

Stock Number: 4129



United Orthopedic Corporation

2019 General Shareholders' Meeting

Proceedings Manual

June 19, 2019

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United Orthopedic Corporation
2019 Regular Shareholders' Meeting Agenda

- I. Time: 9:00 A.M., Wednesday, June 19, 2019
- II. Place: 3F, No. 82, Section 1 1, Chenggong Road, Yonghe District, New Taipei City (Auditorium of the Atomic Energy Council)
- III. Opening of the Meeting (Report the number of shares in attendance and announcement of the opening of the meeting)
- IV. Chair's Remarks
- V. Reports
 - (I) The Company's 2018 Business Report and Financial Statements
 - (II) The Supervisors' Review of the 2018 Business Report, Financial Statements, Consolidated Financial Statements, and Earnings Distribution Proposal.
 - (III) Report on the Distribution of Remuneration of Employees, Directors and Supervisors in 2018
 - (IV) Report on the Investment in Mainland China.
 - (V) Report on the Company's Endorsement and Guarantee
 - (VI) Report on the Company's Convertible Bonds
- VI. Ratifications
 - (I) 2018 Business Report and Financial Statements
 - (II) 2018 Earnings Distribution Proposal
- VII. Discussions
 - (I) Amendments to partial clauses of the Articles of Association
 - (II) Amendments to the Rules of Procedures for Shareholders' Meetings
 - (III) Amendments to the Directors Election Process
 - (IV) Amendments to the Procedures for Acquisition and Disposal of Assets
 - (V) Amendments to the Procedures for Lending Funds to Other Parties
 - (VI) Amendments to the Procedures for Endorsement and Guarantee
 - (VII) Proposal of Cash Dividends Distributed from Capital Reserve
- VIII. Other Proposals and Extempore Motions

Reports

(I) Case: The Company's 2018 Business Report and Financial Report are hereby submitted for approval.

Explanation: Please refer to Attachment 1. (#Pages 8-10#)

(II) Case: The Supervisors' Review of the 2018 Business Report, Financial Statements, Consolidated Financial Statements, and Earnings Distribution Proposal are hereby submitted for approval.

Explanation: Please refer to Attachment 2. (#Page 11#)

(III) Case: The Report on the Distribution of Remuneration of Employees, Directors and Supervisors in 2018 is hereby submitted for approval.

Explanation: According to the Article 20 of the Articles of Association, the Remuneration Committee has submitted the Proposal of Distribution of Remuneration of Employees, Directors and Supervisors in 2018 to the Board of Directors, proposing to allocate 3% of profits as the remuneration of Directors and Supervisors amounting to \$4,256,186 and 10% of profits as the remuneration of employees amounting to \$17,024,742, all distributed in cash.

(IV) Case: The Report on Investment in Mainland China is hereby submitted for approval.

Explanation: The Company has decided to apply to the Investment Commission for the investment of a Mainland China company through a company established in a third region by the resolution of the Board of Directors. Please refer to the following table for the transfer status of the investment which is hereby submitted for approval.

Unit: NT\$ Thousand

Cumulative investment amount remitted from Taiwan to Mainland China as of the end of Q1 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
\$640,030 (CNY132,108 Thousand)	\$657,296 (CNY147,000 Thousand)	\$1,354,522

(V) Case: The Report on the Company's Endorsement and Guarantee is hereby submitted for approval.

Explanation: The Company's market in the United States is served by investee companies. In response to the growth of business operations, the Company is required to provide endorsements and guarantees for the following second-tier subsidiaries' bank financing credit lines:

Recipient of Endorsement or Guarantee	Bank Financing Credit Line Endorsement and Guarantee Amount	Actual Endorsement or Guarantee Amount
UOC USA, Inc. (Second-Tier Subsidiary)	USD 7.5 Million	USD 6.5 Million

Note: The data above is the endorsement and guarantee amount as of the end of Q1 2019.

(VI) Case: The Report on Convertible Bonds is hereby submitted for approval.

Explanation: The Company's issuance of second unsecured convertible corporate bonds in the domestic market is effective through the Official Document of Securities and Futures Bureau No. 10600254971 issued on July 18, 2017, and the total amount of issuance is NT\$ 400 Million. The trading has begun at the operation sites of the securities firms on August 11, 2017 based on the notice of the Official Document of Taipei Exchange Bond No. 10600214142 issued on August 8, 2017. Please refer to the following table for relevant information.

Type of Corporate Bonds	Second Domestic Issuance of Unsecured Convertible Bonds
Issuance Date	August 11, 2017
Face Value	100000
Issuance and Trading Place	R.O.C.
Issued Price	Issued at 100% of face value
Total Amount	NT\$400,000 Thousand
Interest Rate	Coupon Rate 0%
Term	3-year Maturity Date: August 11, 2020
Guarantee Agencies	None
Consignee	Taipei Fubon Commercial Bank Co., Ltd.
Underwriter	Fubon Securities Co., Ltd.
Attorney	Chiu, Ya-Wen
Appointed CPA	Ernst & Young Taiwan Chang, Chih-Ming, Huang, Chien-Che

Redemption Method	Effective Period: 3 years The bonds can be converted into the Company's common shares in accordance with the conversion clauses in Article 10 of the Regulations on the Issuance and Conversion of Corporate Bonds or redeemed in advance in accordance with Article 18 of the Regulations. The holders shall be paid in cash at 101.5075% of the nominal value of the bonds in one payment on the mature date.
The principal that has not been redeemed as of the publish date of the annual report	0
Articles for redemption or early liquidation	Reference issuance and conversion methods
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 into common stocks, offshore depository receipts, and other marketable securities as of the publish date of the annual report
	0
	Issuance and conversion (swap or subscription) methods
	Reference issuance and conversion methods
Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks	The total amount of convertible corporate bonds that have been issued this time is NT\$ 400,000 Thousand. The impact on earnings per share will be delayed because the duration of the bond is 3 years and each creditor's conversion request timing is different, but it should not have any major impact on the interests of current shareholders. The coupon rate of the corporate bond is 0% and its conversion price is issued at a premium; therefore, there should be no negative impact on the interests of shareholders.
Name of commissioned custodian of exchangeable underlyings	N/A

Ratifications

Case 1: [Proposed by the Board of Directors]

Case: The Company's 2018 Business Report and Financial Statements are hereby submitted for ratification.

Explanation: The Company's Financial Statements, Consolidated Financial Statements and Business Report for 2018 have been prepared. Among them, the Financial Statements and Consolidated Financial Statements have been audited by the CPAs Chang, Chih-Ming and Huang, Chien-Che of Ernst & Young Taiwan who have submitted the Audit Report. The Audit Report is submitted along with the Financial Statements, Consolidated Financial Statements and the Business Report and hereby submitted for ratification. Please refer to Attachments 1, 3 and 4. (#Pages 8-10 and pages 12-31#)

Case 2: [Proposed by the Board of Directors]

Case: The Company's 2018 Earnings Distribution Proposal is hereby submitted for ratification.

Explanation:

- I. The Company's net profit after tax for 2018 was NT\$127,553,504. After recognition of 10% of the profit as legal reserve amounting to NT\$ 12,755,350, deduction of NT\$ 1,885,654 as other comprehensive profit or loss for 2018, and recognition of special reserve amounting to NT\$ 11,849,582, the total amount of distributable earnings for current period was NT\$ 101,062,918. Based on the actual amount of 80,450,847 outstanding shares as of March 18, 2019, NT\$101,062,918 shall be distributed as cash dividends at \$1.25620701 per share.
- II. After the distribution of shareholder dividends is approved by the regular shareholders' meeting, the Board of Directors is authorized to process related matters regarding the ex-dividend date and the distribution of cash dividends.
- III. If there is change in the Company's number of outstanding shares on the ex-dividend record date, the Chairman of the Board is authorized to adjust the cash dividend payout in accordance with the number of outstanding shares as of the ex-dividend date.
- IV. For this period's motion to distribute cash dividends, the dividend will be calculated to the amount of one whole NT dollar, and the remaining amounts below NT\$1 will be rounded down. Shares below NT\$1 will be adjusted from the largest decimal place and the number of accounts in descending order until the total amount of cash dividends has been distributed. Please refer to Attachment 5. (#Page 32#)

Discussions

Case 1: [Proposed by the Board of Directors]

Case: The Proposal of Amendments to Partial Clauses of the Articles of Association is hereby submitted for resolution.

Explanation: Considering the fact that the Company has set up an Audit Committee in accordance with the newly amended regulations, the implementation of e-voting practices, and the necessity of increasing authorized capital and diversifying financing programs due to the growth of business operations, amendments to partial clauses of the Articles of Association are proposed. Please refer to Attachment 6. (#Pages 33-37#)

Case 2: [Proposed by the Board of Directors]

Case: The Proposal of Amendments to the Rules of Procedures for Shareholders' Meetings is hereby submitted for resolution.

Explanation: Partial clauses of Rules of Procedures for Shareholders' Meetings are proposed to be amended to cooperate with the adoption of e-voting and practical needs. Please refer to Attachment 7. (#Pages 38-39#)

Case 3: (Proposed by the Board of Directors)

Case: The Proposal of Amendments to the Directors Election Process is hereby submitted for resolution.

Explanation: Considering the fact that the Company has set up an Audit Committee in accordance with the newly amended regulations, and the implementation of e-voting practices, amendments to the Directors Election Process is proposed to replace the Directors and Supervisors Election Methods passed at the shareholders' meeting held on June 13, 2007. Please refer to Attachment 8. (#Pages 40-41#)

Case 4: (Proposed by the Board of Directors)

Cause: The proposal of Amendments to the Procedures for Acquisition and Disposal of Assets is hereby submitted for resolution.

Explanation: Partial clauses of Procedures for Acquisition and Disposal of Assets are amended in accordance with the partly amended Standards of Acquisition or Disposal of Assets for Public Listed Companies released by Financial Supervisory Commission with Executive Yuan, through the Order of Financial Supervisory Committee No. 1070341072 issued on November 26, 2018. Please refer to Attachment 9. (#Pages 42-53#)

Case 5: (Proposed by the Board of Directors)

Case: The Proposal of Amendments to Partial Clauses of Procedures for Lending Funds to Other Parties is hereby submitted for resolution.

Explanation: Partial Clauses of Procedures for Lending Funds to Other Parties are amended in accordance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies newly amended on March 7, 2019. Please refer to Attachment 10. (#Pages 54-55#)

Case 6: (Proposed by the Board of Directors)

Case: The Proposal of Amendment to Partial Clauses of Procedures for Endorsement and Guarantee is hereby submitted for resolution.

Explanation: Partial Clauses of Procedures for Endorsement and Guarantee are amended in accordance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies newly amended on March 7, 2019. Please refer to Attachment 11. (#Pages 56-58#)

Case 7: (Proposed by the Board of Directors)

Case: The Proposal of Cash Dividends Distributed from Capital Reserve is hereby submitted for resolution.

Explanation:

- I. The Company intends to allocate NT\$59,838,776 to the shareholders from the capital reserve amounting to NT\$1,280,536,263. Cash dividends are distributed according to the shareholding ratio as set out in the shareholders' ledger on the base date of the distribution, with NT\$0.74379299 per share.
- II. For this period's motion to distribute cash dividends, the dividend will be calculated to the amount of one whole NT dollar, and the remaining amounts below NT\$1 will be rounded down. Shares below NT\$1 will be adjusted from the largest decimal place and the number of accounts in descending order until the total amount of cash dividends has been distributed.
- III. After the proposal passed upon the resolution at the regular shareholders' meeting, the Board of Directors will be fully authorized to process related matters regarding the ex-dividend date.
- IV. If the Company has changed its shares in circulation as a result of changes in the Company's share capital leading to inevitable modification of the changed coupon payment rate, the Chairman of the Board will be authorized to adjust the distributable amount per share according to the total number of shares in circulation except for the base date.

Other Proposals and Extempore Motions

Adjournment

[Attachment 1]

Business Report

(I) Business Strategies

- A. Improving the comprehensiveness of product lines: With regard to artificial orthopedic joint products, United Orthopedic Corporation already has laid a solid foundation in product line layout. The overall product comprehensiveness accounts for approximately 70% to 80% of major international companies. The Company is required to work hard to increase the product coverage over the next one year. The target is to provide more than 90% of coverage in product line comprehensiveness of major international companies by the end of next year, which will effectively enhance the Company's overall competitiveness.
- B. Actively exposing to build international brand popularity: United Orthopedic Corporation has built certain brand popularity in the international market of artificial joints through constant exposure in international medical society and professional journals for the last 2 years. The excellent clinical performance accumulated by the Company for the past 25 years demonstrates that its product is nowhere inferior to major manufacturers in Europe and America, and the difference only lies in brand popularity. It remains to be enhanced by the Company how to enable more physicians from Europe and America to recognize and connect up with this brand. It is different from the marketing practice of the general consumer products. In brand operation, academic professional image shall be combined, including appointment of authoritative physicians for academic clinical researches or product development cooperation. It can effectively uplift the brand image, apart from establishing long-term partnership.
- C. Continue to dig deep in the domestic and foreign sales channels: at present the global industrial output value for artificial joints stands at around USD 17 Billion, but United Orthopedic Corporation only accounts for 0.4%-0.5% market share. On the basis of currently established domestic and foreign distribution or direct sales channels, the Company will continue to optimize services for word-of-mouth marketing, and also utilize the participation of international medical association for development of new countries or distributors. This year, series of products have passed the legal declaration procedures of Japan one after another, and they will officially enter the Japanese market for sales.

(II) Business Plan Implementation Results

The net operating income of the Company for 2018 was NT\$1,789,376,000, representing a year-on-year increase of 13.2% over the NT\$1,581,054,000 in 2017. And the net consolidated operating income for 2018 was NT\$2,332,247,000, representing a year-on-year increase of 18.2% over the NT\$1,972,592,000 in 2017. In terms of profit, the net profit after tax for 2018 was NT\$102,492,000, a decrease of NT\$8,447,000 compared with the NT\$110,939,000 in 2017.

1. Analysis of Individual Operating Income, Expenses and Profitability

Unit: NT\$ Thousand

Items		Year	
		2018	2017
Financial Income and Expenses	Net Revenue	1,789,376	1,581,054
	Gross profit	914,694	840,992
	Net Operating Profit	216,377	190,185
	After-tax Profit or Loss	127,554	130,264
Profitability	Return on Assets (%)	3.48%	4.20%
	Return on Shareholders' Equity (%)	5.75%	6.54%
	Ratio of Operating Income to Paid-in Capital (%)	26.89%	23.85%
	Ratio of Profit Before Income Tax to Paid-in Capital (%)	5.40%	7.88%
	Net Income Ratio (%)	7.12%	8.23%
	Basic Earnings Per Share After Tax (NT\$)	1.61	1.78

2. Analysis of Consolidated Individual Operating Income, Expenses and Profitability

Unit: NT\$ Thousand

Items		Year	
		2018	2017
Financial Income and Expenses	Net Revenue	2,332,247	1,972,592
	Gross profit	1,615,747	1,429,624
	Net Operating Profit	84,800	161,936
	After-tax Profit or Loss	102,492	110,939
Profitability	Return on Assets (%)	2.72%	3.36%
	Return on Shareholders' Equity (%)	4.58%	5.52%
	Ratio of Operating Income to Paid-in Capital (%)	10.54%	20.31%
	Ratio of Profit Before Income Tax to Paid-in Capital (%)	4.77%	7.46%
	Net Income Ratio (%)	4.39%	5.62%
	Basic Earnings Per Share After Tax (NT\$)	1.61	1.78

(III) Research and Development Status

The R&D expenditure for the Group in 2018, including costs of developing researches, was NT\$236,860 Thousand, a 19.2% increase of NT\$38,126 Thousand compared to 2017. It accounted for 10.2% of the annual operating income and approximately 10% of the revenue of 2018.

Person in Charge: Lin, Yan-Shen

Manager: Lin Yan-Shen

Financial Officer: Teng Yuan-Chang

[Attachment 2]

United Orthopedic Corporation

Supervisors Audit Report

The Company's 2018 Business Report, Financial Statements, Consolidated Financial Statements, and Earnings Distribution Plan prepared by the Board of Directors were reviewed and considered to be correct and accurate by the Supervisors. We hereby submit this report in accordance with Article 219 of the Company Act.

Regards

2019 Regular Shareholders' Meeting

United Orthopedic Corporation

Supervisor: Wang, Ching-Hsiang

Wong, Chi-Yin

Chen, Li-Ju

March 19, 2019

[Attachment 3]

Independent Auditor's Report

To United Orthopedic Corporation:

Audit opinion

We have audited the individual balance sheets of United Orthopedic Corporation as of December 31, 2018 and 2017, and the related individual comprehensive income statements, statements of changes in equity, cash flow statements and financial statements annotations (including major accounting policy summary) for 2018 and the period from January 1 to December 31, 2017.

In the CPA's opinion, the financial reports above are prepared in accordance with 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, 2018 and 2017, and the financial performance and cash flow for the period from January 1 to December 31, 2018 and 2017.

Basis for the Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of parent company only financial statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our CPA will further explain the responsibilities during the audit of parent company only financial statements under the principles. 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 consolidated financial statements 2018 of United Orthopedic Corporation to be audited according to the professional judgement of the CPA. These items have been covered in the verification process of the overall parent company only 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 inventory as of December 31, 2018 was NT\$710,615,000, accounting for 17% of individual consolidated assets, which is significant to the consolidated financial statements. Hence, the CPAs have determined the inventory valuation as a key audit item. The audit procedure conducted by them 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 CPAs have also considered the appropriateness of inventory disclosure identified in Explanation 5 and Explanation 6 of the individual consolidated financial statement.

Revenue recognition

United Orthopedic Corporation's primary products are orthopedic devices-artificial hip joints, artificial knee joints, trauma-Handling products and OEM products, and their recognized revenue in 2018 was NT\$1,789,376,000, which is significant to the individual financial statement. Hence, the CPAs have determined the inventory valuation as a key audit item. The audit procedure conducted by them 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 confirmed that the revenue was recognized at the product control transfer timing, including selection of important customers as samples for transaction conditions confirmation and relevant receipts verification. 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. The CPA has also considered the appropriateness of revenue disclosure identified in Explanation 6 of the consolidated financial statement.

Recognition of expenditure on internally generated intangible asset development

The book value of the internally generated intangible assets of United Orthopedic Corporation as of December 31, 2018 was NT\$63,710,000, which is significant to individual financial statements. Due to the independent structure of United Orthopedic Corporation, the input development costs are mostly in the production of orthopedic devices—artificial hip joints, artificial knee joints, and surgical instrument, so the expenditure for internally generated development is capitalized. In order to meet the six capitalization requirements at the development stage, the research and development departments of United Orthopedic Corporation shall provide technical feasibility assessment based on project types so as to identify whether the specialty has reached the technical feasibility. The financial department shall assess the capitalization case based on the development project. The management shall conduct the above assessment of individual project based on the internal and external information, involving the management judgement and assumption. Hence, the CPA has determined it as a key audit item. Our audit procedures include (but not limited to) the assessment and testing of relevant internal control design for development expenditure and the execution effectiveness, including the review of the reasonableness of written policies for internal intangible assets capitalization and sampling to examine the management, and confirmation of conformity to written policies of internal intangible assets capitalization by cost incidence, capitalization and starting amortization time. Our CPA has also considered the appropriateness of inventory disclosure identified in Explanation 5 and Explanation 6 of individual financial statements.

The responsibility of the management and governance units for the parent company only financial statements

To ensure that the parent company only financial statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and prepare and maintain necessary internal control procedures pertaining to the parent company only financial statements.

In preparing the parent company only 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 departments (including audit committee or supervisor) of United Orthopedic Corporation shall be responsible for supervising the financial reporting procedures.

Responsibilities of the CPA in auditing parent company only 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 audit 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 parent company only 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 sum could have influence over the economic decisions made by the users of the parent company only 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 or errors, designing and executing proper countermeasures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the audit opinion. 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 audit 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 parent company only financial statements to pay attention to relevant disclosure in the Statements in their audit 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 sustained operation of United Orthopedic Corporation.
5. Evaluating the overall expression, structure and contents of the individual financial statement (including related Explanations) and whether the parent company only financial statements could appropriately express related transactions and events
6. Obtaining sufficient and appropriate audit evidence with regard to the financial information of the individual entities in the Group to establish our opinion about the parent company only financial statements The CPA is responsible for the guidance, supervision and implementation of Group's audit, and responsible for forming audit opinions on 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 departments, we have decided on which matters would be regarded as key audit items when auditing the 2018

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 Taiwan

Publication of corporate financial statements approved by the
authorities

Audit and Attestation Document No.: (91) Securities and
Futures Bureau (6) No. 144183
Financial Supervisory Committee (6) No.
0970038990

Chang, Chih-Ming

CPA

Huang, Chien-Che

March 18, 2019

United Orthopedic Corporation
Individual Balance Sheet
December 31, 2018 and December 31, 2017

Unit: NT\$ Thousand

Assets		December 31, 2018		December 31, 2017		
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	4 & 6.1	\$279,681	7	\$266,901	7
1150	Net notes receivable	4 & 6.7	3,735	-	2,912	-
1170	Net accounts receivable	4 & 6.8	246,045	6	190,058	5
1180	Net accounts receivable - related parties	4, 6.8 & 7	605,571	14	410,896	11
1200	Other receivables	8	6,331	-	13,224	-
1210	Net other receivables - related parties	7	1,316	-	309	-
1220	Current income tax assets	4 & 6.26	165	-	-	-
130x	Inventory	4 & 6.9	710,615	17	611,852	16
1410	Prepayment		19,738	-	24,186	1
1470	Other current assets		131	-	238	-
11xx	Total current assets		1,873,328	44	1,520,576	40
	Non-current Assets					
1510	Financial Assets at Fair Value through Profit or Loss - non-current	4 & 6.2 & 6.15	40	-	80	-
1517	The financial asset in other comprehensive income measured at fair value through	4 & 6.3	1,957	-	-	-
1535	Financial assets at amortized cost - non-current	4 & 6.4 & 8	6,714	-	-	-
1543	Financial assets carried at cost - non-current	4 & 6.5	-	-	2,850	-
1546	Investment in debt instrument in non-active market - non-current	4 & 6.6 and 8	-	-	6,705	-
1550	Investment that adopts equity method	4 & 6.10	1,191,337	28	1,151,189	30
1600	Property, plant and equipment	4 & 6.11 & 8	1,027,850	24	1,008,602	27
1780	Intangible assets	4 & 6.12	76,478	2	37,583	1
1840	Deferred income tax assets	4 & 6.26	74,531	2	58,561	2
1900	Other non-current assets		16,285	-	19,699	-
15xx	Total non-current assets		2,395,192	56	2,285,269	60
1xxx	Total assets		\$4,268,520	100	\$3,805,845	100

(Please refer to the notes of Individual Financial Statements)

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation
Individual Balance Sheet (continued)
December 31, 2018 and December 31, 2017

		Unit: NTS Thousand				
Liabilities and Equity			December 31, 2018		43100	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loan	4 & 6.13	\$743,619	17	\$500,000	13
2110	Short-term notes and bills payable	4 & 6.14	49,984	1	-	-
2130	Provision - current	4 & 6.20	1,870	-	-	-
2150	Notes payable		535	-	2,302	-
2170	Accounts payable		55,905	1	77,222	2
2180	Accounts payable - related parties	4 & 7	1,364	-	17,047	-
2200	Other payables		240,161	6	258,535	7
2220	Other payables - related parties	7	245	-	653	-
2230	Current income tax liabilities	4 & 6.26	2,062	-	30,448	1
2300	Other current liabilities		4,340	-	5,015	-
2322	Long-term loan mature in one year	4 & 6.16	42,982	1	57,864	2
21xx	Total current liabilities		1,143,067	26	949,086	25
	Non-current liabilities					
2530	Bonds payable	615	391,223	9	385,713	10
2540	Long-term loans	4 & 6.16	407,907	10	135,885	4
2570	Deferred income tax liabilities	4 & 6.26	-	-	7	-
2600	Other non-current liabilities		198	-	154	-
2630	Long-term deferred income	4 & 6.10	79,792	2	105,265	3
2640	Net defined benefit liability - non-current	4 & 6.17	11,601	-	16,856	-
2650	Credit balance of investments that adopt equity method	4 & 6.10	2,914	-	7,964	-
25xx	Total non-current liabilities		893,635	21	651,844	17
2xxx	Total Liabilities		2,036,702	47	1,600,930	42
	Equity	4 & 6.18				
3100	Capital					
3110	Capital - common stock		804,509	19	797,129	21
	Total capital		804,509	19	797,129	21
3200	Capital reserve		1,280,536	30	1,243,611	33
3300	Retained earnings					
3310	Statutory surplus reserve		68,932	2	55,906	1
3320	Special surplus reserve		47,655	1	31,620	1
3350	Undistributed earnings		125,668	3	129,464	3
	Total retained earnings		242,255	6	216,990	5
3400	Other equity					
3410	Difference on translation of financial statements of foreign operations		(56,254)	(1)	(47,655)	(1)
3420	Unrealized profit or loss of financial assets in other comprehensive income measured at fair value through profit and loss		(3,251)	-	-	-
3491	Employees' unearned remuneration	4 & 6.19	(35,977)	(1)	(5,160)	-
	Total other equity		(95,482)	(2)	(52,815)	(1)
3xxx	Total Equity		2,231,818	53	2,204,915	58
	Total liabilities and equity		\$4,268,520	100	\$3,805,845	100

(Please refer to the notes of Individual Financial Statements)

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation
Individual Income Statement
January 1 to December 31, 2018 and 2017

Unit: NT\$ Thousand						
Code	Accounting Items	Notes	2018		2017	
			Amount	%	Amount	%
4000	Operating revenue	4 & 6.20	\$1,789,376	100	\$1,581,054	100
5000	Operating costs	4 & 6.9	823,810	46	668,501	42
5900	Gross profit		965,566	54	912,553	58
5920	Realized (Unrealized) profits from sales		(50,872)	(3)	(71,561)	(5)
5950	Net gross profit		914,694	51	840,992	53
6000	Operating expenses					
6100	Marketing expenses		378,851	21	329,463	21
6200	Administrative Expenses		145,778	8	136,418	9
6300	R&D Expenses		175,268	10	184,926	12
6450	Expected credit impairment loss (interest)	4 & 6.21	(1,580)	-	-	-
	Total operating expenses		698,317	39	650,807	42
6900	Operating Profit		216,377	12	190,185	11
7000	Non-operating income and expenses	4 & 6.24				
7010	Other income		41,245	2	33,263	2
7020	Other profit and loss		4,316	-	(9,745)	(1)
7050	Financial costs		(15,852)	(1)	(10,758)	(1)
7070	Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method		(125,494)	(7)	(29,076)	(2)
	Total non-operating income and expenses		(95,785)	(6)	(16,316)	(2)
7900	Net income before tax		120,592	6	173,869	9
7950	Income tax interest (expenses)	4 & 6.26	6,962	-	(43,605)	(3)
8200	Current period net profit		127,554	6	130,264	6
8300	Other comprehensive income	4 & 6.25				
8310	Items that will not be reclassified to profit or loss:					
8311	Remeasurement of defined benefit plan		(1,886)	-	(800)	-
8316	Unrealized valuation interest (loss) of equity instrument investment at fair value through other comprehensive income		(2,819)	-	-	-
8320	Share of other comprehensive income for subsidiaries, affiliated enterprises and joint ventures recognized with equity		(432)	-	-	-
8349	And income taxes relating to profit/loss items not to be reclassified		-	-	-	-
8360	Items that may be reclassified to profit or loss					
8380	Share of other comprehensive income for subsidiaries, affiliated enterprises and joint ventures recognized with equity		(8,599)	-	(16,035)	(1)
8399	Income tax relating to items which will possibly be reclassified into profit or loss		-	-	-	-
	Other Comprehensive Income (Net Value After Tax) for the Period		(13,736)	-	(16,835)	(1)
8500	Total Comprehensive Income for the Period		\$113,818	6	\$113,429	5
	Earnings per share (NT\$)	4 & 6.27				
9750	Basic earnings per share		\$1.61		\$1.78	
9710	Continuing operating unit net profit (net loss)					
9720	Closed unit net profit (net loss)				\$2.23	
	Net income (loss)					
9850	Diluted earnings per share				\$0.70	
9810	Continuing operating unit net profit (net loss)					
9800	Closed unit net profit (net loss)					
	Net income (loss)					
9850	Diluted earnings per share		\$1.55		\$1.75	

(Please refer to the notes of Individual Financial Statements)

Chairman of the Board: Lin, Yan-Shen General Manager: Lin Yan-Shen Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation
Individual Statement of Changes in Equity
January 1 to December 31, 2018 and 2017

Unit: NT\$ Thousand

Code	Items	Retained earnings					Other Equity				Total equity
		Capital 3100	Capital reserve 3200	Statutory surplus reserve 3310	Special surplus reserve 3320	Undistributed Earnings 3350	Conversion difference of financial statements of foreign operations 3410	Unrealized (loss) profit of financial assets in other comprehensive income measured at fair value through profit and loss 3420	Employees' unearned remuneration 3491		
A1	Balances on January 1, 2017	\$717,469	\$915,406	\$41,246	\$-	\$145,834	\$(31,620)	\$-	\$(15,173)	1,773,162	
B1	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 1)	-	-	-	-	130,264	-	-	-	130,264	
D3	Other comprehensive income in 2017	-	-	-	-	(800)	(16,035)	-	-	(16,835)	
D5	Total Comprehensive Income for the Period	-	-	-	-	129,464	(16,035)	-	-	113,429	
E1	Capital injection	80,000	304,000	-	-	-	-	-	-	384,000	
m7	Changes in equity of ownership of subsidiaries	-	(4,539)	-	-	-	-	-	-	(4,539)	
N1	Share-based payment transaction - employee share purchase right	-	13,555	-	-	-	-	-	-	13,555	
N2	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	
A1	Balance on January 1, 2018	\$797,129	\$1,243,611	\$55,906	\$31,620	\$129,464	\$(47,655)	\$-	\$(5,160)	\$2,204,915	
B1	Appropriation and distribution of 2017 earnings										
B1	Appropriate statutory surplus reserve	-	-	13,026	-	(13,026)	-	-	-	-	
B3	Appropriate statutory surplus reserve	-	-	-	16,035	(16,035)	-	-	-	-	
B5	Cash dividend of common stock	-	-	-	-	(100,403)	-	-	-	(100,403)	
C7	Changes in associates and joint ventures recognized under equity method	-	1,470	-	-	-	-	-	-	1,470	
D1	2018 net profit (Note 2)	-	-	-	-	127,554	-	-	-	127,554	
D3	Other comprehensive income in 2018	-	-	-	-	(1,886)	(8,599)	(3,251)	-	(13,736)	
D5	Total Comprehensive Income for the Period	-	-	-	-	125,668	(8,599)	(3,251)	-	113,818	
m7	Changes in equity of ownership of subsidiaries	-	1,903	-	-	-	-	-	-	1,903	
N2	Share-based payment transaction - restricted employee entitlement to new shares	7,380	33,552	-	-	-	-	-	(30,817)	10,115	
Z1	Balance on December 31, 2018	\$804,509	\$1,280,536	\$68,932	\$47,655	\$125,668	\$(56,254)	\$(3,251)	\$(35,977)	\$2,231,818	

of Individual Financial Statements)

(Note 1) The remuneration of Directors and Supervisors of NT\$6,553,000 and employee bonus of NT\$26,212,000 have been deducted from the comprehensive income statement.

(Note 2) The remuneration of Directors and Supervisors of NT\$4,256,000 and employee bonus of NT\$17,025,000 have been deducted from the comprehensive income statement.

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation
Individual Statement of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NT\$ Thousand

Code	Items	2018	2017
		Amount	Amount
AAAA	Cash flow from operating activities:		
A10000	Current net profit before tax	\$120,592	\$173,869
A20000	Adjustment items:		
A20010	Income/expense items that do not affect cash flow:		
A20100	Depreciation expenses	108,239	84,000
A20200	Amortization expense	8,785	8,247
A20300	Expected credit impairment (profit) loss	(1,580)	1,580
A20400	Net loss (profit) of financial assets at fair value through profit and loss	40	(40)
A20900	Interest Expense	15,852	10,758
A21200	Interest Income	(1,340)	(1,960)
A21900	Share-based payment remuneration cost	10,115	21,817
A22300	Recognized shares of loss of subsidiaries, associates and joint ventures accounted for using the equity method	125,494	29,076
A22500	Loss on disposal of property, plant and equipment	711	458
A24000	Gain on realized sales	50,872	71,561
A29900	Other income	(25,473)	(25,474)
A30000	Changes in assets and liabilities related operating activities		
A31130	(Increases) decreases in bills receivable	(823)	340
A31150	Increases in accounts receivable	(54,407)	(25,845)
A31160	Increase in accounts receivable - related parties	(194,675)	(167,061)
A31180	Decreases (increases) in other receivables	6,923	(4,658)
A31190	Decrease (increase) in other receivables - related parties	(1,007)	23,904
A31200	Increases in inventories	(98,763)	(137,638)
A31220	Decreases (increases) in prepaid expenses	4,283	(1,854)
A31240	Decreases in other current assets	107	93
A32125	Increases in contract liability	934	0
A32130	Increases (decreases) in bills payable	(1,767)	202
A32150	Increases (decreases) in accounts payable	(21,317)	36,858
A32160	Increase (decrease) in accounts payables - related parties	(15,683)	3,479
A32180	(Decreases) increases in other payables	(18,569)	36,933
A32190	Increase (decrease) in other payables- related parties	(408)	653
A32230	Increase in other non-current liabilities	261	338
A32240	Decreases in net defined benefit liability	(7,141)	(6,427)
A33000	Cash inflow generated by operation	10,255	133,209
A33100	Interest income received	1,310	1,663
A33200	Dividend received	40,896	40,896
A33500	Income Tax Paid	(39,386)	(62,248)
AAAA	Net cash inflow from operating activities	13,075	113,520
BBBB	Cash flow from investment activities		
B00010	Acquisition of financial assets in other comprehensive income at fair value through profit or loss	(1,926)	0
B00040	Acquisition of financial assets at amortized cost	(9)	0
B00600	Investment in debt instrument in non-active market	0	(385)
B01800	Acquisition of the investment using equity method	(393,760)	(692,173)
B02400	Proceeds from capital reduction by investees using equity method	127,627	0
B02700	Acquisition of property, plant and equipment	(128,309)	(278,032)
B02800	Disposal of property, plant and equipment	111	15
B03700	Increases in refundable deposits	(4,445)	(1,493)
B04500	Intangible assets acquired	(47,680)	(13,217)
B06700	Increase in other non-current assets	0	(7,859)
B06800	Decrease in other non-current assets	7,859	0
BBBB	Net cash outflow from investing activities	(440,532)	(993,144)
CCCC	Cash from financing activities		
C00100	Increases in short-term loans	243,619	185,000
C00500	Increases in short-term notes and bills payable	49,984	0
C00600	Decrease in short-term bills payable	0	(50,000)
C01200	Corporate bonds issuance	0	400,000
C01600	Long-term loans borrowed	257,140	667
C03000	Increases in guarantee deposits	44	0
C04500	Cash dividend payout	(100,403)	(99,554)
C04600	Capital injection	0	384,000
C05600	Interest Paid	(10,147)	(8,496)
CCCC	Net cash inflow from financing activities	440,237	811,617
EEEE	Increases in current cash and cash equivalents	12,780	(68,007)
E00100	Balance of Cash and Cash Equivalents, Beginning of Year	266,901	334,908
E00200	Balance of Cash and Cash Equivalents, End of Year	\$279,681	\$266,901

(Please refer to the notes of Individual Financial Statements)

Chairman of the Board: Lin, Yan-Shen General Manager: Lin Yan-Shen Accounting Supervisor: Teng, Yuan-Chang

[Attachment 4]

Independent Auditor's Report

To United Orthopedic Corporation:

Audit Opinion

We have audited the consolidated balance sheets of United Orthopedic Corporation and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated comprehensive income statements, consolidated statements of changes in equity, consolidated cash flow statements and consolidated financial statements annotations (including major accounting policy summary) for the period from January 1 to December 31, 2018 and 2017.

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, 2018 and 2017, and the consolidated financial performance and cash flow for the period from January 1 to December 31, 2018 and 2017, in conformity with the requirement of the Regulations on 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 Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of parent company only 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 consolidated financial statements 2018 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's net inventory as of December 31, 2018 was NT\$ 1,118,660,000, accounting for 23% of total consolidated assets, which is significant to the consolidated financial statements. Hence, the CPAs have determined the inventory valuation as a key audit item. The audit procedure conducted by them 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 Explanation 5 and Explanation 6 of the consolidated financial statement.

Revenue recognition

United Orthopedic Corporation and its subsidiaries' primary products are mainly orthopedic devices- artificial hip joints, artificial knee joints, trauma-handling products and OEM products, and their recognized revenue for 2018 was NT\$ 2,332,247,000, which is significant to the consolidated financial statement. Hence, the CPAs have determined the inventory valuation as a key audit item. The audit procedure conducted by them 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 confirmed that revenue was recognized at the product control transfer timing, including selection of important customers as samples for transaction conditions confirmation and relevant receipts verification. 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. Our accountants have also considered the appropriateness of revenue disclosure identified in Explanation 6 of the consolidated financial statement.

Assessment of Impairment of Goodwill

United Orthopedic Corporation and its subsidiaries' goodwill as of December 31, 2018 was NT\$ 292,891,000, accounting for 6% of total consolidated assets, which is significant to the consolidated financial statement. The goodwill was generated by United Orthopedic Corporation and its subsidiaries' acquisition of A-SPINE Asia Co., Ltd. for the development of domestic and foreign orthopedic spine replacement market. The management is required to conduct an impairment test on goodwill obtained through the acquisition of companies each year in accordance with regulations. The goodwill impairment test involves the major judgment of the management and assumptions on the recoverable amount is highly uncertain. Hence, the CPAs have determined the goodwill impairment test as a key audit item. The audit procedure conducted by the accountants included but not limited to following audit procedures: Understand the appropriateness of the management's basis of identifying and evaluating cash-generating units. 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. The CPA has adopted the evaluation models and important assumptions (including discount rate etc.) for management. 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 CPAs have also considered the appropriateness of the disclosure of goodwill and the impairment test on intangible assets with indefinite useful life in Explanation 5 and Explanation 6 of the consolidated financial statement.

Recognition of expenditure on internally generated intangible asset development

United Orthopedic Corporation and its subsidiaries' internal generated net asset book value as of December 31, 2018 was NT\$ 63,710 thousand, which is significant to the consolidated financial statements. Due to the independent structure of United Orthopedic Corporation and its subsidiaries, the input development costs are mostly in the orthopedic apparatus-artificial hip joints, artificial knee joints and surgical instruments, and thus, the development expenditure internally generated will be capitalized. In order to meet the six capitalization requirements at the development stage, the research and development departments of United Orthopedic Corporation shall provide technical feasibility assessment based on the project to identify whether the specialty has reached the technical feasibility. The financial department shall assess the capitalization case based on the development project. The management shall conduct the above assessment of individual project based on the internal and external information, involving the management judgement and assumption. Hence, the CPA has determined it as a key audit item. Our audit procedures include (but not limited to) the assessment and testing of relevant internal control design for development expenditure and the execution effectiveness, including the review of the reasonableness of written policies for internal intangible assets capitalization and sampling to examine

the management, and confirmation of conformity to written policies of internal intangible assets capitalization by cost incidence, capitalization and starting amortization time. Our CPAs have also considered the appropriateness of inventory disclosure identified in Explanation 5 and Explanation 6 of 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 consolidated 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 departments (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 audit 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 Explanations) and whether the consolidated financial statements could appropriately express related transactions and events
6. Obtaining sufficient and appropriate audit evidence with regard to the financial 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 Group's audit, and responsible for forming audit opinions on 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 consolidated financial statements 2018 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 parent company only financial statements for 2018 and 2017, and our accountants have issued the audit report with unqualified opinion for reference.

Ernst & Young Taiwan
Publication of corporate financial statements approved by the
authorities
Audit and Attestation Document No.: (91) Securities and
Futures Bureau (6) No. 144183
Financial Supervisory Committee (6) No.
0970038990

Chang, Chih-Ming

CPA:

Huang, Chien-Che

March 18, 2019

United Orthopedic Corporation and its subsidiaries
Consolidated financial statements
December 31, 2018 and December 31, 2017

		Unit: NTS Thousand				
Assets		December 31, 2018		December 31, 2017		
Code	Accounting item	Notes	Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	4 & 6.1	\$528,484	11	\$401,387	9
1150	Net notes receivable	4 & 6.7	17,935	-	16,754	-
1170	Net accounts receivable	4 & 6.8	431,839	9	367,437	9
1180	Net accounts receivable - related parties	4 & 6.8&7	211,696	4	106,001	3
1200	Other receivables		21,406	-	15,484	-
1210	Other receivables - related parties	7	-	-	106,059	2
1220	Current income tax assets	4 & 6.27	1,609	-	-	-
130x	Inventory	4 & 6.9	1,118,660	23	906,019	21
1410	Prepayment		43,145	1	63,644	2
1470	Other current assets		6,240	-	8,236	-
11xx	Total current assets		2,381,014	48	1,991,021	46
	Non-current Assets					
1510	Financial Assets at Fair Value through Profit or Loss - Non-current	4 & 6.2	40	-	80	-
1517	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	4 & 6.3	3,483	-	-	-
1535	Financial assets at amortized cost - non-current	4 & 6.4 & 8	6,714	-	-	-
1543	Financial assets carried at cost - non-current	4 & 6.5	-	-	4,810	-
1546	Investment in debt instrument in inactive market - non-current	4 & 6.6 & 8	-	-	6,705	-
1550	Investment using equity method	4 & 6.10	378,707	8	407,565	9
1600	Property, plant and equipment	4 & 6.11 & 8	1,491,953	31	1,360,136	32
1780	Intangible assets	4 & 6.12	471,893	10	434,988	10
1840	Deferred income tax assets	4 & 6.27	85,585	2	68,646	2
1900	Other non-current assets		30,443	1	21,460	1
15xx	Total non-current assets		2,468,818	52	2,304,390	54
1xxx	Total assets		\$4,849,832	100	\$4,295,411	100

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

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation and its subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2018 and December 31, 2017

Unit: NTS Thousand

Liabilities and Equity		December 31, 2018		December 31, 2017		
Code	Accounting Items	Notes	Amount	%	Amount	%
	Non-current liabilities					
2100	Short-term loan	4 & 6.14	\$973,982	20	\$690,048	16
2110	Short-term notes and bills payable	4 & 6.15	49,984	1	-	-
2130	Provision - current	4 & 6.21	12,985	-	-	-
2150	Notes payable		775	-	15,073	-
2170	Accounts payable		67,207	1	86,181	2
2180	Accounts payable - related parties	7	33,818	1	19,733	-
2200	Other payables		387,738	8	370,032	9
2220	Other payables - related parties	7	1,860	-	-	-
2230	Current income tax liabilities	4 & 6.27	13,309	-	40,019	1
2300	Other current liabilities		9,128	-	34,066	1
2322	Long-term loan due within one year or one operating cycle	4 & 6.17	49,597	1	64,479	2
21xx	Total current liabilities		1,600,383	32	1,319,631	31
	Non-current liabilities					
2530	Bonds payable	4 & 6.16	391,223	8	385,713	9
2540	Long-term loans	4 & 6.17	493,907	10	228,500	5
2570	Deferred income tax liabilities	4 & 6.27	17,330	-	19,488	1
2600	Other non-current liabilities		5,238	-	1,834	-
2630	Long-term deferred income	610	79,792	2	105,265	2
2640	Net defined benefit liability - non-current	4 & 6.18	11,601	-	16,856	-
25xx	Total non-current liabilities		999,091	20	757,656	17
2xxx	Total Liabilities		2,599,474	52	2,077,287	48
31xx	Equity attributable to owners of parent company	4 & 6.19				
3100	Capital					
3110	Capital - common stock		804,509	17	797,129	19
3200	Capital reserve		1,280,536	27	1,243,611	29
3300	Retained earnings					
3310	Statutory surplus reserve		68,932	2	55,906	1
3320	Special surplus reserve		47,655	1	31,620	1
3350	Undistributed Earnings		125,668	3	129,464	3
	Total retained earnings		242,255	6	216,990	5
3400	Other Equity					
3410	Exchange differences on translation of foreign financial statements		(56,254)	(1)	(47,655)	(1)
3420	Unrealized profit or loss of financial assets in other comprehensive income measured at fair value through profit and loss		(3,251)	-	-	-
3491	Employee unearned remuneration	4 & 6.20	(35,977)	(1)	(5,160)	-
	Total other equity		(95,482)	(2)	(52,815)	(1)
32xx	Non-controlling equity		18,540	-	13,209	-
3xxx	Total Equity		2,250,358	48	2,218,124	52
	Total liabilities and equity		\$4,849,832	100	\$4,295,411	100

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

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation and its subsidiaries
Consolidated Comprehensive Income Statement
January 1 to December 31, 2018 and 2017

Unit: NT\$ Thousand						
Code	Accounting Items	Notes	2018		2017	
			Amount	%	Amount	%
4000	Operating revenue	4 & 6.21	\$2,332,247	100	\$1,972,592	100
5000	Operating costs	69	716,500	31	542,968	28
5900	Net gross profit		1,615,747	69	1,429,624	72
5920	Realized (unrealized) profits from sales		(14,261)	(1)	(7,193)	-
5950	Net gross profit		1,601,486	68	1,422,431	72
6000	Operating expenses					
6100	Marketing expenses		1,081,897	46	841,682	43
6200	Administrative Expenses		237,434	10	220,079	11
6300	R&D Expenses		200,454	9	198,734	10
6450	Expected credit impairment loss (interest)	4 & 6.22	(3,099)	-	-	-
	Total operating expenses		1,516,686	65	1,260,495	64
6900	Operating Profit		84,800	3	161,936	8
7000	Non-operating income and expenses	4 & 6.25				
7010	Other income		45,974	2	40,514	2
7020	Other profit and loss		9,171	-	(28,629)	(1)
7050	Financial costs		(26,802)	(1)	(13,242)	(1)
7060	Share of profit or loss for affiliated enterprises and joint ventures recognized with equity method		(5,694)	-	5,083	-
	Total non-operating income and expenses		22,649	1	3,726	-
7900	Net income before tax		107,449	4	165,662	8
7950	Income tax expenses	4 & 6.27	(4,957)	-	(54,723)	(3)
8200	Current period net profit		102,492	4	110,939	5
8300	Other comprehensive gain or loss	4 & 6.26				
8310	Items that will not be reclassified to profit or loss:					
8311	Remeasurement of defined benefit plan		(1,886)	-	(800)	-
8316	Unrealized valuation interest (loss) of equity instrument investment at fair value through other comprehensive		(2,819)	-	-	-
8320	Share of other comprehensive income for affiliated enterprises and joint ventures recognized with equity		(434)	-	-	-
8349	Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss:		-	-	-	-
8360	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		630	-	(11,442)	(1)
8370	Share of other comprehensive income for affiliated enterprises and joint ventures recognized with equity		(8,903)	-	(4,982)	-
8399	Income tax relating to items that may be reassigned to profits and losses		-	-	-	-
	Other Comprehensive Income (Net Value After Tax) for the Period		(13,412)	-	(17,224)	(1)
8500	Total Comprehensive Income for the Period		\$89,080	4	\$93,715	4
8600	Profit attributable to:					
8610	Owners of parent company		\$127,554		\$130,264	
8620	Non-controlling equity		(25,062)		(19,325)	
	Total		\$102,492		\$110,939	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		\$113,818		\$113,429	
8720	Non-controlling equity		(24,738)		(19,714)	
	Total		\$89,080		\$93,715	
	Earnings per share (NT\$)	4 & 6.28				
9750	Basic earnings per share		\$1.61		\$1.78	
9850	Diluted earnings per share		\$1.55		\$1.75	

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

Chairman of the Board: Lin, Yan-Shen General Manager: Lin Yan-Shen Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation and its subsidiaries
Consolidated Statement of Changes in Equity
December 31, 2018 and December 31, 2017

Unit: NT\$ Thousand

Code	Items	Equity attributable to owners of parent company							Equity attributable to owners of parent company	Non-controlling equity	Total equity	
		Retained earnings				Other Equity						
		Capital	Capital reserve	statutory surplus reserve	Special surplus reserve	Undistributed Earnings	Exchange differences on translation of foreign financial statements (merge)	Unrealized (loss) profit of financial assets in other comprehensive income measured at				Employees' unearned remuneration
3100	3200	3310	3320	3350	3410	3420	3491	31XX	36XX	3XXX		
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	Recognition of statutory surplus reserve	-	-	14,660	-	(14,660)	-	-	-	-	-	-
B3	Recognition of special surplus reserve	-	-	-	31,620	(31,620)	-	-	-	-	-	-
B5	Cash dividend-common stock	-	-	-	-	(99,554)	-	-	-	(99,554)	-	(99,554)
C5	Recognition of equity for issuance of convertible corporate bonds											
	Composition - out of warrants	-	16,600	-	-	-	-	-	-	16,600	-	16,600
D1	2917 net loss	-	-	-	-	130,264	-	-	-	130,264	(19,325)	110,939
D3	2017 other comprehensive income	-	-	-	-	(800)	(16,035)	-	-	(16,835)	(389)	(17,224)
D5	Total Comprehensive Income for the Period	-	-	-	-	129,464	(16,035)	-	-	113,429	(19,714)	93,715
E1	Capital injection	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 share purchase right	-	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
A1	Balance on January 1, 2018	\$797,129	\$1,243,611	\$55,906	\$31,620	\$129,464	\$(47,655)	\$-	\$(5,160)	\$2,204,915	\$13,209	\$2,218,124
	2017 earnings distribution											
B1	Recognition of statutory surplus reserve	-	-	13,026	-	(13,026)	-	-	-	-	-	-
B3	Recognition of special surplus reserve	-	-	-	16,035	(16,035)	-	-	-	-	-	-
B5	Cash dividend-common stock	-	-	-	-	(100,403)	-	-	-	(100,403)	-	(100,403)
D1	Quarterly net profit in 2018	-	-	-	-	127,554	-	-	-	127,554	(25,062)	102,492
D3	Other comprehensive profit/loss in 2018	-	-	-	-	(1,886)	(8,599)	(3,251)	-	(13,736)	324	(13,412)
D5	Total Comprehensive Income for the Period	-	-	-	-	125,668	(8,599)	(3,251)	-	113,818	(24,738)	89,080
m7	Changes in equity of ownership of subsidiaries	-	1,903	-	-	-	-	-	-	1,903	(1,903)	-
N1	Share-based payment transaction - employee share purchase right	-	1,470	-	-	-	-	-	-	1,470	-	1,470
N2	Share-based payment transaction - restricted employee entitlement to new shares	7,380	33,552	-	-	-	-	-	(30,817)	10,115	-	10,115
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	31,972	31,972
Z1	Balance on December 31, 2018	\$804,509	\$1,280,536	\$68,932	\$47,655	\$125,668	\$(56,254)	\$(3,251)	\$(35,977)	\$2,231,818	\$18,540	\$2,250,358

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

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

United Orthopedic Corporation and its subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2018 and 2017

							Unit: NT\$ Thousand	
Code	Items	2018 Amount	2017 Amount	Code	Items	2018 Amount	2017 Amount	
AAAA	Cash flow from operating activities:							
A10000	Current net profit before tax	\$107,449	\$165,662					
A20000	Adjustment items:							
A20010	Income/expense items that do not affect cash flow:							
A20100	Depreciation expenses	197,911	135,464	B00010	Acquisition of financial assets in other comprehensive income at fair value through profit or loss	(1,926)	-	
A20200	Amortization expense	16,871	14,928	B00040	Acquisition of financial assets at amortized cost	(9)	-	
A20300	Expected credit impairment (profit) loss	(3,099)	698	B00600	Investment in debt instrument in non-active market	-	(385)	
A20400	Net loss (profit) of financial assets at fair value through profit or loss	40	(40)	B01200	Financial assets acquired at cost	-	(1,460)	
A20900	Interest Expense	26,802	13,242	B02200	Acquisition of subsidiaries (less the cash received)	-	(526,883)	
A21200	Interest Income	(2,995)	(2,426)	B02700	Acquisition of property, plant and equipment	(323,550)	(571,092)	
A21900	Share-based payment remuneration cost	11,585	21,817	B02800	Disposal of property, plant and equipment	111	15	
A22300	Share of loss (profit) for affiliated enterprises and joint ventures recognized with equity method	5,694	(5,083)	B03700	Increases in refundable deposits	(8,983)	(5,414)	
A22500	Loss on disposal of property, plant and equipment	734	458	B04500	Intangible assets acquired	(53,641)	(13,342)	
A22800	Gain on disposal of intangible assets	-	(724)	B04600	Disposal of intangible assets	-	4,049	
A24000	Gain on realized sales	14,261	7,193					
A29900	Other income	(25,473)	(25,474)	BBBB	Net cash outflow from investing activities	(387,998)	(1,114,512)	
A30000	Changes in assets and liabilities related operating activities							
A31130	Increases in bills receivable	(1,181)	(13,502)	CCCC	Cash from financing activities			
A31150	Increases in accounts receivable	(61,310)	(67,223)	C00100	Increases in short-term loans	277,548	294,423	
A31160	Increase in accounts receivable - related parties	(105,695)	(37,361)	C00500	Increases in short-term notes and bills payable	49,984	-	
A31180	Increases in other receivables	(5,858)	(6,434)	C00600	Decrease in short-term bills payable	-	(50,000)	
A31190	Decrease in other receivables - related parties	106,059	1,215	C01200	Corporate bonds issuance	-	400,000	
A31200	Increases in inventories	(212,641)	(215,510)	C01600	Long-term loans borrowed	257,140	99,897	
A31220	Decreases (increases) in prepaid expenses	18,890	(1,459)	C01700	Long-term loans repaid	(6,615)	-	
A31240	Decreases (increases) in other current assets	1,996	(4,228)	C03000	Increases in guarantee deposits	44	-	
A32125	Increases in contract liability	811	-	C03100	Decrease in guarantee deposits	-	(1,612)	
A32130	Increases (decreases) in bills payable	(14,298)	7,928	C04300	Increases in other non-current liabilities	3,360	1,680	
A32150	Increases (decreases) in accounts payable	(18,974)	38,411	C04500	Cash dividend payout	(100,403)	(99,554)	
A32160	Increase in accounts payable - related parties	14,085	6,165	C04600	Capital injection	-	384,000	
A32180	Increases in other payables	14,605	54,444	C05500	Disposal of equity of subsidiaries (without losing controlling right)	31,972	-	
A32190	Increase in other payable - related parties	1,860	-	C05600	Interest Paid	(18,246)	(10,808)	
A32230	(Increases) decreases in other current liabilities	(12,764)	7,295	CCCC	Net cash inflow from financing activities	494,784	1,018,026	
A32240	Decreases in net defined benefit liability	(7,141)	(6,427)					
A33000	Cash inflow generated by operation	68,224	89,029	DDDD	Impacts on cash and cash equivalents from changes in exchange rates	1,957	(1,688)	
A33100	Interest income received	2,931	2,460	EEEE	Increases (decreases) in current cash and cash equivalents	127,097	(76,539)	
A33500	Income Tax Paid	(52,801)	(69,854)	E00100	Balance of Cash and Cash Equivalents, Beginning of Year	401,387	477,926	
AAAA	Net cash inflow from operating activities	18,354	21,635	E00200	Balance of Cash and Cash Equivalents, End of Year	\$528,484	\$401,387	

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

Chairman of the Board: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

Accounting Supervisor: Teng, Yuan-Chang

[Attachment 5]

United Orthopedic Corporation

Earnings Distribution Table

2018

Unit: NT\$

Items	Amount
Undistributed earnings at the beginning of the period	0
Plus: Net profit after tax of 2018	127,553,504
Minus: Provision for 10% statutory surplus reserve	(12,755,350)
Minus: Other comprehensive income of 2018	(1,885,654)
Minus: Amount appropriated as special surplus reserve	(11,849,582)
Distributable earnings of the current year	101,062,918
Distribution items	
Cash dividends for shareholders (NT\$1.25,620,701 per share) (Note 1, Note 2)	(101,062,918)
Unappropriated retained earnings	0
Note 1: All cash dividends of the current year shall be distributed with earnings of 2018.	
Note 2: For this period's motion to distribute cash dividends, the dividend will be calculated to the amount of one whole NT dollar, and the remaining amounts below NT\$1 will be rounded down. Shares below NT\$1 will be adjusted from the largest decimal place and the number of accounts in descending order until the total amount of cash dividends has been distributed.	

Person in Charge: Lin, Yan-Shen

Manager: Lin, Yan-Shen

Financial Officer: Teng, Yuan-Chang

[Attachment 6]

United Orthopedic Corporation
Comparison Table for Amendments to the Articles of Association

Prior Articles	Amended Articles	Reasons for Amendments
<p>Article 5: The Company’s total capital is set at NT\$1 Billion, divided into 100 Million shares at NT\$10 par value. The Board of Directors is authorized to issue the unissued shares based on actual requirements in installments.</p>	<p>Article 5: The Company’s total capital is set at NT\$ 1.5 Billion, divided into 150 Million shares at NT\$10 par value. The Board of Directors is authorized to issue the unissued shares based on actual requirements in installments.</p>	<p>The authorized capital is increased due to the growth of business operations.</p>
<p>Article 6: Deleted</p>	<p>Article 6: <u>The Company’s rights and obligations for preferred shares and other important issuance conditions are as follows:</u> I. <u>If the Company has earnings, except for taxes for the year, it shall offset the prior year losses, recognize legal surplus reserve according to the laws and regulations, and then recognize or rotate special reserve according to Articles of Association. If there is still earnings, it shall allot the distributable dividend for preferred shares of the year on priority.</u> II. <u>If the preferred shares dividend is 8% per annum at most, the dividend shall be calculated at the price of the annual issuance. The dividend shall be paid annually in cash. The dividend is paid annually in the annual general meeting. After the annual regular shareholders’ meeting recognizes the financial report, the Board of Directors shall formulate the base date to pay the distributable dividend for the year before. The number of annual dividends for the year and the annual recovery of dividends is calculated based on the actual number of actual issuance days.</u> III. <u>If the Company enjoys autonomy over the dividend distribution of preferred shares, and there is no earnings or insufficient earnings in annual final settlement for the same, the Company shall make resolution not to distribute dividend for preferred shares, which may not be opposed by shareholders of preferred shares. If the issued preferred shares are not cumulative,</u></p>	<p>Amended to satisfy the Company’s needs of diversified financing programs.</p>

the cumulative amount of the dividends that do not have been paid or paid up to the deficit is not to be accumulated in the subsequent years.

- IV. Unless the shareholders of preferred shares receive dividends as specified in Subparagraph 2 of this Article, if the preferred shares are in a non-participating type, they shall not participate in distribution of cash and allotted capital from earnings and capital reserve for common shares.
- V. When the Company issues new shares in cash, the shareholders of preferred shares shall have the same priority on option as shareholders of common shares.
- VI. The priority order of shareholders of preferred shares in distribution of residual property is higher than shareholders of common shares, and it is the same with the repayment order for shareholders of various preferred shares but next to the creditor. Besides, it shall not exceed the amount calculated according to the issuance price of the outstanding preferred shares at the time of distribution.
- VII. For the shareholders who have no voting right and election right, but may be elected as a Director or Supervisor, they shall enjoy voting rights upon shareholders' meeting of preferred shares or matters relating to the rights and obligations of shareholders of preferred shares.
- VIII. If the issued preferred shares by the Company are convertible preferred ones, they shall not be converted within one year since the date of issuance. The Board of Directors shall be authorized to formulate the convertible period according to actual conditions. Shareholders of convertible preferred shares shall apply to convert one preferred share for one common share in part or whole (the conversion rate 1:1). After conversion of convertible preferred shares into common shares, their rights and obligations are the same with the latter. The distribution of dividend at the year of preferred shares conversion shall be calculated according to the rate of actual

	<p><u>issuance days of the current year to days of years round. Only for those converted into common shares before the base date for the yearly dividend or ex-dividend, they shall not participate in the dividend distribution for preferred shares of the current year or the following year, but they can participate in the distribution of common shares earnings and capital reserve of the current year.</u></p> <p>IX. <u>If preferred shares do not have maturity date, and the shareholders of preferred shares do not require the Company to recover their rights, the Company shall recover the preferred shares in part or whole in the forms of cash recovery, issuance of new shares for compulsory conversion or others according to original actual issuance price and relevant issuance methods at any time from the following day upon 5 years expiry of issuance. For unrecovered preferred shares, they continue to enjoy the rights and obligations of various issuance conditions in the Article until the Company recovers them. In the year of recovering preferred shares, if the Company's shareholders' meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.</u></p> <p>X. <u>As for the preferred shares and converted common shares, the Board of Directors shall be authorized to handle over-the-counter matters according to the Company and market status.</u></p> <p><u>Relevant matters like the name, issuance date, specific issuance conditions and others about the preferred shares shall be formulated by the Board of Directors according to the Company Articles of Association and relevant laws based on capital market status and investor subscription will at the time of actual issuance.</u></p>	
<p>Article 7: The shares of the Company shall be name-bearing certificates. They are issued after signed and sealed by more than three Directors and certified in accordance with</p>	<p>Article 7: The shares of the Company shall be name-bearing certificates. They are issued after signed and sealed by the Directors on behalf of the Company and certified in</p>	<p>Amended in accordance with Article 162 of the Company Act.</p>

<p>relevant laws and regulations. Shares issued by the Company are not required to be printed. The Company, however, should contact the securities depository and custodian institution for registration of the share certificates.</p>	<p>accordance with relevant laws and regulations. Shares issued by the Company are not required to be printed. The Company, however, should contact the securities depository and custodian institution for registration of the share certificates.</p>	
<p>Article 9: Shareholders' meetings can be divided into regular and interim ones. Regular meetings are convened once a year, and usually within 6 months of the end of each fiscal year by the Board of Directors according to the law. Interim meetings may be convened according to the law when necessary.</p>	<p>Article 9: Shareholders' meeting can be divided into regular and interim ones. Regular meetings are convened once a year, and usually within 6 months of the end of each fiscal year by the Board of Directors according to the law. Interim meetings may be convened according to the law when necessary. Shareholders' meeting of preferred shares may be convened according to the law when necessary.</p>	<p>Amended in accordance with Article 6.</p>
<p>Article 12: Resolutions at Shareholder's meetings shall, unless otherwise provided for in related laws and regulations, be adopted by at least half of all shareholders present. Consent from shareholders present who represent more than half of the total number of voting rights shall be obtained for implementation.</p>	<p>Article 12: Resolutions at Shareholder's Meeting shall, unless otherwise provided for in related laws and regulations, be adopted by at least half of all shareholders present. Consent from shareholders present who represent more than half of the total number of voting rights shall be obtained for implementation. Shareholders of the Company may exercise voting rights by electronic means. Shareholders exercising voting rights by electronic means shall be deemed to attend in person, and relevant matters shall be handled in accordance with the laws and regulations.</p>	<p>Literal explanations are amended in accordance with current operations.</p>
<p>Article 13: The Company shall set up seven Directors and three Supervisors serving for a term of 3 years. They shall be elected among persons of adequate capacity at the shareholders' meeting and may be re-elected. Following the public offering of the Company's shares, the total shareholding ratio of all Directors and Supervisors shall be determined by provisions of the competent authority of securities.</p> <p><u>The aforementioned Directors shall consist of no less than two Independent Directors pursuant to Article 14-2 of the Securities and Exchange Act; a candidate nomination system shall be adopted in the election and the Independent Directors shall be elected by the shareholders meeting from the list of candidates. The guidelines for qualifications, shareholdings, restrictions on concurrent posts, nomination, election and any other</u></p>	<p>Article 13: The Company shall set up seven to nine Directors and three Supervisors for a term of 3 years. They shall be elected among persons of adequate capacity at the shareholders' meeting and may be re-elected. Following the public offering of the Company's shares, the total shareholding ratio of all Directors and Supervisors shall be determined by provisions of the competent authority of securities.</p> <p><u>Among the above listed seven to nine Directors, the number of Independent Directors shall not be less than two and not less than one fifth of the total number of Directors. A candidate nomination system is adopted for election of the Company Directors (including Independent Directors). They shall be elected from the list of candidate for Directors at the</u></p>	<p>Amended in accordance with the adoption of e-voting and candidate nomination system for Directors according to laws.</p>

<p><u>matters to be complied with by the Independent Directors of the Company shall be prescribed by the relevant provisions of the competent authority in charge of securities.</u></p> <p>The Company may purchase liability insurance policies that cover the Directors and Supervisors' term of service, and therefore insure itself against liabilities incurred by the Directors and Supervisors over the course of service.</p>	<p><u>shareholders' meeting. The guidelines for qualifications, shareholdings, restrictions on concurrent posts, nomination, election and any other matters to be complied with by the Independent Directors of the Company shall be prescribed by the relevant provisions of the competent authority in charge of securities.</u></p> <p>The Company may purchase liability insurance policies that cover the Directors and Supervisors' term of service, and therefore insure itself against liabilities incurred by the Directors and Supervisors over the course of service.</p>	
<p>Article 13-1: Added</p>	<p><u>Article 13-1: The Company has set up the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act to replace Supervisors, and the Committee is responsible for the duties in compliance with the Company Act, Securities and Exchange Act and other regulations.</u></p>	<p>Amended in accordance with the establishment of Audit Committee according to the laws and regulations.</p>
<p>Article 15: The Chairman shall chair meetings of the Board of Directors. If the Chairman is unable to perform his duties due to leave of absence or any other reason, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also absent, the Chairman shall appoint one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman. The resolutions of meetings of the Board of Directors shall be processed in accordance with the Company Act. If a Director is unable to attend a meeting of the Board of Directors in person, the Director may appoint another director to act on behalf of the absent Director in writing. One Director may only act one behalf of one other Director.</p>	<p>Article 15: The Board of Directors shall be chaired by the Chairman of the Board. If the Chairman is absent or cannot exercise his power, the Chairman shall appoint one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman. The resolutions of meetings of the Board of Directors shall be processed in accordance with the Company Act. If a Director is unable to attend a meeting of the Board of Directors in person, the Director may appoint another director to act on behalf of the absent Director in writing. One Director may only act one behalf of one other Director.</p>	<p>Amended in accordance with the adjusted structure of the Board of Directors.</p>
<p>Article 20-1: In case there are profits after tax in the final settlement of the current year, the company shall first offset the accumulated loss (including adjustment on non-distributed earnings) and retain 10% as legal surplus reserve in accordance with the law; however, when the legal surplus reserve exceeds the paid-in capital of the company, it is not subject to this limitation. After the legal surplus reserve has been retained or rotated in accordance with the regulations or requests made by competent agencies, 50% to 100% of</p>	<p>Article 20-1: In case there are profits after tax in the final settlement of the current year, the company shall first offset the accumulated loss (including adjustment on non-distributed earnings) and retain 10% as legal surplus reserve in accordance with the law; however, when the legal surplus reserve exceeds the paid-in capital of the company, it is not subject to this limitation. In case there is balance after recognition or rotation of special reserve according to law or provisions of competent authorities, the</p>	<p>In line with amendment to Article 6.</p>

<p>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.</p>	<p>distributable dividend of special shares of the current year shall be distributed on priority; if there is still balance, 50% to 100% the remaining together with undistributed earnings of the previous year shall be retained as shareholders' dividend, at least 50% of which shall be retained as cash dividend for distribution.</p> <p><u>For the above dividend or bonus distributed in cash as well as distribution of capital reserve or legal surplus reserve in cash, the Board of Directors representing two thirds of the issued shares shall make resolution for distribution by attending directors representing more than half of them, and then it shall be reported to shareholders' meeting.</u></p>	
<p>Article 22: The Articles of Association was formulated on February 1, 1993. Omitted The 20th amendment was made on June 22, 2016.</p>	<p>Article 22: The Articles of Association was formulated on February 1, 1993. Omitted The 20th amendment was made on June 22, 2016. <u>The 21st amendment was made on June 19, 2019.</u></p>	

【Attachment 7】

**United Orthopedic Corporation
Comparison Table for Amendments to the Rules of Procedures for Shareholders’
Meetings**

Prior Articles	Amended Articles	Reasons for Amendments
<p>Article 9 (Calculation of representative shareholding and meeting commencement) Attendance at shareholders’ meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares registered in the attendance book and attendance cards handed in.</p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent over half of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding Paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders’ meeting shall be convened within a month.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent over half of the total number of issued shares, the Chairman may resubmit the tentative resolution for a vote by the shareholders’ meeting pursuant to Article 174 of the Company Act.</p>	<p>Article 9: (Calculation of representative shareholding and meeting commencement) Attendance at shareholders’ meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares registered in the attendance book and attendance cards handed in plus number of shares with voting power executed in electronic means.</p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent over half of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding Paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders’ meeting shall be convened within a month.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent over half of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders’ meeting pursuant to Article 174 of the Company Act.</p>	<p>Amended in accordance with the adoption of e-voting for proposals and practical needs.</p>
<p>Article 13 (Voting, ballot examination and ballot count) Shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights.</p>	<p>Article 13: (Voting, Ballot Examination and Ballot Count) Shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights.</p>	<p>Amended in accordance with the adoption of e-voting for proposals and</p>

<p>Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of over half of the voting rights represented by the attending shareholders.</p> <p>A proposal is deemed to have passed when no attending shareholders give a dissent after being inquired by the chair, and the effect thereof is the same as a vote; if there are dissents, a vote in the preceding Paragraph shall be adopted.</p> <p>When there is an amendment or an alternative to same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of over half of the voting rights represented by the attending shareholders.</p> <p>The proposal shall be voted by a poll by the attending shareholders.</p> <p>When there is an amendment or an alternative to same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>practical needs.</p>
<p>Article 15 (Meeting Minutes and Acknowledgments)</p> <p>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting.</p> <p>For shareholders who hold less than 1,000 registered shares of the Company, the distribution of the above copy shall be conducted by announcement at Market Observation Post System.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.</p> <p>A proposal passed via the resolution method</p>	<p>Article 15 (Meeting Minutes and Acknowledgments)</p> <p>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting.</p> <p>For shareholders who hold less than 1,000 registered shares of the Company, the distribution of the above copy shall be conducted by announcement at Market Observation Post System.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.</p>	<p>Amended in accordance with the adoption of e-voting for proposals and practical needs.</p>

<p>in the preceding Paragraph shall be recorded as “passed unanimously after the chair inquires all shareholders in attendance” after the chair has inquired all attending shareholders and no shareholders have voiced an objection. If shareholders do raise any objection, the resolution must specify the voting method adopted and the number and percentage of rights voted in favor.</p>	<p>The above resolution method shall be conducted through vote in a poll by shareholders in attendance, and the voting results be recorded into the meeting minutes.</p>	
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[Attachment 8]

**United Orthopedic Corporation
Directors Election Process**

Article 1: The Company has formulated the Process in accordance with Article 21 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies to elect Directors with fairness, impartiality and openness.

Article 2: The election of Directors for the Company shall be handled in accordance with Directors Election Methods and the Process, unless otherwise stipulated by laws and regulations or Articles of Association.

Article 3: The election of Directors for the Company shall consider the overall composition of the Board of Directors.

Members of the Board shall possess the knowledge, skills and qualities required to perform their duties. The overall abilities of the Board shall be as follows:

- I. Business judgement ability.
- II. Accounting and financial analysis ability.
- III. Operating management ability.
- IV. Crisis management ability.
- V. Industrial knowledge.
- VI. International market vision.
- VII. Leadership.
- VIII. Decision-making ability.

More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 4: The qualifications of Independent Directors shall be in compliance with the provisions of Article 2, Article 3 and Article 4 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of the Company shall be in compliance with Article 5 and Article 6 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

Article 5: The election of Directors of the Company shall be conducted in accordance with the candidate nomination system set out in Article 192-1 of the Company Act.

Where the number of Directors falls short by one third of the total number prescribed in the Company's Articles of Association, the Company shall call an interim shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Where the number of Independent Directors is not sufficient for the purpose of Article 14-2 of the Securities and Exchange Act, by-election shall be held at the next shareholders' meeting. When independent directors are dismissed, by-election shall be held within 60 days from the date of occurrence to fill the vacancies.

Article 6: The Director election of the Company has adopted the cumulative voting system. Each share shall be elected as a director. The voting rights shall be selected for one

candidate wholly or several candidate separately.

- Article 7: The Company shall prepare ballots for the number of votes that shall be elected and the number of votes that shall be filled, and the number of shares that shall be filled with the number of votes distributed to the shareholders' meeting shall be printed on the ballots. The attendance number of the candidate may be printed on the ballots.
- Article 8: The Directors of the Company shall calculate the voting rights of common Directors and Independent Directors in accordance with the Company's Articles of Association. They shall be acted by those representing more voting rights in order. If there are two or more persons obtaining the same number of rights exceeding the stipulated quota, decision shall be made by drawing lots, and the chair shall draw on behalf of the absent ones.
- Article 9: Before the election begins, the chair shall appoint a number of persons with shareholder identity for monitoring, counting, and performing various duties. The Company has set up a ballot box, which shall be opened and checked by the monitoring personnel before voting.
- Article 10: If the candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, if government or legal person shareholder is a candidate, the name of the government or legal person shall be filled in the "candidate" column of the ballot. The name of the government or legal person or the name of its representative shall be filled as well. If there are more than one representative, the names for them shall be filled in as well.
- Article 11: The ballot shall be invalid for one of the following situations:
- I. The Company prepared ballots are not used.
 - II. A blank ballot is placed in the ballot box.
 - III. A ballot is filled in other words, apart from the candidate's name and its shareholder account number or identification number.
 - IV. The writing is unclear and indecipherable.
 - V. If the candidate is a shareholder, the candidate's identity, shareholder account number do not match with shareholders' ledger; if the candidate is non-shareholder, the name and ID card number are verified to be inconsistent.
 - VI. The name of the candidate entered in the ballot is the same as the name of other shareholders, without filling the shareholder account number or ID card number for identification.
 - VII. The cumulative number of voting rights entered shall be more than the number of voting rights held.
 - VIII. Blank ballots are cast into the ballot box.
- Article 12: The ballots will be opened on site immediately after the voting is completed. The results shall be announced on the spot.
- Article 13: The elected Directors shall be distributed with election notice by the Company's Board of Directors.
- Article 14: The Procedures shall be implemented after the approval of the shareholders' meeting. The same applies when the Procedures are amended.

[Attachment 9]

United Orthopedic Corporation
Comparison Table for Amendments to the Procedures for Acquisition and Disposal of Assets

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>§</u>
<p>Article 3: Scope of Assets</p> <p>I. Negotiable securities: stock, government bonds, corporate bonds, financial securities, negotiable securities of recognition fund, depository receipt, warrant to subscribe (put), beneficial securities and asset-backed securities.</p> <p>II. Property and other fixed assets.</p> <p>III. Membership certificate.</p> <p>IV. Intangible assets: including intangible assets like patents, copyrights, trademark rights, and concession assets.</p> <p>V. Claim of financial institutions (including receivables, negotiation discount and loan, receivables on demand).</p> <p>VI. Derivative products.</p> <p>VII. Acquisition or disposal of assets according to legal merger, division, acquisition or stock transfer.</p> <p>VIII. Other important assets.</p>	<p>Article 3: Scope of Assets</p> <p>I. Negotiable securities: stock, government bonds, corporate bonds, financial securities, negotiable securities of recognition fund, depository receipt, warrant to subscribe (put), beneficial securities and asset-backed securities.</p> <p>II. Property and other fixed assets.</p> <p>III. Membership certificate.</p> <p>IV. Intangible assets: including intangible assets like patents, copyrights, trademark rights, and concession assets.</p> <p>V. <u>Right-of-use assets.</u></p> <p>VI. <u>Claim of financial institutions (including receivables, negotiation discount and loan, receivables on demand).</u></p> <p>VII. <u>Derivative products.</u></p> <p>VIII. <u>Acquisition or disposal of assets according to legal merger, division, acquisition or stock transfer.</u></p> <p>IX. <u>Other important assets.</u></p>	<p><u>Partial</u> <u>Clauses of</u> <u>Procedures</u> <u>for</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets are</u> <u>amended in</u> <u>accordance</u> <u>with</u> <u>Regulations</u> <u>Governing the</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets by</u> <u>Public</u> <u>Companies</u> <u>newly</u> <u>amended on</u> <u>November 26,</u> <u>2019.</u></p>
<p>Article 4: Definition of Terms</p> <p>I. Derivative products: referring to forward contract, option contract, futures contract, leveraged margin contract, exchange contract and composite contract through portfolio of the above whose value is derived from products like assets, interest rate, exchange rate, index or other benefits. The forward contract in the Handling procedures excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>II. Acquisition or disposal of assets according to legal merger, division, acquisition or stock transfer: referring to assets acquired or disposed of through merger, division or acquisition according to corporate merger law, financial holding company law, financial institution merger law and others, or those involving the transfer of other</p>	<p>Article 4: Definition of Terms</p> <p>I. Derivative products: referring to forward contract, option contract, futures contract, leveraged margin contract, exchange contract and composite contract through portfolio of the above, or composite contract of embedded derivative product or structural product whose value is derived from certain interest rate, financial instrument price, product price, exchange rate, price or rate index, credit rating or credit index or other variables. The forward contract excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>II. Acquisition or disposal of assets according to legal merger, division, acquisition or stock transfer: referring to assets acquired or disposed of through merger, division or acquisition according to corporate merger law, financial</p>	<p><u>Partial</u> <u>Clauses of</u> <u>Procedures</u> <u>for</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets are</u> <u>amended in</u> <u>accordance</u> <u>with</u> <u>Regulations</u> <u>Governing the</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets by</u> <u>Public</u> <u>Companies</u> <u>newly</u> <u>amended on</u> <u>November 26,</u> <u>2019.</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>s</u>
<p>companies' shares according to Article 156-6 of the Company Act.</p> <p>III. Related parties: referring to the subjects stipulated by Financial Accounting Standards No.6 released by Accounting Research and Development Foundation</p> <p>IV. Subsidiaries: referring to those stipulated by Financial Accounting Standards No.5 and No.7 released by Accounting Research and Development Foundation</p> <p>V. Professional valuator: referring to property valuator and those engaged in valuation of property or other fixed assets.</p> <p>VI. Date of occurrence: referring to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever is earlier. However, for investment that shall be approved by the competent authority, the above date or the date of obtaining approval from the competent authority shall apply, whichever is earlier.</p> <p>VII. Investment in Mainland China: referring to investment in Mainland in accordance with investment or technological cooperation permit methods by the Investment Deliberation Committee, Ministry of Economy.</p> <p>VIII. The most recent financial statements: referring to financial statements audited or reviewed by CPAs disclosed in accordance with the law before the acquisition or disposal of assets by the Company.</p>	<p>holding company law, financial institution merger law and others, or those involving the transfer of other companies' shares according to Article 156-3 of the Company Act.</p> <p>III. Related parties and subsidiaries: to be identified according to the preparation standard of securities issuer financial report</p> <p>IV. <u>Professional valuator: referring to property valuator or those engaged in property and equipment valuation according to law.</u></p> <p>V. <u>Date of occurrence: referring to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever is earlier. However, for investment that shall be approved by the competent authority, the above date or the date of obtaining approval from the competent authority shall apply, whichever is earlier.</u></p> <p>VI. <u>Investment in Mainland China: referring to investment in Mainland in accordance with investment or technological cooperation permit methods by the Investment Deliberation Committee, Ministry of Economy.</u></p> <p>VII. <u>The most recent financial statements: referring to financial statements audited or reviewed by CPAs disclosed in accordance with the law before the acquisition or disposal of assets by the Company.</u></p>	
<p>Article 6: For the valuation report or opinion from a CPA, lawyer or securities underwriter, the professional valuator and valuation personnel, CPA, lawyer or securities underwriter cannot be related parties of the involved party.</p>	<p>Article 6: For the valuation report or opinion from a CPA, lawyer or securities underwriter, the professional valuator and valuation personnel, CPA, lawyer or securities underwriter shall meet the following provisions:</p> <p>I. <u>who has never been subject to a prison sentence longer than one year confirmed for the violation of the Law, Company Act, Banking</u></p>	<p><u>Partial Clauses of Procedures for Acquisition and Disposal of Assets are amended in accordance with Regulations</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>s</u>
	<p><u>Act of The Republic of China, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or criminal behaviors like fraud, breach of credit, infringement, forgery or business crime. But for those who has completed the execution, or the probation expiration or pardon has exceeded over three years are not subject to this provision.</u></p> <p>II. <u>The transaction party shall not be a related party or a substantial related party.</u></p> <p>III. <u>If the Company has obtained valuation reports from two or more professional valuers, the professional valuers or valuation personnel shall not be related parties or substantial related parties.</u></p> <p><u>When the aforementioned personnel issue a valuation report or opinion, they shall be handled in accordance with the following:</u></p> <p>I. <u>Before accepting cases, it shall carefully assess its professional capabilities, practical experience and independence.</u></p> <p>II. <u>When reviewing the cases, appropriate operational procedures shall be planned and implemented to form the conclusion and shall be prepared to form a report or opinion, and complete these Procedures, collect data and reach conclusions. The details shall be recorded in the work draft.</u></p> <p>III. <u>The source, accuracy and reasonableness of the data used shall be assessed item by item as the basis for valuation report or opinion.</u></p> <p>IV. <u>Announcement matters shall include the professionalism and independence of the relevant personnel, reasonableness and correctness of the data used in valuation and others in accordance with relevant laws and regulations.</u></p>	<p><u>Governing the Acquisition and Disposal of Assets by Public Companies newly amended on November 26, 2019.</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>s</u>
<p>Article 8: Procedures for Acquisition and Disposal of Property or Other Fixed Assets</p> <p>I. Valuation and Operating Procedures The property or other fixed assets acquired or disposed of by the Company shall be handled in cycle according to the internal control system of the Company.</p> <p>II. Decision-making Procedures for Transaction Conditions and Authorized Limits For acquisition or disposal of property by the Company, the announcement current value, assessed value, actual transaction price of adjacent property, transaction conditions and price through resolution shall be referred to. Acquisition or disposal of other fixed assets shall be carried out in one of the following means, namely enquiry, consideration, bargaining, or tendering. The amount within 20% paid-in capital shall be approved by the chairman, and that exceeding 20% paid-in capital shall be reported to Board of Directors for passage before implementation.</p> <p>III. Execution Department In acquisition or disposal of property or other fixed assets by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.</p> <p>IV. Valuation Report of Property or Other Fixed Assets For acquisition or disposal of property or other fixed assets by the Company, except for transaction with government authorities, self-owned land</p>	<p>Article 8: Handling procedures of acquisition or disposal of property, equipment or right-of-use assets</p> <p>I. Valuation and Operation Procedures The property, equipment or right-of-use assets acquired or disposed of by the Company shall be handled in cycle according to the internal control system of the Company.</p> <p>II. Decision-making Procedures for Transaction Conditions and Authorized Limits For acquisition or disposal of property or right-of-use assets by the Company, the announcement current value, assessed value, actual transaction price of adjacent property, or actual transaction price of the right-of-use assets shall be referred to for resolution on the transaction conditions and price. And analysis shall be conducted to form report to be submitted to the chairman. Acquisition or disposal of equipment or the right-of-use assets shall be carried out in one of the following means, namely enquiry, consideration, bargaining, or tendering. The amount within 20% paid-in capital shall be approved by the chairman, and that exceeding 20% paid-in capital shall be reported to Board of Directors for passage before implementation.</p> <p>III. Execution Department In acquisition or disposal of property, equipment or the right-of-use assets by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.</p>	<p><u>Partial</u> <u>Clauses of</u> <u>Procedures</u> <u>for</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets are</u> <u>amended in</u> <u>accordance</u> <u>with</u> <u>Regulations</u> <u>Governing the</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets by</u> <u>Public</u> <u>Companies</u> <u>newly</u> <u>amended on</u> <u>November 26,</u> <u>2019.</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>construction, leased land construction, or machinery and equipment acquired or disposed of for operation use, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, the valuation report from professional valuator before the date of occurrence has to be obtained and the following provisions be complied with:</p> <p>(I) If limit price, specific price or special price has to be taken as the reference basis of transaction price for special reasons, the transaction has to pass the resolution of the Board of Directors first; if there is variation to the future transaction conditions, the above procedures have to be followed.</p> <p>(II)</p>	<p>IV. Valuation Report of Property, Equipment or the Right-of-use Assets</p> <p>For acquisition or disposal of property, equipment or the right-of-use assets by the Company, except for transaction with government authorities, self-owned land construction, leased land construction, or equipment or the right-of-use assets acquired or disposed of for operation use, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, the valuation report from professional valuator before the date of occurrence has to be obtained and the following provisions be complied with:</p> <p>(I) If limit price, specific price or special price has to be taken as the reference basis of transaction price for special reasons, the transaction has to pass the resolution of the Board of Directors first; if there is variation to the future transaction conditions, the above procedures have to be followed.</p> <p>(II)</p>	<p><u>s</u></p>
<p>Article 10: Procedures for Transactions with Related Parties</p> <p>I. The Company’s acquisition or disposal of assets with related parties shall be made in accordance with the provisions of these Procedures and the reasonableness of the relevant procedures and valuation of transaction conditions. If the transaction amount exceeds 10% of the total assets of the Company, the valuation report or CPA’s opinions from professional valutors shall be obtained in accordance with the provisions.</p>	<p>Article 10: Procedures for Transactions with Related Parties</p> <p>I. The Company’s acquisition or disposal of assets with related parties shall be made in accordance with the provisions of these Procedures and the reasonableness of the relevant procedures and valuation of transaction conditions. If the transaction amount exceeds 10% of the total assets of the Company, the valuation report or CPA’s opinions from professional valutors shall be obtained in accordance with the provisions.</p>	<p><u>Partial Clauses of Procedures for Acquisition and Disposal of Assets are amended in accordance with Regulations Governing the Acquisition and Disposal of Assets by</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>The calculation of the amount of transactions mentioned in the preceding Paragraph shall be conducted in accordance with Article 11-1.</p> <p>If the transaction object is a related party, in addition to its legal form, the substance of the relationship shall also be considered.</p> <p>II. Valuation and Operating Procedures</p> <p>For acquisition or disposal of property from a related party, or other assets out of property, if the transaction amount reaches 20% paid-in capital, 10% total assets or more than NT\$300 Million, the following data shall be submitted for passage by Board of Directors and recognition by supervisors before signing transaction contract and effecting payment:</p> <p>(I) The objective, necessity and expected benefit of acquisition or disposal of assets:</p> <p>(II) Reasons for selecting a related party as the transaction party.</p> <p>(III) Acquisition of property from a related party shall follow the provisions of Subparagraph (1) and (4) of Paragraph 3, Article 3 of this Article.</p> <p>(IV) Matters like original date and price of acquisition by the related party, transaction subject and relations between the Company and the related party.</p> <p>(V) Predict over the monthly cash income/expenses in the following year from the month of signing contract, and evaluate the necessity of transaction and the reasonableness of capital use.</p> <p>(VI) Valuation report from professional valuator according to provisions or CPA's opinions.</p> <p>(VII) Limitations of the transaction and other important agreements</p> <p>The calculation of the above transaction amount should be carried out in accordance with Subparagraph 5 of Paragraph 1 of Article 15, and the within one year limit refers to that the</p>	<p>The calculation of the amount of transactions mentioned in the preceding Paragraph shall be conducted in accordance with Article 11-1.</p> <p>If the transaction object is a related party, in addition to its legal form, the substance of the relationship shall also be considered.</p> <p>II. Valuation and operating procedures</p> <p>For acquisition or disposal of property or the right-of-use assets from a related party, or other assets that are acquired or disposed of by the Company, or the acquisition or disposal of assets or the use of assets, or other assets that are acquired or disposed of by the Company, the transaction amount reaches 20% or more of the Company's paid-in capital, or 10% of the total assets or NT\$300 Million, and the transaction contract and payment amount shall be submitted to the Board of Directors for approval.</p> <p>(I) The objective, necessity and expected benefit of acquisition or disposal of assets:</p> <p>(II) Reasons for selecting a related party as the transaction party.</p> <p>(III) Acquisition of property from a related party shall follow the provisions of Subparagraph (1) and (4) of Paragraph 3, Article 3 of this Article.</p> <p>(IV) Matters like original date and price of acquisition by the related party, transaction subject and relations between the Company and the related party.</p> <p>(V) Predict over the monthly cash income/expenses in the following one year from the month of signing contract, and evaluate the necessity of transaction and the reasonableness of capital use.</p> <p>(VI) Valuation report from professional valuator according to provisions or CPAs' opinions.</p> <p>(VII) Limitations of the transaction and other important agreements</p> <p>The calculation of the above</p>	<p><u>Public Companies newly amended on November 26, 2019.</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>date of occurrence date for the transaction is taken as the base and then dated back one year; the part that has been submitted to the Board of Directors for passage and supervisors for recognition does not need to be re-included.</p> <p>With respect to the acquisition or disposal of equipment held for business use, when to be conducted between a public company and its parent or subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>Where the position of Independent Director has been created in accordance with the Securities and Exchange Act, when the matter is submitted to the Board of Directors for discussion pursuant to the preceding provision, each Independent Director's opinions shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>III. Evaluation of Reasonableness of Transaction Cost:</p> <p>(I) The Company's acquisition or disposal of assets with related parties shall follow the evaluation of reasonableness of the transaction cost according to the following methods:</p> <p>1. The related party's transaction price plus necessary capital interest and cost undertaken by the buyer according to law. The above mentioned necessary capital interest cost is calculated on the basis of weighted average interest rate of the loan of the year when the Company purchases the asset, but not higher than the</p>	<p>transaction amount should be carried out in accordance with Subparagraph 5 of Paragraph 1 of Article 15, and the within one year limit refers to that the date of occurrence date for the transaction is taken as the base and then dated back one year; the part that has been submitted to the Board of Directors for passage and supervisors for recognition does not need to be re-included.</p> <p>With respect to the acquisition or disposal of equipment or its right-of-use assets and real property right-of-use assets held for business use, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>Where the position of Independent Director has been created in accordance with the Securities and Exchange Act, when the matter is submitted to the Board of Directors for discussion pursuant to the preceding provision, each Independent Director's opinions shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>III. Evaluation of reasonableness of transaction cost:</p> <p>(I) The Company's acquisition or disposal of assets with related parties shall follow the evaluation of reasonableness of the transaction cost according to the following methods:</p> <p>1. The related party's transaction price plus necessary capital interest and cost undertaken by the</p>	<p><u>s</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>s</u>
<p>non-financial highest loan interest rate released by the Ministry of Finance.</p> <p>2. If the affiliate set up pledged loan from financial institutions with the subject matter, the latter would evaluate the total value of loan for it. But the cumulative value of actual loan for the subject matter had to reach 70% total evaluated value of loan and the loan period was above one year. However, it is not applicable when financial institution and one transaction party are related parties.</p> <p>(II) If consolidated purchase of the land and house of the same object is carried out, then the transaction cost has to be evaluated according to one of the previous methods.</p> <p>(III) If the Company acquires property from an affiliate, follow the provisions of Subparagraph (I) and (II) of Paragraph III of this Article to evaluate the property cost and engage CPA for review and expression of specific opinions.</p> <p>(IV) If the Company acquires property from an affiliate, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed if the evaluation result according to Subparagraph (I) and (II) of Paragraph III of this Article is lower than the transaction price. The following conditions, if objective evidence is furnished and specific reasonableness opinions from professional property valuator and CPAs are obtained, are not subject to this provision:</p> <p>1. If the affiliate obtains open land or rental land for re-construction, it has to prove conformity to one of</p>	<p>buyer according to law. The above mentioned necessary capital interest cost is calculated on the basis of weighted average interest rate of the loan of the year when the Company purchases the asset, but not higher than the non-financial highest loan interest rate released by the Ministry of Finance.</p> <p>2. If the affiliate set up pledged loan from financial institutions with the subject matter, the latter would evaluate the total value of loan for it. But the cumulative value of actual loan for the subject matter had to reach 70% total evaluated value of loan and the loan period was above one year. However, it is not applicable when financial institution and one transaction party are related parties.</p> <p>(II) If consolidated purchase of the land and house of the same object is carried out, then the transaction cost has to be evaluated according to one of the previous methods.</p> <p>(III) If the Company acquires property from an affiliate, follow the provisions of Subparagraph (I) and (II) of Paragraph III of this Article to evaluate the property cost and engage CPA for review and expression of specific opinions.</p> <p>(IV) If the Company acquires property from an affiliate, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed if the evaluation result according to Subparagraph (I) and (II) of Paragraph III of this Article is lower than the transaction price. The following conditions, if</p>	

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>the following conditions:</p> <p>(1) In the manner described in the preceding Article, the Company shall evaluate the housing based on the related party's construction costs plus reasonable construction profit, and the total number of the housing is over the actual transaction price. The above mentioned construction profit refers to the average operation gross profit rate of construction department of the affiliate in the most recent 3 years or the most recent gross profit rate in construction industry released by the Ministry of Finance, whichever is lower.</p> <p>(2) As for the dealing cases of non-affiliate within one year for other buildings or adjacent regions of the same object house with similar area, the transaction conditions shall be similar after evaluation of price difference for reasonable buildings or regions according to the transaction practice of property.</p> <p>(3) As for the lease cases of non-affiliate within one year for other buildings of the same object house, the transaction conditions shall be similar after deducted evaluation of price difference for</p>	<p>objective evidence is furnished and specific reasonableness opinions from professional property valuator and CPAs are obtained, are not subject to this provision:</p> <p>1. If the affiliate obtains open land or rental land for re-construction, it has to prove conformity to one of the following conditions:</p> <p>(1) In the manner described in the preceding Article, the Company shall evaluate the housing based on the related party's construction costs plus reasonable construction profit, and the total number of the housing is over the actual transaction price. The above mentioned construction profit refers to the average operation gross profit rate of construction department of the affiliate in the most recent 3 years or the most recent gross profit rate in construction industry released by the Ministry of Finance, whichever is lower.</p> <p>(2) As for the transaction cases of non-affiliates within one year for other buildings or adjacent region of the same object house or land with similar area, the transaction conditions shall be similar after deducted evaluation of price difference for reasonable buildings according to the</p>	<p><u>s</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p style="text-align: center;">reasonable buildings according to the lease practice of property.</p> <p>2. For property purchased from a related party by the Company, the transaction conditions shall be similar to dealing cases with other non-affiliate within one year of the adjacent regions and with similar area. The above mentioned dealing cases of adjacent regions follow the principle of subject matter with a distance not more than five hundred meters in the same or neighboring street or with similar announcement current value; the above mentioned similar area follows the principle that the area of dealing cases with non-affiliate is not lower than 50% area of the transaction subject matter; the above mentioned within one year limit refers to that the date of factual occurrence of acquisition of the asset is taken as the base, and dated back one year.</p> <p>(V) If the Company acquires property from a related party, and the results of the valuation conducted in accordance with the provisions of Subparagraph (1) and (2) of Paragraph III of this Article are lower than the transaction price, then the following matters shall be handled:</p> <p>1. The Company shall recognize special surplus reserve for the difference between property transaction price and evaluation cost in accordance with Paragraph 1 of Article 41 of the Securities Exchange Law,</p>	<p style="text-align: center;">practice of property transaction or rental.</p> <p>2. Where the property is purchased or the right-of-use assets are acquired through rental with proof from the Company, the transaction conditions shall be similar to transaction cases with other non-affiliates within one year at the adjacent region with similar area. The above mentioned dealing cases of adjacent regions follow the principle of subject matter with a distance not more than five hundred meters in the same or neighboring street or with similar announcement current value; the above mentioned similar area follows the principle that the area of dealing cases with non-affiliate is not lower than 50% area of the transaction subject matter; the above mentioned within one year limit refers to that the date of occurrence of acquisition of the asset is taken as the base, and dated back one year.</p> <p>(V) If the Company acquires property or the right-of-use assets from an affiliate, and the results of the valuation conducted in accordance with the provisions of Subparagraph (1) and (2) of Paragraph III of this Article are lower than the transaction price, then the following matters shall be handled:</p> <p>1. The Company shall recognize special surplus reserve for the difference between property or the right-of-use assets transaction price and evaluation cost in</p>	<p style="text-align: center;"><u>s</u></p>

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<p>without allocation or transfer to increased capital for allocation of shares. If the investors which evaluate the investment in the Company with equity method are public listed company, they shall also recognize special surplus reserve based on shares holding ratio in accordance with Paragraph 1 of Article 41 of Securities Exchange Law.</p> <p>2. The supervisors shall handle in accordance with the provisions of Article 218 of the Company Act.</p> <p>3. Situations handled according to the point 1 and 2 of Subparagraph III of Paragraph III of this Article shall be reported to the shareholders' meeting, and the transaction details shall be disclosed in annual report and prospectus.</p> <p>The special surplus reserve recognized by the Company and public listed companies invested using equity method can only be employed under the circumstance in which the assets purchased with high price have been recognized into price drop loss or disposal, or suitable compensation, or restored state, or there is other evidence for no unreasonableness after permission from the Securities and Futures Management Committee with Ministry of Finance.</p> <p>(VI) Relevant provisions of transaction cost reasonableness evaluation in Subparagraph (I), (II) and (III) of Paragraph III of this Article shall be followed in acquisition of property from a related party by the Company:</p> <p>1. Acquisition of property by the related party through</p>	<p>accordance with Paragraph 1 of Article 41 of the Securities Exchange Law, without allocation or transfer to increased capital for allocation of shares. If the investors which evaluate the investment in the Company with equity method are public listed company, they shall also recognize special surplus reserve based on shares holding ratio in accordance with Paragraph 1 of Article 41 of Securities Exchange Law.</p> <p>2. The supervisors shall handle in accordance with the provisions of Article 218 of the Company Act. If the Audit Committee has been set up in accordance with the Securities Exchange Law, the above Paragraph shall be applicable to the independent directors of audit committee.</p> <p>3. Situations handled according to the point 1 and 2 of Subparagraph III of Paragraph III of this Article shall be reported to the shareholders' meeting, and the transaction details shall be disclosed in annual report and prospectus.</p> <p>The special surplus reserve recognized by the Company according to preceding provisions can only be employed under the circumstance in which the assets purchased with high price have been recognized into price drop loss or disposal, or suitable compensation, or restored state, or there is other evidence for no unreasonableness after permission from the Securities and Futures Management</p>	<p><u>s</u></p>

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<p>inheritance or bestowal.</p> <p>2. The time of the related party concluding contract to acquire property is more than 5 years from this transaction contract concluding date.</p> <p>3. Acquisition of property through joint construction contract with the related party.</p> <p>(VII) For acquisition of property from an a related party by the Company, if there is other evidence showing there are situations of violation against operation conventions in the transaction, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed.</p>	<p>Committee with Ministry of Finance.</p> <p>(VI) Relevant provisions of transaction cost reasonableness evaluation in Subparagraph (I), (II) and (III) of Paragraph III of this Article shall be followed in acquisition of property or the right-of-use assets from an affiliate by the Company:</p> <p>1. Acquisition of property or the right-of-use assets by affiliate through inheritance or bestowal.</p> <p>2. The time of the affiliate concluding contract to acquire property or the right-of-use assets is more than 5 years from this transaction contract concluding date.</p> <p>3. Acquisition of property through joint construction contract with the affiliate.</p> <p>(VII) For acquisition of property or the right-of-use assets from an affiliate by the Company, if there is other evidence showing there are situations of violation against operation conventions in the transaction, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed.</p>	<p><u>s</u></p>
<p>Article 11: Handling Procedures of Acquisition or Disposal of membership certificate or Intangible Assets</p> <p>(I) Evaluation and operating procedures The Company's acquisition or disposal of membership certificate or intangible assets shall be conducted in accordance with the Company's regulations.</p> <p>(II) Decision-making Procedures for Transaction Conditions and Authorized Limits For formulated operation</p>	<p>Article 11: Handling Procedures of Acquisition or Disposal of Intangible Assets or the right-of-use Assets or membership certificate</p> <p>(I) Evaluation and Operating Procedures The Company's acquisition or disposal of intangible assets or the right-of-use asset or membership certificate shall be conducted in accordance with the Company's regulations.</p> <p>(II) Decision-making Procedures for Transaction</p>	<p><u>Partial</u> <u>Clauses of</u> <u>Procedures</u> <u>for</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets are</u> <u>amended in</u> <u>accordance</u> <u>with</u> <u>Regulations</u> <u>Governing the</u> <u>Acquisition</u> <u>and Disposal</u> <u>of Assets by</u> <u>Public</u> <u>Companies</u> <u>newly</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>procedures or other legal stipulations in terms of acquisition or disposal of assets by the Company, if there is any director raising objection with record or written announcement, the Company shall submit the objection data to the supervisors. If the Company has created the position of Independent Director, when the transaction of acquisition or disposal of assets is submitted to the Board of Directors for discussion in accordance with the regulations, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the meeting minutes.</p> <p>(III) Execution department In acquisition or disposal of membership certificate or intangible assets by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.</p> <p>(IV) Expert evaluation report of membership certificate or intangible assets For acquisition or disposal of membership certificate or intangible assets by the Company, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, CPA shall be engaged to express opinion upon the reasonableness of the transaction price before the date of occurrence and the provisions of No.20 audit</p>	<p>Conditions and Authorized Limits For formulated operation procedures or other legal stipulations in terms of acquisition or disposal of assets by the Company, if there is any director raising objection with record or written announcement, the Company shall submit the objection data to the supervisors. If the Company has created the position of Independent Director, when the transaction of acquisition or disposal of assets is submitted to the Board of Directors for discussion in accordance with the regulations, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the meeting minutes.</p> <p>(III) Execution Department In acquisition or disposal of intangible assets or the right-of-use assets or membership certificate by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.</p> <p>(IV) Expert evaluation report of intangible assets or the right-of-use assets or membership certificate For acquisition or disposal of intangible assets or the right-of-use assets or membership certificate by the Company, if the transaction amount reaches 20% paid-in capital or more than NT\$300</p>	<p><u>amended on November 26, 2019.</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>standard announcement released by Accounting Research Development Fund shall be complied with:</p>	<p>Million, CPA shall be engaged to express opinion upon the reasonableness of the transaction price before the date of occurrence and the provisions of No.20 audit standard announcement released by Accounting Research Development Fund shall be complied with:</p>	<p><u>s</u></p>
<p>Article 13: Handling Procedures of Acquisition or Disposal of Derivative Products</p> <p>I. Transaction Principles and Policies</p> <p>(I) Transaction Type</p> <ol style="list-style-type: none"> 1. Derivative financial products engaged by the Company refer to transaction contract whose value is derived from products like assets, interest rate, index or other benefits (such as forward contract, option, futures, interest rate or exchange rate, exchange and composite contract through portfolio of the above). 2. The forward contract in the handling procedures excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract. <p>.....</p> <p>III. Internal Audit System</p> <p>(I) Internal audit personnel shall regularly come to understand the appropriateness of internal control over derivative products transaction, monthly audit the compliance of operation procedures for derivative products transaction by transaction department, and analyze the transaction cycle to form audit report. Upon discovery of any material violation, they shall notify supervisors in</p>	<p>Article 13: Handling Procedures of Acquisition or Disposal of Derivative Products</p> <p>I. Transaction Principles and Policies</p> <p>(I) Transaction Type</p> <ol style="list-style-type: none"> 1. The derivative financial products engaged by the Company refer to forward contract, option contract, futures contract, leveraged margin contract, exchange contract and composite contract through portfolio of the above, or composite contract of embedded derivative product or structural product whose value is derived from certain interest rate, financial instrument price, product price, exchange rate, price or rate index, credit rating or credit index or other variables. 2. The forward contract in the handling procedures excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract. <p>.....</p> <p>III. Internal Audit System</p> <p>(I) Internal audit personnel shall regularly come to understand the appropriateness of internal control over derivative products transaction, monthly audit the compliance of operation procedures for derivative</p>	<p><u>Partial Clauses of Procedures for Acquisition and Disposal of Assets are amended in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies newly amended on November 26, 2019.</u></p>

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<p>writing.</p>	<p>products transaction by transaction department, and analyze the transaction cycle to form audit report. Any material violation discovered shall be notified to Supervisors by a written notice.</p> <p><u>Where the position of Independent Director has been created in accordance with the Securities and Exchange Act, the preceding written notice to Supervisors shall be sent to Independent Directors as well. If Audit Committee is set up in accordance with the Securities Exchange Law, the provisions upon supervisors in Paragraph I shall also be applicable to audit committee.</u></p> <p>.....</p>	<p><u>s</u></p>
<p>Article 15: Information Disclosure Procedures</p> <p>I. Items to be announced and declared and announcement and declaration standard</p> <p>(I) Acquisition or disposal of property from an affiliate, or acquisition or disposal of other assets out of property with the affiliate, and the transaction amount reaches more than 20% paid-in capital of company, 10% total assets or NT\$300 Million. However, transaction of government bonds, bonds with conditions of repurchase and reverse repurchase are not subject to this provision.</p> <p>(II) Conducting merger, division, acquisition or stock transfer.</p> <p>(III) Loss of engaging in derivative products transaction reaches the loss ceiling of all or individual contract stipulated in operation procedures. .</p> <p>(IV) The transaction amount of transaction of assets out of the above three Paragraphs, financial institutions in disposal of claim or engagement in investment in Mainland reaches over 20% paid-in capital of the company or NT\$300 Million. However, the</p>	<p>Article 15: Information Disclosure Procedures</p> <p>I. Items to be announced and declared and announcement and declaration standard</p> <p>(I) For acquisition or disposal of property or the right-of-use assets from an affiliate, or other assets that are acquired or disposed of by the Company beyond the above, the transaction amount reaches 20% paid-in capital, or 10% total assets or over NT\$300 Million. However, transactions of domestic government bonds and bonds with conditions of repurchase and reverse repurchase are not limited this.</p> <p>(II) Conducting merger, division, acquisition or stock transfer.</p> <p>(III) Loss of engaging in derivative products transaction reaches the loss ceiling of all or individual contract stipulated in operation procedures. .</p> <p>(IV) The transaction amount of transaction of assets out of the above three Paragraphs, financial institutions in disposal of claim or engagement in investment in Mainland reaches over 20% paid-in capital of the company or NT\$300 Million. However, the</p>	

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>following situations are not subject to this provision:</p> <ol style="list-style-type: none"> 1. Transaction of government bonds. 2. Transaction of negotiable securities at domestic and foreign stock exchanges or securities dealers as professional investment. 3. Transaction of bonds with conditions of repurchase and reverse repurchase. 4. The type of assets in acquisition or disposal falls into machinery or equipment for operation use, the transaction party is not an affiliate, and the transaction amount does not reach over NT\$500 Million. 5. In acquisition or disposal of property for construction use by public listed companies in construction business, the transaction party is not an affiliate, and the transaction amount does not reach over NT\$500 Million. 6. The transaction amount of expected input by the company for self-owned land of entrusted construction, leased land of entrusted construction, joint construction for distribution of building, joint construction for distribution of profit and joint construction for distribution of sales does not reach over NT\$500 Million. <p>(V) The calculation of the above transaction amount in Subparagraph IV is carried out as follows, and the within one year limit refers to that the date of factual occurrence is taken as the base and then dated back one year, and the announced part according to provisions will not be re-included.</p> <ol style="list-style-type: none"> 1. Amount of every transaction. 	<p>following situations are not subject to this provision:</p> <ol style="list-style-type: none"> 1. Transaction of government bonds. 2. Transaction of negotiable securities at domestic and foreign stock exchanges or securities dealers as professional investment. 3. Transaction of bonds with conditions of repurchase and reverse repurchase. 4. The type of assets in acquisition or disposal falls into machinery or equipment for operation use, the transaction party is not an affiliate, and the transaction amount does not reach over NT\$500 Million. 5. In acquisition or disposal of property for construction use by public listed companies in construction business, the transaction party is not an affiliate, and the transaction amount does not reach over NT\$500 Million. 6. The transaction amount of expected input by the company for self-owned land of entrusted construction, leased land of entrusted construction, joint construction for distribution of building, joint construction for distribution of profit and joint construction for distribution of sales does not reach over NT\$500 Million. <p>(V) The calculation of the above transaction amount in Subparagraph IV is carried out as follows, and the within one year limit refers to that the date of factual occurrence is taken as the base and then dated back one year, and the announced part according to provisions will not be re-included.</p> <ol style="list-style-type: none"> 1. Amount of every transaction. 	<p style="text-align: center;"><u>S</u></p>

Prior Articles	Amended Articles	<u>Reasons for Amendment</u> <u>s</u>
<p>2. Cumulative transaction amount of acquisition or disposal of the same nature of subject matter with the same other party within one year.</p> <p>3. Cumulative amount of acquisition or disposal (separate cumulation) of property of the same development plan within one year.</p> <p>4. Cumulative amount of acquisition or disposal (separate cumulation) of the same negotiable securities within one year.</p> <p>II. Time Limit for Handling Announcement and Declaration: If the Company, in acquisition or disposal of assets, has the items to be announced and declared and the transaction amount reaches the standard of announcement and declaration, it shall handle announcement and declaration within 2 days after the date of occurrence.</p> <p>III. Announcement and Declaration Procedures</p> <p>(I) The Company shall handle announcement and declaration for relevant information on the designated website of the Securities and Futures Commission.</p> <p>(II) The Company shall input the transactions of derivative products by itself and subsidiaries of non-domestic public listed companies by the end of last month into information declaration website in specified format designated by Securities and Futures Commission before the 10th day of every month.</p> <p>(III) For items to be announced according to provisions by the Company, if there is any mistake or omission, corrections have to be made, and all items have to undergo re-announcement and re-declaration.</p> <p>(IV) In acquisition or disposal of assets</p>	<p>2. Cumulative transaction amount of acquisition or disposal of the same nature of subject matter with the same other party within one year.</p> <p>3. Cumulative amount of acquisition or disposal (separate cumulation) of property or the right-of-use assets of the same development plan within one year.</p> <p>4. Cumulative amount of acquisition or disposal (separate cumulation) of the same negotiable securities within one year.</p> <p>II. Time Limit for Handling Announcement and Declaration: If the Company, in acquisition or disposal of assets, has the items to be announced and declared and the transaction amount reaches the standard of announcement and declaration, it shall handle announcement and declaration within 2 days after the date of occurrence.</p> <p>III. Announcement and Declaration Procedures</p> <p>(I) The Company shall handle announcement and declaration for relevant information on the designated website of the Securities and Futures Commission with FSC.</p> <p>(II) The Company shall input the transactions of derivative products by itself and subsidiaries of non-domestic public listed companies by the end of last month into information declaration website in specified format designated by Securities and Futures Commission with FSC before the 10th day of every month.</p> <p>(III) For items to be announced according to provisions by the Company, if there is any mistake or omission, corrections have to be made, and all items have to undergo re-announcement and re-declaration.</p>	

Prior Articles	Amended Articles	<u>Reasons for Amendment</u>
<p>by the Company, relevant contract, meeting minutes, memorandum book, valuation report, letter of opinion from CPA, lawyer or securities underwriter shall be kept in the Company for at least 5 years, unless otherwise stipulated by other law</p> <p>(V) After announcement and declaration of transaction by the Company according to provisions, it shall prepare relevant information to handle announcement and declaration at designated website by the securities and futures commission within 2 days after the date of factual occurrence for one of the following situations:</p> <ol style="list-style-type: none"> 1. There is variation, termination or cancellation in relevant contract signed for original transaction. 2. Merger, division, acquisition or stock transfer is not completed according to contract stipulated schedule. 3. There is variation to the content of original announcement and declaration. 	<p>(IV) In acquisition or disposal of assets by the Company, relevant contract, meeting minutes, memorandum book, valuation report, letter of opinion from CPA, lawyer or securities underwriter shall be kept in the Company for at least five years, unless otherwise stipulated by other law</p> <p>(V) After announcement and declaration of transaction by the Company according to provisions, it shall prepare relevant information to handle announcement and declaration at designated website by the securities and futures commission with FSC within 2 days after the date of factual occurrence for one of the following situations:</p> <ol style="list-style-type: none"> 1. There is variation, termination or cancellation in relevant contract signed for original transaction. 2. Merger, division, acquisition or stock transfer is not completed according to contract stipulated schedule. 3. There is variation to the content of original announcement and declaration. 	

[Attachment 10]

United Orthopedic Corporation

Comparison Table of Amendments to Operation Procedures of Capital Loan to other party

Prior Articles	Amended Articles	Reasons for Amendments
<p>Article 3: Total Amount of Capital Loan and Limit for Individual Subjects</p> <p>Total financing amount shall not exceed 30% of the paid-in capital of the enterprise and can be divided into the following two situations.</p> <p>(I) If the Company engages in capital loan to companies with business interaction or banks, the total amount of loan shall not exceed 30% paid-in capital of the Company; and individual loan amount shall not exceed the business interaction amount in the latest one year. The business interaction amount refers to the purchase or sales amount between them, whichever is higher.</p> <p>(II) If the capital is loaned to companies or banks with necessity for short-term financing, the total loan amount shall not exceed 1% paid-in capital of the Company; the individual loan amount shall not exceed NT\$1,000,000.</p> <p>In capital loan to other parties, the opinions of Independent Directors shall be fully considered, and explicit opinion of consent or objection and reasons shall be included into the meeting minutes of Board of Directors.</p>	<p>Article 3: Total Amount of Capital Loan and Limit for Individual Subjects</p> <p>Total financing amount shall not exceed 30% of the paid-in capital of the enterprise and can be divided into the following two situations.</p> <p>(I) If the Company engages in capital loan to companies with business interaction or banks, the total amount of loan shall not exceed 30% paid-in capital of the Company; and individual loan amount shall not exceed the business interaction amount in the latest one year. The business interaction amount refers to the purchase or sales amount between them, whichever is higher.</p> <p>(II) If the capital is loaned to companies or banks with necessity for short-term financing, the total loan amount shall not exceed 1% paid-in capital of the Company; the individual loan amount shall not exceed NT\$1,000,000.</p> <p>In capital loan to other parties, the opinions of independent directors shall be fully considered; if they have objection or reserve opinion, it shall be included into the meeting minutes of Board of Directors.</p> <p><u>If the Company has set up</u></p>	<p>Amendments are made in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies newly amended on March 8, 2019.</p>

	<p><u>audit committee, then in formulating or amending the handling procedures for assets consent of more than half plenary members of audit committee has to be obtained and then it shall be raised to the Board of Directors for resolution without application of provisions of Paragraph II. Or otherwise, consent of more than two thirds of all directors has to be obtained, and the resolution of audit committee shall be included clearly into the meeting minutes of Board of Directors.</u></p> <p><u>The plenary members of audit committee and all directors mentioned above in Paragraph IV are calculated by the actual incumbent ones.</u></p>	
<p>Article 9: Information Disclosure (After Public Offering)</p> <p>I. The Company shall input the monthly capital loan balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company capital loan balance reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <p>(I) The capital loan balance of the Company and subsidiaries to other parties reaches over 20% net value in the most recent financial statements.</p> <p>(II) The capital loan balance of the Company and subsidiaries to single enterprise reaches over 10% net value in the most recent financial statements.</p> <p>(III) The newly added capital loan of the Company and subsidiaries reaches over</p>	<p>Article 9: Information Disclosure (After Public Offering)</p> <p>I. The Company shall input the monthly capital loan balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company capital loan balance reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <p>(I) The capital loan balance of the Company and subsidiaries to other parties reaches over 20% net value in the most recent financial statements.</p> <p>(II) The capital loan balance of the Company and subsidiaries to single enterprise reaches over 10% net value in the most recent financial statements.</p> <p>(III) The newly added capital loan of the Company and subsidiaries reaches over</p>	<p>Amendments are made in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies newly amended on March 8, 2019.</p>

<p>NT\$10 Million and 2% net value in the most recent financial statements.</p> <p>The date of occurrence refers to dates like transaction agreement signing date, payment date, resolution date by Board of Directors or other date for transaction subject and amount, whichever is earlier.</p> <p>.....</p>	<p>NT\$10 Million and 2% net value in the most recent financial statements.</p> <p>The date of occurrence of the event refers to the date of contract signing, date of payment, date of Board of Directors meeting, or other date of sufficient certainty to confirm the amount and amount of the loan or endorsement.</p> <p>.....</p>	
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[Attachment 11]

**United Orthopedic Corporation
Comparison Table for Amendments to the Procedures for Endorsement and
Guarantee**

Prior Articles	Amended Articles	Reasons for Amendments
<p>Article 9: The time and content of announcement and declaration (After public offering)</p> <p>I. The Company shall input the monthly endorsement/guarantee balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company's endorsement/guarantee reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The endorsement/guarantee balance of the Company and subsidiaries reaches over 50% net value of the Company in the most recent financial statements. 2. The endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over 20% net value in the most recent financial statements. 3. The 	<p>Article 9: The time and content of announcement and declaration (After public offering)</p> <p>I. The Company shall input the monthly endorsement/guarantee balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company endorsement/guarantee reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The endorsement/guarantee balance of the Company and subsidiaries reaches over 50% net value of the Company in the most recent financial statements. 2. The endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over 20% net value in the most recent financial statements. 3. The 	<p>The Company's Procedures for Endorsement and Guarantee are formulated in accordance with the newly amended Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

<p>endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over NT\$10 Million and the sum of endorsement and guarantee, long-term investment and capital loan balance reaches over 30% net value in the most recent financial statements.</p> <p>4. The newly added endorsement/guarantee of the Company and subsidiaries reaches over NT\$30 Million and 5% net value in the most recent financial statements.</p> <p>The date of occurrence refers to dates like transaction agreement signing date, payment date, resolution date by Board of Directors or other date for transaction subject and amount, whichever is earlier.</p> <p>III. If a subsidiary of the Company is a non-domestic public listed company who has the items to be input into Market Observation Post System according to the preceding Subparagraph IV of the above Paragraph, the Company shall act on its behalf.</p> <p>IV. The public listed company shall evaluate or recognize the possible</p>	<p>endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over NT\$ 10 Million and the sum of endorsement and guarantee, book value of investment with equity method and capital loan balance reaches over 30% net value in the most recent financial statements.</p> <p>4. The newly added endorsement/guarantee of the Company and subsidiaries reaches over NT\$30 Million and 5% net value in the most recent financial statements.</p> <p>The date of occurrence refers to dates like transaction agreement signing date, payment date, resolution date by Board of Directors or other date for transaction subject and amount, whichever is earlier.</p> <p>III. If a subsidiary of the Company is a non-domestic public listed company who has the items to be input into Market Observation Post System according to the preceding Subparagraph IV of the above Paragraph, the Company shall act on its behalf.</p> <p>IV. The public listed company shall evaluate or recognize the</p>	
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<p>endorsement/guarantee loss, appropriately disclose endorsement/guarantee information in financial report, and provide relevant data to CPAs for necessary audit procedures.</p>	<p>possible endorsement/guarantee loss, appropriately disclose endorsement/guarantee information in financial report, and provide relevant data to CPAs for necessary audit procedures.</p>	
<p>Article 12: Implementation and Amendment</p> <p>After the Procedures have been approved by the Board of Directors, they shall be submitted to each Supervisor, and then to the shareholders' meeting for approval; if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor and the shareholders' meeting for discussion. The same applies when the Procedures are amended. Since the Company has created the position of Independent Director, when the Procedures are submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting.</p>	<p>Article 12: Implementation and Amendment</p> <p>After the Procedures have been approved by the Board of Directors, they shall be submitted to each Supervisor, and then to the shareholders' meeting for approval; if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor and the shareholders' meeting for discussion. The same applies when the Procedures are amended. Since the Company has created the position of Independent Director, when the Procedures are submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting.</p> <p><u>If the Company has set up audit committee, then in formulating or amending the operation procedures of capital loan to other parties, consent of more than half plenary members of audit committee has to be obtained and then it shall</u></p>	<p>The Company's Procedures for Endorsement and Guarantee are formulated in accordance with the newly amended Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

	<p><u>be raised to the Board of Directors for resolution without application of provisions of Paragraph II.</u></p> <p><u>Or otherwise, consent of more than two thirds of all directors has to be obtained, and the resolution of audit committee shall be included clearly into the meeting minutes of Board of Directors.</u></p> <p><u>The plenary members of audit committee and all directors mentioned above in Paragraph IV are calculated by the actual incumbent ones.</u></p>	
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[Appendix 1]

United Orthopedic Corporation Articles of Association

Chapter 1 General Provisions

- Article 1: The Company is organized in accordance with the Company Act under the name of United Orthopedic Corporation. The Company's English name is United Orthopedic Corporation.
- Article 2: The Company may engage in the following business activities:
- (I) Research, development, production, and sales of the following products:
 - I. Artificial orthopedic implants: including artificial joints, artificial bone plates, bone nails, bone needles, etc.
 - II. Orthopedic surgical equipment and its manufacturing equipment.
 - III. Special metal and plastic materials.
 - (II) The import and export and trade business of the products mentioned above.
- Article 3: The Company's head office is established in Hsinchu Science Park. Where necessary the Company may establish branch companies and offices domestically or overseas subject to the resolution by its Board of Directors and the approval of the competent authority.
- Article 4: The Company may provide guarantees for external parties based on business requirements.
- The Company's investment shall be exempted from the 40% restriction specified in Article 13 of the Company Act in relation to the percentage of total investment amount that can be made with a company's paid-in capital. Reinvestment and related affairs shall require resolution from the meeting of the Board of Directors.

Chapter 2 Shares

- Article 5: The Company's total capital is set at NT\$1 Billion, divided into 100 Million shares at NT\$10 par value. The Board of Directors is authorized to issue the unissued shares based on actual requirements.
- Article 6: Deleted.
- Article 7: The shares of the Company shall be name-bearing certificates. They are issued after signed and sealed by more than three Directors and certified in accordance with relevant laws and regulations. Shares issued by the Company are not required to be printed. The Company, however, should contact the securities depository and custodian institution for registration of the share certificates.
- Article 8: The transfer of shares shall be suspended within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of an interim shareholders' meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonus or other benefits.

Chapter 3 Shareholders' Meetings

- Article 9: Shareholders' meeting can be divided into regular meetings and interim meetings. Regular meetings are convened once a year, and usually within six months of the end of each fiscal year. The regular meeting is convened by the Board of Directors according to the law. Interim meetings may be convened according to the law when necessary.
- Article 10: The shareholder who cannot attend the shareholders' meeting may appoint a proxy to attend the meeting on his behalf by executing a letter of authorization printed by the Company stating the scope of power authorized to the proxy. The use of proxies shall be processed in accordance with the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority.
- Article 11: Each share is entitled to one voting right.
- Article 12: Resolutions at a shareholders' meeting shall, unless otherwise provided for in related regulations and laws, be adopted by at least half of all shareholders present. And consent from shareholders present who represent more than half of the total number of voting rights shall be obtained before implementation.

Chapter 4 Directors and Supervisors

- Article 13: The Company shall have 7 Directors and 3 Supervisors serving three-year terms. They shall be elected among persons of adequate capacity by the shareholders' meeting, and they may be re-elected. Following the public offering of the Company's shares, the total shareholding ratio of all Directors and Supervisors shall be determined by provisions of the competent authority of securities.
- The aforementioned Directors shall consist of no less than 2 Independent Directors pursuant to Article 14-2 of the Securities and Exchange Act; a candidate nomination system shall be adopted in the election and the Independent Directors shall be elected by the shareholders' meeting from the list of candidates. The guidelines for qualifications, shareholdings, restrictions on concurrent posts, nomination, election and any other matters to be complied with by the Independent Directors of the Company shall be prescribed by the relevant provisions of the competent authority in charge of securities.
- The Company may purchase liability insurance policies that cover the Directors and Supervisors' term of service, and therefore insure itself against liabilities incurred by the Directors and Supervisors over the course of service.
- Article 14: The Board of Directors is formed by the Directors. The Chairman, who is to represent the Company externally, is elected by a majority voting of the Directors present at a meeting of its Board of Directors attended by two-thirds or more of the Directors of the Company. Supervisors shall be invited to meetings of the Board of Directors.
- Article 15: The Chairman shall chair meetings of the Board of Directors. If the Chairman is unable to perform his duties due to leave of absence or any reason, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also absent, the Chairman shall appoint one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman. The resolutions of meetings of the Board of Directors shall be processed in accordance with the Company Act. If a Director is unable to attend a meeting of

the Board of Directors in person, the Director may appoint another director to act on behalf of the absent Director in writing. One Director may only act on behalf of one other Director.

Article 16: Remuneration of Chairman of the Board, Directors and Supervisors are delegated to the decision from the Board of Directors based on their level of participation and contributions in the Company's business operations and also based on the average industry standards.

Chapter 5 General Manager

Article 17: The Company shall have one General Manager whose appointment, dismissal and remuneration shall be processed in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 18: The Company's fiscal year begins on January 1 and ends on December 31 each year. The end of December is the total settlement period for the fiscal year. The Board of Directors shall formulate the following account books for Supervisors' audit and submit them for the recognition in the shareholders' meeting:

- (1) Business Report
- (2) Financial Statements
- (3) Earnings distribution or loss reimbursement proposals

Article 19: Deleted.

Article 20: In case that the Company makes a profit in the current year (profits refer to income before tax that has not yet deducted remuneration distributed to the employees, Directors, and Supervisors), 12% shall be allocated as employee bonus and no more than 3% as the remuneration of Directors and Supervisors. However, when the Company has accumulated losses (including adjustment on non-distributed earnings), the amount should be repaid firstly.

The employee bonus and remuneration of Directors and Supervisors mentioned above shall only be distributed in cash. It shall be determined by the Board of Directors and reported to the shareholders' meeting.

Article 20-1: In case that 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, such restrictions shall not apply. After the legal surplus reserve has been retained or rotated 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.

Chapter 7 Supplementary Provisions

Article 21: Matters not prescribed in the Articles, if any, shall be conducted in accordance with the provisions of the Company Act.

Article 22: The Articles of Association were established on February 1, 1993.

The 1st amendment was made on April 9, 1994.

The 2nd amendment was made on August 31, 1994.

The 3rd amendment was made on December 15, 1996.

The 4th amendment was made on December 15, 1996.

The 5th amendment was made on May 15, 1997.

The 6th amendment was made on July 15, 1997.

The 7th amendment was made on January 5, 1998.

The 8th amendment was made on June 5, 1998.

The 9th amendment was made on June 10, 1999.

The 10th amendment was made on June 14, 2000.

The 11th amendment was made on June 19, 2002.

The 12th amendment was made on June 17, 2003.

The 13th amendment was made on June 17, 2004.

The 14th amendment was made on November 30, 2004.

The 15th amendment was made on June 16, 2005.

The 16th amendment was made on June 14, 2006.

The 17th amendment was made on June 13, 2007.

The 18th amendment was made on June 18, 2010.

The 19th amendment was made on June 24, 2013.

The 20th amendment was made on June 22, 2016.

United Orthopedic Corporation

Person in Charge: Lin Yan-Shen

[Appendix 2]

United Orthopedic Corporation Rules of Procedures for Shareholders' Meetings

Article 1 (Basis of Establishment)

To establish an excellent governance system and a sound monitoring function, and to strengthen management mechanism, the Company, in accordance with Article 5 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, formulated these rules.

Article 2 Unless otherwise stipulated in related laws and regulations or the Articles of Association of the Company, all shareholder meeting proceedings shall be conducted according to these rules.

Article 3 (Convention and Notice of Annual Meeting of Shareholders)

Unless otherwise provided by regulations, shareholders' meeting is convened by the Board of Directors.

The Company shall inform each shareholder 30 days before the date of the meeting. The Company shall inform shareholders holding less than 1,000 shares of registered shares of the shareholders' meeting by uploading public announcement on the Market Observation Post System 30 days before the date of a regular shareholders' meeting. For interim meetings, the Company shall inform shareholders 15 days before the date of the meeting. The Company shall inform shareholders holding less than 1,000 shares of registered shares by uploading public announcement on the Market Observation Post System 15 days before the date of a regular shareholders' meeting. The notice or public announcement shall specify the reasons for convening meetings. Election of directors and supervisors, alteration of the Articles of Association, and dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be itemized in the causes or subjects to be described in the notice, and shall not be brought up as Extempore Motions.

Article 4 (Proxy Attendance and Authorization)

Shareholders may appoint a proxy to attend the meeting by expressing the intent in the form for appointment of representation provided by the Company, stating the scope of authorization and the identity of the proxy. A shareholder may only execute one power of attorney and appoint only one proxy. The shareholder shall submit such written proxy to the company no later than 5 days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless a declaration is made to cancel the previous proxy appointment.

Article 5 (Principles determining time and place of shareholders' meeting)

The venue where a shareholder meeting is to be held shall be in the premises of this Company or a location easy for shareholders to access and appropriate for holding meetings. All shareholder meetings may not begin before 9:00 a.m. or after 3:00 p.m. The opinions of the independent directors shall be fully taken into consideration in decision of the location and time of a shareholder meeting.

Article 6 (Preparation of attendance logs and documents)

The company shall provide an attendance log to record attendance of shareholders or proxies thereof (collectively referred to as shareholders below); alternatively, attendance cards may be presented to signify their presence at the meeting.

The Company shall furnish attending shareholders with the proceedings manual, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors or Supervisors, pre-printed ballots shall also be furnished.

Shareholders shall attend shareholders meetings upon presentation of attendance cards, sign-in cards, or other certifications. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 (Meeting chair and participants)

Shareholders' meetings that are convened by the Chairman shall be chaired by the Chairman. If the Chairman is unable to perform such duties due to leave of absence or any reason, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also unavailable or is non-existent, the Chairman may appoint one of the directors to act on the Chairman's behalf. If the Chairman does not appoint a delegate, one shall be elected among the directors to act on the Chairman's behalf.

Shareholders' meetings convened by the Board of Directors should be attended by a majority of the Directors.

If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8 (Documentation of shareholders' meeting by audio or video)

The Company shall document the shareholders' meeting by audio or video, and recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 9: (Calculation of representative shareholding and meeting commencement)

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares registered in the attendance book and attendance cards handed in.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent over half of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding Paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within a month.

When, prior to conclusion of the meeting, the attending shareholders represent over half of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10 (Discussion of Agenda Items)

If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding Paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two Paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair according to statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 11 (Shareholders' speeches)

Before speaking, the attending Shareholder shall complete the speaker's slip indicating the subject of speech, Shareholder's account number (or the number of attendance permit) and account name. The sequence of speeches shall be determined by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12 (Calculation of voted shares and recusals)

Voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding Paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13: (Voting, ballot examination and ballot count)

Shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights.

Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of over half of the voting rights represented by the attending shareholders.

A proposal is deemed to have passed when no attending shareholders give a dissent after being inquired by the chair, and the effect thereof is the same as a vote; if there are dissents, a vote in the preceding Paragraph shall be adopted.

When there is an amendment or an alternative to same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 (Elections)

The election of Directors or Supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding Paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 (Meeting minutes and acknowledgments)

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting.

Distribution of the meeting minutes as described in the preceding Paragraph may be conducted by uploading them to the Market Observation Post System.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

A proposal passed via the resolution method in the preceding Paragraph shall be recorded as "passed unanimously after the chair inquires all shareholders in attendance" after the chair has inquired all attending shareholders and no shareholders have voiced an objection. If shareholders do raise any objection, the resolution must specify the voting method adopted and the number and percentage of rights voted in favor.

Article 16 (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange) regulations, the Company shall upload the content of such resolution to the Market Observation Post System within the prescribed time period.

Article 17 (Maintaining order at the meeting venue)

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 (Recess and resumption of shareholders meeting)

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 to Article 20: Deleted.

Article 21: Matters not addressed herein shall be governed by the Company Act, the Articles of Association of the Company, and other relevant laws and regulations.

Article 22: These Rules shall take effect after approval by the shareholder meeting and the same procedure shall apply for amendments.

[Appendix 3]

United Orthopedic Corporation Directors and Supervisors Election Methods

- Article 1: The Company has formulated these Procedures in accordance with Article 21 and 41 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies", for election of directors with fairness, impartiality and openness.
- Article 2: Except as otherwise provided by law or the Articles of Association, elections of Directors and Supervisors shall be conducted in accordance with these Procedures.
- Article 3: The election of the Company directors consider the overall composition of the Board of Directors. Members of the Board shall possess the knowledge, skills and qualities required to perform their duties. The overall abilities of the Board shall be as follows:
- I. Business judgment ability.
 - II. Accounting and financial analysis ability.
 - III. Operating management ability.
 - IV. Crisis management ability.
 - V. Industrial knowledge.
 - VI. International market vision.
 - VII. Leadership.
 - VIII. Decision-making ability.
- Article 4: Supervisors of the Company shall possess the following requirements on the left:
- I. Integrity.
 - II. Impartial judgments.
 - III. Professional knowledge.
 - IV. Extensive experience.
 - V. Ability of reading financial statements.
- In addition to the requirements of the preceding Paragraph, at least one of the supervisors shall be required to be an accounting or financial professional.
- Article 5: The election of independent directors or independent supervisors of the Company shall be limited to the legal person or its representative as defined in Article 27 of the Company Act, and shall be conducted in accordance with Article 25 and Article 53 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
- Independent Directors or Independent Supervisors shall meet the regulations provided on the left:
- I. More than five years of experience in business, finance, legal or corporate business.
 - II. Reached certain hours for training in professional knowledge in law, finance or accounting, and obtained relevant certification documents.
- Independent Directors or Independent Supervisors shall be deemed as

non-conformity to independence conditions for one of the following situations on the left:

- I. The Company's employees, or directors, supervisors or employees of its related enterprises.
- II. Holding over 1% of total issued shares of the Company directly or indirectly or top ten natural person shareholders.
- III. The spouse of the personnel listed in the preceding two Subparagraphs shall be a spouse or relative within the second degree of kinship.
- IV. Legal person shareholders, directors, supervisors and employees holding over 5% total issued shares of the Company directly or top five legal person shareholders, directors, supervisors and employees.
- V. Directors, supervisors and managers of certain companies or institutions with financial business with the Company or shareholders holding over 5% shares.
- VI. Professionals providing financial, business and legal service and consultation to the Company or related enterprises, owners, partners, directors (council members), supervisors, managers and their spouses of sole proprietorship, company or institution.
- VII. Independent directors or independent supervisors concurrently for over five other companies.

Article 6: The Board of Directors or any shareholder of the Company may provide the recommendation for directors and supervisors for the next term as reference in election.

Article 7: The cumulative voting method for election of Directors and Supervisors is adopted by the Company. Each share shall be elected in the same manner as the number of Directors to be elected, and one person may be elected to be elected for one candidate or split the number of elections.

Article 8: The Board shall prepare ballots for the number of votes that shall be elected and the number of Directors and Supervisors that shall be elected. The number of votes to be filled with the number of shares shall be filled and distributed to shareholders who attend the shareholders' meeting. The attendance number of the candidate may be printed on the ballots.

Article 9: The directors and supervisors of the Company shall be acted by those representing more voting rights in order according to the quota stipulated in the Articles of Association. If there are two or more persons obtaining the same number of rights exceeding the stipulated quota, decision shall be made by drawing lots, and the chair shall draw on behalf of the absent ones.

Article 10: Before the election begins, the Chair shall appoint a number of persons with shareholder identity monitoring and counting of various persons, and perform various duties. The ballot boxes shall be prepared by the Board of Directors, and publicly opened and checked by the monitoring personnel before voting.

Article 11: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, if the government or a legal person shareholder is a candidate, the name of the government or legal person shall be filled in the "candidate" column of the ballot. The name of the government or legal person or the name of its

representative shall be filled as well. If there are more than one representative, the names for them shall be filled in as well.

- Article 12: The ballot shall be invalid for one of the following situations:
- I. The Board of Directors prepared ballots are not used.
 - II. A blank ballot is placed in the ballot box.
 - III. The writing is unclear and indecipherable, or modified.
 - IV. If the candidate is a shareholder, the candidate's identity, shareholder account number do not match with shareholders' ledger; if the candidate is non-shareholder, the name and ID card number are verified to be inconsistent.
 - V. A ballot is filled in other words, apart from the candidate's name and its shareholder account number or identification number.
 - VI. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is filled in the ballot.
- Article 13: The ballots will be opened on the spot immediately after the voting is completed. The results for elected directors and supervisors shall be announced on the spot.
- Article 14: The elected Directors and Supervisors shall be distributed with election notice by the Company Board of Directors.
- Article 15: The Procedures shall be implemented after the approval of the shareholders' meeting. The same applies when the Procedures are amended.

[Appendix 4]

United Orthopedic Corporation Procedures for Acquisition and Disposal of Assets

Article 1: Objective

The handling procedures are formulated to safeguard assets and implement information openness.

Article 2: Legal basis

These Procedures are established in accordance with Article 36-1 of the Securities Exchange Law and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 3: Scope of Assets

- I. Negotiable Securities: stock, government bonds, corporate bonds, financial securities, negotiable securities of recognition fund, depository receipt, warrant to subscribe (put), beneficial securities and asset-backed securities.
- II. Property and other fixed assets.
- III. Membership certificate.
- IV. Intangible assets: including intangible assets like patents, copyrights, trademark rights, and concession assets.
- V. Claim of Financial Institutions (including receivables, negotiation discount and loan, receivables on demand).
- VI. Derivative Products.
- VII. Acquisition or Disposal of Assets according to Legal Merger, Division, Acquisition or Stock Transfer.
- VIII. Other important assets.

Article 4: Definition of Terms

- I. Derivative products: referring to forward contract, option contract, futures contract, leveraged margin contract, exchange contract and composite contract through portfolio of the above whose value is derived from products like assets, interest rate, exchange rate, index or other benefits. The forward contract in the Handling procedures excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract.
- II. Acquisition or disposal of assets according to legal merger, division, acquisition or stock transfer: referring to assets acquired or disposed of through merger, division or acquisition according to corporate merger law, financial holding company law, financial institution merger law and others, or those involving the transfer of other companies' shares according to Article 156-6 of the Company Act.

- III. Related party: to be stipulated by No.6 financial accounting standards released by Accounting Research Development Fund of the Republic of China.
- IV. Subsidiaries: to be stipulated by No.5 and No.7 financial accounting standards released by Accounting Research Development Fund of the Republic of China.
- V. Professional valuator: Referring to property valuator and those engaged in valuation of property or other fixed assets.
- VI. Date of occurrence: Referring to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever is earlier. However, for investment that shall be approved by the competent authority, the above date or the date of obtaining approval from the competent authority shall apply, whichever is earlier.
- VII. Investment in Mainland China: referring to investment in Mainland in accordance with investment or technological cooperation permit methods by the Investment Deliberation Committee, Ministry of Economy.
- VIII. The most recent financial statements: referring to financial statements audited or reviewed by CPAs disclosed in accordance with the law before the acquisition or disposal of assets by the Company.

Article 5: Investment ceiling in property and negotiable securities not for operation use

The following is the ceiling for the Company and its subsidiaries to acquire the above assets:

- (I) The total amount of property not for operation use shall not exceed 15% net value in the most recent financial statements of the Company and subsidiaries.
- (II) The total amount of negotiable securities investment shall not exceed 70% net value in the most recent financial statements of the Company and subsidiaries.
- (III) The limit for investment into individual negotiable securities shall not exceed 10% net value in the most recent financial statements of the Company and subsidiaries.

If the above investment ceiling and scope are exceeded, it shall be reported to Board of Directors before execution.

Article 6: For the valuation report or opinion from CPA, lawyer or securities underwriter, the professional valuator and valuation personnel, CPA, lawyer or securities underwriter shall not be an affiliate with party involved.

Article 7: For assets acquired or disposed of by the Company through court auction, documents of evidence from court shall replace valuation report or CPA opinion.

Article 8: Handling procedures of acquisition or disposal of property or other fixed assets

I. Valuation and Operation Procedures

The property or other fixed assets acquired or disposed of by the Company shall be handled in cycle according to the internal control system of the Company.

II. Decision-making Procedures for Transaction Conditions and Authorized Limits

For acquisition or disposal of property by the Company, the announcement current value, assessed value, actual transaction price of adjacent property, transaction conditions and price through resolution shall be referred to. Acquisition or disposal of other fixed assets shall be carried out in one of the following means, namely enquiry, consideration, bargaining, or tendering. The amount within 20% paid-in capital shall be approved by the chairman, and that exceeding 20% paid-in capital shall be reported to Board of Directors for passage before implementation.

III. Execution Department

In acquisition or disposal of property or other fixed assets by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.

IV. Valuation Report of Property or Other Fixed Assets

For acquisition or disposal of property or other fixed assets by the Company, except for transaction with government authorities, self-owned land construction, leased land construction, or machinery and equipment acquired or disposed of for operation use, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, the valuation report from professional valuator before the date of occurrence has to be obtained and the following provisions be complied with:

- (I) If limit price, specific price or special price has to be taken as the reference basis of transaction price for special reasons, the transaction has to pass the resolution of the Board of Directors first; if there is variation to the future transaction conditions, the above procedures have to be followed.
- (II) If the transaction amount is NT\$ 1 Billion or more, valuations from two or more professional valutors shall be obtained.
- (III) For one of the following situations, except that the valuation result of acquired assets is higher than transaction amount or the valuation result of disposed of assets is lower than transaction amount, CPA shall be engaged to express specific opinions upon the reasons for the difference and the appropriateness of the transaction price according to provisions of No.20 audit standards released by Accounting Research Development Fund.
 1. The difference between valuation result and transaction amount reaches above 20% transaction amount.
 2. The difference of valuation result by more than two professional valutors reaches above 10% transaction amount.
- (IV) The report issuance date and contract conclusion date shall not have an interval of more than 3 months. If it is applicable to the announcement current value of the same period and not more than 6 months, the original valuator shall issue opinion.

Article 9: Handling Procedures of Acquisition or Disposal of Negotiable Securities Investment

I. Valuation and Operation Procedures

The purchase and disposal of negotiable securities by the Company shall be conducted in accordance with the Company's internal control system investment cycle.

II. Decision-making Procedures for Transaction Conditions and Authorized Limits

The accountable departments shall make decision according to market situations upon negotiable securities transaction at centralized or non-centralized trading market or securities dealers. For acquisition or disposal of negotiable securities, the execution department shall evaluate and submit to board of director for approval before implementation. And the Board of Directors shall authorize the chairman to make approval of transaction whose amount is within 20% paid-in capital, and later it shall be submitted to Board of Directors for confirmation. For negotiable securities transaction conducted at non-centralized trading market or securities dealers, the latest financial statements of subject company audited or reviewed by CPA shall be obtained as the reference for evaluation of transaction price, with consideration given to net value per share, profitability and future development potential.

III. Execution Department

In long-term and short-term negotiable securities investment by the Company, the Company has to designate financial department for execution after approval according to the above approval authority.

IV. Acquisition of CPA Opinion

For acquisition or disposal of negotiable securities by the Company, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, CPA shall be engaged to express opinion upon the reasonableness of the transaction price before the date of occurrence and the provisions of No.20 audit standard announcement released by Accounting Research Development Fund shall be followed if the CPA has to adopt expert report. But if the negotiable securities have open quotation from active market or the FSC stipulates otherwise, it is not subject to this provision.

Article 10: Procedures for Transactions with Related Parties

I. The Company's acquisition or disposal of assets with related parties shall be made in accordance with the provisions of these Procedures and the reasonableness of the relevant procedures and valuation of transaction conditions. If the transaction amount exceeds 10% of the total assets of the Company, the valuation report or CPA's opinion from professional valuers shall be obtained in accordance with the provisions.

The calculation of the amount of transactions mentioned in the preceding Paragraph shall be conducted in accordance with Article 11-1.

If the transaction object is a related party, in addition to its legal form, the substance of the relationship shall also be considered.

II. Valuation and Operating Procedures

For acquisition or disposal of property from an affiliate or other assets out of

property, if the transaction amount reaches 20% paid-in capital, 10% total assets or more than NT\$300 Million, the following data shall be submitted for passage by Board of Directors and recognition by supervisors before signing transaction contract and effecting payment:

- (I) The objective, necessity and expected benefit of acquisition or disposal of assets:
- (II) Reason for selecting an affiliate as transaction party.
- (III) Acquisition of property from an affiliate shall follow the provisions of Subparagraph (I) and (IV) of Paragraph 3, Article 3 of this Article.
- (IV) Matters like original date and price of acquisition by an affiliate, transaction subject and relations between the Company and the affiliate.
- (V) Predict over the monthly cash income/expenses in the following one year from the month of signing contract, and evaluate the necessity of transaction and the reasonableness of capital use.
- (VI) Valuation report from professional valuator according to provisions or CPA opinion.
- (VII) Limitations of the transaction and other important agreements

The calculation of the above transaction amount should be carried out in accordance with Subparagraph 5 of Paragraph 1 of Article 15, and the within one year limit refers to that the date of occurrence date for the transaction is taken as the base and then dated back one year; the part that has been submitted to the Board of Directors for passage and supervisors for recognition does not need to be re-included.

With respect to the acquisition or disposal of equipment held for business use, when to be conducted between a public company and its parent or subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Where the position of Independent Director has been created in accordance with the Securities and Exchange Act, when the matter is submitted to the Board of Directors for discussion pursuant to the above provision, each Independent Director's opinions shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

III. Evaluation of Reasonableness of Transaction Cost:

- (I) The Company's acquisition or disposal of assets with related parties shall follow the evaluation of reasonableness of the transaction cost according to the following methods:
 - 1. The related party's transaction price plus necessary capital interest and cost undertaken by the buyer according to law. The above mentioned necessary capital interest cost is calculated on the basis of weighted average interest rate of the loan of the year when the Company purchases the asset, but not higher than the non-financial highest loan interest rate released by the Ministry of Finance.

2. If the affiliate set up pledged loan from financial institutions with the subject matter, the latter would evaluate the total value of loan for it. But the cumulative value of actual loan for the subject matter had to reach 70% total evaluated value of loan and the loan period was above one year. However, it is not applicable when financial institution and one transaction party are related parties.
- (II) If consolidated purchase of the land and house of the same object is carried out, then the transaction cost has to be evaluated according to one of the previous methods.
 - (III) If the Company acquires property from an affiliate, follow the provisions of Subparagraph (I) and (II) of Paragraph III of this Article to evaluate the property cost and engage CPA for review and expression of specific opinions.
 - (IV) If the Company acquires property from an affiliate, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed if the evaluation result according to Subparagraph (I) and (II) of Paragraph III of this Article is lower than the transaction price. The following conditions, if objective evidence is furnished and specific reasonableness opinions from professional property valuator and CPAs are obtained, are not subject to this provision:
 1. If the affiliate obtains open land or rental land for re-construction, it has to prove conformity to one of the following conditions:
 - (1) In the manner described in the preceding Article, the Company shall evaluate the housing based on the related party's construction costs plus reasonable construction profit, and the total number of the housing is over the actual transaction price. The above mentioned construction profit refers to the average operation gross profit rate of construction department of the affiliate in the most recent 3 years or the most recent gross profit rate in construction industry released by the Ministry of Finance, whichever is lower.
 - (2) As for the dealing cases of non-affiliate within one year for other buildings or adjacent regions of the same object house with similar area, the transaction conditions shall be similar after evaluation of price difference for reasonable buildings or regions according to the transaction practice of property.
 - (3) The lease case with other non-affiliate within one year of other building from the same subject house and land is deducted to have similar transaction conditions according to reasonable building price difference in property lease practice.
 2. For property purchased from affiliates by the Company, the transaction conditions shall be similar to dealing cases with other non-affiliates within one year of the adjacent regions and with similar area. The above mentioned dealing cases of adjacent regions follow the principle of subject matter with a distance not more than five hundred meters in the same or neighboring street or with similar announcement current value; the above mentioned similar area follows the principle that the area of dealing cases with non-affiliates

is not lower than 50% area of the transaction subject matter; the above mentioned within one year limit refers to that the date of factual occurrence of acquisition of the asset is taken as the base, and dated back one year.

- (V) If the Company acquires property from affiliate, and the results of the valuation conducted in accordance with the provisions of Subparagraph (1) and (2) of Paragraph III of this Article are lower than the transaction price, then the following matters shall be handled:
1. The Company shall recognize special surplus reserve for the difference between property transaction price and evaluation cost in accordance with Paragraph 1 of Article 41 of the Securities Exchange Law, without allocation or transfer to increased capital for allocation of shares. If the investors which evaluate the investment in the Company with equity method are public listed company, they shall also recognize special surplus reserve based on shares holding ratio in accordance with Paragraph 1 of Article 41 of Securities Exchange Law.
 2. The supervisors shall handle in accordance with the provisions of Article 218 of the Company Act.
 3. Situations handled according to the point 1 and 2 of Subparagraph III of Paragraph III of this Article shall be reported to the shareholders' meeting, and the transaction details shall be disclosed in annual report and prospectus.

The special surplus reserve recognized by the Company and public listed companies invested using equity method can only be employed under the circumstance in which the assets purchased with high price have been recognized into price drop loss or disposal, or suitable compensation, or restored state, or there is other evidence for no unreasonableness after permission from the Securities and Futures Management Committee with Ministry of Finance.

- (VI) Relevant provisions of transaction cost reasonableness evaluation in Subparagraph (I), (II) and (III) of Paragraph III of this Article shall be followed in acquisition of property from an affiliate by the Company:
1. Acquisition of property by the affiliate through inheritance or bestowal.
 2. The time of the affiliate concluding contract to acquire property is more than 5 years from this transaction contract concluding date.
 3. Acquisition of property through joint construction contract with the affiliate.
- (VII) For acquisition of property from affiliates by the Company, if there is other evidence showing there are situations of violation against operation conventions in the transaction, the provisions of Subparagraph (V) of Paragraph III of this Article shall be followed.

Article 11: Handling Procedures of Acquisition or Disposal of membership certificate or Intangible Assets

(V) Valuation and Operating Procedures

The Company's acquisition or disposal of membership certificate or intangible assets shall be conducted in accordance with the Company's regulations.

(VI) Decision-making Procedures for Transaction Conditions and Authorized Limits

For formulated operation procedures or other legal stipulations in terms of acquisition or disposal of assets by the Company, if there is any director raising objection with record or written announcement, the Company shall submit the objection data to the supervisors. Where the position of Independent Director has been created, when the transaction of acquisition or disposal of assets is submitted to the Board of Directors for discussion in accordance with the regulations, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the meeting minutes.

(VII) Execution Department

In acquisition or disposal of membership certificate or intangible assets by the Company, the Company has to designate use department and management department for execution after approval according to the above approval authority.

(VIII) Expert evaluation report of membership certificate or intangible assets

For acquisition or disposal of membership certificate or intangible assets by the Company, if the transaction amount reaches 20% paid-in capital or more than NT\$300 Million, CPA shall be engaged to express opinion upon the reasonableness of the transaction price before the date of occurrence and the provisions of No.20 audit standard announcement released by Accounting Research Development Fund shall be complied with:

Article 11-1: The calculation of the above transaction amount in Article 8, Article 9 and Article 11 should be carried out in accordance with Subparagraph 5 of Paragraph 1 of Article 15, and the within one year limit refers to that the date of occurrence date for the transaction is taken as the base and then dated back one year; the part that has obtained valuation report from professional valuator or CPA opinion does not need to be re-included.

Article 12: Handling Procedures of Acquisition or Disposal of claim of Financial Institutions

In principle, the Company does not engage in acquisition or disposal of claim of financial institutions. If it desires to engage in the acquisition or disposal of claim of financial institutions, it shall be submitted to the Board of Directors before formulation of its evaluation and operation procedures.

Article 13: Handling Procedures of Acquisition or Disposal of Derivative Products

I. Transaction Principles and Policies

(I) Transaction type

1. Derivative financial products engaged by the Company refer to transaction contract whose value is derived from products like assets, interest rate, index or other benefits (such as forward contract, option, futures, interest rate or exchange rate, exchange and composite contract through portfolio of the above).
2. The forward contract in the handling procedures excludes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sales) contract.
3. Matters related to debt margin transactions shall be handled in accordance with the provisions of these Procedures. These Procedures for bonds with repurchase conditions are not applicable to these Procedures.

(II) Operation (Hedging) Strategies

The derivative financial products transaction engaged by the Company is for the purpose of avoiding risks, so the selection of products is dominated by avoiding risks arising out of business operation. The currency held by it must conform to the foreign currency for the demand of actual import and export and to the principle of overall internal evening-up (referring to foreign currency income/expenses), so as to lower the overall foreign exchange risk, and save the costs of foreign exchange operations. Banks with business interaction with the company shall be selected as the transaction subject as much as possible so as to avoid credit risk. Before foreign exchange operations it must be clearly defined as hedging transaction or financial transaction, as the basis for accounting entry.

(III) Power and Responsibility Division

1. Financial department

- (1) Extract market information, make judgment upon trends and risks, familiarize with financial products and its related laws and regulations, trading skills, and engage in transactions according to the instructions and the authorization of the competent authority, to avoid the risk of market price fluctuation.
- (2) Periodic assessment.
- (3) Provide information on risk exposure positions.
- (4) The transaction risk measurement, supervision and control.
- (5) Declaration and announcement in accordance with the regulations of the Securities Exchange Law.

2. Accounting Department

- (1) Responsible for confirmation, settlement and entry of details of transactions.

- (2) Conduct bookkeeping and prepare financial statements according to generally accepted accounting principles.
- 3. Authorization Limit and Hierarchy of Derivative Products:

- A. Hedging transactions:

The authorized limit and hierarchy of each transaction are as follows:

Authorized Person	Authorization Limit for every transaction
Financial Officer	USD 500,000
General Manager	USD 1,000,000
Chairman of the Board	More than USD 1,000,000

- B. Other transactions for specific purpose shall be conducted after being submitted to Board of Directors for approval.

- C. For formulated operation procedures or other legal stipulations in terms of acquisition or disposal of assets by the Company, if there is any director raising objection with record or written announcement, the Company shall submit the objection data to the supervisors. If the Company has created the position of Independent Director, when the transaction of acquisition or disposal of assets is submitted to the Board of Directors for discussion in accordance with the regulations, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the meeting minutes.

- 4. Audit Department

Responsible for understanding the appropriateness of internal control over product transaction and auditing the conformity to operation procedures by transaction department, analyzing transaction cycle to form audit report, and reporting to Board of Directors upon substantial deficiency.

- 5. Performance evaluation

- (1) Hedging transactions

- A. The exchange rate cost and profit or loss arising out of derivative financial transactions of the Company in book are taken as the basis for performance evaluation.

- B. The Company evaluates the profit or loss twice every month to fully grasp and represent the evaluation risks in transactions.

- C. Financial department shall provide foreign exchange position evaluation and foreign exchange market trend as well as market analysis to general manager as management reference and guidance.

- (2) Transactions for special purpose

The actual generated profit or loss is taken as the basis for

performance evaluation, and financial personnel shall regularly formulate statements of positions for reference by the management.

6. Formulation of total contract amount and loss

(1) Total contract amount

A. Hedging transaction limit

The Financial Department shall grasp the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two-thirds of the Company's net position. If more than two-thirds of the Company's net position, it shall be reported to the Chairman of the Board of Directors.

B. Transactions for special purpose

Based on the prediction over market changes, the Financial Department shall formulate strategies to report to the General Manager and the Chairman for approval before implementation. The total contract amount of net cumulative position in transactions for special purpose by the Company shall not exceed 2% paid-in capital; or otherwise, the consent from Board of Directors has to be obtained and conducted according to policy instructions.

(2) Formulation of all and individual contract loss upper limit

If the loss of transaction in derivative products reaches 5% individual transaction contract amount or the loss of all transaction contracts reaches 1% paid-in capital, settlement shall immediately be handled.

II. Risk management measures

(I) Credit risk management

Changes of market factors are likely to cause operation risks of derivative financial products, so market risk management shall be conducted according to the following principles:

1. Transaction subject: mainly famous financial institutions both at home and abroad.
2. Transaction products: limited by products offered by famous financial institutions both at home and abroad.

(II) Market Risk Management

Mainly public foreign exchange transaction market provided by bank, without considering futures market for the present.

(III) Liquidity Risk Management

To ensure market liquidity, high liquidity financial products will be chosen (which can be evened up at the time any time), and the financial institutions entrusted for transaction must possess sufficient information and the ability of conducting transaction at any market any time.

(IV) Cash Flow Risk Management

To ensure the stability of capital turnover, the capital source for derivative products transaction is limited by self capital, and the operation amount has to consider the capital demand out of cash receipt prediction in the following 3 months.

(V) Operational Risk Management

1. The authorization limit, operation procedures and internal audit have to be concretely complied with, to avoid operation risk.
2. The responsibilities for derivative products have to be divided, and operation personnel like transaction, confirmation and settlement shall not be acted upon concurrently.
3. And personnel for risk measurement, supervision and control shall work in different departments from the above, and report to board meeting or senior management not responsible for transaction or position.

(VI) Product Risk Management

Internal transaction personnel have complete and accurate professional knowledge about financial products, and ask the bank to fully disclose risks, to avoid misuse of them.

(VII) Legal Risk Management

To prevent legal risks, any document signed with a financial institution shall be inspected by a foreign exchange department and legal department or legal consulting experts prior to official signing.

III. Internal Audit System

- (I) Internal audit personnel shall regularly come to understand the appropriateness of internal control over derivative products transaction, monthly audit the compliance of operation procedures for derivative products transaction by transaction department, and analyze the transaction cycle to form audit report. Upon discovery of any material violation, they shall notify supervisors in writing.
- (II) The above audit report and abnormal items improvement status shall be declared to competent authority for future reference according to provisions of "Handling Standards of Establishing Internal Control System for Public Listed Companies".

IV. Regular Evaluation Methods

- (I) The board of directors shall authorize senior management personnel to regularly supervise and evaluate whether derivative products transaction has been conducted in accordance with the trading procedures stipulated, and whether the undertaken risk is within bearable scope. If there is abnormality in market price evaluation report (for example, the held part has been over the loss ceiling), they shall immediately report to board meeting for countermeasures.
- (II) The position held by derivative products transaction shall be evaluated at least once every week, and the hedging transaction for business requirement can be evaluated at least twice every month. The evaluation report has to be submitted to senior management authorized by the board meeting.

- V. In engaging in derivative products transaction, the supervision and management principles of the board meeting are:
- (I) The board meeting shall authorize senior management personnel to pay attention to the supervision and control over derivative products transaction risk all time. And the management principles are as follows:
 - 1. The currently adopted risk management measures shall be reviewed regularly for suitability, and processed in accordance with Handling Procedures of Engaging in Derivative Products Transaction.
 - 2. In supervision of transaction and the profit or loss, necessary countermeasures have to be taken upon discovery of any abnormality and the case shall be immediately reported to the board meeting. If the Company has set up independent directors, in the board meeting there shall be independent directors present and they shall express opinions.
 - (II) The transaction performance regarding derivative products shall be regularly evaluated for whether to comply with existing operation strategies, and whether the undertaken risk is within bearable scope.
 - (III) The relevant authorized personnel for engagement in derivative products transaction in accordance with operation procedures shall be reported and submitted to the latest board meeting.
 - (IV) Memorandum book shall be prepared for derivative products transactions to record items like transaction type, amount, date of passing Board of Directors, and prudent evaluation in accordance with Subparagraph (I) and (II) of Paragraph V of this Article for future examination.

Article 14: Handling Procedures of Merger, Division, Acquisition or Stock Transfer

- I. Valuation and Operating Procedures
- (I) The Company shall employ lawyer, CPA and underwriter for joint discussion of estimated schedule for legal procedures in handling merger, division, acquisition or stock transfer, and organize project team for execution according to legal procedures. Before convening the Board of Directors for resolution, CPA, lawyer or securities underwriter has to be engaged to express opinions on the reasonableness of conversion ratio, acquisition price or cash or other property allocated to shareholders, and then report to board meeting for discussions and passage.
 - (II) In participating in merger, division or acquisition by the Company, open documents concerning the important agreement content or other matters have to be prepared before the shareholders' meeting, and then delivered to shareholders together with the meeting notice, as the reference for whether to agree with the merger, division or acquisition case or not. The merger, division or acquisition cases for which no shareholders' meeting has to be held in accordance with other laws are not subject to this provision. If the shareholders' meeting for either the subsidiary participating in the merger, division or acquisition cannot be convened or resolved because of number of attendees, insufficient voting power or other legal limitation, or if the proposal is vetoed by the shareholders' meeting, the company participating in the merger, division or acquisition shall immediately make public the

reasons, future handling operations and expected date of convening shareholders' meeting.

II. Other Noteworthy matters

- (I) Date of the Board of Directors: The Company that participates in merger, division or acquisition shall convene board meeting and shareholders' meeting on the same day to make resolutions on relevant issues about it, apart from reporting to securities competent authority for permission in advance, unless otherwise stipulated by other law or special factors.

The Company that participates in stock transfer shall convene board meeting on the same day, apart from reporting to securities competent authority for permission in advance, unless otherwise stipulated by other law or special factors.

If the merger, division, acquisition or stock transfer engaged in by the Company involves the companies that are listed or whose shares are on transaction at securities dealers, the following materials shall be prepared into complete written records to be stored for five years for future examination:

1. Basic data of personnel: including the personnel for planning or planned execution for merger, division, acquisition or stock transfer before information disclosure, including title, name and ID No. (Passport No. for foreigners).
2. Date of important events: Including the signing of letter of intent or memorandum of understanding, the hiring of financial or legal advisors, the signing of a contract, and the date of the Board of Directors' meeting.
3. Important documents and meeting minutes: including documents like plan, intention or MoU, important contract or meeting minutes of board meeting for merger, division, acquisition or stock transfer.

If the merger, division, acquisition or stock transfer engaged in by the Company involves the companies that are listed or whose shares are on transaction at securities dealers, the data in preceding Paragraph 1 and Paragraph 2 shall be declared to FSC for future examination within 2 days after passing the resolution at board meeting in fixed format through network information system.

If the merger, division, acquisition or stock transfer engaged in by the Company involves the companies that are not listed or have shares on transaction at securities dealers, the latter shall sign agreement and the matter shall be processed in accordance with provision of Paragraph 3 and Paragraph 4.

- (II) Prior Confidentiality Commitment: People who participate in or know the merger, division, acquisition, or transfer of shares shall issue a written letter of confidentiality commitment and shall not disclose the contents of the plans before public disclosure of the information, nor shall they use their own names or under the names of other people to trade and merge, demerge, acquire, or transfer of shares of all the company's shares and other negotiable securities with equity nature.

- (III) Formulation and variation principle of conversion ratio or acquisition price: the Company participating in merger, division, acquisition, or transfer of shares shall engage CPA, lawyer, or securities underwriter to express opinions on the reasonableness over conversion ratio, acquisition price or cash distributed to shareholders, and report to shareholders' meeting. The conversion ratio or acquisition price shall not be varied randomly except for the variation conditions formulated in contract and already disclosed to the public. The variation conditions for conversion ratio or acquisition price are as follows:
1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 2. Actions influencing the company financial business like disposal of material assets.
 3. Occurrence of major disaster or technological revolution that influences the company shareholders' equity or securities price.
 4. Adjustment of redemption of treasury stock by any party of the companies participating in merger, division, acquisition or stock transfer.
 5. Increase or decrease of main subject or players participating in merger, division, acquisition or stock transfer.
 6. Other conditions of variation included into contract and already made public.
- (IV) When the Company participates in merger, division, acquisition or stock transfer, the contract shall clearly record the following items except for the provisions of Article 317-1 of Company Act and Article 22 of Corporate Merger Law.
1. Handling of default.
 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 3. Number of treasury stock to be redeemed by participating company after calculating the base date of conversion ratio and the handling principles.
 4. Handling means of increase or decrease of main subject or players.
 5. Expected plan execution progress and expected completion agenda.
 6. The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone.
- (V) Abnormal increase of companies participating in merger, division, acquisition or stock transfer: If any party of the participating companies in consolidation, splitting, acquisition or stock transfer is planning to do the same with other companies after the information is made public, the already completed procedures or legal actions have to be redone by all participating companies in the original merger, division, acquisition or

stock transfer case, unless the number of participating companies decreases, the shareholders' meeting has already resolved to authorize the board meeting the variation authority, and the participating company is exempted from re-convening shareholders' meeting for re-resolution.

- (VI) If the company participating in merger, division, acquisition or stock transfer contains non-public listed companies, it shall sign agreement and the matter shall be handled in accordance with Subparagraph (I) of Paragraph II of this Article Date of Convening Meeting of Board of Directors, Subparagraph (II) Prior Confidentiality Commitment and Subparagraph (V) Abnormal increase of company participating in merger, division, acquisition or stock transfer.

Article 15: Article 15: Information Disclosure Procedures

I. Items to be announced and declared and announcement and declaration standard

- (VI) Acquisition or disposal of property from a related party, or acquisition or disposal of other assets out of property with affiliate, and the transaction amount reaches more than 20% paid-in capital of company, 10% total assets or NT\$300 Million. However, transaction of government bonds, bonds with conditions of repurchase and reverse repurchase are not subject to this provision.
- (VII) Conducting merger, division, acquisition or stock transfer.
- (VIII) Loss of engaging in derivative products transaction reaches the loss ceiling of all or individual contract stipulated in operation procedures. .
- (IX) The transaction amount of transaction of assets out of the above three Paragraphs, financial institutions in disposal of claim or engagement in investment in Mainland China reaches over 20% paid-in capital of the Company or NT\$300 Million. However, the following situations are not subject to this provision:
 1. Transaction of government bonds.
 2. Transaction of negotiable securities at domestic and foreign stock exchanges or securities dealers as professional investment.
 3. Transaction of bonds with conditions of repurchase and reverse repurchase.
 4. The type of assets in acquisition or disposal falls into machinery or equipment for operation use, the transaction party is not a related party, and the transaction amount does not reach over NT\$500 Million.
 5. In acquisition or disposal of property for construction use by public listed companies in construction business, the transaction party is not a related party, and the transaction amount does not reach over NT\$500 Million.
 6. The transaction amount of expected input by the company for self-owned land of entrusted construction, leased land of entrusted construction, joint construction for distribution of building, joint construction for distribution of profit and joint construction for distribution of sales does not reach over NT\$500 Million.

- (X) The calculation of the above transaction amount in sub-paragraph IV is carried out as follows, and the within one year limit refers to that the date of factual occurrence is taken as the base and then dated back one year, and the announced part according to provisions will not be re-included.
1. Amount of every transaction.
 2. Cumulative transaction amount of acquisition or disposal of the same nature of subject matter with the same other party within one year.
 3. Cumulative amount of acquisition or disposal (separate cumulation) of property of the same development plan within one year.
 4. Cumulative amount of acquisition or disposal (separate cumulation) of the same negotiable securities within one year.

II. Time limit for handling announcement and declaration:

If the Company, in acquisition or disposal of assets, has the items to be announced and declared and the transaction amount reaches the standard of announcement and declaration, it shall handle announcement and declaration within 2 days after the date of occurrence.

III. Announcement and Declaration Procedures

- (I) The Company shall handle announcement and declaration for relevant information on the designated website of the Securities and Futures Commission.
- (II) The Company shall input the transactions of derivative products by itself and subsidiaries of non-domestic public listed companies by the end of last month into information declaration website in specified format designated by Securities and Futures Commission before the 10th day of every month.
- (III) For items to be announced according to provisions by the Company, if there is any mistake or omission, corrections have to be made, and all items have to undergo re-announcement and re-declaration.
- (IV) In acquisition or disposal of assets by the Company, relevant contract, meeting minutes, memorandum book, valuation report, letter of opinion from CPA, lawyer or securities underwriter shall be kept in the Company for at least five years, unless otherwise stipulated by other law
- (V) After announcement and declaration of transaction by the Company according to provisions, it shall prepare relevant information to handle announcement and declaration at designated website by the securities and futures commission within 2 days after the date of factual occurrence for one of the following situations:
 1. There is variation, termination or cancellation in relevant contract signed for original transaction.
 2. Merger, division, acquisition or stock transfer is not completed according to contract stipulated schedule.
 3. There is variation to the content of original announcement and declaration.

Article 16: The Company's subsidiaries shall comply with the following provisions:

- I. Subsidiaries shall also formulate the Procedures for Acquisition and Disposal of Assets in accordance with the regulations of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- II. If a subsidiary is not a public company, the Company shall conduct announcement and declaration for it if the standards in "Handling Standards of Acquisition or Disposal of Assets by Public Companies" are met.
- III. In the announcement and declaration standards for subsidiary, the "reach 20% or more paid-in capital or 10% or more total assets" refers to the paid-in capital or total assets of the parent company or the Company.

Article 17: Penalties

If the employees of the Company violate the provisions of the handling procedures in acquisition or disposal of assets, they shall be reported for assessment according to the Company human resources management methods and employees manual regularly and punished according to the severity.

Article 18: Implementation and Amendment

The Company's Procedures for Acquisition and Disposal of Assets, after the approval of the Board of Directors, shall be submitted to each Supervisor, and then to the shareholders' meeting for approval; the same applies when the Procedures are amended. If any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor. If the Company has created the position of Independent Director, when the Procedures for Acquisition and Disposal of Assets is submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting

Article 19: Outstanding matters in the handling procedures shall be handled in accordance with relevant laws and rules and regulations of the Company.

Shareholding Status of Directors and Supervisors, United Orthopedic Corporation

[Attachment 5]

United Orthopedic Corporation Operation Procedures of Capital Loan to Other Parties

Article 1: Purpose and Legal Basis

The Company shall comply with the operation procedures in conducting capital loan to other companies (hereinafter referred to borrower) for actual requirement of operation. These Procedures made on December 18, 2002 are formulated according to Securities and Futures Bureau (6) No.0910161919 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies by the Ministry of Finance , and outstanding matters of these Procedures shall be handled in accordance with relevant laws.

Article 2: Capital Loan Subject and Evaluation Standards

In accordance with the provisions of Company Act, the capital of the Company shall not be loaned to shareholders or any other party, except for the following situations:

- (I) Companies or banks with business interaction with the Company; the above "business interaction" refers to purchase or sales behaviors with the Company.
- (II) Companies or banks which find it necessary for short-term financing with the Company; only limited to companies in which the Company holds over 20% shares or banks which find it necessary for short-term financing due to business requirement. The above mentioned "short term" refers to one year or one operation cycle (whichever is longer) according to the explanation by the Ministry of Economic Affairs. The amount of financing refers to the accumulated balance of the Company's short-term financing.

Article 3: Total Amount of Capital Loan and Limit for Individual Subjects

Total financing amount shall not exceed 30% of the paid-in capital of the enterprise and can be divided into the following two situations.

- (I) If the Company engages in capital loan to companies with business interaction or banks, the total amount of loan shall not exceed 30% paid-in capital of the Company; and individual loan amount shall not exceed the business interaction amount in the latest one year. The business interaction amount refers to the purchase or sales amount between them, whichever is higher.
- (II) If the capital is loaned to companies or banks with necessity for short-term financing, the total loan amount shall not exceed 1% paid-in capital of the Company; the individual loan amount shall not exceed NT\$1,000,000.

In capital loan to other party, the opinion of independent directors has to be fully considered, and the opinions of consent or objection and the reasons shall be included into the meeting minutes.

Article 4: Capital Loan Term and Interest Accrual Means

- (I) The term of every capital loan shall not exceed one year from the date of loan release, but the term can be extended according to actual situations for companies or banks with business interaction for operational requirements after obtaining consent from the Board of Directors.
- (II) The interest rate of capital loan shall not be less than the maximal interest rate of short-term loans to financial institutions. However, the Board of Directors may make adjustments as necessary.
- (III) Except for special regulations, the interest of the loan is accrued and collected on a monthly basis and the borrower shall be notified to pay the interest one week before the agreed date.

Article 5: Handling and Review Procedures

- (I) For the Company to handle capital loan matters, the borrower shall firstly furnish necessary corporate data and financial data, and then make written application for the financing limit.
- (II) After the Company accepts the application, financial department shall conduct an evaluation and investigation into the loan subject business, financial status, solvency and credit, profitability, and loan purpose, and prepare report.
- (III) Financial department shall conduct detailed evaluation and review of the capital loan subject, and the evaluation items shall at least include:
 - 1. The necessity and reasonableness of the capital loan to other party.
 - 2. Whether the cumulative amount of capital loan to other party is still within the limit.
 - 3. Impact on the Company's business operations, financial status and shareholders' rights.
 - 4. Whether the collateral security and collateral security evaluation value are obtained.
 - 5. Review of the credit investigation and risk evaluation records of loan subject.
- (IV) When the Company handles a capital loan, collateral note at equivalent amount shall be obtained according to need, and if necessary the mortgage establishment shall be handled for movable property and immovable property. As for the above mentioned security for obligation, if the debtor provides individual or company with equivalent financial strength and credit as security to replace collateral security, the Board of Directors can handle according to the report of credit investigation by financial department, with attention given to whether its Articles of Association has provided for the security or not.
- (V) For cases with favorable credit investigation results and credit rating as well as proper purpose for the loan, the handling personnel shall submit the credit investigation report, opinion and proposed loan conditions in order to the financial supervisor and then to the Board of Directors for passage before release.
- (VI) For capital loan between the Company and subsidiary, the provisions in the preceding Paragraph shall be followed, and the chairman shall be authorized for

allocation in installments or cyclic mobilization for the same loan subject within certain limit by resolution of Board of Directors for a period within one year.

(VII) As for the certain limit mentioned above, the authorization limit of capital loan from the Company to single enterprise shall not exceed 10% net value of the Company in the most recent financial statement, except for loan between foreign companies in which the Company directly or indirectly holds 100% voting shares. The above mentioned net value refers to the equity attributable to parent company owners in the balance sheet in accordance with the FRPS.

(VIII) The capital loan limit and term shall be formulated according to provisions for the capital loan between foreign companies in which the Company directly or indirectly holds 100% voting shares.

Article 6: Future Control Measures for Loaned Amount and Handling Procedures for Overdue Claim:

(I) After the loan is released, regular attention has to be paid to the financial, business and credit status of borrower and guarantor. If collateral security is provided, attention shall be given to whether there is change to the guarantee value. In the event of material change, it shall be immediately reported to the chairman, and suitable measures be taken according to the instruction.

(II) For loan repayments at or before the mature date of the loan, the interests receivable shall be calculated first. Once the interests receivable and the principal of the loan have both been fully repaid, the loan check shall be canceled and returned to the borrower, and any relevant mortgage shall be canceled.

(III) Extension

The borrower shall apply for extension 2 months before maturity if necessary, and the Company will re-handle relevant procedures after reporting to the Board of Directors for resolution.

Article 7: Internal Control Procedures:

(I) The Company shall prepare memorandum book, and record the details like capital loan subject, amount, date of passing Board of Directors, capital loan release date and matters that should be prudently evaluated according to these Procedures for future reference.

(II) The Company's internal auditors shall audit these Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the members of the Audit Committee in writing of any material violation found, if any.

(III) If there is variation to the Company, leading to that the loan balance is exceeded, improvement plan shall be formulated, and relevant improvement plan shall be sent to supervisors to enhance internal control.

(IV) The undertaking personnel shall prepare the detailed statements of capital loan to other companies for last month before the 8th day of every month, which are to be submitted level by level for review and approval.

Article 8: Control Procedures of Capital Loan to Other Party by Subsidiary

- I. If the subsidiary of the Company intends to conduct capital loan to other party, these Procedures shall also be established and these Procedures shall be followed; however, the net value takes the net value of subsidiary as the calculation basis.
- II. The subsidiary shall prepare the detailed statements of capital loan with other companies of last month before the 5th day of every month (excluded), for review by the Company.
- III. Internal audit personnel of the subsidiary shall audit the execution status of the operation procedures of capital loan to other party at least every quarter to form written records. Upon discovery of any material violation, the audit department of the Company shall be notified in writing immediately, and submit the written date to the supervisors.
- IV. When the audit personnel of the Company go to subsidiary for audit according to the annual audit plan, they shall also get to understand the execution status of operation procedures of capital loan to other party. If any deficiency is found, they shall continuously keep track of the status of improvement and form report for the General Manager (or the Chairman of the Board, depending on which department is audit department is affiliated with).

Article 9: Article 9: Information Disclosure (After Public Offering)

- I. The Company shall input the monthly capital loan balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.
- II. If the Company capital loan balance reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:
 - (I) The capital loan balance of the Company and subsidiaries to other parties reaches over 20% net value in the most recent financial statements.
 - (II) The capital loan balance of the Company and subsidiaries to single enterprise reaches over 10% net value in the most recent financial statements.
 - (III) The newly added capital loan of the Company and subsidiaries reaches over NT\$10 Million and 2% net value in the most recent financial statements.

The date of occurrence refers to dates like transaction agreement signing date, payment date, resolution date by Board of Directors or other date for transaction subject and amount, whichever is earlier.
- III. If a subsidiary of the Company is a non-domestic public listed company that has the items to be input into Market Observation Post System according to the preceding Subparagraph III of the above Paragraph, the Company shall act on its behalf.
- IV. The Company shall evaluate the situations of capital loan and make sufficient recognition to offset bad debt, and disclose relevant information in financial report and provide relevant data to CPA for necessary audit procedures.

Article 10: Penalties

If the Company managers and undertaking personnel violate the Operation Procedures, they shall be punished according to the Company's regulations.

Article 11: Implementation and Amendment

After the Procedures have been approved by the Board of Directors, they shall be implemented after submitted to each Supervisor and the shareholders' meeting for approval; if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor and the shareholders' meeting for discussion. The same applies when the Procedures are amended.

Since the Company has created the position of Independent Director, when the Procedures are submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting.

[Appendix 6]

United Orthopedic Corporation Procedures for Endorsement and Guarantee

Article 1: Objective

The methods are formulated for the Company endorsement/guarantee matters. Any matters that are not addressed herein shall be governed by the relevant regulations.

Article 2: Applicable Scope

The endorsement/guarantee in this method includes:

- I. Financing endorsement/guarantee refers to discount financing, in which instruments are re-issued to non-financial cause guarantors for the purpose of financing for other companies or the Company.
- II. The duty endorsement/guarantee refers to endorsement or guarantee for duty matters related to the Company or other companies.
- III. Other endorsement/guarantee refers to matters of endorsement or guarantee that cannot be included into the previous two items.
- IV. If the Company provides movable property or immovable property for establishment of pledge or mortgage for the security of other companies, the provisions of these Procedures shall be followed.

Article 3: Endorsement/Guarantee Subject

The Company may make endorsement/guarantee to the following companies:

- (I) Companies with business interaction with the Company.
- (II) Companies in which the Company directly or indirectly holds over 50% of voting shares.
- (III) Companies in which the Company directly or indirectly holds over 50% of voting shares.

Among companies in which the Company directly or indirectly holds over 90% voting shares, if endorsement/guarantee is to be conducted, the amount shall not exceed 10% net value of the Company. But endorsement/guarantee between companies in which the Company directly or indirectly holds 100% voting shares is not subject to this provision.

Article 4: Endorsement/Guarantee Limit

The Company endorsement/guarantee amount shall not exceed 50% paid-in capital of the Company. And the endorsement/guarantee limit to single enterprise shall not exceed 30% paid-in capital of the Company. If it is necessary for the endorsement/guarantee handled by the Company to go over the limit stipulated in the operation procedures for business requirement, consent from Board of Directors has to be obtained, and signed joint guarantee from more than half directors shall be obtained for possible arising loss.

The overall endorsement/guarantee amount of the Company and subsidiaries shall

not exceed 60% paid-in capital of the Company. And the endorsement/guarantee limit to single enterprise shall not exceed 40% paid-in capital of the Company.

Article 5: Decision-making and Authorization Hierarchy

When the Company conducts endorsement/guarantee, the handling department shall submit the proposal to the Board of Directors for approval. However, the Board of Directors shall authorize the chairman to decide on the matter and later report to the Board of Directors for confirmation. And the relevant handling status shall be submitted to the shareholders' meeting for reference.

The endorsement/guarantee by subsidiary in which the Company directly or indirectly holds over 90% voting shares shall be reported to the Board of Directors of the Company for resolution before handling. But endorsement/guarantee between companies in which the Company directly or indirectly holds 100% voting shares is not subject to this provision.

If it is necessary for the endorsement/guarantee handled by the Company to go over the limit stipulated in Article 4 of the operation procedures for business requirement, consent from Board of Directors has to be obtained, and signed joint guarantee from more than half directors shall be obtained before handling, and the operation procedures have to be amended and then reported to shareholders' meeting later for confirmation. If the shareholders' meeting does not agree, the plan to eliminate the part exceeding the limit within certain period shall be formulated.

Since the Company has created the position of Independent Director, each Independent Director's opinions shall be taken into full consideration when it makes endorsement/guarantee to other parties. And reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting.

Article 6: Handling Procedures for Endorsement/Guarantee

- I. In handling endorsement/guarantee by the Company, the endorsed/guaranteed company shall issue application to the Company financial department, which shall then conduct credit investigation to evaluate the risk and form evaluation record. After passing review, they shall be submitted to the chairman for instructions, and if necessary collateral security shall be obtained.
- II. Evaluation matters by financial department of the endorsed/guaranteed company include:
 1. The necessity and reasonableness of endorsement/guarantee.
 2. Whether the cumulative amount of endorsement/guarantee is still within the limit.
 3. Evaluation of whether the endorsement/guarantee amount and the business interaction amount are within the limit for endorsement/guarantee out of business interaction.
 4. Impact on the Company's business operations, financial status and shareholders' rights.
 5. Whether the collateral security and collateral security evaluation value are obtained.
 6. Review of endorsement/guarantee credit investigation and risk evaluation

record.

7. If the endorsement/guarantee subject is subsidiary with net value lower than half the paid-in capital, obtain the financial statements on a monthly basis, to control the possible risks.

If the subsidiary shares have no par value or a par value other than NT\$10, the paid-in capital calculated in accordance with the preceding Subparagraph shall be calculated as the sum of capital plus capital surplus-the issuance premium.

- III. If there is a variation to the Company, and the endorsement/guarantee subject turns out not conforming to the previously conforming Article 2, or the endorsement/guarantee amount exceeds the limit due to change in basis for limit calculation, the endorsement/guarantee amount or the part going over the limit shall be eliminated upon contract expiration, or the financial department shall formulate plan to completely eliminate within certain period after approval by the chairman and then report to the Board of Directors.

Article 7: Stamp Safekeeping and Procedures

- I. The special stamp for endorsement/guarantee is company stamp registered at the Ministry of Economic Affairs. The stamp and the guarantee Explanations shall be at the safekeeping by specially assigned personnel, and the stamp can only be used or the Explanation signed and issued according to the operation procedures of the Company. The safekeeping personnel shall be designated by the chairman through authorization by the Board of Directors.
- II. In the guarantee for foreign company, the guarantee letter issued by the Company shall be signed by the chairman through authorization by the Board of Directors.

Article 8: Noteworthy Matters in Handling Endorsement/Guarantee:

- I. If there is a variation to the Company, and the endorsement/guarantee subject turns out not conforming to the previously conforming Article 3, or the endorsement/guarantee amount exceeds the limit stipulated in Article 4 due to change in basis for limit calculation, the audit department shall urge financial department to completely eliminate the endorsement/guarantee amount or the part going over the limit upon contract expiration or within certain scheduled period. The improvement plan shall be submitted to supervisors and reported to the Board of Directors.
- II. If it is necessary for the endorsement/guarantee handled by the Company to go over the limit stipulated in the operation procedures for business requirement, and it conforms to the conditions therein, consent from more than half directors at the Board of Directors has to be obtained, and signed joint guarantee from more than half directors shall be obtained for possible arising loss, and the operation procedures have to be amended and then reported to shareholders' meeting later for confirmation. If the shareholders' meeting does not agree, the plan to eliminate the part exceeding the limit within certain period shall be formulated. Since the Company has created the position of Independent Director, when the preceding matter is submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the

minutes of the Board of Directors meeting.

Article 9: The time and content of announcement and declaration (After public offering)

- I. The Company shall input the monthly endorsement/guarantee balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.
- II. If the Company endorsement/guarantee reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:
 1. The endorsement/guarantee balance of the Company and subsidiaries reaches over 50% net value of the Company in the most recent financial statements.
 2. The endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over 20% net value in the most recent financial statements.
 3. The endorsement/guarantee balance of the Company and subsidiaries to single enterprise reaches over NT\$10 Million and the sum of endorsement/guarantee, long-term investment and capital loan balance reaches over 30% net value in the most recent financial statements.
 4. The newly added endorsement/guarantee of the Company and subsidiaries reaches over NT\$ 30 million and 5% net value in the most recent financial statements.

The date of occurrence refers to dates like transaction agreement signing date, payment date, resolution date by Board of Directors or other date for transaction subject and amount, whichever is earlier.

- III. If a subsidiary of the Company is a non-domestic public listed company who has the items to be input into Market Observation Post System according to the preceding Subparagraph IV of the above Paragraph, the Company shall act on its behalf.
- IV. The public listed company shall evaluate or recognize the possible endorsement/guarantee loss, appropriately disclose endorsement/guarantee information in financial report, and provide relevant data to CPA for necessary audit procedures.

Article 10: Control Procedures of Handling Endorsement/Guarantee for Subsidiaries

- I. If the subsidiary of the Company intends to conduct endorsement/guarantee to other party, these Procedures shall also be established and these Procedures shall be followed; however, the net value takes the net value of subsidiary as the calculation basis.
- II. The subsidiary shall prepare the detailed statements of endorsement/guarantee to other party of last month before the 10th day of every month (excluded), for review by the Company.
- III. When the audit personnel of the Company go to subsidiary for audit according to the annual audit plan, they shall also get to understand the execution status of operation procedures of endorsement/guarantee to other party. If any

deficiency is found, they shall continuously keep track of the status of improvement and form report for the chairman (or general manager, depending on which department is audit department is affiliated with).

Article 11: Penalties

If the Company's managers and undertaking personnel violate the provisions of the operation procedures, they shall be reported for assessment according to the Company's human resources management methods and employee manual and punished according to the severity.

Article 12: Implementation and Amendment

After the Procedures have been approved by the board of directors, they shall be submitted to each Supervisor, and then to the shareholders' meeting for approval; if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor and the shareholders' meeting for discussion. The same applies when the Procedures are amended.

Since the Company has created the position of Independent Director, when the Procedures are submitted to the Board of Directors for discussion, each Independent Director's opinions shall be taken into full consideration, and reasons for the consent or objection shall be recorded in the minutes of the Board of Directors meeting.

[Appendix 7]

Base date: April 21,

2019

Title	Name	Appointment date	Term	Number of shares held at the time of appointment		Shares currently held	
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Chairman of the Board and General Manager	Lin, Yan-Shen	2017.6.20	3 years	2,150,000	3.00%	2,512,000	3.12%
Director	Lin, Chun-Sheng	2017.6.20	3 years	1,758,629	2.45%	1,905,743	2.37%
Director	Hau, Hai-Yen	2017.6.20	3 years	661,714	0.92%	698,646	0.87%
Director	Ng Chor Wah Patrick	2017.6.20	3 years	1,180,076	1.64%	1,397,139	1.74%
Director	Chi-Yi Investment Co. Ltd.	2017.6.20	3 years	1,029,312	1.43%	665,417	0.83%
Independent Director	Wang, Yueh-Cheng	2017.6.20	3 years	0	0.00%	0	0.00%
Independent Director	Lee, chun-hsi en	2017.6.20	3 years	0	0.00%	0	0.00%
All Directors				6,779,731		7,178,945	
Supervisor	Wong, Chi-Yin	2017.6.20	3 years	758,993	1.06%	804,993	1.00%
Supervisor	Wang, Ching-Hsiang	2017.6.20	3 years	0	0.00%	0	0.00%
Supervisor	Chen, Li-Ju	2017.6.20	3 years	0	0.00%	0	0.00%
All Supervisors				758,993		804,993	

- I. Book closure date: April 21, 2019.
- II. Total number of issued shares: 80,432,847 shares
- III. The minimum number of shares required to be held by all Directors: 6,434,627 shares.
- IV. The minimum number of shares required to be held by all Supervisors: 643,462 shares.

[Appendix 8]

Information Concerning Employees Bonus and Remuneration of Directors and Supervisors

- (I) The impact from the stock grants proposed during the shareholders' meeting on company performance and earnings per share:
Not applicable for the Company because it did not decide to grant stocks.
- (II) Employees Bonus and Remuneration of Directors and Supervisors
1. According to the Company's Articles of Association, in case that the Company makes a profit in the current year (profits refer to income before tax that has not yet deducted remuneration distributed to the employees, Directors, and Supervisors), 12% shall be allocated as employee bonus and no more than 3% as the remuneration of Directors and Supervisors. However, when the company has accumulated losses (including adjustment on non-distributed earnings), the amount should be repaid firstly.
The preceding employees bonus and remuneration of Directors and Supervisors shall be distributed only in cash. They shall be approved by the Board of Directors and reported to the shareholders' meeting.
 2. The proposed distribution of employees bonus approved by the Board of Directors

The proposed distribution for 2018 approved by the Board of Directors on March 18, 2019.

Through resolution by the Board of Directors, the Company proposes to distribute NT\$17,025,000 as employees bonus and NT\$4,256,000 as remunerations for Directors and Supervisors for 2018.

3. The discrepancies, reasons and measures between the estimated amount and the actual distributed amount of remunerations of employees, Directors and Supervisors of the Company for 2018 are as follows:

Unit: NT\$

	Estimated Amount	Actual Distributed Amount (Distributed Amount Approved by the Board of Directors)	Discrepancies	Reasons and Measures
Employees Bonus	17,024,742	17,024,742	0	No discrepancies
Remuneration of Directors and Supervisors	4,256,186	4,256,186	0	
Total	21,280,928	21,280,928	0	

Note: Employees bonus and remuneration of Directors and Supervisors are all distributed in cash.

4. Use of earnings in the previous fiscal year for distribution of employees bonus and remuneration of Directors and Supervisors

There is no discrepancy between the distributed employees bonus and remuneration of Directors and Supervisors in the previous year (2017) and the proposal approved by the Board of Directors.

Unit: NT\$

	Distributed Amount Determined by the Board of shareholders and Directors	Actual Distributed Amount	Discrepancies	Details
Employee Bonus	24,762,042	24,762,042	0	No discrepancies
Remuneration of Directors and Supervisors	6,199,010	6,199,010	0	
Total	30,961,052	30,961,052	0	

Note: Employees bonus and remuneration of Directors and Supervisors are all distributed in cash.