferred tax expenses (income) relating to origination and reversal of temporary differences	(6,419)	(17,466)
Income tax expenses	<u>\$54,723</u>	<u>\$17,863</u>

Income tax recognized in other comprehensive income

	2017	2016
Deferred tax expenses (income):		
Conversion difference of financial statements of foreign operations	\$-	\$3,535
Equity directly relating to non-current assets held for sale	-	785
Income tax relating to the components of other comprehensive income	<u>\$-</u>	<u>\$4,320</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2017	2016
Accounting profit before tax from continuing operations	<u>\$165,662</u>	<u>\$158,712</u>
Tax at the domestic rates applicable to profits in the country of main operation entity concerned	\$40,505	\$28,827
Tax effect of revenues exempt from taxation	-	(17,850)

Tax effect of expenses not deductible for tax purposes	2,485	12,135
Tax effect of differed tax assets tabulates	11,549	10,229
Undistributed earnings add 10% income tax	184	-
Adjustments in respect of current income tax of prior periods	-	(15,478)
Total income tax expense recognized in profit and loss	<u>\$54,723</u>	<u>\$17,863</u>

Deferred tax assets (liabilities) relate to the following:

2017

	Beginning balance	Recognized in profit and loss	Recognized in other Comprehensive Income	Acquired through business merger	Exchange differences	Balance at the end of current period
Temporary differences						
Unrealized deals within Group entities	\$28,415	\$12,165	\$-	\$-	\$-	\$40,580
Unrealized exchange gains and losses - holding company	842	(756)	-	-	-	86
Unrealized exchange gains and losses - subsidiaries	-	(51)	-	(39)	-	(90)
Financial assets valuation measured at fair value through profit or loss	-	(7)	-	-	-	(7)
Long-term deferred income	22,226	(4,331)	-	-	-	17,895
Excess of allowance for bad loans	-	-	-	10	-	10
Provision for inventory valuation loss	-	154	-	9,710	-	9,864
Long-term investment accounted for using equity method	-	(1,418)	-	1,418	-	-
Net defined benefit liability - non-current	-	1	-	210	-	211
Tax differentials in depreciation expenses	-	(1,581)	-	-	64	(1,517)
Fair value adjustment resulting from business merger	-	2,243	-	(20,117)	-	(17,874)
Deferred income tax (expense)/benefit		<u>\$6,419</u>	<u>\$-</u>	<u>\$(8,808)</u>	<u>\$64</u>	
Deferred income tax assets/(liabilities) net	<u>\$51,483</u>					<u>\$49,158</u>
The information in the balance sheet shown as follows:						
Deferred income tax assets	<u>\$51,483</u>					<u>\$68,646</u>
Deferred income tax liabilities	<u>\$-</u>					<u>\$(19,488)</u>

2016

	Beginning balance	Recognized in profit and loss	Recognized in other Comprehensive Income	Exchange differences	Balance at the end of current period
Temporary differences					
Unrealized deals within Group entities	\$34,411	\$(5,996)	\$-	\$-	\$28,415
Unrealized exchange profit and loss	(394)	1,236	-	-	842
Depreciation tax difference	1	-	-	(1)	-
Conversion difference of financial statements of foreign operations	(3,535)	-	3,535	-	-
Equity directly relating to non-current assets held for sale	(785)	-	785	-	-
Long-term deferred income	-	22,226	-	-	22,226
Deferred income tax (expense)/benefit		<u>\$17,466</u>	<u>\$4,320</u>	<u>\$(1)</u>	
Deferred income tax assets/(liabilities) net	<u>\$29,698</u>				<u>\$51,483</u>
The information in the balance sheet shown as					

follows:		
Deferred income tax assets	\$34,412	\$51,483
Deferred income tax liabilities	\$(4,714)	\$-

Unrecognized deferred income tax assets

The company's unrecognized deferred income tax assets account for 68,083 thousand and 54,429 thousand for the year ended December 31, 2017 and 2016 respectively.

Information of Integrated Income Tax System

	Dec. 31, 2017	Dec. 31, 2016
Shareholders' tax account deductible against balance	\$85,704	\$43,270

The company's tax deductible ratio of estimated earnings distribution in 2016 and that of actual earnings distribution in 2015 are both 20.48 percent. According to Article 66-6 of the Income Tax Act, the ratio of tax deductibles for individual shareholders residing in the territory of the Republic of China shall be halved in 2016. The amendments to certain provisions of the Income Tax Act were passed on the third reading of the Legislative Yuan on January 18, 2018, which abolished the two-in-one taxation mechanism. The information on tax deduction estimations for 2017 is for reference only.

The company no longer has undistributed earnings before and in 1997.

The table below shows the income tax approval status of the businesses under the Group:

	Dec. 31, 2017	
	Income tax approval status	Remark
United Orthopedic Corporation	Approved up to 2015	-
A-Spine Asia Co., Ltd.	Approved up to 2016	-
Pauline Medical Co., Ltd.	Approved up to 2015	-

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 profit of parent company ordinary shares (adjusted interest of convertible bond) by weighted average number of ordinary shares outstanding during the period, adding weighted average number of ordinary shares converted from dilutive potential ordinary shares into ordinary shares to be issued.

	2017	2016
(1) Basic earnings per share		
Attribute to net interest of parent company common stock holder (NTD thousands)	\$130,264	\$146,601

	2017	2016
Weighted average number of common stock shares of basic earnings per share	73,090	71,116
Basic earnings per share (NTD)	\$1.78	\$2.06
(2) Diluted earnings per share		
Attribute to net interest of parent company common stock holder (NTD thousand)	\$130,264	\$146,601
Interest of convertible bond (NTD thousand)	1,886	-
Attribute to net interest of parent company common stock holder after dilution effect adjustment (NTD thousand)	132,150	\$146,601
Weighted average number of common stock shares of basic earnings per share	73,090	71,116
Dilution effect:		
Convertible bond (thousand shares)	2,089	-
Restricted employees new shares (thousand shares)	477	354
Weighted average number of common stock shares after dilution effect adjustment	75,656	71,470
Diluted earnings per share (NTD)	\$1.75	\$2.05

After the reporting period and before the publication of the financial statements, there are no other transactions relating to significant changes in ordinary shares outstanding or potential ordinary shares.

26. Business Merger

Acquisition of A-Spine Asia Co., Ltd.

On March 8 and 31, 2017, a total of NTD 613,440 thousand in cash was paid for acquisition of 100 percent of the outstanding shares of A-Spine Asia Co., Ltd., and gained full control of the company. A-Spine Asia is an unlisted company founded in Taiwan, specializing in production of artificial spine. For diversification, the Group's acquisition of A-Spine Asia Co., Ltd. is expected to accelerate the development of spine products in Taiwan and international markets.

The fair value information of the acquisition of the above-mentioned A-Spine Asia Co., Ltd. and its subsidiaries on the date of acquisition, including the considerations paid, assets acquired and liabilities assumed, is provided in the section below:

	Fair value on the date of acquisition
Cash and Cash Equivalents	\$86,557
Account Receivable	77,077
Inventories	116,883
Property and Equipment	7,594
Intangible assets (other than brand and goodwill)	885
Other assets	42,729
Accounts Payable	(82,866)
Advance receipt	(166)
Other liabilities	(36,084)
The fair value of identifiable net assets	\$212,609

The amount of goodwill of A-Spine Asia Co., Ltd. is as follows:

Cash consideration	\$613,440
--------------------	-----------

Less: Fair value of identifiable net assets	(212,609)
Less: Brand	(107,940)
Business reputation	<u>\$292,891</u>
Cash flow of acquisition	
Net cash obtained from subsidiaries	\$86,557
Cash payment	(613,440)
Net cash outflow	<u><u>\$(526,883)</u></u>

The goodwill of NTD 292,891 thousand includes the expected synergies resulting from the acquisition and the value of the customer list that cannot be individually recognized. Due to the terms of the acquisition contract, the value of the customer list is not separable and therefore does not meet the conditions for the recognition of intangible assets in IAS 38 Intangible Assets. The aforesaid goodwill is expected to be fully tax deductible.

A-Spine Asia Co., Ltd. is an unlisted company and therefore market information cannot be obtained for this company. The fair value is estimated based on:

- (1) Assuming a discount rate of 13.87 percent;
- (2) The risk-free rate of return is 1.09 percent;
- (3) The long-term economic growth rate is 2.5 percent;
- (4) The risk premium rate is 9.17 percent.

From the date of acquisition (April 1, 2017) to December 31, 2017, the revenue contributed by A-Spine Asia Co., Ltd. to the Group came to NTD 322,243 thousand, which accounts for a net profit of NTD 47,180 thousand. If the merger takes place at the beginning of the year, the income of the Group's continuing business unit will be NTD 412,089 thousand, and the net profit of the continuing business unit will be NTD 59,431 thousand.

27. Changes in Ownership Equity of Subsidiaries

New shares of subsidiaries not subscribed in proportion of shares held

UOC Europe Holding SA issued new shares on December 1, 2016. The Group did not subscribe and therefore the Group's ownership to this subsidiary was reduced to 75 percent. The cash raised by the Group was CHF 1,500 thousand (NTD 49,884 thousand), and the net book value of UOC Europe Holding SA (originally acquired without goodwill) was CHF 1,722 thousand (NTD 57,838 thousand). The adjustments relevant to reduction in the equity of UOC Europe Holding SA is as follows:

	2016
Capital increase by cash from acquisition of subsidiaries	<u>\$(49,884)</u>
Increase in non-controlling interests	16,628
Accumulated other comprehensive profit and loss adjustments	35,674
Differences in additional paid-in capital recognized in equity	<u><u>\$2,418</u></u>

UOC Europe Holding SA issued new shares on October 2, 2017. The Group's ownership to this subsidiary was increased to 88 percent. The cash raised by the Group was CHF 2,250 thousand (NTD 70,669 thousand), and the net book value of UOC Europe Holding SA (originally acquired without goodwill) was CHF 3,758 thousand (NTD 117,784 thousand). The adjustments relevant to increase in the equity of UOC Europe Holding SA is as follows:

	2017
Capital increase by cash from acquisition of subsidiaries	\$(70,669)
The carrying amount of the additional interest in UOC Europe Holding SA	68,314
Differences in additional paid-in capital recognized in equity	<u>\$(2,355)</u>

United Biomech Japan issued new shares on July 3, 2017, and the Group's ownership increased to 59 percent. The Group's acquired cash for capital increase was JPY 30,000 thousand (NTD 8,064 thousand), and the carrying amount of net asset of United Biomech Japan (originally acquired without goodwill) was JPY81,656 thousand (NTD 22,094 thousand). The adjustments to the increase in related equity of United Biomech Japan is as follows:

	2017
Capital increase by cash from acquisition of subsidiaries	\$(8,064)
The carrying amount of additional interest in United Biomech Japan	5,880
Differences in additional paid-in capital recognized in equity	<u>\$(2,184)</u>

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

Name of related party	Relationship with the Group
Shinva United Orthopedic Corporation	Affiliate companies of the Company
United Medical Co., Ltd.	Affiliate companies of the Company
United Medical Instrument Co., Ltd.	Affiliate companies of the Company
United Medical Technology (ShangHai) Co.,Ltd.	Affiliate companies of the Company
Paonan Biotech Co., Ltd.	Businesses registered under affiliate companies of the Company

Major transactions between related parties

1. Sales

	<u>2017</u>	<u>2016</u>
Affiliated companies of the Group		
United Medical Instrument Co., Ltd.	\$339,519	\$276,446
Others	41,459	29,095
Total	<u>\$380,978</u>	<u>\$305,541</u>

The sales price offered by the Company to the related parties is marked up at the cost, and the payment term in principle has no significant differences from normal exporting customers; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

2. Purchase

	<u>2017</u>	<u>2016</u>
Affiliated companies of the Group		
United Medical Co., Ltd.	\$84,105	\$59,743
Others	2,715	-
Total	<u>\$86,820</u>	<u>\$59,743</u>

The purchase price offered by the Company to the related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

3. Accounts receivable - stakeholders

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Affiliated companies of the Group		
United Medical Instrument Co., Ltd.	\$90,934	\$63,920
Others	15,067	4,720
Total	<u>\$106,001</u>	<u>\$68,640</u>

4. Accounts payable - stakeholders

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Affiliated companies of the Group		
United Medical Co., Ltd.	\$17,047	\$13,568
Others	2,686	-
Total	<u>\$19,733</u>	<u>\$13,568</u>

5. Other receivables - stakeholders

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Affiliated companies of the Group		

	Dec. 31, 2017	Dec. 31, 2016
Shinva United Orthopedic Corporation	\$106,059	\$107,274

6. Property transactions

The Group sold shares to the following related parties as of year 2016:

	Property name	Disposal price	Disposal interest
Affiliated companies of the Group	United Medical Co., Ltd.	\$134,383	\$7,335
	United Medical Instrument Co., Ltd. and United Medical Technology (ShangHai) Co.,Ltd.		

As of December 31, 2017, the Company has collected CNY 3,542 thousand, and the remaining balance CNY 23,361 thousand to be collected was deposited in a monitored bank account agreed bilaterally. After regulatory procedures are approved by the government, the bank will transfer the remaining balance.

7. Remunerations for the primary management of the Group

	2017	2016
Short-term employee benefits	\$25,668	\$ 23,580
Share-based payments	1,803	1,803
Total	\$27,471	\$25,383

VIII. Pledged assets

The following table lists assets of the Group pledged as security:

Item	Carrying amount		Secured liabilities
	Dec. 31, 2017	Dec. 31, 2016	
Accounts receivable	\$52,100	\$-	Financing and Loans
Bond instrument investments for which no active market exists - non-current	6,705	6,320	Performance bond, comprehensive credit loan, import duty security
Property, plant and equipment - land and building	308,288	189,328	"
Property, plant and equipment - machine equipment	165,996	185,596	"
Total	\$533,089	\$381,244	

IX. Commitments and contingencies

1. On November 6, 2015, the company signed the "initiator cooperation agreement of establishing a joint corporation" with Shinva Medical Instrument Co., Ltd. and Shinva Healthcare Co., Ltd. The three parties will establish a joint venture company in China (company name: Shinva United Orthopedic Corporation) The estimated registered capital was CNY 300,000,000, and the registered capital for the beginning period was CNY 200,000,000. The capital will be progressively injected by phases according to the actual operating demands. The company's investments accounted for 49%; the investment for the beginning period included 15% of technology price, a total of CNY 98,000 thousand. Shinva United Orthopedic Corporation was established on January 13, 2016. The company has invested CNY 24,500 thousand, CNY 49,000 thousand (including technology price CNY 30,000 thousand) and CNY 24,500 thousand on January 28, 2016, March 10, 2016 and October 12, 2016 respectively.

According to the cooperation agreement, the company's indirect ownership of its associate companies, United Medical Instrument Co., Ltd., United Medical Co., Ltd. and United Medical Technology (ShangHai) Co.,Ltd. was sold to Shinva United Orthopedic Corporation at the transfer price CNY 26,903 thousand, which is the net worth according to the auditing result of a local accounting firm. As of now, CNY 3,542 thousand was collected, and the remaining balance CNY 23,361 thousand to be collected was deposited in a monitored bank account agreed bilaterally. After regulatory procedures are approved by the government, the bank will transfer the remaining balance.

2. The Company's significant contracts of purchasing fixed assets are as follows:

December 31, 2017

Item	Contract total value	Paid amount	Unpaid amount
Plants and auxiliary equipment (phase-3 plant)	\$362,177	\$331,093	\$31,084

December 31, 2016

Item	Contract total value	Paid amount	Unpaid amount
Plants and auxiliary equipment (phase-3 plant)	\$227,600	\$122,281	\$105,319

X. Loss due to major disasters

None.

XI. Significant subsequent events

The amendments to partial provisions of the Income Tax Act were passed by the Legislative Yuan on January 18, 2018. According to the newly amended income tax law, the income tax rates for businesses will increase from 17 percent to 20 percent from 2018. The changes in the tax rates will increase the deferred income tax assets by NTD12,114 thousand and deferred income tax liabilities by NTD 3,171 thousand.

XII. Others

1. Categories of financial instruments

Financial assets

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Financial assets at fair value through profit and loss		
Designated initially to be measured at fair value through profit or loss	<u>\$80</u>	<u>\$-</u>
Financial assets available for sale (including financial assets measured at cost)	<u>4,810</u>	<u>2,850</u>
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	401,103	477,865
Bond investments with no active market	6,705	6,320
Notes receivable	16,754	3,252
Accounts receivables (including related parties)	473,438	292,454
Other receivables (including related parties)	<u>121,543</u>	<u>116,268</u>
Subtotal	<u>1,019,543</u>	<u>896,159</u>
Total	<u><u>\$1,024,433</u></u>	<u><u>\$899,009</u></u>

Financial liabilities

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Financial liabilities at amortized cost:		
Short-term loan	\$690,048	\$395,625
Short-term notes and bills payable	-	50,000
Receivables (including related parties)	491,019	307,123
Corporate bonds payable (including bonds due within one year)	385,713	-
Long-term loan (including 1-year due)	<u>292,979</u>	<u>193,082</u>
Total	<u><u>\$1,859,759</u></u>	<u><u>\$945,830</u></u>

2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk, and liquidity risk related to its operating activities. The Group

identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for 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 complies with its financial risk management policies at all times.

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 prices comprise currency risk, interest rate risk, and other price risk (such as equity risk).

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 subsidiaries.

The foreign currency receivables and payables of the Group are denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. 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 they did not qualify for hedge accounting criteria. Additionally, the Group's net investments in foreign subsidiaries are strategic investments, hence no hedge practices were applied in this regard.

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 at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analyses as follows:

When TWD strengthens/weakens against USD by 1 percent, the profit or loss for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$2,290 thousand and NT\$3,054 thousand respectively.

When TWD strengthens/weakens against RMB by 1 percent, the profit or loss for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$2,228 thousand and NT\$2,311 thousand respectively.

Interest rate risks

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates, and variable interest rates.

The Group manages its interest rate risk by applying a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for criteria.

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. At the reporting date, a change of 1 percent of interest rate in a reporting period could cause the profit for the years ended December 31, 2017 and 2016 to decrease by NT\$577 thousand and NT\$161 thousand respectively.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2016 and December 31, 2015, accounts receivables from top ten customers represent 41% and 50% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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 and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank loan and convertible bonds. 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 instruments

	less than 1 year	2 to 3 years	4 to 5 years	more than 5 years	Total
Dec. 31, 2017					
Loan	\$754,527	\$79,148	\$50,284	\$99,068	\$983,027
Accounts Payable	491,019	-	-	-	491,019
Convertible corporate bonds	-	385,713	-	-	385,713
Dec. 31, 2016					
Loan	\$432,730	\$69,163	\$40,987	\$45,827	\$588,707
Short-term notes and bills payable	50,000	-	-	-	50,000
Accounts Payable	307,123	-	-	-	307,123

6. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- 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 (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 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 (for example, 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 (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

Other than cash and cash equivalents, accounts receivables, accounts payable and other current 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	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Financial assets				
Bond investments with no active market	\$6,705	\$6,320	\$6,705	\$6,320
Financial liabilities				
Long-term loans	\$292,979	\$193,082	\$292,979	\$193,082
Corporate bonds payable	385,713	-	385,713	-

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for the fair value measurement hierarchy for financial instruments of the Company /

7. Derivatives

Relevant information of the Group's possession of unqualified hedge accounting and premature derivatives (including forward exchange contract and embedded derivatives) up to December 31, 2017 and 2016 is as follows:

Embedded derivatives

The company has issued convertible corporate bonds and identified with embedded derivatives, which were already detached from the main contract, and were dealt with measurement at fair value through profits or losses.

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Convertible corporate bonds embedded derivative financial instruments	\$-	\$80	\$-	\$80

As at December 31, 2016

None.

Transfer between Level 1 and Level 2 during the periods

During the years ending December 31, 2017 and 2016, there were no transfers of repetitive assets and liabilities between Level 1 and Level 2 fair value measurements.

(3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	\$-	\$-	\$292,979	\$292,979
Corporate bonds payable	-	385,713	-	385,713

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	\$-	\$-	\$193,082	\$193,082
Short-term notes and bills payable	-	-	50,000	50,000

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: thousand

	Dec. 31, 2017			Dec. 31, 2016		
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD
<u>Financial assets</u>						
Monetary items:						
USD	\$8,790	29.7100	\$261,162	\$9,745	32.2000	\$313,796
EUR	1,912	35.3700	67,634	898	33.7000	30,276
JPY	44,819	0.2622	11,752	120	0.2736	33
CHF	1,212	30.3100	36,751	175	31.3800	5,491
CNY	52,988	4.5400	240,564	53,394	4.5920	245,186
GBP	62	39.9000	2,481	83	39.4000	3,285
<u>Financial liabilities</u>						
Monetary items:						
USD	\$1,079	29.8100	\$32,170	\$260	32.3000	\$8,396
EUR	609	35.7700	21,800	364	34.1000	12,418
JPY	260	0.2662	69	520	0.2776	144
CHF	35	30.6000	1,056	19	31.6700	601
CNY	3,869	4.5900	17,757	3,044	4.6420	14,129
GBP	1	40.3200	29	1	39.8200	27

The Group's individual entity adopt various functional currencies; hence, the disclosure of exchange profits or losses of functional financial assets and liabilities by respective significant currency is not applicable. From January 1 to December 31 of 2017 and 2016, foreign exchange gains or losses were (NT\$29,542) thousand and (NT\$30,040) thousand, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

10. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support 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. Other disclosure items

1. Related information on significant transactions

- (1) Capital financing to others: see attached table 1.
 - (2) Endorsement or guarantee for others: see attached table 2.
 - (3) Marketable securities held at the end of current period (excluding investments in subsidiaries, associates, and joint control entities): see attached table 3.
 - (4) Accumulated acquisition or disposal of individual marketable securities at costs or prices of at least NT\$300 million or 20% of the paid-in capital: see attached table 4.
 - (5) Acquisition of individual real estate at price of at least NT\$300 million or 20% of the paid-in capital: None.
 - (6) Disposal of real estate at price of at least NT\$300 million or 20% of the paid-in capital: None.
 - (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: see attached table 5.
 - (8) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see table 6 for details.
 - (9) Engage in trading of derivative products: Please see consolidated financial note 6. 2 and note 12.
 - (10) Others: Business relations and significant transactions between parent and subsidiary companies, please see table 7 for details.
- #### 2. Information relating to re-invested businesses: Please see table 8 for details.
- #### 3. Information relating to investments in China: please see table 9 for details.

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 judgment of the management, the Group belongs to a single operating segment.

2. Geographical information

Revenue from external customers:

	2017	2016
Taiwan	\$734,392	\$429,418
Asia	522,357	446,570
America	11,214	393,435
Europe	424,144	100,705
Africa	250,504	13,212
Australia	29,981	-
Total	<u>\$1,972,592</u>	<u>\$1,383,340</u>

Non-current Assets:

	Dec. 31, 2017	Dec. 31, 2016
Taiwan	\$2,088,772	\$1,333,313
The United States	108,670	90,610
Europe	104,769	21,824
Japan	2,179	6,093
Total	<u>\$2,304,390</u>	<u>\$1,451,840</u>

3. Information about major customers

	Dec. 31, 2017	Dec. 31, 2016
United Medical Instrument Co., Ltd.	<u>\$339,519</u>	<u>\$305,541</u>

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)
(All Amounts Expressed In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Table 1: Lendings as of December 31, 2017

Unit: NT\$ thousand

[illegible]

Note 1: The Company's cap on financing and borrowings shall not exceed 30 percent of the company's paid-in capital.

Note 2: Financing to an individual party shall be limited within the bilateral business transaction amount over the last year.

Note 3: The subsidiary's cap on financing and borrowings shall not exceed 15 percent of the company's paid-in capital.

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

[illegible][illegible]

Note 1: The Company's total sum of endorsement shall not exceed 50 percent of the company's paid-in capital; to an individual enterprise, the endorsement shall not exceed 30 percent of the company's paid-in capital.		
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Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

Table 3. Securities Held at End of Period as of December 31, 2017 (not including investments to subsidiaries, affiliates and joint ventures):

Unit: NT\$ thousand

Company holding shares	Securities Type and Name	Relationship between Issuer of Securities and the Company	Account	End of Period				Note
				Number of shares	Carrying amount	Shareholding Ratio %	Fair value	
United Orthopedic Corporation	Changgu Biotech Corporation	None	Financial assets carried at cost - non-current	285	\$2,850	19.26	Note 1	
A-Spine Asia Co., Ltd.	Taiwan Main Orthopaedics Biotechnology Co., Ltd.	None	Financial assets carried at cost - non-current	196	1,960	3.77	Note 1	

Note 1: No quoted prices in an active market and their fair value cannot be reliably measured.

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

Table 4: Amount of accumulated acquisition or disposal of the same securities reaching NT\$300 million or exceeds 20 percent of the paid-in capital:

[illegible]

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

Table 5: Purchases and sales with related parties reaching NT\$ 100 million or more than 20 percent of the paid-up capital

Unit: NT\$ thousand

Purchase (sale) Company	Counterparty	Relation	Trade Details				Differences in trading criteria different from general transactions and the causes		Bills and accounts receivable (payable)		Note
			Purchase (sales)	Amount	Ratio (%) to total purchase (sales)	Credit period	Unit Price	Credit period	Balance	Ratio (%) to total purchase (sales)	
United Orthopedic Corporation	UOC America Holding Corporation	Parent/Subsidiary Company	Sales	\$207,360	13.12%	90 days	Note:	Note:	\$81,156	13.25%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Second-tier subsidiary	Sales	\$184,404	11.66%	120 days	Note:	Note:	\$231,513	37.80%	
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Affiliate company	Sales	\$320,619	20.28%	90 days	Note:	Note:	\$81,884	13.37%	
UOC America Holding Corporation	UOC USA, Inc.	Subsidiary/Second-tier	Sales	\$214,901	99.95%	90 days	Note:	Note:	\$84,188	100.00%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Affiliate company	Sales	\$135,109	82.39%	90 days	Note:	Note:	\$137,938	93.66%	

Note: There is no significant difference from the normal trade.

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

Table 6. Receivables from related parties reaching NT\$ 100 million or exceeds 20 percent of the paid-in capital:

Unit: NT\$ thousand								
Company with accounts receivable Company	Name of Counterparty		Relationship	Related party accounts receivable balance	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recoverable after period
						Amount	Handling Method	
United Orthopedic Corporation	United Orthopedic Corporation	Second-tier subsidiary		\$231,513	1.17	\$-	-	\$-
	(Suisse) SA			(Note 1)				
United Orthopedic Corporation	United Orthopedic	Affiliate company		137,938	1.43	-	-	-
(Suisse) SA	Corporation (France)			(Note 1)				
Note 1: Related-party account receivable								

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

Table 7. Business relations and significant transactions between parent and subsidiary companies:

No. (Note 1)	Name of trading partner	Trading counterpart	Nature of relationship(Note 2)	Transaction Status			
				Account	Amount	Trade conditions	Percentage to consolidated net revenue or total assets (Note 3)
2017							
0	United Orthopedic Corporation	UOC America Holding Corporation	1	Sales income	\$207,360	Note 4	10.51%
0	United Orthopedic Corporation	UOC America Holding Corporation	1	Accounts receivable	81,156	-	1.89%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Sales income	184,404	Note 4	9.35%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	231,513	-	5.39%
0	United Orthopedic Corporation	United Biomech Japan	1	Sales income	1,523	Note 4	0.08%
0	United Orthopedic Corporation	United Biomech Japan	1	Accounts receivable	1,276	-	0.03%
1	UOC America Holding Corporation	UOC USA, Inc.	5	Sales income	214,901	Note 4	10.89%
1	UOC America Holding Corporation	UOC USA, Inc.	5	Accounts receivable	84,188	-	1.96%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales income	135,109	Note 4	6.85%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	137,938	-	3.21%
3	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales income	754	Note 4	0.04%
3	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Accounts receivable	772	-	0.02%
4	A-Spine Asia Co., Ltd.	Pauline Medical Co., Ltd	5	Sales income	28,195	Note 4	1.43%
4	A-Spine Asia Co., Ltd.	Pauline Medical Co., Ltd	5	Accounts receivable	12,891	-	0.30%

Note 1: Business operating information between parent company and subsidiary shall be indicated in column number, number filled in as follows:

1. Fill in 0 for parent company.

2. Number subsidiaries starting from 1.

Note 2: Six types of relations with transaction parties are applicable; simply marking the type:

1. Parent - Subsidiary.

2. Subsidiary - Parent

3. Subsidiary - Subsidiary

4. Parent - Second-tier subsidiary

5. Subsidiary - Second-tier subsidiary

6. Second-tier subsidiary - Second-tier subsidiary

Note 3: In the calculation of the percentage of transaction to consolidated total revenue or total assets, if the items belong to balance sheet, it is calculated by percentage of ending balance to consolidated total assets; if the items belong to profits/losses, it is calculated by percentage of interim accumulated amount to consolidated total revenue.

Note 4: No significant differences are found between the aforementioned related-party operating income conditions and collection period and that of normal exporting customers.

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

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

Table 8: Information relating to re-invested businesses:

Unit: NT\$ 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000

Investor Company Name	Invested Company Name	Located Region	Primary Business	Initial Investment		Holding at End of Period			Invested Company Gains (losses) of the year	Profits/Losses recognized in the current period	Notes
				End of period	End of previous year	Number of shares	Ratio	Carrying amount			
United Orthopedic Corporation	United Medical (B.V.I.) Corporation	British Virgin Islands	Holding company, trade	\$360,194	\$360,194	11,400	100%	\$128,115	\$(849)	\$(849)	Subsidiary
				(USD 11,400)	(USD 11,400)	(Note 1)					
United Orthopedic Corporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trade	139,768	139,768	4,500	100%	(7,964)	(35,609)	(35,609)	Subsidiary
				(USD 4,500)	(USD 4,500)	(Note 1)					
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding Company	121,089	50,420	3,750	88%	5,769	(15,585)	(13,136)	Subsidiary
				(CHF 3,750)	(CHF 1,500)	(Note 3)					
United Orthopedic Corporation	United Biomech Japan	Japan	Trading, Wholesale	32,047	23,983	1,065	59%	966	(37,671)	(20,795)	Subsidiary
				(JPY 106,500)	(JPY 76,500)	(Note 5)					
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trade, wholesale, manufacture	613,440	-	10,224,000	100%	608,774	59,431	36,230	Subsidiary
						(Note 6)					
United Medical (B.V.I.) Corporation	Lemax Co.,Ltd	British Virgin Islands	Holding Company	360,194	360,194	11,400	100%	122,780	(767)	(767)	Second-tier subsidiary
				(USD 11,400)	(USD 11,400)	(Note 1)					
UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, Wholesale	139,768	139,768	900	100%	84,304	(41,012)	(41,012)	Second-tier subsidiary
				(USD 4,500)	(USD 4,500)	(Note 2)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, Wholesale	39,309	6,865	1,200	100%	37,881	(334)	(334)	Second-tier subsidiary
				(CHF 1,200)	(CHF 200)	(Note 3)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, Wholesale	94,884	7,442	2,606	100%	62,757	(15,407)	(15,407)	Second-tier subsidiary
				(EUR 2,606)	(EUR 200)	(Note 4)					
A-Spine Asia Co., Ltd.	Pauline Medical Co., Ltd.	Taiwan	Trading, Wholesale	4,800	4,800	480,000	100%	15,022	4,449	4,449	Second-tier subsidiary
						(Note 7)					

Note 1: The face value per share is USD 1,000.

Note 2: The face value per share is USD 5,000.

Note 3: The face value per share is CHF 1,000.

Note 4: The face value per share is EUR 1,000.

Note 5: The face value per share is JPY 50,000.

Note 6: The face value per share is NT\$ 10, but each share was acquired at NT\$ 60.

Note 7: The face value per share is NT\$ 10.

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

Table 9. Information relating to investments in China

Unit: NT\$ thousands/USD thousands												
Invested company in China Name	Primary business Items	Paid-in Capital	Investment method	Aggregated investment amount remitted from Taiwan at the beginning of current period	Investment remitted or recovered in the current period		Aggregated investment amount remitted from Taiwan at the beginning of current period	Invested company current period Recognized in the Current Period	Shareholding ratio of the company's direct or indirect investments Shareholding ratio	Profit or loss for the current period	Investment carrying amount at end of period	Investment profits recollected as of current period
					Remit	Recollect						
Shinva United Orthopedic Corporation	Production and sales of orthopedic implants & joint replacements Productions and sales	Registered capital is RMB 200 million	(Note 1)	\$487,520	\$-	\$-	\$487,520	\$10,374	49%	\$5,083	\$407,565	\$-
				(CNY 98,000,000)			(CNY 98,000,000)					
							(Note 3)					
United Medical Co., Ltd.	Artificial implants, medical instruments & manufacturing equipment, joint replacements	Registered capital is USD 5.20 million	(Note 2)	159,690	-	-	159,690	-	-	-	-	-
		(Note 5)		(USD 5,000,000)			(USD 5,000,000)					
							(Note 4)					
Investment amount remitted from Taiwan to China at the end of current period		Investment amount authorized by the Investment Commission, MOEA	Investment cap for investments in China set by the Investment Commission									
\$647,210		\$847,714										
(USD 5,000,000)		(USD 11,400,000)	\$1,322,949									
(CNY 98,000,000)		(CNY 98,000,000)										
Note 1: Direct investment in China.												
Note2: Reinvested in a company in China through a third-region Company (Shinva United Orthopedic Corporation).												
Note3: Include technical pricing of RMB 30,000,000.												
Note 4: Sold in 2016, but the payment has not been collected.												
Note 5: Capital has been increased to RMB 13,000,000.												

Notes for combined financial statements of United Orthopedic Corporation and its subsidiaries (continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

Table 9-1 Significant transactions directly or indirectly invested by the company through third-region companies and reinvested companies in China:

(1) Purchase amount and percentage, and ending accounts receivable balances and percentage:							
							Unit: NT\$ thousand
Year	Name of Counterparty	Name	Purchase amount	Percentage to the company's purchase %	Ending accounts receivable balances	Percentage %	
2017	United Orthopedic Corporation	United Medical Co., Ltd.	\$84,105	18.77%	\$17,047	17.65%	
(2) Sale amount and percentage, and ending accounts receivable balances and percentage:							
Year	Name of Counterparty	Name	Sales amount	Percentage to the company's sales	Ending accounts receivable balances	Percentage %	
2017	United Orthopedic	United Medical Instrument Co., Ltd.	\$320,619	20.28%	\$81,884	13.37%	
2017	United Orthopedic	United Medical Co., Ltd.	31,610	2.00%	13,299	2.17%	
2017	United Orthopedic	Shinva United Orthopedic Corporation	9,849	0.62%	1,768	0.29%	
2017	A-Spine Asia Co., Ltd.	United Medical Instrument Co., Ltd.	18,900	8.00%	9,049	14.53%	
(3) Ending balance of endorsement, guarantee or collateral provided and purposes:							
Not applicable							
(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:							
Not applicable							
(5) Other transactions that have significant impact on the balance of the current period and financial status:							
Not applicable							

V. The Company's individual financial report audited and attested by a CPA for the past year

STATEMENT

For 2017 (January 1 to December 31, 2017), affiliated businesses of this Company that shall be included according to the rules prescribed by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were therefore not generated separately.

As hereby declared

Company name: United Orthopedic Corporation

Person in Charge: Lin, Yan-Shen

20/03/2018

AUDIT REPORT OF THE ACCOUNTANTS

To United Orthopedic Corporation:

Audit opinion

We have audited the individual balance sheets of United Orthopedic Corporation as of December 31, 2017 and 2016 and the related individual consolidated income statements, individual statements of changes in equity, individual cash flow statements and individual financial statements annotations (including major accounting policy summary) for the years ended 2017 and 2016, from January 1 to December 31.

In the CPA's opinion, the financial reports above are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in all major aspects, which shall suffice to express the financial status of the United Orthopedic Corporation as of December 31, 2016 and 2015, and the financial performance and cash flow as of December 31, 2016 and 2015.

Basis for the Audit

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPA will further explain the responsibilities auditors shall execute during the audit of Individual Financial Statements under the above principles below. The accountants of the affiliated office shall comply with the ethical code of conduct for accountants and remain neutral to United Orthopedic Corporation and its subsidiaries in fulfilling their duties. We believe that the audit evidence obtained is sufficient and appropriate for us to provide a basis for our audit.

Key Audit Items

Key audit items refer to the most critical items in the 2017 individual financial statement of United Orthopedic Corporation being audited by the accountants when performing their professional judgment. These items have been covered in the verification process of the overall Individual Financial Statements and the audit opinion; hence, the CPA shall not express a separate opinion on these items.

Inventory valuation

United Orthopedic Corporation's net inventories as of December 31, 2017, was NT\$ 611,852,000, accounting for 16% of individual assets, which is significant to the individual financial statement. Hence, the accountants have determined the inventory valuation as a key audit item. The audit procedure conducted by the accountants included but not limited to following audit procedures: learn and test the management with respect to the effectiveness of internal control established for inventory price drop and idle loss. We visited their warehouse to check the conditions and storage of their inventories. We evaluated the appropriateness of the management's accounting policy on idle and overdue inventories, including the identification of idle and overdue inventories. We randomly picked inventory samples to audit their sales certificates, and run the validation over the inventory valuation. Our accountants have also considered the appropriateness of inventory disclosure identified in note 5 and note 6 of the consolidated financial statement.

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 recognized revenue as of 2017 was NT\$ 1,581,054,000, which is significant to the individual financial statement. Hence, the accountants have determined the inventory valuation as a key audit item. The audit procedure conducted by the accountants included but not limited to following audit procedures: learn and evaluate the appropriateness of the accounting policy on the revenue recognition. We learned and tested the management with respect to the effectiveness of internal control established for the sales cycle. We conducted analytical procedures on product types, regions and monthly gross profit ratio. We also conducted analytical procedures on major returns inward and allowance, including the understanding of the reasons behind returns inward and allowance. We run sales cut-off tests before and after the balance sheet as of date. We picked critical clients as samples to run transaction criteria confirmation and validate relevant certificates. The accountant has also considered the appropriateness of revenue disclosure identified in note 6 of the consolidated financial statement.

The responsibility of the management and governance units for the parent company only financial statements

To ensure that the Individual Financial Statements do not contain material misstatements caused by fraud or errors, the management level is responsible for preparing prudent Individual Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to prepare and maintain necessary internal control

procedures pertaining to the Individual Financial Statements.

In preparing the Consolidated Financial Statements, the responsibility of management includes the assessment of the sustainability of United Orthopedic Corporation, disclosure of related matters, and the adoption of a consistent accounting basis, unless the management intends to liquidate United Orthopedic Corporation, terminate the business, or no practicable measures other than liquidation or termination of the business can be taken.

The governing units (including audit committee or supervisor) of United Orthopedic Corporation shall be responsible for supervising the financial reporting procedures.

Responsibilities of the CPA in auditing the Financial Statements

Our objective when auditing the parent company only financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. "Reasonable certainty" refers to high levels of credibility; nevertheless, our auditing work carried out according to GAAP may not guarantee that material misstatement will be detected within the Individual Financial Statements. There may still be material misstatements due to fraud or errors. If it could be reasonably anticipated that the the misstated individual amounts or aggregated sum could have influence over the economic decisions made by the users of the Individual Financial Statements, it will be deemed as material.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. The CPA has also implemented the following procedures:

1. Identifying and evaluating likely risks from significant false contents in the parent company only financial statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risks of material misstatements due to fraud is greater than that due to errors.
2. Obtaining necessary knowledge about the internal control mechanism that is closely related to auditing work and designing the appropriate audit procedure without the intention to express any opinion about the validity of the internal control of United Orthopedic Corporation.

3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly
4. Based on the audit evidence established, concluding on the appropriateness for the management to continue to adopt the same accounting basis and whether there was any significant doubt about the capacity of United Orthopedic Corporation to remain in operation or whether any significant uncertainty existed If the CPA is of the opinion that material uncertainty exists within these matters or conditions, the CPA shall remind the users of the Individual Financial Statements to pay attention to relevant disclosure in the Statements in their auditing report, or to revise the audit opinion when such disclosure is inappropriate. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, the future events or situations may lead to loss of sustain operation of United Orthopedic Corporation.
5. Evaluating the overall expression, structure and contents of the parent consolidated financial statement (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events
6. Obtaining sufficient and appropriate audit evidence with regard to the finance information of the individual entities in the group to establish our opinion about the consolidated financial statements The CPA is responsible for the guidance, supervision and implementation of TOP Group's audit, and responsible for forming audit opinions on TOP Group.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with the professional ethics of accountants and communicated with the governing body the facts and issues that may be deemed to have an influence on our independence as accountants as well as other matters (including related protective measures).

Based on the result of our discussion with the governance units, we have decided on which matters would be regarded as key audit matters when auditing the 2017 Individual Financial Statements of United Orthopedic Corporation. Such matters have been explicitly highlighted in the audit report, but do not include information prohibited by law or, in extremely rare cases and with reasonable anticipation, where we decided not to communicate about specific items in the audit report as the negative effects of such disclosure would exceed the benefits gained for public

interest.

Ernst & Young

Publication of corporate financial statements approved by the
authorities

Audit Document No.: (91) Securities and Futures Bureau (6)
No. 144183

Financial Supervisory Committee (6) No. 0970038990

Zhang Zhi-Ming

Accountant:

Huang Jian-Ze

March 20, 2018

United Orthopedic Corporation
Stand-Alone Balance Sheet
December 31, 2017 and December 31, 2016

Unit: NTD thousand

Assets			December 31, 2017		December 31, 2016	
Code	Accounting item	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 & 6.1	\$266,901	7	\$334,908	12
1150	Net notes receivable	4 & 6.5	2,912	-	3,252	-
1170	Net accounts receivable	4 & 6.6	190,058	5	165,793	6
1180	Accounts receivable - related parties (net)	4, 6.6 and 7	410,896	11	243,835	9
1200	Other accounts receivable	8	13,224	-	8,269	-
1210	Other accounts receivable - related parties (net)	7	309	-	24,213	1
130x	Inventory	4 & 6.7	611,852	16	474,214	17
1410	Prepayment		24,186	1	22,332	1
1470	Other current assets		238	-	331	-
11xx	Total current assets		1,520,576	40	1,277,147	46
	Non-current Assets					
1510	Financial Assets at Fair Value through Profit or Loss - Non-current	4, 6.2 and 6.13	80	-	-	-
1543	Financial assets carried at cost - non-current	4 & 6.3	2,850	-	2,850	-
1546	Investment in debt instrument in non-active market - non-current	4 & 6.4 and 8	6,705	-	6,320	-
1550	Investment that adopts equity method	4 & 6.8	1,151,189	30	613,615	22
1600	Property, plant and equipment	4, 6.9 & 8	1,008,602	27	815,043	29
1780	Intangible assets	4 & 6.10	37,583	1	32,613	1
1840	Deferred income tax assets	4 & 6.23	58,561	2	51,483	2
1900	Other non-current assets		19,699	-	10,347	-
15xx	Total Non-current assets		2,285,269	60	1,532,271	54
1xxx	Total assets		\$3,805,845	100	\$2,809,418	100

(Please refer to the notes of the individual financial statements)

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

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

United Orthopedic Corporation
Stand-Alone Balance Sheet (continued)
December 31, 2017 and December 31, 2016

						Unit: NTD thousand
Liabilities and Equities		December 31, 2017		December 31, 2016		
Code	Accounting item	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loan	4 & 6.11	\$500,000	13	\$315,000	11
2110	Short-term bills payable	4 & 6.12	-	-	50,000	2
2150	Notes payable		2,302	-	2,100	-
2170	Accounts payable		77,222	2	40,364	1
2180	Accounts payable - related parties	4 & 7	17,047	-	13,568	-
2200	Other accounts payable		258,535	7	221,613	8
2220	Other payables - related parties	7	653	-	-	-
2230	Current income tax liabilities	4 & 6.23	30,448	1	42,020	1
2300	Other current liabilities		5,015	-	4,677	-
2322	Long-term loan due in one year	4 & 6.14	57,864	2	37,105	1
21xx	Total current liabilities		949,086	25	726,447	24
	Non-current liabilities					
2530	Bonds payable	613	385,713	10	-	-
2540	Long-term loans	4 & 6.14	135,885	4	155,977	6
2570	Deferred income tax liabilities	4 & 6.23	7	-	-	-
2600	Other non-current liabilities		154	-	154	-
2630	Long-term deferred income	4 & 6.8	105,265	3	130,739	5
2640	Net defined benefit liability - non-current	4 & 6.15	16,856	-	22,483	1
2650	Credit balance of investments under equity method	4 & 6.8	7,964	-	456	-
25xx	Total non-current liabilities		651,844	17	309,809	12
2xxx	Total Liabilities		1,600,930	42	1,036,256	36
	Equity	4 & 6.16				
3100	Capital					
3110	Capital - common stock		797,129	21	717,469	26
	Total capital		797,129	21	717,469	26
3200	Capital reserve		1,243,611	33	915,406	33
3300	Retained earnings					
3310	Statutory surplus reserve		55,906	1	41,246	2
3320	Special surplus reserve		31,620	1	-	-
3350	Undistributed earnings		129,464	3	145,834	5
	Total retained earnings		216,990	5	187,080	7
3400	Other equity					
3410	Difference on translation of financial statements of foreign operations		(47,655)	(1)	(31,620)	(1)
3491	Employee's unearned remuneration	4 & 6.17	(5,160)	-	(15,173)	(1)
	Total other equity		(52,815)	(1)	(46,793)	(2)
3xxx	Total Equity		2,204,915	58	1,773,162	64
	Total liabilities and equities		\$3,805,845	100	\$2,809,418	100

(Please refer to the notes of the individual financial statements)

Chairman: Lin, Yan-Shen Manager: Lin, Yan-Shen

Accounting Supervisor: Deng, Yuan-Chang

United Orthopedic Corporation						
Individual Income Statement						
For the periods of January 1 to December 31 of 2017 and 2016						
					Unit: NTD thousand	
Code		Notes	2017		2016	
			Amount	%	Amount	%
4000	Operating Revenue	4 & 6.18	\$1,581,054	100	\$1,352,145	100
5000	Operating costs	4 & 6.7	668,501	42	582,789	43
5900	Gross profit		912,553	58	769,356	57
5910	Realized (Unrealized) profits from sales		(71,561)	(5)	(8,057)	(1)
5900	Gross profit		840,992	53	761,299	56
6000	Operating expenses					
6100	Marketing Expense		329,463	21	300,194	22
6200	Administrative Expense		136,418	9	123,213	9
6300	R&D Expenses		184,926	12	161,231	12
	Total operating expenses		650,807	42	584,638	43
6900	Operating Profit		190,185	11	176,661	13
7000	Non-operating income and expenses	4 & 6.21				
7010	Other income		33,263	2	30,410	2
7020	Other profit and loss		(9,745)	(1)	(17,453)	(1)
7050	Financial cost		(10,758)	(1)	(4,568)	-
7070	Recognized share of the loss of the affiliated enterprises and joint ventures using equity method		(29,076)	(2)	(21,632)	(2)
	Total non-operating income and expenses		(16,316)	(2)	(13,243)	(1)
7900	Net income before tax		173,869	9	163,418	12
7950	Income tax expenses	4 & 6.23	(43,605)	(3)	(16,817)	(1)
8200	Current period net profit		130,264	6	146,601	11
8300	Other comprehensive gain or loss	4 & 6.22				
8310	Items that will not be reclassified to profit or loss:					
8311	The amount to be measured again when the welfare plan is determined		(800)	-	(767)	-
8349	And income taxes relating to profit/loss items not to be reclassified		-	-	-	-
8360	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operations		(16,035)	(1)	(42,722)	(3)
8365	Equity directly relating to non-current assets held for sale		-	-	(4,616)	-
8399	Income tax relating to items that may be reassigned to profits and losses		-	-	4,320	-
	comprehensive income or loss (net value after tax) in this period		(16,835)	(1)	(43,785)	(3)
8500	Total amount of comprehensive profit/loss in the period		\$113,429	5	\$102,816	8
	Earnings per share (NT\$)	4 & 6.24				
9750	Basic earnings per share		\$1.78		\$2.06	
9850	Diluted earnings per share		\$1.75		\$2.05	
(Please refer to the notes of the individual financial statements)						
Chairman: Lin Yan-Shen Manager: Lin Yan-Shen Accounting Manager: Deng Yuan-Chang						

United Orthopedic Corporation											
Individual Statement of Changes in Equity											
For the periods of January 1 to December 31 of 2017 and 2016											
Unit: NTD thousand											
					Retained earnings			Other Equity			
		Capital	Bonds exchanging for stockrights certificate	Capital reserve	Statutory surplus reserve	Special surplus reserve	Undistributed Earnings	Exchange differences on translation of financial statements of	For sale Non-current Assets Directly related equity	Employees unearned remuneration	Total equity
Code	Item	3100	3130	3200	3310	3320	3350	3410	3470	3491	3XXX
A1	Balance on January 1, 2016	\$712,049	\$5,420	\$912,988	\$27,865	\$-	\$128,184	\$7,567	\$3,831	\$(24,855)	\$1,773,049
	Surplus allocation and distribution in 2015										
B1	Appropriate statutory surplus reserve	-	-	-	13,381	-	(13,381)	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(114,803)	-	-	-	(114,803)
D1	2016 Net Profit (Note1)	-	-	-	-	-	146,601	-	-	-	146,601
D3	Other comprehensive profit/loss in 2016	-	-	-	-	-	(767)	(39,187)	(3,831)	-	(43,785)
D5	period	-	-	-	-	-	145,834	(39,187)	(3,831)	-	102,816
I3	Convertible Bond Conversion	5,420	(5,420)	-	-	-	-	-	-	-	-
M7	Changes in equity of ownership of subsidiaries	-	-	2,418	-	-	-	-	-	-	2,418
	Share-based payment transaction - restricted employee entitlement to new shares	-	-	-	-	-	-	-	-	9,682	9,682
Z1	Balance on December 31, 2016	\$717,469	\$-	\$915,406	\$41,246	\$-	\$145,834	\$(31,620)	\$-	\$(15,173)	\$1,773,162
A1	Balances on January 1, 2017	\$717,469	\$-	\$915,406	\$41,246	\$-	\$145,834	\$(31,620)	\$-	\$(15,173)	\$1,773,162
	Appropriation and distribution of 2016 earnings	-	-	-	-	-	-	-	-	-	-
B1	Appropriate statutory surplus reserve	-	-	-	14,660	-	(14,660)	-	-	-	-
B3	Appropriate statutory surplus reserve	-	-	-	-	31,620	(31,620)	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(99,554)	-	-	-	(99,554)
C5	Composition of equity recognized due to convertible bond issuance generated from warrants	-	-	16,600	-	-	-	-	-	-	16,600
D1	2017 Net Profit (Note 2)	-	-	-	-	-	130,264	-	-	-	130,264
D3	Other comprehensive profit/loss in 2017	-	-	-	-	-	(800)	(16,035)	-	-	(16,835)
D5	period	-	-	-	-	-	129,464	(16,035)	-	-	113,429
E1	Capital Increase	80,000	-	304,000	-	-	-	-	-	-	384,000
M7	Changes in equity of ownership of subsidiaries	-	-	(4,539)	-	-	-	-	-	-	(4,539)
N1	option	-	-	13,555	-	-	-	-	-	-	13,555
	Share-based payment transaction - restricted employee entitlement to new shares	(340)	-	(1,411)	-	-	-	-	-	10,013	8,262
Z1	Balance on December 31, 2017	\$797,129	\$-	\$1,243,611	\$55,906	\$31,620	\$129,464	\$(47,655)	\$-	\$(5,160)	\$2,204,915
(Please refer to the notes of the individual financial statements)											
(Note 1) The Directors and Supervisors' remuneration of 5,695 thousand and employees' remuneration of 23,061 thousand have been removed from the consolidated income statement.											
(Note 2) The Directors and Supervisors' remuneration of 6,553 thousand and employees' remuneration of 26,212 thousand have been removed from the consolidated income statement.											
Chairman: Lin Yan-Sheng				Manager: Lin Yan-Sheng				Accounting Supervisor: Deng Yuan-Chang			

United Orthopedic Corporation				
Stand-Alone Statement of Cash Flow				
For the periods of January 1 to December 31 of 2017 and 2016				
			Unit: NTD thousand	
Code	Item	2017 Amount	2016 Amount	
AAAA	Cash flow from operating activities:			
A10000	Current net profit before tax	\$173,869	\$163,418	
A20000	Adjustment items:			
A20010	Income/expense items that do not affect cash flow:			
A20100	Depreciation expense	84,000	76,126	
A20200	Amortization expense	8,247	5,837	
A20300	Bad debts recorded	1,580	6,839	
A20400	Net benefit of the financial liabilities at fair value through profit and loss	(40)	-	
A20900	Interest Expense	10,758	4,568	
A21200	Interest Income	(1,960)	(3,863)	
A21900	Share-based payment remuneration cost	21,817	9,682	
A22300	Recognized shares of loss of subsidiaries, associates and joint ventures accounted for	29,076	21,632	
A22500	Loss on disposal of property, plant and equipment	458	301	
A24000	Gain on realized sales	71,561	8,057	
A29900	Other income	(25,474)	(19,105)	
A30000	Changes in assets and liabilities related to operating activities			
A31130	Reduced (increased) notes receivable	340	(2,594)	
A31150	Increases in accounts receivable	(25,845)	(37,947)	
A31160	Decrease (increase) in Accounts Receivable - Related Parties	(167,061)	19,210	
A31180	Increases in other payables	(4,658)	(4,306)	
A31190	Decrease (increase) in other receivables - related parties	23,904	(24,208)	
A31200	Increases in inventories	(137,638)	(13,742)	
A31220	Decreases (increases) in prepayment	(1,854)	6,445	
A31240	Decreases in other current assets	93	277	
A32130	Increase (decrease) in notes payable	202	(1,640)	
A32150	Increase (decrease) in accounts payable	36,858	(15,895)	
A32160	Increase (decrease) in accounts payables - related parties	3,479	(35,176)	
A32180	Increases in other payables	36,933	27,274	
A32190	Increase in other payables - related party	653	-	
A32230	Increase in other non-current liabilities	338	1,530	
A32240	Decreases in net defined benefit liability	(6,427)	(5,689)	
A33000	Cash inflow generated by operation	133,209	187,031	
A33100	Interest income received	1,663	3,711	
A33200	Dividend received	40,896	-	
A33500	Income Tax Paid	(62,248)	(31,707)	
AAAA	Net cash inflow from operating activities	113,520	159,035	
BBBB	Cash flow from investment activities			
B00600	Investment in debt instrument in inactive market	(385)	(235)	
B01800	Acquisition of the investment using equity method	(692,173)	(412,079)	
B02700	Acquisition of property, plant and equipment	(278,032)	(279,782)	
B02800	Disposal of property, plant, and equipment	15	11	
B03700	Increases in refundable deposits	(1,493)	(1,052)	
B04500	Intangible assets acquired	(13,217)	(23,316)	
B06800	Decreases (increases) in other non-current assets	(7,859)	336	
BBBB	Net cash outflow from investing activities	(993,144)	(716,117)	
CCCC	Cash from financing activities			
C00100	Increases in short-term loans	185,000	291,398	
C00500	Increases in short-term bills payable	-	50,000	
C00600	Decrease in short-term bills payables	(50,000)	-	
C01200	corporate bonds issuance	400,000	-	
C01600	Long-term loans borrowed	667	7,478	
C04500	Cash dividend payout	(99,554)	(114,803)	
C04600	Capital Increase	384,000	-	
C05600	Interest Paid	(8,496)	(4,497)	
CCCC	Net cash inflow from financing activities	811,617	229,576	
EEEE	Decrease in current cash and cash equivalents	(68,007)	(327,506)	
E00100	Balance of Cash and Cash Equivalents, Beginning of Year	334,908	662,414	
E00200	Balance of Cash and Cash Equivalents, End of Year	\$266,901	\$334,908	
(Please refer to the notes of the individual financial statements)				
Chairman: Lin Yan-Shen Manager: Lin Yan-Shen Accounting Manager: Deng Yuan-Chang				

United Orthopedic Corporation
Parent Financial Statements Notes
January 1 to December 31, 2017
January 1 to December 31, 2016

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

I. Company Profile

United Orthopedic Corporation ("the Corporation") was established on March 5, 1993. The primary operations include research, development, production, manufacturing, and sales of orthopedic implants and orthopedic surgical instruments; manufacturing equipment, special metal and plastics material, as well as import/export businesses for beforementioned products.

The Corporation's common shares were publicly listed in Taipei Exchange (TPEX) on July 5, 2004, and began transactions on September 29, 2005. Its registered office and the main operations base is located in No.57, Yuanqu 2nd Rd., East Dist., Hsinchu City, Taiwan (R.O.C.).

II. Approval date and procedures of the financial statements

The 2017 and 2016 parent financial statements have been published by the Board of Directors on March 20, 2018.

III. Adoption of New and Amended Standards and Interpretations

1. Changes in accounting policies arising from first-time adoption of the International Financial Reporting Standards (IFRS):

The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Committee Interpretations or Interpretations of the Standing Interpretations Committee (SIC) that have been approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) for the fiscal year beginning after January 1, 2017. Except for the following new standards and interpretations for the nature of the amendments and their impacts, first-time adoption of the remaining amendments have no significant impact on the Group:

IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

2. New promulgation, revised or amended standards and interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

(1) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Companies adopting the core principle to recognize revenue shall

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In addition, this amendment also includes an integrated set of standards for disclosure, which will mandate enterprises to provide users of the financial reports consolidated information relating to customer contract, including the nature of income and cash flow, amount, time and uncertainties. The new standard is effective for annual periods beginning on or after 1 January 2018.

(2) IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018. Furthermore, this standard is adopted along with all relevant amendments regarding disclosure.

(3) 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 Ventures

The amendments addressed the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

In addition, the effective date of this amendment has been determined, however, an advanced adoption is still applicable.

(4) IAS 12 Recognition of deferred tax assets for unrealised losses (Amendment)

The amendment clarifies the recognition methods of deferred tax assets derived from unrealized losses.

The amendment is effective for annual periods beginning on or after 1 January 2017.

(5) Disclosure initiative (amendment to IAS 7 "Statement of Cash Flows")

The amendments refer to the increased reconciliation information at the beginning and end of the period with respect to the fundraising activities relating to liabilities.

The amendment is effective for annual periods beginning on or after 1 January 2017.

(6) Interpretations of IFRS 15 Revenue from Contracts with Customers

The amendment mainly clarifies on how to identify contractual obligations, how to determine a company as a principal or an agent, and how to determine authorized income to be recognized in a specific point of time or be progressively recognized. The amendment is effective for annual periods beginning on or after 1 January 2018.

(7) Amendment to IFRS 2 "Share-based Payment"

This amendment includes: (1) determine the fair value of the stock based payment of the estimated cash delivery on a daily basis, not to take into account the acquired conditions other than market conditions. On the contrary, the acquired conditions other than market conditions shall be considered by adjusting the amount of reward to the balance of liabilities arising from the exchange. (2) Clarify if the tax laws and regulations require the enterprise to be obligated to pay for the share based payment of the employee's tax deductions and transfer the amount to the taxation authority, and in order to fulfill this obligation, the terms of the stock based payment agreement may allow or prescribe a number of equity instruments in the total amount of the enterprise's equity tool to withhold the equivalent of the employee's tax obligation. If such transactions do not have the aforementioned net settlement characteristics, they will be classified as stock-based payment equity settlement transactions, and the transaction as a whole shall be classified as equity-settled share-based payment transactions. And (3) if, after clarification, the terms and conditions of the share-based payments for cash settlement have been modified to make it a share-based payment transaction for equity settlement, the stock-based payment transactions for equity settlement shall be processed based on the fair value of the given equity instruments on the date of modification, recognized as equity based on the portion of goods or services received on the date of modification, and delisted from liability of stock-based payment transaction of cash settlement on the date of modification. The differential between the carrying amount of liability and the recognized equity as of the modification date shall be recognized as profit or loss immediately.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(8) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendment helps resolve the issue arising from the difference between IFRS 9 "Financial Instruments" effective date (January 1, 2018) and the new insurance contract standard effective date (later than 2020) to be published by IASB. The amendment allows an enterprise to lower specific impacts when issuing the insurance contract within the application scope of IFRS 4 before IFRS 9 "Financial Instruments" and the new insurance contract standard takes effect. The amendment proposed two approaches, (i) overlay approach and (ii) deferral approach. The overlay approach enables entities to eliminate the accounting impacts of profit or loss when applying IFRS 9 prior to the effective date of new insurance contract standards. The deferral approach enables qualified entities to select deferral IFRS 9 before 2021 (i.e. applying IAS 39 before new insurance contract standards take effect).

(9) Transfers of Investment Property (Amendments to IAS 40 Investment Property)

This amendment added regulations relevant to transfer of investment in real estate and clarifies that when the real estate meets or no longer meets the definition of real estate investment and there is evidence showing that the use of such assets has changed, the enterprise shall transfer the real property to investment or

remove the property from an real estate investment . However, the management's sole intention to change the use of the real property does not provide evidence of change in usage.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(10) IFRS Annual Improvements 2014-2016

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment revised and added transitional provisions for partial standards revision, and removed Appendix E to IFRS 1 short-term exemptions for first-time adopters.

The amendment is effective for annual periods beginning on or after 1 January 2018.

IFRS 12: Disclosure of Interests in Other Entities

The amendment clarified that the disclosures required in IFRS 12 (with the exception of B10-B16) also apply to equities of other individual businesses classified as non-current assets for sale and discontinued operations.

The amendment is effective for annual periods beginning on or after 1 January 2017.

IAS 28 - Investments in Associates and Joint Ventures

The amendment clarified that when the investment in the associate or joint venture is held by, or is held indirectly through, venture capital organizations, or mutual funds, unit trusts and similar entities (including investment-linked insurance funds). Those investments in associates and joint ventures may be measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. In addition, if the enterprise is not an investment entity, and it owns equities of the associate or joint venture, when the enterprise applies the equity method to the associate or joint venture, it should select the fair value measurement applied to maintain the associate or joint venture' equity to its subsidiary, by each associate or joint venture.

The amendment is effective for annual periods beginning on or after 1 January 2018.

(11) IFRIC 22: Foreign Currency Transactions and Advance Payment Consideration.

This interpretation provides that when adopting paragraph 21 and 22 of IFRIC 21 regarding the impact of exchange rate changes, in order to determine the exchange rate used originally for recognition of the related assets, loss or gain (or part thereof), the transaction date shall be recognized as the date on which the non-monetary asset or non-monetary liability arising from the payment or advance (payment) was paid or collected. If there are multiple advance payments or collections, the company shall decide on the transaction date of each advanced payment or collection.

The interpretation is effective for annual periods beginning on or after 1 January 2018.

The above are new issues, amendments and corrections or interpretations released by the International Accounting Standards Board, approved by the FSC, and is applicable to the fiscal year beginning from January 1, 2018. The Group assessed the impact of the above (1), (2), (5) and (6), as stated below, and deemed that other new issues, amendments or interpretations has no significant impact on the Group:

Interpretations of IFRS 15 Revenue from Contracts with Customers (including interpretations of IFRS 15 Revenue from Contracts with Customers)

The Group has chosen to recognize the cumulative impact of initial application of this standard on the first day of issuance (i.e. January 1, 2018) and decided to implement this standard retroactively to the contracts which have not yet been finalized by the first day of issuance.

The Company's revenue from customer contracts mainly comes from sales of goods, the impact of IFRS 15 on the company's income recognition is explained below:

A. The Company's current product sales transactions are recognized as income at the time of delivery. At the date of issuance of IFRS 15, the above-mentioned income is recognized when the Group fulfills the obligation by transferring the promised goods to the customer. This change does not have any impact on the recognition of income from the goods sold.

B. Disclosure by additional notes is required under IFRS 15.

IFRS 9: Financial Instruments

In accordance with IFRS 9, the Company chose not to amend the comparison period on the first issuance day (January 1, 2018). The impact of adopting IFRS 9 is described below:

A. Classification and Measurement of Financial Assets

a. Available-for-sale financial assets - equity investment

Such investment will be assessed on the basis of the facts and circumstances existing on the day of first-time adoption, and the investment options are designated as financial assets at fair value through other comprehensive gains and losses as they are not investments held for trading. The amount of financial assets reclassified to available-for-sale financial assets that will be used on the date of first adoption and measured at fair value through other comprehensive income is NTD 2,850 thousand. Other relevant information is described below.

Under the current IAS 39, a loss of NTD 2,850 thousand of unlisted stocks of the Company valued at cost has not been recognized. However, under IFRS 9, recognition of the loss is not required, but the amount shall be assessed at

fair value. The Company assessed its fair value at NTD 730 thousand, and therefore adjusted the amount of the carrying amount of the financial assets valued through other comprehensive gains and losses at fair value to NTD 2,120 thousand.

- (b) No differences in book value has been generated in the Company's listed stocks measured at fair value. Therefore, the stocks were reclassified to the accounts of other equity through other comprehensive income and loss measured at fair value on the date of first adoption.

b. Assessment of financial asset impairment

This is for financial assets not measured as profit or losses by fair value. According to IFRS 9, impairment of liabilities are assessed by Expected Credit Loss Model. And credit loss is assessed through the receivables or contract assets incurred from transactions within the scope of IFRS 15 by simplified approach (including preparation matrix). The above-mentioned assessment of impairment is different from the model used to assess currently realized losses and therefore there is no major impact on the Company.

B. Others

Additional disclosure information is required due to adoption of IFRS 9 and the revision of the disclosure requirements of IFRS 7, including the disclosure requirements for first-time adoption of IFRS 9.

Disclosure initiative (amendment to IAS 7 Statement of Cash Flows)

The amendments refer to the increased reconciliation information at the beginning and ending of the period with respect to the fundraising activities relating to liabilities.

- 3. New promulgation, revised or amended standards and interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

(1) IFRS 16 Leases

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for most leases in the balance sheets. Moreover, lessors continue to classify leases as operating or finance.

The standard is effective for annual periods beginning on or after 1 January 2019.

(2) IFRIC Interpretations 23: Uncertainty over Income Tax Treatments

This interpretation describes how to recognize and measure adopting IFRS 12 income tax when income tax treatment is uncertain.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

(3) IFRS 17 Insurance Contracts

This standard provides a comprehensive model for insurance contracts, including all accounting-related parts (principles of recognition, measurement, expression and disclosure). The core of the standard is the general model. Under this model, the original recognition measures the insurance contract group based on the total margins of cash flow performance and contractual services. The performance cash flows include:

1. Estimated future cash flow
2. Discount rate: an adjustment that reflects the time value of money and the financial risks associated with future cash flows (within financial risks not included in the estimated value of future cash flows); and
3. Risk adjustment for non-financial risks

The book amount of the insurance contract group at the end of each reporting period is the sum of the remaining secured liabilities and realized claims liabilities. In addition to the general model, the following are also provided:

1. Specific applicable methods with contracts characterized by direct participation (variable fee method)
2. Simplified short-term contract method (premium allocation approach)

IFRS 14 is effective for annual periods beginning on or after 1 January 2021.

(4) IAS 28 - Investments in Associates and Joint Ventures

This amendment clarifies the long-term interest of an enterprise in a part of the net investment in an affiliate or joint venture and shall apply IFRS 9 prior to IAS 28, and when applying IFRS 9, any adjustments arising from application of IAS 28 shall not be considered.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

(5) Prepayment characteristics with negative compensation (Amendment to IFRS 9)

This amendment allows financial assets with early repayment characteristics (allowing one party to the contract to pay or receive a reasonable compensation for early termination of the contract) to be measured as amortized cost or at fair value through other comprehensive profit and loss.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

(6) Improvements to International Financial Reporting Standards (2015-2017)

IFRS 3 Business Combinations

This amendment clarifies that an enterprise with joint control of a joint operation shall measure its previous interest in the joint operation when acquiring control of the business.

The amendment is effective for annual periods beginning on or after 1 January 2019.

IFRS 11: Joint Arrangements

This amendment clarifies that when a company that participates in a joint operation but does not have joint control has a joint control over the company should no longer measure the previously held interest in the combined operation when acquired joint control of the business.

The amendment is effective for annual periods beginning on or after 1 January 2019.

IAS 12 Income Tax

This amendment clarifies that entities shall recognize the income tax consequences of dividends in the current profit or loss, other comprehensive profit or loss, or equity based on its original recognition of past transactions or events.

The amendment is effective for annual periods beginning on or after 1 January 2019.

IAS 23 Borrowing Costs

This amendment clarifies that an entity should treat the borrowing directly attributable to the acquisition of an asset as a general borrowing when it is available for its intended use or sale.

The amendment is effective for annual periods beginning on or after 1 January 2019.

(7) Plan amendment, curtailment or settlement (IAS 19, 1998 superseded)

This amendment clarifies that when a change in a defined benefit plan (such as amendment, curtailment or settlements) occurs, the entity shall use the updated assumptions to reassess the net defined benefit liabilities or assets.

The amendment is effective for annual periods beginning on or after 1 January 2019.

Aforementioned are standards or interpretations which have been published by IASB, but not yet recognized by the FSC. The actual applying date should follow the FSC regulations. The Company currently is evaluating the potential impacts of newly published or amended standards, or interpretations as per point (1)~(2), and is unable to reasonably estimate the impacts of the beforementioned standards or interpretations, other than these, the rest of newly published or amended standards, or interpretations pose no significant impacts on the Company.

IV. Significant Accounting Policies

1. Statement of compliance

The 2017 and 2016 individual financial statement of the Company are prepared in accordance with the preparation guidelines of financial statements of securities issuers.

2. Basis of preparation

The company prepares parent financial statement in accordance with the preparation guidelines of financial statements of securities issuers. In accordance with Article 21 of preparation guidelines of financial statements of securities issuers, the allocated amount in income (loss) of individual financial reports, consolidated financial reports prepared, and other comprehensive income (loss) attributable to shareholders of the parent Company are the same. Shareholders' equity in individual financial reports and equity attributable to shareholders of parent Company in consolidated financial reports are the same. Therefore, investments in subsidiaries in the individual financial report are expressed as "investments that adopt equity method", and the assessments are adjusted as necessary.

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

3. Foreign currency transactions

The individual financial statement of the company is expressed in NTD, the functional currency.

Transactions in foreign currencies are recorded by their respective functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at

fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to 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 items within the scope of IAS 39 Financial Instruments: Recognition and Measurement 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. Conversion of financial statements in foreign currency

Each foreign entity in the company may determine its functional currency, and use it to measure its financial statements. The assets and liabilities of foreign operations are converted into NTD at the closing exchange rate at the balance sheet reporting date and their income and expenses are converted at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. In case of loss of control, material impact, or joint control of foreign operations, but still retain part of the equities, it shall be processed as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted in accordance with "investments that adopt equity method" and shall not be recognized as profits and losses. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill arising from acquisition of foreign businesses and adjustments to the fair value of the carrying amount of its assets and liabilities are treated as assets and liabilities of the businesses and presented in its functional currency.

5. Current and non-current distinction

An asset is classified as current when any of following scenarios apply, and all other assets are classified as non-current:

- (1) The Group expects to realize the asset, or intends to sell or consume it, in its normal

operating cycle.

- (2) The Group holds the asset primarily for the purpose of trading.
- (3) The Group 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 any of following scenarios apply, and all other liabilities are classified as non-current:

- (1) The Group expects to settle the liability in its normal operating cycle.
- (2) The Group 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 Group 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 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 (include fixed-term deposits that have matures of 12-month from the date of acquisition).

7. Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; 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 asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information.

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial assets, financial 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 information about the investment is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial

assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- A. significant financial difficulty of the issuer or obligor; or
- B. a breach of contract, such as a default or delinquency in interest or principal payments; or
- C. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- D. the disappearance of an active market for that financial asset because of financial difficulties.

The company first assesses whether there are diminished objective evidences in the significant individual financial assets. The individual financial assets that are not significant are assessed in groups. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is

objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset that is owned by the company is derecognized when:

- A. The rights to receive cash flows from the 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.

(2) Financial liabilities and equity

Classification between liabilities or equity

The Group 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 that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The equity instrument that is realized by the company is realized by subtracting the direct issuance cost to the cost of obtaining it.

Hybrid instruments

The convertible bonds issued by the Company are confirmed with the financial liabilities and equity composition elements in accordance with the contract clauses. With respect to the issued convertible bonds, prior to the differentiation of equity elements, it is required to evaluate whether the embedded buy/sell right economic characteristics and risks are closely related to the primary debt products.

Regarding the liability which is not involved in derivatives, the fair value should be measured by the market interest rate evaluation with the equivalent features and non-convertible bonds. Upon the conversion or before redemption and clarification, the partial amount is classified as the amortized financial liability measured at cost. Regarding the embedded financial instruments which are not closely related to risks of other main contract economic characteristics (e.g. the execution price for embedded buy option and redeem option can barely equal to amortized cost of each execution date of liability products after confirmation), except from the equity element, they should be classified as liability elements, and measured at fair value through profit or loss during the subsequent period. Amount of equity elements is determined by fair value of convertible bonds minus liabilities, and its carrying amount will not be remeasured during the following accounting period. If the issued convertible bonds have not equity elements, IAS 39 "Financial Instruments: Recognition and Measurement" hybrid instruments shall be adopted.

Based on the proportion of liability and equity composition amortized from the original recognition of convertible bonds, the transaction costs shall be amortized to the composition of liability and equity.

When the holders of convertible bonds request to exercise their conversion right before the due date of the convertible bonds, the carrying amount of the liability elements shall be adjusted to the carrying amount upon the conversion, serving as the account posting basis of issuing ordinary shares.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; 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 at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss 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, financial 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 information about the investment is provided internally on that basis to the key management personnel.

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.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another between the company and the 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, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(3) Offsetting of financial instruments

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. Derivatives

The derivative financial instruments held or issued by the company is for the purpose of hedging its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial 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, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value 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 at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

9. Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes the transactions of asset selling and liability transferring occur in one of the following markets:

- (1) Primary market of the asset or liability, or
- (2) if no primary market is applicable, take the most beneficial market of the assets or liability

Primary or most beneficial markets must be accessible by the company to make transactions.

Fair value measurement of assets and liabilities adopts the assumption used by market participants in valuing assets or liabilities. The assumption considers market participants are seeking the best economic interests.

Fair value measurement of non-financial assets considers the ability to generate economic benefits demonstrated by market participants in making the best use of the assets, or by selling to another market participant, who will make the best use of the assets.

The company adopts the valuation technique applicable under related circumstances and with a sufficiency of data to measure fair value and maximize the use of observable entries and minimize the use of unobservable entries.

10. Inventories

Inventories to be measured at the lower of cost and net realizable value.

Cost refers to the expenses to make inventories achieve available-for-sale or available-for-production status and location.

Raw material - consider actual purchase cost; adopt weighed average method.

Finished goods and work in progress - including direct materials, labor and fixed production expenses amortized by normal productivity, but excluding the loan cost.

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.

11. Non-current assets held for sale and discontinued operations.

Non-current assets held for sale or disposal groups refer to that under the current circumstance, they can be sold based on normal conditions or business protocols, and they are highly possible to be sold within one year. The classification of non-current assets held for sale or disposal groups is measured by the lower one using carrying amount and fair value to deduct disposal cost.

During the reporting period and the previous reporting year, income and expenses of discontinued operations in the statement of comprehensive income are still separately reported at the after-tax basis and continued operations. Even after the Group has

disposed of its subsidiaries, non-controlling equity is still reserved. The after-tax profit or loss of discontinued operation shall be solely listed in the statement of comprehensive income.

Once property, plant and equipment, and intangible assets are recognized as held for sale, no depreciation or amortization is applicable.

12. Investments accounted for using the equity method

The company's investments in subsidiaries are expressed as "investments that adopt equity method" in accordance with Article 21 of Preparation Guidelines of Financial Statements of Securities Issuers, so that the allocated amount in income (loss) of individual financial reports, consolidated financial reports prepared, and other comprehensive income (loss) attributable to shareholders of the parent Company are the same, and the Shareholders' equity in individual financial reports and equity attributable to shareholders of parent Company in consolidated financial reports are the same. The main reasons of this adjustment is due to the difference in processing "Consolidated financial statements" in accordance with IFRS 10, and the applicability of IFRS for the different tiers of companies, and to whether debit or credit items in "investments that adopt equity method", "Share of profit and loss of subsidiaries, affiliated companies, and joint companies that adopt equity method", or "Other comprehensive profits and losses of subsidiaries, affiliated companies, and joint companies that adopt equity method".

The Company's investment in its affiliates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An affiliate company is an entity that has significant influence over the Company.

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 affiliate companies. After the interest in the affiliate companies is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the affiliate companies. Unrealized gains and losses resulting from transactions between the Company and the affiliate companies are eliminated to the extent of the Company's related interest in the affiliate company.

When changes in the net assets of an affiliate company occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the affiliate company, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting additional paid-in capital recognized will be reclassified to profit or loss at the time of disposing the affiliate companies on a pro rata basis.

When the affiliate companies issues new stock, and the Company's interest in an affiliate company is reduced or increased as the Company fails to acquire shares newly issued in the affiliate company proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and Investment in affiliate company. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in

other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned additional paid-in capital recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the affiliate company.

The financial statements of the affiliate companies 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 affiliate company is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the affiliate company and its carrying value and recognizes the amount in the "share of profit or loss of an affiliate company" in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. If the recoverable amount aforementioned adopts the use value of the investment, the Company estimates the use value in accordance with the estimations below:

- (1) The company's share of the present value of the estimated future cash flows expected to be generated by the affiliate companies, including the cash flows from the operations of the associate or joint venture 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 its ultimate disposal and dividends to be received from the investment.

Because goodwill that forms part of the carrying amount of an investment in an affiliate company is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the affiliate company, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the affiliate company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Company's investment in its jointly control entity is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. Jointly control entity refers to companies, partnerships or other entities that the company jointly control and involve with founding.

13. Property, plant and equipment

Property, plant and equipment is 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 borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and

equipment are required to be replaced periodically, the Company record such parts as individual assets with specific maturity and depreciation method, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. 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 based on following methods:

Depreciation of forging die of tooling equipment is calculated on a production basis.

Except for forging die of tooling equipment, rest of depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Building and construction	3~50 years
Machinery equipment	10~15 years
Tooling equipment (except for forging die)	3~5 years
Transportation equipment	5 years
Information equipment	3~5 years
Other equipment	3~5 years
Leasehold improvements	Considering the shorter one of leasing years 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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

14. Leases

The company is the lessee

Finance leases refer to transfer of all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The company is the lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating lease is recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

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, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over the useful economic life 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 level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. 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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Intangible assets under development - R&D cost

Expense is recognized when R&D cost occurs. If the expenses of an individual project at the development phase meet the following conditions, they are recognized as intangible assets:

- (1) The intangible asset of the development has reached technological feasibility and is available for use or sell.
- (2) Intend to complete the asset and is capable of using or selling the asset.
- (3) The asset will generate future economic benefits.
- (4) Have sufficient resources to complete the asset.
- (5) Expenses during the development phase can be measured reliably.

The development expense of capitalization, after the original recognition, is measured at cost, i.e taking the cost to deduct aggregated amortization and aggregated impairments to get the carrying amount. During the development period, the asset will undergo impairment tests on an annual basis. Upon development completion and reaching available for use status, it will be amortized within the period of forecast future benefit.

Computer software

Computer software is amortized on a straight-line basis over the estimated useful life (1-5 years)

The Company's accounting policy on intangible assets are as the following:

	Intangible assets under development	Computer software
Useful life	Finite	Finite
Use of 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
Internal production or external acquisition	Internal production	External acquisition

16. Impairment of non-financial assets

The Company assesses whether all assets that qualify for the "Impairment of Assets" in accordance with IAS 36 have any indication of impairment at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Company conducts the impairment by the individual assets or the cash generating unit to which the asset belongs. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 asset's or cash-generating unit's recoverable amount. 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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, 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 any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

17. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Interest Income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

18. Loan costs

Loan costs are directly related to the assets from acquisition, construction or production, becoming part of the asset cost in capitalization. All the other loan costs are recognized in expense occurring over the period. Loan costs include interests and other costs arisen from capital borrowings.

19. Government Subsidy

Government subsidies are 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.

Where the Company receives non-monetary subsidies, the asset and the subsidies are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government subsidies.

20. Post-employment benefit plan

The employee retirement regulations for the company and domestic subsidiaries are applicable to all employees who are hired through official procedures. The retirement fund is all managed by the Supervisory Committee of Labor Retirement Reserve and deposited in the special account for the retirement fund. The beforementioned pension is deposited in the name of the Supervisory Committee of Labor Retirement Reserve, which is completely detached with the company, hence the record is not included in the consolidated financial statements.

For the defined contribution plans that belongs to the post-retirement benefits, the employee pension contribution ratio that is responsible by the company shall not be less than 6% of the employee's monthly salary. The amount of contribution shall be recorded as the expenses for the current period.

For the post-employment benefit plan regarding the defined contribution plan, by the end of the annual reporting period, it shall be recognized in the actuarial report. Net defined benefit liability (asset) remeasurement includes any changes in planned asset remuneration and the asset upper limit, and deduct the amount of net interest of net defined benefit liability (asset), as well as actuarial profit and loss. When net defined benefit liability (asset) remeasurement occurs, it will be put under other comprehensive profit and loss, and immediately recognized in reserved earnings. Previous service cost is the changed value when the plan has revised or narrowed and generate the current value of defined benefit obligation. Earlier occurrence of the following two events will be recognized in expense:

- (1) When the plan is revised or narrowed, and
- (2) when the Group recognizes related reorganization cost or severance benefits.

Net interest of net defined benefit liability (asset) is determined by net defined benefit liability (asset) multiplied by discount rate. Both were determined at the beginning of the annual reporting period, including further consideration of changes in deposits and benefit payout for net defined benefit liability (asset).

21. Share-based payment transactions

The cost of equity-settled transactions between the Company and is recognized based on the fair value of the equity instruments granted. 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 income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that 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 an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award,

and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized

unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

22. Income tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using 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 and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- (1) Where the deferred tax liability 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 or loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the

foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 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 tax relating to items recognized outside profit or loss is recognized outside profit or loss; deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the Company's individual financial statements requires the management to make judgments, estimates and assumptions on the impact of 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 assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

1. Evaluation of inventories

The estimation of inventory's net realizable value shall consider following conditions, impairment of actuarial, all or partial out of date or dropping selling price, when estimating the most reliable evidence of the available inventory net realizable value. See Note 6 for more details.

2. Post-employment benefit plan

The current value of defined pension cost and defined benefit obligation of post-employment benefit plan depend on the actuarial valuation. The actuarial valuation involves various assumption, including increase and decrease of discount rate and

expected salary, etc. For more details about the assumptions used to measure defined pension cost and defined benefit obligation, please see Note 6.

3. Share-based payment transactions

The cost of equity-settled transaction between the Company and the employees are measured by the fair value of equity instrument on the settlement date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

4. Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable 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 tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred income tax assets, as of 31 December, 2017

VI. Important accounting items

1. Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Cash on hand	\$124	\$61
Checking deposits and demand deposit	169,941	159,701
Time deposits	96,836	175,146

Total	<u>\$266,901</u>	<u>\$334,908</u>
2. Financial assets at fair value through profit and loss		
	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Hold for trading:		
Convertible corporate bond embedded derivative financial instruments	\$80	\$-
Total	<u>\$80</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	80	-
Total	<u>\$80</u>	<u>\$-</u>
3. Financial assets measured at cost - non-current		
	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Available-for-sale financial assets - stocks	<u>\$2,850</u>	<u>\$2,850</u>
(1) The fair value of the above investments in unlisted entities are not reliably measurable as the variability in the range of reasonable fair value measurements is significant for the investment and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value. Therefore these investments are measured at fair value, but rather at costs.		
(2) Financial assets of the Company measured at cost were not pledged.		
(3) By the end of December 31, 2017, the investment amount for Changgu Biotech Corporation is NTD 2,850 thousand, acquiring 285,000 shares, and the shareholding ratio is 19.26%.		
4. Bond investments for which no active market exists		
	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Time deposits	<u>\$6,705</u>	<u>\$6,320</u>
Non-current	<u>\$6,705</u>	<u>\$6,320</u>
The Company has not pledged bond investment in active markets, please refer to Note 8 for more details.		
5. Notes receivable		
	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Notes receivable - arising from operation	<u>\$2,912</u>	<u>\$3,252</u>

Less: Allowance for bad debts	-	-
Total	<u>\$2,912</u>	<u>\$3,252</u>

Notes receivables of the Company were not pledged.

6. Account receivables and account receivable - related party

	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable	\$198,715	\$172,870
Less: Allowance for bad debts	(8,657)	(7,077)
Subtotal	190,058	165,793
Account receivable - stakeholder	410,896	243,835
Less: Allowance for bad debts	-	-
Total	<u>\$600,954</u>	<u>\$409,628</u>

Account receivable of the Company were not pledged.

The company's credit period to the customers are generally on 60-180 day terms. Regarding receivables: The movements in the provision for impairment of trade receivables due to losses of related parties and the receivable aging status are as follows (please refer to Note 12 for credit risk disclosure):

	Individually Assessed For losses	Collectively Assessed for losses	Total
Jan. 1, 2017	\$-	\$7,077	\$7,077
The amount of the current period	-	1,580	1,580
Dec. 31, 2017	<u>\$-</u>	<u>\$8,657</u>	<u>\$8,657</u>
Jan. 1, 2016	\$-	\$238	\$238
The amount of the current period	-	6,839	6,839
Dec. 31, 2016	<u>\$-</u>	<u>\$7,077</u>	<u>\$7,077</u>

The analysis of net overdue period of account receivables and account receivable - stakeholder are as the following:

	Not yet due nor impaired	Past due but not impaired - accounts receivable					Total
		<=30 days	31-60 days	61-90 days	91-120 days	Over 121 days	
Dec. 31, 2017	\$548,892	\$21,776	\$23,495	\$6,685	\$80	\$26	\$600,954
Dec. 31, 2016	391,105	16,123	2,304	20	26	50	409,628

7. Inventories

Dec. 31, 2017	Dec. 31, 2016
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Product	\$431	\$625
Finished goods	371,948	296,284
Work-in-process	165,428	127,159
Raw material	74,045	50,146
Total	<u>\$611,852</u>	<u>\$474,214</u>

(1) The cost of inventories recognized as expenses by the Company are listed below:

Item	2017	2016
Cost of sales	\$664,770	\$582,789
Allowance for inventory valuation and obsolescence loss	3,731	-
	<u>\$668,501</u>	<u>\$582,789</u>

(2) No inventories aforementioned were pledged.

8. Investments accounted for using the equity method

Investee company name	Dec. 31, 2017		Dec. 31, 2016	
	Amount	Share holding Ratio	Amount	Share holding Ratio
Invest in subsidiaries:				
United Medical (BVI) Corporation	\$128,115	100%	\$128,964	100%
UOC America Holding Corporation	-	100%	53,543	100%
United Biomech Japan	966	59%	16,451	51%
UOC Europe Holding SA	5,769	88%	-	75%
A-Spine Asia Co., Ltd.	608,774	100%	-	-
Investment in the associate:				
Shinva United Orthopedic Corporation	407,565	49%	414,657	49%
Subtotal of assets	<u>1,151,189</u>		<u>613,615</u>	
Invest in subsidiaries:				
UOC America Holding Corporation	(7,964)	100%	-	100%
UOC Europe Holding SA	-	88%	(456)	75%
Subtotal of liabilities	<u>(7,964)</u>		<u>(456)</u>	
Total	<u>\$1,143,225</u>		<u>\$613,159</u>	

(1) Invest in subsidiaries

Investments in subsidiaries are expressed as "investments that adopt equity method" in individual financial report, and are adjusted as necessary.

(2) Investment in the associate

Information of associate that has significant impact on the Company is as the following:

Company name: Shinva United Orthopedic Corporation

Relation: The enterprise is involved with the product production and sales relating to the Company's industry chain. Considering the integration of upstream and downstream businesses, we decided to invest this enterprise.

Primary operation place (registration country): China

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

Summarized financial information and adjustment of the investment carrying amount:

	Dec. 31, 2017	Dec. 31, 2016
Current assets	\$411,106	\$530,679
Non-current Assets	601,765	477,395
Current liabilities	(115,157)	(110,567)
Non-current liabilities	-	-
Equity	897,714	897,507
Shareholding of this Company	49%	49%
Subtotal	439,880	439,778
Inter-company transaction elimination and adjustment	(32,315)	(25,121)
Carrying amount of investment	<u>\$407,565</u>	<u>\$414,657</u>
	Jan. 1, 2017~ Dec. 31, 2017	Jan. 1, 2016~ Dec. 31, 2016
Operating Revenue	\$-	\$-
Net profit (loss) of continuing business units for this period	10,374	(26,953)
Other comprehensive gain or loss	-	-
Current comprehensive gain or loss	10,374	(26,953)

The Company has invested CNY 30,000 thousand, equivalent to NTD 149,844 thousand to the associate in the way of technology price, which was recognized in long-term deferred income. Starting from the service provision date, it is amortized on average for three years. By the end of December 31, 2017 and 2016, NTD 44,579 thousand and NTD 19,105 thousand respectively were already amortized.

The aforementioned investment-related companies did not have contingent liabilities or capital commitments as of December 31, 2017 and December 31, 2016 and did not pledge any guarantees.

9. Property, plant and equipment

Land	Building and construction	Machinery equipment	Tooling equipment	Information equipment	Leasehold improvements	Other equipment	Unfinished construction s and equipment to be tested	Total
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Cost:									
Jan. 1, 2017	\$87,763	\$214,195	\$413,172	\$64,792	\$8,526	\$8,152	\$151,837	\$136,912	\$1,085,349
Additions	-	210	15,543	15,952	2,679	-	35,722	207,926	278,032
Disposals or retirements	-	-	(25,115)	(5,056)	(1,494)	(3,912)	(7,096)	-	(42,673)
Reclassification	-	220,195	66,351	126	1,033	-	6,049	(293,754)	-
Dec. 31, 2017	<u>\$87,763</u>	<u>\$434,600</u>	<u>\$469,951</u>	<u>\$75,814</u>	<u>\$10,744</u>	<u>\$4,240</u>	<u>\$186,512</u>	<u>\$51,084</u>	<u>\$1,320,708</u>
Jan. 1, 2016	\$41,855	\$194,886	\$371,399	\$41,604	\$10,063	\$10,409	\$134,451	\$27,841	\$832,508
Additions	-	245	8,896	13,159	1,428	-	22,225	233,829	279,782
Disposals or retirements	-	-	(11,209)	(1,983)	(2,965)	(2,257)	(8,527)	-	(26,941)
Reclassification	45,908	19,064	44,086	12,012	-	-	3,688	(124,758)	-
Dec. 31, 2016	<u>\$87,763</u>	<u>\$214,195</u>	<u>\$413,172</u>	<u>\$64,792</u>	<u>\$8,526</u>	<u>\$8,152</u>	<u>\$151,837</u>	<u>\$136,912</u>	<u>\$1,085,349</u>
Depreciation									
Jan. 1, 2017	\$-	\$22,671	\$147,100	\$23,292	\$4,778	\$5,003	\$67,462	\$-	\$270,306
Depreciation	-	7,749	35,485	9,649	2,061	842	28,214	-	84,000
Disposals or retirements	-	-	(25,115)	(4,583)	(1,494)	(3,912)	(7,096)	-	(42,200)
Reclassification	-	-	-	-	-	-	-	-	-
Dec. 31, 2017	<u>\$-</u>	<u>\$30,420</u>	<u>\$157,470</u>	<u>\$28,358</u>	<u>\$5,345</u>	<u>\$1,933</u>	<u>\$88,580</u>	<u>\$-</u>	<u>\$312,106</u>
Jan. 1, 2016	\$-	\$17,003	\$124,255	\$16,067	\$5,543	\$5,501	\$52,440	\$-	\$220,809
Depreciation	-	5,668	34,054	8,904	2,192	1,759	23,549	-	76,126
Disposals or retirements	-	-	(11,209)	(1,679)	(2,957)	(2,257)	(8,527)	-	(26,629)
Reclassification	-	-	-	-	-	-	-	-	-
Dec. 31, 2016	<u>\$-</u>	<u>\$22,671</u>	<u>\$147,100</u>	<u>\$23,292</u>	<u>\$4,778</u>	<u>\$5,003</u>	<u>\$67,462</u>	<u>\$-</u>	<u>\$270,306</u>
Net carrying amount:									
Dec. 31, 2017	<u>\$87,763</u>	<u>\$404,180</u>	<u>\$312,481</u>	<u>\$47,456</u>	<u>\$5,399</u>	<u>\$2,307</u>	<u>\$97,932</u>	<u>\$51,084</u>	<u>\$1,008,602</u>
Dec. 31, 2016	<u>\$87,763</u>	<u>\$191,524</u>	<u>\$266,072</u>	<u>\$41,500</u>	<u>\$3,748</u>	<u>\$3,149</u>	<u>\$84,375</u>	<u>\$136,912</u>	<u>\$815,043</u>

(1) 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.

(2) Property, plant and equipment were pledged, please refer to note 8.

10. Intangible assets

	Computer software Costs	Development expenditure	Total
Cost:			
Jan. 1, 2017	\$15,595	\$31,232	\$46,827
Additions - separate acquisition	2,998	10,219	13,217
Others	(6,560)	-	(6,560)

Dec. 31, 2017	\$12,033	\$41,451	\$53,484
Jan. 1, 2016	\$32,876	\$12,886	\$45,762
Additions - separate acquisition	4,970	18,346	23,316
Others	(22,251)	-	(22,251)
Dec. 31, 2016	\$15,595	\$31,232	\$46,827
Amortization and impairment:			
Jan. 1, 2017	\$9,007	\$5,207	\$14,214
Amortization	4,122	4,125	8,247
Others	(6,560)	-	(6,560)
Dec. 31, 2017	\$6,569	\$9,332	\$15,901
Jan. 1, 2016	\$26,644	\$3,984	\$30,628
Amortization	4,614	1,223	5,837
Others	(22,251)	-	(22,251)
Dec. 31, 2016	\$9,007	\$5,207	\$14,214
Net carrying amount:			
Dec. 31, 2017	\$5,464	\$32,119	\$37,583
Dec. 31, 2016	\$6,588	\$26,025	\$32,613

11. Short-term loan

	Dec. 31, 2017	Dec. 31, 2016
Credit loan	\$500,000	\$315,000
Interest rate range (%)	0.9700- 1.0015	0.9900- 1.0659

The unused bank credit line of the company as of December 31, 2017 and 2016 are 1,091,800 thousand and 606,800 thousand NTD respectively.

12. Short-term notes and bills payable

	Dec. 31, 2017	Dec. 31, 2016
Short-term notes and bills payable	\$-	\$50,000
Interest rate (%)	-	0.54

13. Bonds payable

	Dec. 31, 2017	Dec. 31, 2016
Domestic unpledged bonds payable	\$385,713	\$-
Less: Liabilities due within one year	-	-

Long-term domestic convertible bonds payable	<u>\$385,713</u>	<u>\$-</u>
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(1) Domestic convertible bonds payable

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Liability elements:		
Carrying amount of domestic convertible bonds payable	\$400,000	\$-
Converted amount	-	-
Discount of domestic convertible bonds payable	(14,287)	-
Subtotal	<u>385,713</u>	<u>-</u>
Less: Liabilities due within one year	-	-
Net	<u>\$385,713</u>	<u>\$-</u>
Embedded derivatives	<u>\$80</u>	<u>\$-</u>
Equity elements	<u>\$16,600</u>	<u>\$-</u>

On August 11, 2017, the Company issued the domestic unsecured 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: NTD 400,000 thousand. Face amount per equity: NTD 100 thousand. The issuance is in full carrying amount.

Period of Issuance: August 11, 2017 to August 11th, 2020.

Critical clauses for redemption:

On the next day after the convertible bonds issued for three month full (Nov. 13, 2017) till 40 days prior to the due date (Jul. 2, 2020), If the closing price of the Group'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 Group 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 (Nov. 13, 2017) till 40 days prior to the due date (July 2, 2020), if the Company's convertible bonds circulating externally are lower than NTD 40,000 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

If the bondholder fails to respond in writing to the Group's stock agent before the final bond redemption date set out in the "Bond Redemption Notice", the Group will repay the bonds in cash on the maturity date.

Conversion methods:

- A. Converted target: Ordinary shares of the Company.
- B. Conversion period: From November 12, 2017 to August 11, 2020, 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 NTD 77.30 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, 2017, each share carried the value of NTD 75.00.
- D. Redemption on maturity date: The Group's bonds not settled before the maturity date will be repaid in cash at a rate of 101.5075 percent (real return of 0.5 percent).

The Group's bonds have not been converted as of December 31, 2017.

14. Long-term loan

Long-term loan details for the years ended 2017 and December 31, 2016 are as follows:

Creditor	Dec. 31, 2017	Interest rate %	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Park Branch	\$10,765	1.5500	Between January 29, 2014 and January 29, 2019, the first repayment was paid from January 29, 2015. Every three months, NTD 2,153 thousand of principal on average will be amortized over 17 terms.
"	51,200	1.4500	Between September 18, 2013 and October 31, 2031, the first repayment was paid from September 18, 2014. Every three months, NTD 914 thousand of principal on average will be amortized over 70 terms.
"	13,647	1.5500	Between December 30, 2013 and December 30, 2018, the first repayment was paid from December 30, 2014. Every three months, NTD 3,412 thousand of principal on average will be amortized over 17 terms.
"	56,470	1.6000	Between September 2, 2016 and September 2, 2021, the first repayment was paid from September 2, 2017. Every three months, NTD 3,765 thousand of principal on average will be amortized over 17 terms.
CTBC Bank	20,000	1.2800	Between October 19, 2017 and October 19, 2022, the first repayment will be paid on November 19, 2018. Every month, NTD 111 thousand will be repaid, and the remaining principal will be repaid in a lump sum by the expiry date.
Taipei Fubon Commercial Bank	41,667	1.09548 6	From May 31st, 2017 to May 31st, 2020, the payments start on August 31st, 2017 for 12

installments and a principal payment of NTD 4,167 thousand on average is paid every 3 months.

Total	<u>193,749</u>
Less: long-term loan due in one year	(57,864)
Net	<u><u>\$135,885</u></u>

Creditor	Dec. 31, 2016	Interest rate %	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Park Branch	\$19,376	1.5500	Between January 29, 2014 and January 29, 2019, the first repayment was paid from January 29, 2015. Every three months, NTD 2,153 thousand of principal on average will be amortized over 17 terms.
"	54,857	1.4500	Between September 18, 2013 and October 31, 2031, the first repayment was paid from September 18, 2014. Every three months, NTD 914 thousand of principal on average will be amortized over 70 terms.
"	27,294	1.5500	Between December 30, 2013 and December 30, 2018, the first repayment was paid from December 30, 2014. Every three months, NTD 3,412 thousand of principal on average will be amortized over 17 terms.
"	64,000	1.6000	Between September 2, 2016 and September 2, 2021, the first repayment was paid from September 2, 2017. Every three months, NTD 3,765 thousand of principal on average will be amortized over 17 terms.
CTBC Bank	17,275	1.5700	Between November 3, 2014 and November 1, 2019, the first repayment was paid from December 3, 2014. Every month, NTD 185 thousand will be repaid, and the remaining principal will be repaid in the lump sum by the deadline.
"	10,280	1.5700	Between April 24, 2012 and April 24, 2017, every month, NTD 120 thousand will be repaid over 28 terms, and the remaining principal will be repaid in the lump sum by the deadline.
Total	<u>193,082</u>		
Less: long-term loan due in one year	(37,105)		
Net	<u><u>\$155,977</u></u>		

Taiwan Cooperative Bank and CTBC Bank extended their secured loans with partial lands, buildings and machine equipment, etc. to register the entitlement to the first priority mortgage. For more details about the pledged conditions, please see Note 8.

15. Post-employment benefits

Defined contribution plan

The post-employment regulations in accordance with "Labor Pension Act" of the company belong to the defined contribution plan. According to the regulation, 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 regulation to formulate the post-employment regulations, and contribute 6% of employees monthly salary to the individual pension accounts under the supervision of the Bureau of Labor Insurance on a monthly basis.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 are NT\$16,398 thousand and NT\$14,071 thousand respectively.

Defined welfare plan

The company's post-employment regulations in accordance with the "Labor Standards Act" belong to the defined benefits plan. The payout of employees' pension is to consider service years as the base, and the approved monthly average wage upon retirement to make the calculation. Employees whose service years are 15 years or less, two cardinal numbers shall be assigned for every one year; those whose service years are over 15 years, one cardinal number shall be assigned for every one year. Maximum base numbers are 45. In accordance with the "Labor Standards Act", the Company 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 by the end of December 31, every 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 assets allocation is conducted the Ministry of Labor according to the regulations of labor pension collection, management and use. The investment of funds adopts the following approaches to realize the investment; 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 taking too much risk to achieve the target remuneration. In terms of the use of the fund, the minimum income following the annual settlement and distribution, it shall not be lower than the income of two-year fixed deposit. If there is insufficiency, the authority can authorize to make supplement by 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 asset fair value as per Paragraph 142, IAS 19. By December 31, 2017, the Company's defined benefits plan has estimated to contribute NTD 7,087 thousand for the following year.

For the years ended on December 31, 2017 and December 31, 2016, the Company's defined benefits plans are expected to due on 2032, and 2031.

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

	2017	2016
Current service cost	\$324	\$361

Net interest of net defined benefit liability	337	411
Total	<u>\$661</u>	<u>\$772</u>

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

	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Present value of defined benefit obligations	\$54,629	\$53,371	\$54,699
Fair value of plan assets	(37,773)	(30,888)	(27,294)
Booked value of net defined benefit liability	<u>\$16,856</u>	<u>\$22,483</u>	<u>\$27,405</u>

Adjustment of net defined benefit liability:

	Defined benefit Present value of obligations	Plan assets Fair value	Net defined benefit Total
Jan. 1, 2016	\$54,699	\$(27,294)	\$27,405
Current service cost	361	-	361
Interest expense (income)	820	(409)	411
Previous service cost and settlement gains or losses	-	-	-
Subtotal	55,880	(27,703)	28,177
Remeasurements of defined benefit liability/asset:			
Actuarial gains or losses from demographic assumptions	337	-	337
Actuarial gains or losses from financial assumptions	-	-	-
Experiencial adjustment	265	-	265
Remeasurements of defined benefit asset	-	165	165
Subtotal	602	165	767
Benefit payments	(3,111)	3,111	-
Employer contributions	-	(6,461)	(6,461)
Dec. 31, 2016	53,371	(30,888)	22,483
Current service cost	324	-	324
Interest expense (income)	801	(464)	337
Previous service cost and settlement gains or losses	-	-	-
Subtotal	54,496	(31,352)	23,144
Remeasurements of defined benefit liability/asset:			
Actuarial gains or losses from demographic assumptions	148	-	148

Actuarial gains or losses from financial assumptions	810	-	810
Experiencial adjustment	(309)	-	(309)
Remeasurements of defined benefit asset	-	151	151
Subtotal	55,145	(31,201)	23,944
Benefit payments	(516)	516	-
Employer contributions	-	(7,088)	(7,088)
Dec. 31, 2017	\$54,629	\$ (37,773)	\$16,856

Following assumptions are used to determine the defined benefit plan of the Corporation:

	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.39%	1.50%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2017		2016	
	Defined benefit obligation increases	Defined benefit obligation decreases	Defined benefit obligation increases	Defined benefit obligation decreases
Discount rate increases by 0.5%	\$-	\$3,583	\$-	\$3,725
Discount rate decreases by 0.5%	3,886	-	4,056	-
Expected salary increases by 0.5%	3,804	-	3,974	-
Expected salary decreases by 0.5%	-	3,545	-	3,690

The beforementioned sensitivity analysis is conducted when the other assumptions do not have any change. When a single actuarial assumption (e.g. discount rate or expected salary) occurs reasonable changes, the analysis is conducted on how it shall impact the defined benefit obligations. Since partial actuarial assumptions are inter-related, practically speaking, it is rare to see only a single actuarial assumption changes. Hence, this analysis has its own limitation.

The method and assumption of the sensitivity analysis of the current period have no differences from the previous period.

16. Equities

(1) Common stock

By January 1, 2016, the company's rated and issued equities are NTD 1,000,000 thousand and NTD 712,049 thousand with face amount NTD 10 per share; 71,205 thousand shares were issued.

The convertible bonds issued by the company applied for conversion of NTD 94,800 thousand in 2015; a total of 2,407 thousand shares of ordinary shares were converted. Under the resolution of the Board of Directors, July 27, 2015 and February 25, 2016 were defined as the capital increase base date for 542 thousand shares. The change registration was approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology.

The Board of Directors made a resolution on the May 2, 2017 meeting to issue 8,000 thousand shares of common stocks for cash with a face value of NTD 10 per share at a premium of NTD 48 per share. The base date of this capital increase project was set on October 6, 2017 and the changes were approved by and registered with the Hsinchu Science Park Administration (Ministry of Technology) on October 19, 2017.

Due to the fact that the Group's employee restricted stock did not reach the required criteria, the Board of Directors made a resolution to cancel 22,000 shares and 12,000 shares on August 8, 2017 and November 7, 2017 respectively. The capital reduction base dates were set on August 9 and November 10, 2017 respectively. Registration of the changes were completed on August 15, 2017 and November 24, 2017 respectively. As of December 31, 2017, total employee restricted stock issued is 530,000 shares.

By the end of December 31, 2017 and 2016, the Group's rated equities are NTD 1,000,000 thousand and NTD 712,049 thousand with face value of NTD 10 per share and 71,205 thousand shares and 71,747 shares were issued.

(2) Additional Paid-in Capital

	Dec. 31, 2017	Dec. 31, 2016
Issue premium	\$1,193,582	\$889,582
Recognized value of changes in equity of ownership of subsidiaries	(2,121)	2,418
Share-based payment remuneration cost	30,155	-
Issuance of employee restricted stock	21,995	23,406
Total	<u>\$1,243,611</u>	<u>\$915,406</u>

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 additional paid-in capital 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.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Payment of all taxes and dues
- B. Offset operation losses
- C. Appropriate 10% to be the statutory surplus reserve
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported 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 secure the shareholders' interests, balance dividend and cater the long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. The distribution of shareholders' dividend shall appropriate 50%~100% of annual distributable earnings as shareholders' dividend, among which 50% at least shall be cash dividend.

According to the Company Act, the contribution of the statutory surplus reserve shall reach to the capitalization. The statutory surplus reserve is subject to offset operation losses. When the company has no operation losses, it shall distribute new shares or cash of the 25% excessive statutory surplus reserve against paid-in capital to the shareholders at the original pro rata.

After adopting IFRS, the company complies with FSC Explanation Order No. 1010012865 issued on April 6, 2012: upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 "First-time Adoption of IFRS" is transferred into retained earnings, the special earnings reserve of the same amount shall be recognized. After adopting IFRS to produce the financial statements, with respect to the distribution of distributable earnings, the company has recognized the remaining balance of special earnings reserve and the difference of other equity deduction net amount to recognize the special earnings reserve. Afterward, if other shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

However, in the first-time adoption of IFRS, the company's retained earnings are less, so special earnings reserve is not needed to be recognized. In addition, from January 1 to December 31, 2016 and 2015, the Company did not use, dispose or reclassify related assets, so there is no reversal of special earnings reserve recognized in undistributed earnings.

Details of the 2018 and 2016 earnings distribution and dividends per share as approved by the Board of Directors and the shareholder's meeting on March 20, 2018 and June 20, 2017 respectively are as follows:

	Earnings appropriation proposal		Dividend per share (NTD)	
	2017	2016	2017	2016
Statutory surplus reserve	\$13,026	\$14,660		
Special surplus reserve	16,035	31,620		
Cash dividend - Common stock	100,403	99,554	\$1.260	\$1.388
Total	<u>\$129,464</u>	<u>\$145,834</u>		

Please refer to Note 6.20 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 remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for us equity-settled share-based payment transactions.

(1) New restricted employee shares plan of the Company

According to the shareholders' meeting resolution as of June 23, 2015, the company issued new restricted employee shares up to 600 thousand shares of ordinary shares. The stock price at the given date stood at NTD 51.5. The new restricted employee shares issued by the company shall be transferred within three years; however, the holders are still entitled to dividend distribution. Due to the fact that the Group's employee restricted stock did not reach the required criteria, the Board of Directors made a resolution to cancel 8,000, 22,000 and 12,000 shares on December 23, 2015, August 8, 2017 and November 7, 2017 Board of Directors Meetings respectively. As of December 31, 2017 and 2016, total employee restricted stock issued is 530,000 and 564,000 shares respectively.

After the issuance of new employee restricted shares, they should be transferred to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the new employee restricted shares for any reason or in any manner. And during the trust period of the new employee restricted shares, the company is fully responsible for delegating the employees to deal with the stock trust agency in conducting the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the transfer, 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 employee's ownership of the new employee restricted shares and cancel them.

(2) The capital increase of the Company reserves the employee subscription plan in accordance with the Company Act

Setting May 2, 2017 as the base date, the Company issued common stocks for cash with 8,000 thousand shares at the face value of NTD 10 per share and issued at the premium of NTD 48 per share. According to Paragraph 1, Article 267 of the Company Act, the Company has reserved 15% of new shares, total 1200 thousand shares for employees' subscription. According to IFRS 2 "Share-based Payment", the compensation cost recognized at the fair value of the given equity product by the given date is NTD 13,555 thousand.

- (3) The expense recognized by the Company for employee share-based payment plans is shown as the following:

	2017	2016
Plan of new restricted employee shares	\$8,262	\$9,682
Subscription plan of common stock for cash for employees	13,555	-
Total	<u>\$21,817</u>	<u>\$9,682</u>

18. Operating revenue

	2017	2016
Sale of goods	\$1,601,287	\$1,382,711
Less: Sales returns, discounts and allowances	(20,288)	(30,566)
Other operating revenues	55	-
Total	<u>\$1,581,054</u>	<u>\$1,352,145</u>

19. Operating leases

Operating leases Commitment - The Company is the lessee

The Company has entered into commercial leases on plant, office and parking space. These leases have an average life of three to thirty years with no renewal option included in the contracts. These leases do not impose any restrictions upon the Company.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and 2016 are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Not later than one year	\$8,527	\$8,655
Later than one year and not later than five years	23,630	24,142
Later than five years	61,439	69,010
Total	<u>\$93,596</u>	<u>\$101,807</u>

20. Summary statement of employee benefits, depreciation and amortization expense by function:

Type \ Function	2017			2016		
	Fees that belong to operational costs	Fees that belong to operational expenses	Total	Fees that belong to operational costs	Fees that belong to operational expenses	Total

Employee benefits expense						
Salary costs	\$195,468	\$191,463	\$386,931	\$158,450	\$170,838	\$329,288
Labor and health insurance premiums	18,598	13,958	32,556	15,127	12,060	27,187
Pension expense	9,250	7,809	17,059	7,853	6,990	14,843
Other employee benefits expenses	7,871	4,381	12,252	6,608	3,922	10,530
Depreciation expense	49,038	34,962	84,000	42,461	33,665	76,126
Amortization expense	-	8,247	8,247	-	5,837	5,837

Note: Number of employees working in the Company as of December 31, 2017 and 2016 are 605 and 507 respectively.

The Group's Articles of Incorporation 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. Beforementioned 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' compensation approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Based on the profit of 2017, the Group allocated 12 and 3 percent for remunerations of employees and directors/supervisors respectively and recognized the remunerations of employees and directors/supervisors at NTD 26,212 thousand and NTD 6,553 thousand respectively, which were listed under salary costs. The Group's Board of Directors made a resolution on March 20, 2018 to make the payment of employee and director remunerations at NTD 24,796 thousand and NTD 6,199 thousand respectively in cash.

The amounts of remunerations actually paid to the employees and directors/supervisors in 2016 were NTD 23,061 thousand and NTD 5,695 thousand respectively. There was no material difference between the amount of remunerations paid and the amount listed in the 2016 financial reports.

21. Non-operating income and expenses

(1) Other income

	2017	2016
Interest Income	\$1,960	\$3,863
Other income - others	31,303	26,547
Total	<u>\$33,263</u>	<u>\$30,410</u>

(2) Other gains and losses

	2017	2016
Gains and losses on disposal of property, plant and equipment	\$(458)	\$(301)
Foreign exchange (losses) gains, net	(9,936)	(16,989)
Financial liability gains and losses measured at fair value through profit and loss	719	-
Other expenses	(70)	(163)
Total	<u>\$(9,745)</u>	<u>\$(17,453)</u>

(3) Financial costs

	2017	2016
Interest of bank loan	\$(8,485)	\$(4,568)
Interest of bond payable	(2,273)	-
Total financial costs	<u>\$(10,758)</u>	<u>\$(4,568)</u>

22. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2017

	Arising during the period	Current Reclassificat ion Adjustment	Others Comprehensi ve Income	Income Tax Gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
The amount to be measured again when the welfare plan is determined	\$(800)	\$-	\$(800)	\$-	\$(800)
Items that might be reclassified to profit or loss:					
Conversion difference of financial statements of foreign operations	(16,035)	-	(16,035)	-	(16,035)
Total	<u>\$(16,835)</u>	<u>\$-</u>	<u>\$(16,835)</u>	<u>\$-</u>	<u>\$(16,835)</u>

Components of other comprehensive income for the year ended December 31, 2016

	Arising during the period	Current Reclassificat ion Adjustment	Others Comprehensi ve Income	Income Tax Gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
The amount to be measured again when the welfare plan is determined	\$(767)	\$-	\$(767)	\$-	\$(767)
Items that might be reclassified to profit or loss:					
Conversion difference of financial statements of foreign operations	(47,338)	4,616	(42,722)	3,535	(39,187)
Equity directly relating to non-current assets held for sale	-	(4,616)	(4,616)	785	(3,831)
Total	<u>\$(48,105)</u>	<u>\$-</u>	<u>\$(48,105)</u>	<u>\$4,320</u>	<u>\$(43,785)</u>

23. Income tax

The major components of income tax expense (income) for the year ended December 31, 2017 and 2016 are as follows:

Income tax expense recognized in profit or loss

	2017	2016
Current income tax expense:		
Current income tax payable	\$50,676	\$49,761
Adjustments in respect of current income tax of prior periods	-	(15,478)
Deferred tax income:		

Deferred tax income relating to origination and reversal of temporary differences	(7,071)	(17,466)
Income tax expenses	<u>\$43,605</u>	<u>\$16,817</u>

Income tax recognized in other comprehensive income

	2017	2016
Deferred tax expenses (income):		
Conversion difference of financial statements of foreign operations	\$-	\$3,535
Equity directly relating to non-current assets held for sale	-	785
The amount to be measured again when the welfare plan is determined	-	-
Income tax relating to the components of other comprehensive income	<u>\$-</u>	<u>\$4,320</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2017	2016
Net income before tax from continuing operations	<u>\$173,869</u>	<u>\$163,418</u>
Tax at the domestic rates applicable to profits in the country of main operation entity concerned	\$29,558	\$27,781
Tax effect of revenues exempt from taxation	-	(17,850)
Tax effect of expenses not deductible for tax purposes	3,255	12,135
Tax effect of differed tax assets tabulates	10,792	10,229
Adjustments in respect of current income tax of prior periods	-	(15,478)
Total income tax expense recognized in profit and loss	<u>\$43,605</u>	<u>\$16,817</u>

Deferred tax assets (liabilities) relate to the following:

2017

	Beginning balance	Recognized in profit and loss	Recognized in other Comprehensive Income	Balance at the end of current period
Temporary differences				
Unrealized deals within Group entities	\$28,415	\$12,165	\$-	\$40,580
Unrealized exchange profit and loss	842	(756)	-	86
Financial assets valuation measured at fair value through profit or loss	-	(7)	-	(7)
Long-term deferred income	22,226	(4,331)	-	17,895
Deferred income tax (expense)/benefit		<u>7,071</u>	<u>-</u>	
Deferred income tax assets/(liabilities) net	<u>\$51,483</u>			<u>\$58,554</u>

The information in the balance sheet shown as follows:

Deferred income tax assets	<u>\$51,483</u>	<u>\$58,561</u>
Deferred income tax liabilities	<u>\$-</u>	<u>\$7</u>

2016

	Beginning balance	Recognized in profit and loss	Recognized in other Comprehensive Income	Balance at the end of current period
Temporary differences				
Unrealized deals within Group entities	\$34,411	\$(5,996)	\$-	\$28,415
Unrealized exchange profit and loss	(394)	1,236	-	842
Conversion difference of financial statements of foreign operations	(3,535)	-	3,535	-
Equity directly relating to non-current assets held for sale	(785)	-	785	-
Long-term deferred income	-	22,226	-	22,226
Deferred income tax (expense)/benefit		<u>\$17,466</u>	<u>\$4,320</u>	
Deferred income tax assets/(liabilities) net	<u>\$29,697</u>			<u>\$51,483</u>

The information in the balance sheet shown as follows:

Deferred income tax assets	<u>\$34,411</u>	<u>\$51,483</u>
Deferred income tax liabilities	<u>\$(4,714)</u>	<u>\$-</u>

Unrecognized deferred income tax assets

The company's unrecognized deferred income tax assets account for NTD 68,083 thousand and 54,429 thousand for the year ended December 31, 2017 and 2016 respectively.

Information of Integrated Income Tax System

	Dec. 31, 2017	Dec. 31, 2016
Shareholders' tax account deductible against balance	<u>\$85,704</u>	<u>\$43,027</u>

The company's tax deductible ratio of estimated earnings distribution in 2016 and that of actual earnings distribution in 2015 are both 20.48 percent. According to Article 66-6 of the Income Tax Act, the ratio of tax deductibles for individual shareholders residing in the territory of the Republic of China shall be halved in 2016. The amendments to certain provisions of the Income Tax Act were passed on the third reading of the Legislative Yuan on January 18, 2018, which abolished the two-in-one taxation mechanism. The information on tax deduction estimations for 2017 is for reference only.

The company no longer has undistributed earnings before and in 1997.

Income tax declaration approval

By the end of December 31, 2017, the Company's business income tax settlement and declaration were approved by the tax authority as of 2015 data.

24. 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 profit of parent company ordinary shares (adjusted interest of convertible bond) by weighted average number of ordinary shares outstanding during the period, adding weighted average number of ordinary shares converted from dilutive potential ordinary shares into ordinary shares to be issued.

	2017	2016
(1) Basic earnings per share		
Net profit in this period (thousand dollar)	\$130,264	\$146,601
Weighted average number of common stock shares of basic earnings per share	73,090	71,116
Basic earnings per share (NTD)	\$1.78	\$2.06
(2) Diluted earnings per share		
Net profit in this period (thousand dollar)	\$130,264	\$146,601
Interest of convertible bond (NTD thousand)	1,886	-
The net profit of current period after dilution effect has been adjusted (thousand dollar)	\$132,150	\$146,601
Weighted average number of common stock shares of basic earnings per share	73,090	71,116
Dilution effect:		
Convertible bond (thousand shares)	2,089	-
Restricted employees new shares (thousand shares)	477	354
Weighted average number of common stock shares after dilution effect adjustment	75,656	71,470
Diluted earnings per share (NTD)	\$1.75	\$2.05

After the reporting period and before the publication of the financial statements, there are no other transactions relating to significant changes in ordinary shares outstanding or potential ordinary shares.

25. Changes in Ownership Equity of Subsidiaries

New shares of subsidiaries not subscribed in proportion of shares held

UOC Europe Holding SA issued new shares on December 1, 2016. The Company did not subscribe and therefore the Group's ownership to this subsidiary was reduced to 75 percent. The cash raised by the Company was CHF 1,500 thousand (NTD 49,884 thousand), and the net book value of UOC Europe Holding SA (originally acquired without goodwill) was CHF 1,722 thousand (NTD 57,838 thousand). The adjustments relevant to reduction in the equity of UOC Europe Holding SA is as follows:

	2016
Capital increase by cash from acquisition of subsidiaries	\$(49,884)
Increase in non-controlling interests	16,628
Accumulated other comprehensive profit and loss adjustments	35,674
Differences in additional paid-in capital recognized in equity	\$2,418

UOC Europe Holding SA issued new shares on October 2, 2017. The Company's ownership to this subsidiary was increased to 88 percent. The cash raised by the Company was CHF 2,250 thousand (NTD 70,669 thousand), and the net book value of UOC Europe Holding SA (originally acquired without goodwill) was CHF 3,758 thousand (NTD 117,784 thousand). The adjustments relevant to increase in the equity of UOC Europe Holding SA is as follows:

	2017
Capital increase by cash from acquisition of subsidiaries	\$(70,669)
The carrying amount of the additional interest in UOC Europe Holding SA	68,314
Differences in additional paid-in capital recognized in equity	\$(2,355)

United Biomech Japan issued new shares on July 3, 2017, and the Company's ownership increased to 59 percent. The Company's acquired cash for capital increase was JPY 30,000 thousand (NTD 8,064 thousand), and the carrying amount of net asset of United Biomech Japan (originally acquired without goodwill) was JPY 81,656 thousand (NTD 22,094 thousand). The adjustments to the increase in related equity of United Biomech Japan is as follows:

	2017
Capital increase by cash from acquisition of subsidiaries	\$(8,064)
The carrying amount of additional interest in United Biomech Japan	5,880
Differences in additional paid-in capital recognized in equity	\$(2,184)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
UOC America Holding Corporation	Subsidiary of the Company
United Orthopedic Corporation (Suisse) SA	Subsidiary of the Company
United Biomech Japan	Subsidiary of the Company
Shinva United Orthopedic Corporation	Affiliate companies of the Company
United Medical Co., Ltd.	Affiliate companies of the Company
United Medical Instrument Co., Ltd.	Affiliate companies of the Company

Major transactions between related parties

1. Sales

	<u>2017</u>	<u>2016</u>
Subsidiary		
UOC America Holding Corporation	\$207,360	\$199,600
United Orthopedic Corporation (Suisse) SA	184,404	86,500
Others	1,523	-
Subtotal	<u>393,287</u>	<u>286,100</u>
Affiliate companies of the Company		
United Medical Instrument Co., Ltd.	320,619	276,446
Others	41,459	29,095
Subtotal	<u>362,078</u>	<u>305,541</u>
Total	<u>\$755,365</u>	<u>\$591,641</u>

The sales price offered by the company to the related parties is added at the cost, and the payment term in principle has no significant differences from normal exporting customers, however, the company shall offer a longer credit period in consideration of the related parties' funding conditions.

2. Purchase

	<u>2017</u>	<u>2016</u>
Subsidiary	\$105	\$-
Affiliate companies of the Company		
United Medical Co., Ltd.	84,105	59,743
Total	<u>\$84,210</u>	<u>\$59,743</u>

The purchase price offered by the company to the related parties is added at the cost, and the payment term is to pay on a monthly basis.

3. Accounts receivable - stakeholders

	Dec. 31, 2017	Dec. 31, 2016
Subsidiary		
UOC America Holding Corporation	\$81,156	\$91,290
United Orthopedic Corporation (Suisse) SA	231,513	83,905
Others	1,276	-
Subtotal	313,945	175,195
Affiliate companies of the Company		
United Medical Instrument Co., Ltd.	81,884	63,920
Others	15,067	4,720
Subtotal	96,951	68,640
Total	410,896	243,835
Less: Allowance for bad debts	-	-
Net	\$410,896	\$243,835
4. Accounts payable - stakeholders		
	Dec. 31, 2017	Dec. 31, 2016
Affiliate companies of the Company		
United Medical Co., Ltd.	\$17,047	\$13,568
5. Other receivables - stakeholders		
	Dec. 31, 2017	Dec. 31, 2016
Subsidiary		
United Orthopedic Corporation (Suisse) SA	\$129	\$24,191
Others	178	19
Subtotal	307	\$24,210
Affiliate companies of the Company	2	3
Total	\$309	\$24,213
6. Other receivables - related parties		
	Dec. 31, 2017	Dec. 31, 2016
Subsidiary	\$653	\$-
7. Long-term receivables - related parties		
	Dec. 31, 2017	Dec. 31, 2016
Subsidiary		
United Orthopedic Corporation (Suisse) SA	\$7,859	\$
8. Lending		
	2017	2016
United Orthopedic Corporation (Suisse) SA	\$7,859	\$24,400

For loans lent by the Company to the subsidiaries, please refer to Appendix 1.

9. Guarantee and endorsement

	2017	2016
UOC America Holding Corporation	<u>\$159,350</u>	<u>\$163,075</u>

For the Company's endorsement for loans to the subsidiaries, please see Appendix 2 for details.

10. Compensations for the primary management of the Company

	2017	2016
Short-term employee benefits	\$25,668	\$ 23,580
Share-based payments	1,803	1,803
Total	<u>\$27,471</u>	<u>\$25,383</u>

VIII. Pledged assets

The Company records the following assets as collateral:

Item	Carrying amount		Secured liabilities
	Dec. 31, 2017	Dec. 31, 2016	
Bond investments that do not have active market - non-current	\$6,705	\$6,320	Performance bond, comprehensive credit loan, import duty security
Property, plant and equipment - land and building	185,266	189,328	"
Property, plant and equipment - machine equipment	165,996	185,596	"
Total	<u>\$357,967</u>	<u>\$381,244</u>	

IX. Commitments and contingencies

- On November 6, 2015, the company signed the "initiator cooperation agreement of establishing a joint corporation" with Shinva Medical Instrument Co., Ltd. and Shinva Healthcare Co., Ltd. The three parties will establish a joint venture company in China (company name: Shinva United Orthopedic Corporation) The estimated registered capital was CNY 300,000,000, and the registered capital for the beginning period was CNY 200,000,000. The capital will be progressively injected by phases according to the actual operating demands. The company's investments accounted for 49%; the investment for the beginning period included 15% of technology price, a total of CNY 98,000 thousand. Shinva United Orthopedic Corporation was established on January 13, 2016. The company has invested CNY 24,500 thousand, CNY 49,000 thousand (including technology price CNY 30,000 thousand) and CNY 24,500 thousand on January 28, 2016, March 10, 2016 and October 12, 2016 respectively.

According to the cooperation agreement, the company's indirect ownership of its associate

companies, United Medical Instrument Co., Ltd., United Medical Co., Ltd. and United Medical Technology (ShangHai) Co.,Ltd. was sold to Shinva United Orthopedic Corporation at the transfer price CNY 26,903 thousand, which is the net worth according to the auditing result of a local accounting firm. As of now, CNY 3,542 thousand was collected, and the remaining balance CNY 23,361 thousand to be collected was deposited in a monitored bank account agreed bilaterally. After regulatory procedures are approved by the government, the bank will transfer the remaining balance.

2. The company's significant contracts of purchasing fixed assets are as follows:

December 31, 2017

Item	Contract total value	Paid amount	Unpaid amount
Plants and auxiliary equipment (phase-3 plant)	\$362,177	\$331,093	\$31,084

December 31, 2016

Item	Contract total value	Paid amount	Unpaid amount
Plants and auxiliary equipment (phase-3 plant)	\$227,600	\$122,281	\$105,319

X. Loss due to major disasters

None.

XI. Significant subsequent events

The amendments to partial provisions of the Income Tax Act were passed by the Legislative Yuan on January 18, 2018. According to the newly amended income tax law, the income tax rates for businesses will increase from 17 percent to 20 percent from 2018. The changes in the tax rates will increase the deferred income tax assets by NTD10,334 thousand and deferred income tax liabilities by NTD 1 thousand.

XII. Others

1. Categories of financial instruments

Financial assets

	Dec. 31, 2017	Dec. 31, 2016
Financial assets at fair value through profit and loss		
Designated initially to be measured at fair value through profit or loss	\$80	\$-

Financial assets available for sale		
(including financial assets measured at cost)	2,850	2,850
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	266,777	334,847
Investments in debt instruments with no active markets	6,705	6,320
Notes receivable	2,912	3,252
Accounts receivables (including related parties)	600,954	409,628
Other receivables (including related parties)	13,533	32,482
Subtotal	890,881	786,529
Total	\$893,811	\$789,379

Financial liabilities

	Dec. 31, 2017	Dec. 31, 2016
Financial liabilities at amortized cost:		
Short-term loan	\$500,000	\$315,000
Short-term notes and bills payable	-	50,000
Receivables (including related parties)	355,759	277,645
Corporate bonds payable (including bonds due within one year)	385,713	-
Long-term loan (including 1-year due)	193,749	193,082
Total	\$1,435,221	\$835,727

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 activities. 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 financial risk management aforementioned in accordance with relevant regulations. Significant financial activities must be approved by the Board of Directors based on related protocols and internal control procedures. The Company shall comply with its financial risk management policies during the execution of financial management activities.

3. Market risk

Market risk of the company 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 prices comprise currency risk, interest rate risk, and other price risk (such as equity risk).

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 currency risk

The Company's exposure to the foreign exchange risk are primarily related 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 subsidiaries.

The foreign currency receivables and payables of the Company are denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. 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 they did not qualify for hedge accounting criteria. Additionally, the Company's net investments in foreign subsidiaries are strategic investments, hence no hedge practices were applied in this regard.

The sensitivity analysis of foreign exchange risks of the Company mainly focus on significant foreign exchange items at the end of the reporting period, and the impact of the appreciation and depreciation of the related foreign exchange on the profits and losses and equities of the Company. The Company's foreign exchange risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analyses as follows:

When TWD appreciates/depreciates against USD by 1 percent, the profits or losses of the Company for the years ended December 31, 2017 and 2016 is decreased/increased by NTD 2,677 thousand and NTD 2,608 thousand respectively.

When TWD appreciates/depreciates against RMB by 1 percent, the profits or losses of the Company for the years ended December 31, 2017 and 2016 is decreased/increased by NTD 953 thousand and NTD 1,026 thousand respectively.

When TWD appreciates/depreciates against USD by 1 percent, the profits or losses of the Company for the years ended December 31, 2017 and 2016 is decreased/increased by NTD 2,714 thousand and NTD 1,015 thousand respectively.

Interest rate risks

Interest rate risk is the risk that resulted from the fluctuation of fair value or future cash flows of the financial instrument that is due to changes in market interest rates. The Company's interest rate risk are mainly sourced from floating interest investments, fixed interest loans, and floating interest loans that are classified as loans and receivables.

The Company manages its interest rate risk by applying a balanced portfolio of fixed and floating interests and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for criteria.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 1 percent of interest rate in a reporting period could cause the profit for the years ended December 31, 2017 and 2016 to decrease by NTD 421 thousand and NTD 169 thousand respectively.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes) and from its financing activities (primarily bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. All customer's credit risks are comprehensively evaluated based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be reduced by utilizing certain credit enhancing instruments (such as requesting for prepayment or insurance) at appropriate timings.

As of December 31, 2017 and 2016, accounts receivables from the top-ten customers represent 79 percent and 83 percent of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Treasury of the Company manages the credit risks of bank deposits, fixed income securities, and other financial instruments in accordance with the Company's policy. The Company's trading counterparties are decided by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents, bank loan and convertible bonds. 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.

Non-derivative financial instruments

	less than 1 year	2 to 3 years	4 to 5 years	more than 5 years	Total
Dec. 31, 2017					
Loan	\$557,864	\$67,251	\$21,275	\$47,359	\$693,749
Accounts Payable	355,759	-	-	-	355,759
Convertible corporate bonds	-	385,713	-	-	385,713
Dec. 31, 2016					
Loan	\$352,105	\$69,163	\$40,987	\$45,827	\$508,082
Short-term notes and bills payable	50,000	-	-	-	50,000
Accounts Payable	277,645	-	-	-	277,645

6. Fair values of financial instruments

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used by the Company to measure or disclose the fair value of financial assets and liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- 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 (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 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 (for example, 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 (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

Other than cash and cash equivalents, accounts receivables, accounts payable and other current 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 below:

	Carrying amount		Fair value	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Financial assets				
Bond investments with no active market	\$6,705	\$6,320	\$6,705	\$6,320
Financial liabilities				
Long-term loans	\$193,749	\$193,082	\$193,749	\$193,082
Corporate bonds payable	385,713	-	385,713	-

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for the fair value measurement hierarchy for financial instruments of the Company /

7. Derivatives

Relevant information of the Company's possession of unqualifying hedge accounting and premature derivatives (including forward exchange contract and embedded derivatives) as of December 31, 2016 and December 31, 2015 is as follows:

Embedded derivatives

The company has issued convertible corporate bonds and identified with embedded derivatives, which were already detached from the main contract, and were dealt with measurement at fair value through profits or losses.

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level

input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Convertible corporate bonds embedded derivative financial instruments	\$-	\$80	\$-	\$80

As at December 31, 2016

None.

Transfer between Level 1 and Level 2 during the periods

During the years from January 1 to December 30, 2017 and 2016, there were no transfers of repetitive assets between Level 1 and Level 2 fair value measurements.

(3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the				

fair value is disclosed:

Long-term loans	\$-	\$-	\$193,749	\$193,749
Corporate bonds payable	-	385,713	-	385,713

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	\$-	\$-	\$193,082	\$193,082
Short-term notes and bills payable	-	-	50,000	50,000

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies of the Company is listed below:

Unit: thousand			
Dec. 31, 2017			
	Foreign currency	Exchange rates	TWD
<u>Financial assets</u>			
Monetary items:			
USD	\$9,498	29.710	\$282,179
EUR	8,232	35.370	291,177
JPY	49,688	0.262	13,028
CHF	1,212	30.310	36,751
CNY	24,881	4.540	112,959
GBP	62	39.900	2,481
<u>Financial liabilities</u>			
Monetary items:			
USD	\$487	29.810	\$14,505
EUR	477	35.770	17,059
JPY	260	0.266	69
CHF	26	30.600	796
CNY	3,852	4.590	17,682
GBP	1	40.320	29
Dec. 31, 2016			
	Foreign currency	Exchange rates	TWD
<u>Financial assets</u>			
Monetary items:			
USD	\$11,916	32.2000	\$383,688
EUR	3,380	33.7000	113,923
JPY	120	0.2736	33

CHF	947	31.3800	29,711
CNY	25,430	4.5920	116,774
GBP	83	39.4000	3,285
<u>Financial liabilities</u>			
Monetary items:			
USD	\$260	32.3000	\$8,396
EUR	364	34.1000	12,418
JPY	520	0.2776	144
CHF	19	31.6700	601
CNY	3,044	4.6420	14,129
GBP	1	39.8200	27

Due to the wide variety of functional currencies that are adopted by the Company, the disclosure of exchange profits or losses of functional financial assets and liabilities by respective significant currency is not applicable. For the years from January 1 to December 31, 2017 and 2016, foreign exchange gains or losses were \$(9,936) thousand NTD and (16,989) thousand NTD respectively.

10. 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 operations and maximize shareholder value. The Company manages its capital structure and makes adjustments in accordance with 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. Other disclosure items

1. Related information on significant transactions

- (1) Capital financing to others: see attached table 1.
- (2) Endorsement or guarantee for others: see attached table 2.
- (3) Marketable securities held at the end of current period (excluding investments in subsidiaries, affiliate companies, and jointly control entities): attached table 3.
- (4) Accumulated acquisition or disposal of individual marketable securities at costs or prices of at least NT\$300 million or 20% of the paid-in capital: see attached table 4.
- (5) Acquisition of individual real estate at price of at least NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of real estate at price of at least NT\$300 million or 20% of the paid-in capital: None.

- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: see attached table 5.
- (8) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see attached table 6 for details.
- (9) Engage in trading derivative products: Please see financial note 6. 2 and note 12.
- 2. Related information on investment businesses: see attached table 7.
- 3. Related information on investments in China: see attached table 8.

Notes for individual financial statements of United Orthopedic Corporation (continued)

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

Attached table 3: Marketable securities held at the end of current period (excluding investments in subsidiaries, associates, and joint control entities) as of December 31, 2017:

Unit: NTD thousand

Company holding shares	Type and name of marketable security	Relations between the issuer of marketable security and the Company	Accounting item	End of the period				Note
				Number of shares (thousand shares)	Carrying amount	Shareholding Ratio (%)	Fair value	
United Orthopedic Corporation	Changgu Biotech Corporation	None	Financial assets carried at cost - non-current	285	\$2,850	19.26	Note 1	

Note 1: no quoted prices in an active market and their fair value cannot be reliably measured.

Notes for individual financial statements of United Orthopedic Corporation (continued)

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

Attached table 4: Amount of accumulated acquisition or disposal of the same securities reaches NT\$300 million or exceeds 20% of the paid-in capital:

Unit: NTD thousand

[illegible]

Notes for individual financial statements of United Orthopedic Corporation (continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

Attached table 5: The purchase and sale with related parties amounted to NT\$ 100 million or more than 20% of the paid-up capital

Unit: NTD thousand

Purchase (sales) Company	Counterparty	Relation	Trade details				Trade Conditions and Common Trades Different transactions and reasons		Bills and accounts receivable (payable)		Note
			Purchase (sales)	Amount	Proportion of total purchase/sale	Credit period	Price per Unit	Credit period	Balance	Proportion of total receivables/payables	
					Ratio					Ratio	
United Orthopedic Corporation	UOC America Holding Corporation	Parent/Subsidiary Company	Sales	\$207,360	13.12%	90 days	Notes	Notes	\$81,156	13.25%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	184,404	11.66%	120 days	Notes	Notes	231,513	37.80%	
United Orthopedic Corporation	United Medical Instrument Co., Ltd. Sanghai Co., Ltd.	Affiliate company	Sales	320,619	20.28%	90 days	Notes	Notes	81,884	13.37%	
UOC America Holding Corporation		Subsidiary/Sub-subsidiary Company	Sales	214,901	99.95%	90 days	Notes	Notes	84,188	100.00%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Affiliate company	Sales	135,109	82.39%	90 days	Notes	Notes	137,938	93.66%	

Note: There is no significant difference from the normal trade.

Notes for individual financial statements of United Orthopedic Corporation (continued)

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

Attached table 6: Amount of receivables from related parties reaches NT\$100 million or exceeds 20% of the paid-in capital:

Company with accounts receivable		Related Party	Relationship	Related party of account receivable	Turnover rate	Overdue accounts receivable from related party		Amount of accounts receivable from related party recovered after the period	Amount of allowance for doubtful accounts
						Amount	Handling Method		
Company				Balance of payments					
United Orthopedic Corporation		United Orthopedic Corporation	Parent/Sub-subsidiary	\$231,513	1.17	-	-	-	-
		(Suisse) SA		(Note 1)					
United Orthopedic Corporation (Suisse) SA		United Orthopedic Corporation (France)	Affiliate	137,938	1.43	-	-	-	-
				(Note 1)					
Note 1: Should be related parties of receivables									

Unit: NTD thousand

Notes for individual financial statements of United Orthopedic Corporation (continued)

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

Attached table 7: Related information on investment businesses:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000

Investor Company Name	Investee Company Name	Location	Primary Business	Beginning amount of investment		Holding at the End of the Period			Profit (loss) of the period of the investee company	Profit (loss) from investment recognized in the period	Note
				End of the current period	End of previous year	Number of Shares	Ratio	Carrying amount			
United Orthopedic Corporation	United Medical (B.V.I.) Corporation	British Virgin Islands	Holding company, Transaction	\$360,194 (USD 11,400)	\$360,194 (USD 11,400)	11,400 (Note 1)	100%	\$128,115	\$(849)	\$(849)	Subsidiary
United Orthopedic Corporation	UOC America Holding Corporation	British Virgin Islands	Holding company, Transaction	139,768 (USD 4,500)	139,768 (USD 4,500)	4,500 (Note 1)	100%	(7,964)	(35,609)	(35,609)	Subsidiary
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	121,089 (CHF 3,750)	50,420 (CHF 1,500)	3,750 (Note 3)	88%	5,769	(15,585)	(13,136)	Subsidiary
United Orthopedic Corporation	United Biomech Japan	Japan	Trading, Wholesale	32,047 (JPY 106,500)	23,983 (JPY 76,500)	1,065 (Note 5)	59%	966	(37,671)	(20,795)	Subsidiary
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan		613,440	-	10,224,000 (Note 6)	100%	608,774	59,431	36,230	Subsidiary
United Medical (B.V.I.) Corporation	Lemax Co., Ltd	British Virgin Islands	Holding company	360,194 (USD 11,400)	360,194 (USD 11,400)	11,400 (Note 1)	100%	122,780	(767)	(767)	Sub-sub-sidiary
UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, Wholesale	139,768 (USD 4,500)	139,768 (USD 4,500)	900 (Note 2)	100%	84,304	(41,012)	(41,012)	Sub-sub-sidiary
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, Wholesale	39,309 (CHF 1,200)	6,865 (CHF 200)	1,200 (Note 3)	100%	37,881	(334)	(334)	Sub-sub-sidiary
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, Wholesale	94,884 (EUR 2,606)	7,442 (EUR 200)	2,606 (Note 4)	100%	62,757	(15,407)	(15,407)	Sub-sub-sidiary
A-Spine Asia Co., Ltd.	Boiling Medical Co., Ltd.	Taiwan	Trading, Wholesale	4,800	4,800	480,000 (Note 7)	100%	15,022	4,449	4,449	Sub-sub-sidiary

Note 1: The face value per share is USD 1,000.

Note 2: The face value per share is USD 5,000.

Note 3: The face value per share is CHF 1,000.

Note 4: The face value per share is EUR 1,000.

Note 5: The face value per share is JPY 50,000.

Note 6: The face value per share is TWD 10, and the per share purchase price is TWD 60.

Note 7: The face value per share is TWD 10.

Notes for individual financial statements of United Orthopedic Corporation (continued)							
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)							
Appendix 8-1. The significant transactions of the third region businesses and reinvested Chinese companies that is directly or indirectly invested by the company are listed as below:							
(1)	Purchase amount and percentage, and ending accounts receivable balances and percentage:					Unit: NTD thousand	
	Year	Related Party	Company name	Purchase amount	Percentage to the company's purchase	Ending accounts receivable balances	Percentage %
	2017	United Orthopedic Corporation	United Medical Co., Ltd.	\$84,105	18.77%	\$17,047	17.65%
(2)	Sale amount and percentage, and ending accounts receivable balances and percentage:						
	Year	Related Party	Company name	Sales amount	Percentage to the company's sales	Ending accounts receivable balances	Percentage %
	2017	United Orthopedic Corporation	United Medical Instrument Co., Ltd.	\$320,619	20.28%	\$81,884	13.37%
	2017	United Orthopedic Corporation	United Medical Co., Ltd.	31,610	2.00%	13,299	2.17%
	2017	United Orthopedic Corporation	Shinva United Orthopedic Corporation	9,849	0.62%	1,768	0.29%
(3)	Ending balance of endorsement, guarantee or collateral provided and purposes:						
	Not applicable						
(4)	Maximum balance of financing, ending balance, interest rate range and total interest in the period:						
	Not applicable						
(5)	Other transactions that have significant impact on the balance of the current period and financial status:						
	Not applicable						

VI. Any financial difficulties experienced by the company and its affiliated businesses during the most recent year and as of the publication date of this report, as well as the impact of the said difficulties on the financial condition of this company shall be listed: 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	2017	2016	Increases (decreases)	Increase/decrease ratio (%)
Current assets	1,991,021	1,503,925	487,096	32.39
Adopt the equity method in investments	407,565	414,657	(7,092)	-1.71
Property, plant and equipment	1,360,136	927,242	432,894	46.69
Intangible assets	434,988	38,329	396,659	1034.88
Other Assets (Note 1)	101,701	71,612	30,089	42.02
Total assets	4,295,411	2,955,765	1,339,646	45.32
Current liabilities	1,319,631	843,254	476,377	56.49
Non-current liabilities	757,656	310,965	446,691	143.65
Total liabilities	2,077,287	1,154,219	923,068	79.97
Capital	797,129	717,469	79,660	11.10
Additional Paid-in Capital	1,243,611	915,406	328,205	35.85
Retained earnings	216,990	187,080	29,910	15.99
Other equity	(52,815)	(46,793)	(6,022)	12.87
Non-controlling equity	13,209	28,384	(15,175)	-53.46
Total equity	2,218,124	1,801,546	416,578	23.12

Note 1 Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at cost, bond instrument investments for which no active market exists, deferred income tax assets and other non-current assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
Increase in current assets: This is mainly due to the acquisition of 100 percent equity in A-Spine Asia Co., Ltd. during the year, resulting in an increase in accounts receivable and inventories.
Increase in real estate, plant and equipment: This is mainly due to the acquisition of machinery and equipment and the construction of the factory for Kaohsiung III Plant in the current year, the acquisition of land and buildings for the Taipei office of A-Spine Asia Co., Ltd., and the increase in deferred surgical tools of subsidiaries.
Increase in intangible assets: This is mainly due to the increase in goodwill arising from the acquisition of 100 percent equity of A-Spine Asia Co., Ltd. in the current year.
Increase in current assets: This is mainly due to the acquisition of A-Spine Asia Co., Ltd. in the current year, resulting in an increase of assets.
Increase total asset: This is mainly due to an increase in accounts receivable and inventories, the acquisition of machinery and equipment and the construction of the factory for Kaohsiung III Plant, the acquisition of land and buildings for the Taipei office of A-Spine Asia Co., Ltd., an increase in deferred surgical tools of subsidiaries, and an increase in goodwill from acquisition of A-Spine Asia Co., Ltd.
Increase of current liabilities: This is mainly due to the increase of short term loans for this period over the previous year and the increase in accounts payable from acquisition of A-Spine Asia Co., Ltd.
Increase in non-current liabilities: This is mainly due to the issuance of convertible corporate bonds in the current year.
Increase in total liabilities: This is mainly due to the increase in short-term borrowings, the increase in accounts payable from acquisition of A-Spine Asia Co., Ltd. and the result of the issuance of convertible corporate bonds in the current year.
Increase in additional paid-in capital: This is mainly due to the issuance of common stock for cash at a premium in the current year.
Decrease in non-controlling equity: This is mainly due to the changes in shareholding of the subsidiaries in Europe and Japan and changes in cumulative conversion adjustments.
Increase in total equity: This is mainly due to the increase in capital due to issuance of common stock for cash at a premium in the current year.
- Impact of changes in the financial status for 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	2017	2016	Increases (decreases)	Increase/decrease ratio (%)
Current assets	1,520,576	1,277,147	243,429	19.06
Adopt the equity method in investments	1,151,189	613,615	537,574	87.61
Property, plant and equipment	1,008,602	815,043	193,559	23.75
Intangible assets	37,583	32,613	4,970	15.24
Other Assets (Note 1)	87,895	71,000	16,895	23.80

Total assets	3,805,845	2,809,418	996,427	35.47
Current liabilities	949,086	726,447	222,639	30.65
Non-current liabilities	651,844	309,809	342,035	110.40
Total liabilities	1,600,930	1,036,256	564,674	54.49
Capital	797,129	717,469	79,660	11.10
Additional Paid-in Capital	1,243,611	915,406	328,205	35.85
Retained earnings	216,990	187,080	29,910	15.99
Other equity	(52,815)	(46,793)	(6,022)	12.87
Total equity	2,204,915	1,773,162	431,753	24.35

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at cost, bond instrument investments for which no active market exists, deferred income tax assets and other non-current assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

Increase in investment by equity method: This is mainly due to the acquisition of 100 percent equity of A-Spine Asia Co., Ltd. in the current year.

Increase in real estate, plant and equipment: This is mainly due to the acquisition of machinery and equipment and the construction of the factory for Kaohsiung III Plant in the current year.

Increase in other assets: This is mainly due to the deferred income tax assets and long-term receivables in the current period – the increase in the number of related parties over the previous year.

Increase in total assets: This is mainly due to the increase in accounts receivable-related parties and inventories, the acquisition of 100 percent equity in A-Spine Asia Co., Ltd., and the purchase of machinery and equipment and construction of factory for Kaohsiung III Plant.

Increase of current liabilities: Mainly due to the increase of short term loans for this period in comparison with last year.

Increase in non-current liabilities: This is mainly due to the issuance of convertible corporate bonds in the current year.

Increase in total liabilities: This is mainly due to the increase in short-term borrowings and the result of the issuance of convertible corporate bonds in the current year.

Increase in additional paid-in capital: This is mainly due to the issuance of common stock for cash at a premium in the current year.

Increase in total equity: This is mainly due to the increase in capital due to issuance of common stock for cash at a premium in the current year.

- Impact of changes in the financial status for the most recent two years: No significant impact on the financial status.

- Future response plan: not applicable.

II. Financial Performance

Consolidated financial statements

Comparison and analysis table for financial performance

Unit: NT\$1,000

Item \ Year	2017	2016	Increases (decreases)	Proportion of the changes (%)
Net Revenue	1,972,592	1,383,340	589,252	42.60
Operating costs	542,968	435,729	107,239	24.61
Gross profit before adjustment	1,429,264	947,652	481,972	50.86
Realized (unrealized) sales profit and loss	(7,193)	31,816	(39,009)	-122.61
Gross profit	1,422,431	979,468	442,963	45.22
Operating expenses	1,260,495	819,782	440,713	53.76
Operating Profit	161,936	159,686	2,250	1.41
Non-operating income and expenses	3,726	(974)	4,700	-482.55
Net income before tax	165,662	158,712	6,950	4.38
Income tax expenses	54,723	17,863	36,860	206.35
Current period net profit	110,939	140,849	(29,910)	21.24
Current comprehensive income or loss (net value after tax)	(17,224)	(49,034)	31,810	-64.87
Total amount of current comprehensive profit/loss	93,715	91,815	1,900	2.07
Net profits that belong to parent company for the current period	130,264	146,601	(16,337)	-11.14
Total net profits and losses that belong to parent company for the current period	113,429	102,816	10,613	10.32

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
 - Increase in net operating income: This is mainly due to the acquisition of 100 percent equity of A-Spine Asia Co., Ltd., which is merged into the consolidated entity in the current year and an growth in the domestic market, Europe and China.
 - Increase in operating costs: This is mainly due to the acquisition of 100 percent equity of A-Spine Asia Co., Ltd., which is merged into the consolidated entity in the current year and resulted in an increase in operating costs.
 - Increase in operating margin before adjustment: This is mainly due to the operating margin contributed by the merger of A-Spine Asia Co., Ltd. and the growth in revenue in the domestic market, Europe and China.
 - Increase of profits and losses for recognized (Unrecognized) product sales: Mainly due to sales of 100% of investments in China that adopt equity method; thus, its recognition was changed from 100% write off of realized (unrealized) sales profit and loss to investments that adopt equity method.
 - Increase in operating margin: This is mainly due to the operating margin contributed by acquired A-Spine Asia Co., Ltd. and the growth in revenue growth in revenue in the domestic market, Europe and China.
 - Increase in operating expenses: This is mainly due to the increase in operating expenses arising from acquisition of A-Spine Asia Co., Ltd. and the expenses for business development and management of the subsidiaries.
 - Increase in non-operating income and expenses: This is mainly due to the investment interests of affiliates in China.

Increase in income tax expenses: This is mainly due to the reverse of income tax expenses for 2012 and 2014 and the income tax expenses arising from acquisition of A-Spine Asia Co., Ltd.

Decrease in net profit: This is mainly due to the need for global expansion and management; the operating expenses resulted in a decrease in net profit for the period.

Increase in other comprehensive profits and losses (net amount after tax) for the current period: Mainly due to the increase of foreign exchange losses in the financial statements of the foreign operations that are invested by the Company.

- 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: Expand in Europe, U.S, Japan, and China market through products of the proprietary brand, and continuous launch of new products is expected to sustain the growth.
- Impact of changes in the financial status for the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

Analysis of changes in operating margin: The growth in operating margin is mainly due to the operating margin contributed by the merger of A-Spine Asia Co., Ltd. and the growth in revenue in the domestic market, Europe and China.

Individual financial statement

Comparison and analysis table for financial performance

Unit: NT\$1,000

Item \ Year	2016	2016	Increases (decreases)	Proportion of the changes (%)
Net Revenue	1,581,054	1,352,145	228,909	16.93
Operating costs	668,501	582,789	85,712	14.71
Gross profit before adjustment	912,553	769,356	143,197	18.61
Realized (Unrealized) profits from sales	(71,561)	(8,057)	(63,504)	788.18
Gross profit	840,992	761,299	79,693	10.47
Operating expenses	650,807	584,638	66,169	11.32
Operating Profit	176,661	176,661	27,406	18.36
Non-operating income and expenses	(16,316)	(13,243)	(3,072)	23.20
Net income before tax	173,869	163,418	10,451	6.40
Income tax expenses	43,605	16,817	26,788	159.29
Current period net profit	130,264	146,601	16,337	11.14
Current comprehensive income or loss (net value after tax)	(16,835)	(43,785)	26,950	-61.55
Total amount of current comprehensive profit/loss	113,429	102,816	10,613	10.32

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

Increase of profits and losses for cash sold products recognized (Unrecognized): Mainly due to sales of 100% of investments in China that adopt equity method; thus, its recognition

was changed from 100% write off of realized (unrealized) sales profit and loss to investments that adopt equity method.

Increase in non-operating income and expenses: This is mainly due to the increase in interest expenses and the decrease in exchange losses in the current year.

Increase in income tax expenses: This is mainly due to the reverse of income tax expenses for 2012 and 2014.

Increase in other comprehensive profits and losses (net amount after tax) for the current period:
Mainly due to the increase of foreign exchange losses in the financial statements of the foreign operations that are invested by the Company.

- Exceptions for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales: Expand in Europe, U.S, Japan, and China market by utilizing the products of the self owned brand, and the new products would sustain the growth.
- Impact of changes in the financial status for the most recent two years: No significant impact on the financial status.
- Future response plan: not applicable.

Analysis for changes in gross profit: Increase/decrease ratio has not reach 20%, analysis is not needed.

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
477,926	21,635	(1,114,512)	401,387	None	None

● Analysis of the changes in cash flow this year:

The cash inflow from operating activities was mainly due to the increase in accounts receivable, inventory and accounts payable.

The cash outflow from investing activities was mainly due to the acquisition of A-Spine Asia Co., Ltd. and investment in subsidiaries and real estate, plant and equipment.

The cash inflow from financing activities is mainly due to the issuance of convertible corporate bonds and issuance of common stock for cash, and the outflow is mainly due to the distribution of cash dividends.

● Improvement plans for illiquidity and analysis of liquidity: Does not exhibit illiquidity of cash flow.

● 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
334,908	113,520	(993,144)	266,901	None	None

● Analysis of the changes in cash flow this year:

The cash inflow from operating activities was mainly due to the increase in accounts receivable, inventory and accounts payable.

The cash outflow from investing activities was mainly due to the acquisition of A-Spine Asia Co., Ltd. and investment in subsidiaries and real estate, plant and equipment.

The cash inflow from financing activities was mainly due to the issuance of convertible corporate bonds and issuance of common stock for cash; the outflow is mainly due to the distribution of cash dividends.

● Improvement plans for illiquidity and analysis of liquidity: Does not exhibit illiquidity of cash flow.

● Analysis of cash liquidity for the following year: not applicable.

IV. Major capital expenditures in the most recent year and their impact on the company's finances: none.

V. Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

Investee 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 Medical (BVI)Co.	100%	Indirect investments in China 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 America Holding Corporation	100%	Indirect investments in 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	88%	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 Biomech Japan	59%	close to market	We are still actively trying to get the product regulations to get registered at this stage.	None	None
A-Spine Asia Co., Ltd.	100%	In response to the Company's strategy for business diversification, we enter the market of spine products	and actively expand the spine products into the Taiwan and international markets.	None	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.	Build a comprehensive marketing system and domestic products to enhance market shares.	None	None
Lemax Company Limited (Note 1)	100%	Indirect investments in China 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 USA, Inc. (Note 2)	100%	close to market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None	None
United Orthopedic Corporation (Suisse) SA (Note 3)	100%	close to market	Adopt dealer or direct selling model due to regional characteristics to	None	None

			actively expand the market shares.		
United Orthopedic Corporation (France) SAS (Note 3)	100%	close to market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None	None
Pauline Medical Co., Ltd. (Note 4)	100%	In response to the Company's strategy for business diversification, we enter the market of spine products	and actively expand the spine products into the Taiwan market.	None	None

Note 1: Reinvestment of United Medical (B.V.I) Co., a subsidiary of the Company.

Note 2: A re-investment of UOC America Holding Corporation, which is a subsidiary of the Company.

Note 3: A re-investment of UOC Europe Holding SA, which is a subsidiary of the Company.

Note 4: Reinvestment of A-Spine Asia Co., Ltd., a subsidiary of the Company.

VI. Risk assessments shall evaluate the following items for the most recent year and as of the publication date of this 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 global market is in a competition of depreciation for the recent year, thus the risks are relatively lower. Even though the USD is expected to appreciate, the range shall not be too high or too hasty. If the future interest rate has larger volatility, the company will observe the trend of interest rates and utilize fix or floating interest loans to hedge the fluctuation of interest rates other than utilizing other capital market financing tools to raise funds.

(2) Impact from exchange rate changes

The sales that are denominated in foreign currency accounted for 58.1% of total sales in 2017, and the imported materials that are denominated in foreign currency accounted for 71.4 percent of total imports. On the whole, the Company relies on the 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: Thousand NT\$; %				
Item	Year	2017	2016	2015
Net currency exchange gain (loss)		(28,823)	(30,040)	(8,917)
Net Revenue		1,972,592	1,383,340	1,392,573
Operating (loss) gain		161,936	159,686	179,228

Net foreign exchange profits (losses) / Net operating income profits (losses)	-1.46%	-2.17%	-0.64%
Net foreign exchange profits (losses) / Operating profits (losses)	-17.80%	-18.81%	-4.98%

(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 exchange.
- 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

The inflation for the most recent year has no impact on the profits and losses on the Company. The Company will keep a close watch at the fluctuation of the market prices and maintain a good relationship with the suppliers and the customers and and collect the information of the inflation and government pricing policy.

(II) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, 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, 2018, the Company has made a loan of 1.04 million Euro to United Orthopedic Corporation (Suisse) SA, the re-invested subsidiary, in accordance with the Capital Loan and Operating Procedures. United Orthopedic Corporation(Suisse) SA, a re-invested company registered under a subsidiary, has made an actual loan of 820 thousand CHF to United Orthopedic Corporation (France), also a re-invested company registered under a subsidiary.
- (3) As of March 31, 2018, the Company has taken out a loan from the bank that is worth 6 million USD with joint liability for UOC USA,Inc, a re-invested company registered under a subsidiary,in accordance with endorsement and guarantee operating procedures.

- (4) The Company engaged in derivative product transactions. As of March 31, 2018, the Company has an unsettled amount of Euro 500,000 for forward exchange trading.

(III) Future R&D plans and the R&D expenses expected to be invested:

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
E-poly artificial joint insert and fillings	Developing mass productions	2,000,000	July 31, 2018	Increasingly stringent new test specifications
Modular acetabular cage system and tools	Developing mass productions	2,800,000	September 30, 2018	None
Short stalk handle and tool	Developing mass productions	2,500,000	September 30, 2018	None
Double movement acetabular system and tool	Under design	6,500,000	December 30, 2018	Inside the ball mirror polished
Non-cement fixed femoral end implants	Early phase research	3,000,000	December 30, 2018	None
Conformity stems and tools	Under design	6,000,000	December 30, 2018	HA spray
Tumor rebuild artificial joints and tools II	Developing mass productions	10,000,000	December 31, 2018	CoCrMo Precision Casting Technology and mirror polishing
Infection treatment of artificial knee joint	Early phase research	1,100,000	December 31, 2018	Wear test
Rotating the modular tibial base	Developing mass productions	800,000	December 31, 2018	None
3D printed acetabular system and tool	Early phase research	8,000,000	June 30, 2019	Microporous structural design
Single condyle artificial knee joints and tools	Under design	10,800,000	June 30, 2019	Surgical instrument design
Modeled stalk handle and tool	Early phase research	8,000,000	December 30, 2019	Combine mechanism and the corresponding corrosion phenomenon

- (IV) The Impacts of changes of the important domestic and foreign policies and laws on the company's finance and business, and the countermeasures: none

- (V) The Impacts of Technology Changes and Industry Changes on Our company's Finance and Business, and the Countermeasures: none

- (VI) The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

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) The Expected Benefits and Possible Risks to Engage in Mergers and Acquisitions (M&A) and the Countermeasures: Not applicable

(VIII) The Expected Benefits and Possible Risks to Expand the Plants and the Countermeasures:

The first phase of Kaohsiung plant have been completed and running since February 14, 2011. It mainly features with precision forging and porous titanium beads sintering production line. The initial setting is that it is able to produce 60,000 pieces of titanium alloy and cobalt chromium molybdenum alloy. The production is able to expand to 240,000 pieces by expanding the production line and production shifts in accordance with needs in the future. The expected production of titanium alloy surface porous titanium beads sintering is 15,000 pieces. These are sufficient to meet the growth needs of self brand products. Of which, forging production line has been producing products of the company since July, 2011, and the mass production transfer for all products in the plant has been completed by the end of 2011. In response to meeting the needs of the expanding market, the Company has planned to add a new forging production line in Q4, 2015. The production has started since Q2, 2016, the forging capability has been raised to 100,000 pieces per year. The product line of titanium alloy surface porous titanium beads sintered high vacuum sintering furnace has completed biocompatibility test on Q1, 2014 and conducted the mass production testing for application product and has been mass producing since Q1, 2015.

The construction of phase 2 of Kaohsiung plant has started since February, 2012 and has been completed on November, 2012. Phase 2 mainly added: (1). Production line of precision casting. Process verification and development of initial replacement knee joint and hip joint castings has been completed in 2013, and mass production and mass production approval had been gradually completed. By Q3, 2014, it has completed replaced all outsourcing productions and turn it into a in-plant production. It has reduced the production lifecycle effectively. The Company will continue to improve the production and improve production efficiency and reduce casting costs. It will also cooperate with the design of the second generation of tumor reconstruction of artificial joints and U2 knee femoral component of the middle size of the product and develop in the castings that are required for production. The initial production setting of Co-Cr-Molybdenum Alloy for artificial joints castings is 60,000 pieces, and the production capacity can be expanded into 150,000 pieces in the future in accordance with needs. (2). Plasma spraying production line. It is able to spray titanium powder on the surface coating of titanium alloy artificial joints, or composite spray on the HA coating. The titanium spraying manufacturing development and verification have been completed by December, 2015, and the mass production and stability of production testing had begun. By Q4, 2016, it has been gradually put into operation. The initial annual production setting is 30,000 pieces, and the production capacity can be expanded into 150,000 pieces in the future in accordance with needs.

After the phase two of Kaohsiung plant has been completed, the processing energy for the mold and measuring tools that is required for forging and casting has been established other the production line of precision casting of Cr-Cr-Mo alloy and spraying of titanium alloy surface. The company has control over the key production tool from design to production and has effectively reduced the time of supply. By Q4, 2015, we invested more in machining equipment, and it has been officially put into production by Q1, 2016 to meet the expansion need of the nearly fully loaded production capacity of Hsinchu plant due to growth in business. The plant focus on production of tibial base, acetabular cup and bone screw at the early stage. The forgings, castings and surface treatments that are needed by the Company are used to be outsourced by professional plants in Europe and U.S. After mass production is in place at

Kaohsiung plant, the cost of outsourcing is expected to decrease by 20%~30%, and the production delivery period is able to shorten from 8~12 weeks to 6~8 weeks, the special surface treatment is shortened to 2~3 weeks, which is a substantial increase in the flexibility of business orders and market competitiveness.

With the business growth, Hsinchu plant production capacity is insufficient. Even though new production lines have been set up in the remaining areas of the phase 2 plant, it was estimated that it would only meet the new needs of 2016. As a result, the planning of the construction of the Phase 3 of Kaohsiung Plant commenced in February, 2015 and the construction has commenced in February 2016 and is expected to be completed in May 2017. In addition to the plant, investments in relevant equipments will be made on the basis of needs of production in 2018. The production technology in Hsinchu will also be transferred. It is expected to be put into operation by Q4, 2017 to solve the problem of insufficient capacity of Hsinchu Plant. And then with the business needs of the annual expansion of production line equipment, estimated maximum capacity of up to an annual output of knee and hip joint total of about 150,000 pieces, and gradually completed in Kaohsiung plant one-stop production strategy objectives.

(IX) The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures:

The Company's purchase and sales are not relatively focused on specific manufacturers or customers.

(X) The impacts and risks arising from major exchange or transfer of shares by directors, supervisors or shareholders with over 10 percent 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 publish date of the annual report. Thus, it did not have any significant impact on the Company.

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

In January, 2016, the company invested and jointly founded Shinva United Orthopedic Corporation with Shinva Medical Instrument Co.,Ltd and New China Life Health Co., Ltd. In accordance with the cooperation agreement, the Company sold shares of United Medical Instrument Co., Ltd, Medical Instrument Ltd., and United Medical Technology (ShangHai) Co.,Ltd. to Shinva United Orthopedic Corporation.

The Company holds 49% shares of Shinva United Orthopedic Corporation. Thus, starting from 2016, recognition method of re-investment subsidiaries at China have changed from consolidated statement to equity method, and the recognition of profits and losses are recognized by equity method.

Shinva United Orthopedic Corporation will not only carry on the <import> of artificial joints of the Company, but also actively manufacture Chinese <domestic brands> artificial joints. The company will target the import and domestic brand market and utilize the advantages of both sides. The company will take advantage of the benefits of the China's 13th Five-Year Plan to rapidly expand in the domestic product and sales channels at China and to further expand the market share.

Under the conditions of friendly and mutual trust cooperation, all the significant resolutions of the Company will be prevailed by the resolution of the Board of

Directors. The Company holds over 1/3 of the seats in the Board of Shinva United Orthopedic Corporation. There are still decisions and voting rights in the important resolutions of the future, and there is no significant impact on the Company overall.

(XII) Litigation and Non-Litigation Events:

- (1) Confirmed judgment, ongoing 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 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 Items: None.

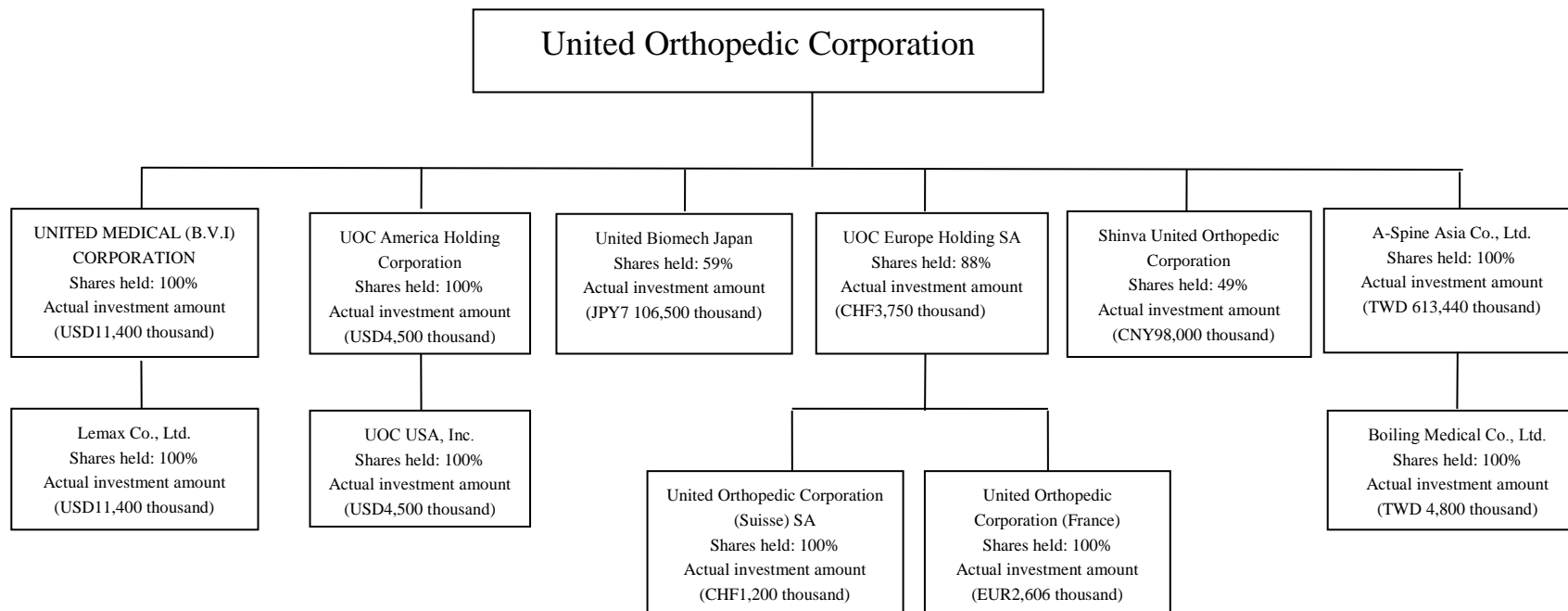
Chapter 8 Special Items

I. Relevant information on affiliated businesses:

(I) Consolidated Operation Report of Affiliates

1. Organization structure of affiliated businesses

December 31,
2017:



2. Basic information of various affiliated businesses

Unit: thousand

Name of business	Date of Incorporation	Address	Actual paid-in capital	Main business items
United Medical (B.V.I) Co.	Sep. 7, 2004	Note 4 (1)	USD 11,400	Investment and trading business
Lemax Co., Ltd.	Feb. 3, 2004	Note 4 (2)	USD 11,400	Holding Company
UOC America Holding Corporation	May 10, 2012	Note 4 (3)	USD 4,500	Investment and trading business
UOC USA, Inc.	Jul. 19, 2012	Note 4 (4)	USD 4,500	Sales of medical equipment
UOC Europe Holding SA	May 23, 2016	Note 4 (5)	CHF 3,750	Investment and trading business
United Orthopedic Corporation (Suisse) SA	Jun. 29, 2016	Note 4 (6)	CHF 1,200	Sales of medical equipment
United Orthopedic Corporation (France)	Jul. 5, 2016	Note 4 (7)	EUR 2,606	Sales of medical equipment
United Biomech Japan	Aug. 5, 2016	Note 4 (8)	JPY 106,500	Sales of medical equipment
Shinva United Orthopedic Corporation	Jan. 13, 2016	Note 4 (9)	CNY 98,000	Manufacture and sale of orthopedic equipment
A-Spine Asia Co., Ltd.	Jun. 15, 2001	Note 4 (10)	TWD 613,440	Manufacturing and sales of medical equipment
Boiling Medical Co., Ltd.	Apr. 13, 2000	Note 4 (11)	TWD 4,800	Sales of medical equipment

Note 1: all related enterprises regardless of size, should be exposed.

Note 2: For all affiliate companies 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 plans shall also be listed.

Note 3: If the affiliate company is an 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-up capital may be expressed in foreign exchange (However, the exchange rate as of the publish date shall be listed).

Note 4: (1) TrustNet Chambers, , Tortola,P.O.Box 3444 Road TownBritish Virgin Islands

(2) Portcullis TrustNet Chambers, , Tortola,P.O.Box 3444 Road TownBritish Virgin Islands

(3) Portcullis TrustNet Chambers, POBox 3444, Road Town, Tortola, British Virgin Islands.

(4) 20 Fairbanks, Suite 173, Irvine CA 92618

(5) Avenue Général Guisan 60A, 1009 Pully

(6) Avenue Général Guisan 60A, 1009 Pully, Switzerland.

(7) 21 Rue de la Ravinelle, 54000 Nancy, France.

(8)横浜市西区北幸2-9-40銀洋ビル

(9) No. 1999, Luxin Road, Gaoxin District, Zibo City, Shandong Province, China

(10) 20F., No. 80, Chenggong Road, Yonghe District, New Taipei City

(11) 20F., No. 80, Chenggong Road, Yonghe District, New Taipei City

3. Those who can be presumed to have controlling and subordinate relationship in accordance with Article 369-3 of the Company Law:

According to the above organization chart, the Company's affiliated enterprises are all subsidiaries of the Company.

4. The industries that are covered by the affiliate companies, and their distribution of work if the businesses of affiliate companies are interconnected with others:

(1) Industries that the overall affiliate companies are involved with: Mainly for orthopedic artificial implants, surgical equipment manufacturing and sales.

(2) Distribution of work if the businesses of affiliate companies are interconnected with others:

The company invested in United Medical (BVI) Co.,which re-invested in Lemax Co.,Ltd, and who then re-invested in other companies in China. All subsidiaries in China have been sold at January 1, 2016. The company also invests in Shinva United Orthopedic Corporation for production and sales of artificial joints at China to respond to the "2025 Made in China" policy stipulated by Chinese government. It also imports the artificial joints of the Company to build a comprehensive marketing system and to increase market shares. The Company also invest in UOC America Holding Corporation, and indirectly invest in UOC USA, Inc.UOC USA, Inc.is 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 invested in UOC Europe Holding SA in 2016, and then indirectly

invest in United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) Setting the marketing operation in Switzerland and France as bases in Europe, the marketing model adopted are dealer and directly selling to preserve the high growth rate in the European market and expand the market shares in a rapid pace. The Company also invested in United Biomech Japan at the same year as the marketing operation in Japan, so that the product registration may be acquired smoothly and enter into Japanese market as soon as possible. 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 mergers and acquisitions to accelerate the development of spine products in Taiwan and international markets, as well as boosting the Company's revenue and profit.

5. Information of directors, supervisors and general managers in all affiliated companies:

Name of business	Title (note 1)	Name or representative	shares held	
			Number of Shares	holding ratio
United Medical (B.V.I) Co.	Director	Lin, Yan-Shen	11,400	100%
Lemax Co., Ltd.	Director	Lin, Yan-Shen	11,400	100%
UOC America Holding Corporation	Director	Lin, Yan-Shen	4,500	100%
UOC USA, Inc.	Chairman	Lin, Yan-Shen	900	100%
UOC Europe Holding SA	Chairman	Lin, Yan-Shen	3,750	88%
United Orthopedic Corporation (Suisse) SA	General Manager	Bopp François	1,200	100%
United Orthopedic Corporation (France)	General Manager	Bopp François	2,606	100%
United Biomech Japan	Chairman	織部一弥	765	59%
Shinva United Orthopedic Corporation	Chairman	崔洪濤	98,000,000	49%
A-Spine Asia Co., Ltd.	Chairman	Lin, Yan-Shen	10,224,000	100%
Boiling Medical Co., Ltd.	Chairman	Hsu Sheng-Fa	480,000	100%

Note 1: If the affiliate company is a foreign company, list those whose job position is equivalent.

Note 2: 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 affiliated enterprises:

Unit: NT\$1,000

Name of business	Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating Profit	Current profit and loss (after tax)	Earnings per share (after tax/dollar)
United Medical (B.V.I) Co.	360,194	128,115	0	128,115	0	0	(849)	—
Lemax Co., Ltd.	360,194	122,780	0	122,780	0	0	(769)	—
UOC America Holding Corporation	139,768	194,679	81,608	113,071	215,005	6,359	(35,610)	—
UOC USA, Inc.	139,768	369,103	284,799	84,304	319,329	(43,759)	(41,012)	—
UOC Europe Holding SA	137,717	103,400	70	103,330	0	124	(15,585)	—
United Orthopedic Corporation (Suisse) SA	39,309	282,455	244,574	37,881	163,985	6,990	(334)	—
United Orthopedic Corporation (France)	43,059	241,052	178,295	62,757	109,830	(15,683)	(15,407)	—

United Biomech Japan	27,402	10,625	8,652	1,973	5,408	(38,548)	(37,671)	—
Shinva United Orthopedic Corporation	994,002	1,012,871	115,157	897,714	0	(30,032)	10,374	—
A-Spine Asia Co., Ltd.	102,240	419,593	190,977	228,616	302,803	67,187	59,431	5.81
Boiling Medical Co., Ltd.	4,800	51,286	36,264	15,022	145,569	5,528	4,449	—

Note 1: all related enterprises regardless of size, should be disclosed.

Note 2: If the affiliate company is a foreign company, all relevant numbers shall be expressed in NTD by using the exchange rate as of the publish date.

Note3: The exchange rates for the balance sheet are as the following: 1 USD = 29.76 TWD, 1 CNY = 4.565 TWD,

1 EUR = 35.57 TWD, 1 CHF = 30.455 TWD,

1 EUR = 1.168 CHF, 1 CHF = 0.8562 EUR

1 JPY = 0.2642 TWD

The exchange rates for the income statement are as the following: 1 USD = 31.005 TWD, 1 CNY = 4.591 TWD,

1 EUR = 34.735 TWD, 1 CHF = 30.99 TWD,

1 EUR = 1.1208 CHF, 1 CHF = 0.8922 EUR

1 JPY = 0.2699 TWD

(II) Reports of all entities: Please refer to parent-subsidaries consolidated report.

II. Private issuance of marketable securities shall disclose the approval date and amount of the shareholders' meeting or the Board of directors meeting, the basis and reasonability of the price set, 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 last year, up to the publication date of this report: none.

IV. Other items that must be included: None.

Chapter 9 Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Sub-paragraph 2, , Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year, up to the printing date of this report:

United Orthopedic Corporation

Chairman: Lin, Yan-Shen