Stock Code: 4129

United Orthopedic Corporation

2020 Annual Report

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

VI. The Company's Website: http://www.unitedorthopedic.com

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Chapter 1. Letter to Shareholders

Dear Shareholders,

Thank you for attending the 2021 Annual General Meeting of the United Orthopedic Corporation. I would like to welcome everyone on behalf of the Company.

I. 2020 Operating Results

(I) Implementation results of business plan

In 2020, net operating revenue of the Company was NT$1,576,014,000, representing a decrease of NT$170,000 from NT$1,576,184,000 in 2019; consolidated net operating revenue was NT$2,342,226,000, a 3.88% decrease from NT$2,436,700,000 in 2019; profit after tax was NT$101,312,000, representing an increase of NT$29,526,000 from NT$71,786,000 in 2018.

(II) Budget execution

The Company's undisclosed budget amount and overall operating conditions were roughly the same with the original operating plan for 2020 in accordance with the current laws.

(III) Consolidated income and expenses and profitability analysis

(1) Consolidated income and expenses

Unit: NT$1,000

Item	2020	2019
Current Period Net Profit	101,312	71,786
Cash Inflow from Operating Activities	500,534	519,094
Cash Outflow from Investing Activities	(299,542)	(522,591)
Cash Inflow from Financing Activities	107,106	32,257
Increase (Decrease) in Cash and Cash Equivalents	300,808	10,638
Opening Balance of Cash and Cash Equivalents	538,122	527,484
Ending Balance of Cash and Cash Equivalents	838,930	538,122

(2) Consolidated profitability analysis

In 2020, revenue of the Company was NT$2,342,226,000, a decrease from NT$2,436,700,000 in 2019; profit after tax was NT$101,312,000, representing an increase of NT$29,526,000 from NT$71,786,000 in 2019; the earnings per share was NT$1, a decrease from NT$1.05 in 2019. The decrease was mainly attributed to the decrease in promotion fees from the previous year.

(IV) R&D status

The Group's research and development funds in 2020 included ongoing research and development costs of NT$199,475,000, representing a decrease of NT$29,046,000 from 2019 and accounting for 8.5% of revenue in 2020. The decrease was mainly attributed to the delay in development progress of certain products in response to the impact of the COVID-19 pandemic.

II. Overview of 2021 Business Plan

(I) Operating objectives

A. Continual development of products demanded by the target market: With regard to artificial orthopedic joints, after the launch of the limb salvage system (USTAR II) under the Company’s current product line in 2020, our overall product comprehensiveness has achieved more than ninety percent of coverage of product line of large international manufacturers and has effectively breakthrough the high threshold of advanced medical industry in Europe and America. Niche products for specific target markets will be developed in cooperation with local medical experts to effectively increase the Company's overall competitiveness.

B. Launch of corporate’s new CIS to establish international brand image: Over the past two years, in competing with large international manufacturers and striving to convey the Company’s corporate value and differentiation to establish corporate identity, the Company has launched the new CIS since 2021 in the hope of conveying to our customers the Company’s care for the needs of patients, the thoughts of doctors and the operating idea of swift response and solution to the needs of orthopedic surgery etc. The Company has over 25 years of superior clinical performance with an accumulation of more than 430,000 clinical surgical cases. We genuinely care for each step and provide medical partners with the best surgical experience, with the ultimate goal of improving the clinical efficacy on patients.

C. Continual enhancement of existing domestic and international sales channels: artificial joints industry is an industry with high threshold and requires a considerable investment of time, manpower and money to obtain the most basic ticket for entry. In order to diversify the operating risks of the industry and increase the economic scale, the Company did not focus on a single market in its international market strategy but deployed a multi-market business strategy, resulting in its global footprints spanning over forty countries across five continents. The current global artificial joint industry output value is approximately 17 billion US dollars, with the Company’s output accounting for about 0.5 % of the market share, yet the Company shall persist the innovation pace and continues to invest in advanced R&D and production technologies and to provide diversified products and services to realize its commitment to doctors and patients as well as its contribution and dedication to the field of orthopedics. In recent years, the Company has spent substantial effort in establishing international direct sales channels and product integrity. In face of recent uncertain challenges and competition in the market, the Company has made sufficient preparation and believe that markets from around the globe shall optimistically witness the Company's growth.

(II) Estimated Sales Volume and Supporting Information

Unit: Pieces

Major products	Expected sales target for 2021
	Quantity
Artificial joints	306,062pcs
Spinal products	167,147pcs

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

The sales targets for 2021 are based on the basic presumption of the Company's future business development, product orders and market supply and demand conditions, and are formulated in accordance with the Company's production capacity.

(III) Significant Sales and Production Policies

Due to the impact of the COVID-19 pandemic last year, the Company has taken a more conservative and steady approach on the supply perspective of production capacity. Following the gradual control and slowdown of the pandemic situation, the Company has new product launches and newly added sales network in place to moderately expand production capacity this year to meet the demand of market sales, thereby delivering a strong foundation for the Company's revenue growth.

III. Future Corporate Development Strategy

Established for more than twenty years, the Company has been focusing on the one task of good performance in the R&D, manufacturing and sales of artificial joints. Despite that the entire market is almost monopolized by large international manufacturers, the Company holds on the faith of perseverance, takes one step at a time, pays due care on each step, provides medical partners with the best surgical experience and takes the improvement of clinical efficacy of patients as the ultimate goal. The Company has so far participated in more than 430,000 joints replacement operations to help patients suffering from degenerative joint diseases regain mobility and improve their quality of life. In the days ahead, the Company will strive for providing elderly patients with high quality and value-for-money artificial joints products. Last year the Company's operation was greatly affected by the COVID-19 pandemic but could fortunately got across the difficult situation and delivered a good result with the united efforts of all staff. After experience of this market trial, the Company has been able to control the market risks and make response to sufficiently cope with the risks and trials of the volatile market in the future, and continue to move on the road of an international private brand.

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

Artificial joints industry is an industry with high threshold. Although the threat from new entrants is small and market situation of price war destroying competition is not common, the competitive advantage of large international manufacturers has not been lessened. In face of such market competition, the Company could only keep on strengthening its own competitive edge to resist the dominance of large international manufacturers. For more than two decades, the Company has marketed its own brand products and stood firm in the global market, evidencing that although the Company is small, it still has international competitiveness.

In face of the increasingly stringent regulations on medical device in various jurisdiction in recent years, no matter the U.S. FDA, EU CE Mark, China CFDA and Taiwan TFDA, all tend to have stricter management. Although the time to obtain certification has been lengthened with corresponding higher cost of related testing, the threshold of the industry has become higher. Fortunately, the Company has accumulated more than two decades of regulatory application experience in different jurisdictions and has absolute confidence that it could meet all the regulatory requirements on products launches.

Although the medical industry to which artificial joints belong is a demand-based industry, it is affected by external factors like international economy, politics, currency, regulations, etc. and may encounter some unintended adverse effects occasionally, such as the recent COVID-19 pandemic and the political and economic turmoil in Central and South America. To deal with these uncontrollable external shocks, the Company will take into account risk diversification in its daily operations so that the entire ordinary operation of the Company will not be affected by any one market or a single incident.

Chapter 2. Company Profile

I. Date of Incorporation

The Company was incorporated on March 5, 1993.

II. Company History

1993	• The Company was incorporated with registered capital of NT$27,500,000.
1994	• The registered capital is NT$112,250,000. • "United" Uniqhip Total Hip System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000587. • First clinical used Uniqhip Total Hip System.
1995	• "The research and development of Sintering Technology of Porous Coating on CoCrMo Alloy" has been awarded innovative technology subsidy award of Science-Based Industrial Park of NT$1,000,000. • Passed international quality assurance certification ISO 9001.
1996	• "United Pin and Wire" has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000630.
1997	• The registered capital is NT$116,125,000. • "United Pin" has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000659. • "United" UKNEE Total Knee System products have received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000663. • "The design, development, and production of Tumor UKNEE Total Knee System and surgery tool" has been awarded innovative technology subsidy award of Science-Based Industrial Park of NT$2,900,000. • "United Bone Screw" received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000691.
1998	• "United UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1997. • Capital increased by NT$70,000,000 to NT$186,125,000. • Permitted to re-launch public offering. • "Tumor UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1998. • UKNEE Total Knee System has been awarded Ministry of Economic Affairs Taiwan Excellence Certification. • United" Moore Hip Prosthesis has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000716. • "United" Hip System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000717.
1999	• Capital increased by NT$40,000,000 to NT$226,125,000. • United UKNEE Total Knee System has been awarded "Small and Medium Sized Enterprises Innovative Research Award" by Ministry of Economic Affairs. • Passed international quality assurance certification ISO 9001/EN46001. • GMP well-manufactured medical equipment specification certification. • "The design, development, and production of bipolar hip system and surgery tool" has been awarded innovative technology subsidy award of Science-Based Industrial Park, which was awarded NT$2,500,000. • United UKNEE Total Knee System has been awarded "National Quality Gold Award."

	•"Stabilized UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1999.
2000	•"United UKNEE Total Knee System" has been certified by CE of European Union. •"United" U2 Hip Stem has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 000884. •"Uniqhip Total Hip System" has been certified by FDA of US.
2001	•"United" U2 Hip Stem (HA/Porous) has been certified by FDA of US. •"United" UNIFY Femur Plate System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 000897. •"United" U2 Hip Stem (HA/Porous) has been certified by CE of European Union. •"United" U2 Hip Stem (Acrylic Cement) has been certified by CE of European Union.
2002	•"United" U2 Hip Stem (HA Coating) has been awarded Bronze medal of Medical Equipment Category of Drug Research and Development Science and Technology Award. •"United" No. 2 Uniqhip Total Hip System has been awarded Ministry of Economic Affairs Taiwan Excellence Certification. •"United" ceramic femoral head has been certified by CE of European Union.22mm28mm •"United" U2 acetabular cap and fillings have been certified by CE of European Union. •"U2 Total Hip System" has been awarded innovative product award of Science-Based Industrial Park in 2002.
2003	•Passed international quality assurance certification ISO 13485:1996 edition. •"United" UKNEE Total Knee System, Mobile has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001038. •"United" Unify Femur Plate System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001064. •A structural improved femur rasp fastener has received patent rights from the United States Patent and Trademark Office. The patent number is US 6663636 B1.
2004	•"United" U2 Acetabular Component has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001071. •"United" Ustar System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001119. •"United" Ustar System - Femoral Articulation has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001119. •Capital increased by NT$28,500,000 to NT$254,625,000. •The Company was listed on September 29. •Founded United Medical (B.V.I.) Corporation.
2005	•Invested indirectly in Medical Instrument Ltd. in China. •Invested indirectly in Lianmao Medical Treatment Utensils Technology (Shanghai) Co., Ltd. in China. •"United" U2 Total Knee System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001396. •"United" Ceramic Femoral Head has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 001397. •"United" U2 CUP (HA Coating) & CUP LINER have been awarded "Small and Medium Sized Enterprises Innovative Research Award" by Ministry of Economic Affairs. •Capital increased by NT$28,500,000 to NT$254,625,000.
2006	•"United" External Fixator has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002092. •Capital increased by NT$85,000,000 to NT$339,625,000.
2007	•United" Slimfit Anterior Cervical Plate System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002134.

	•"United" Century Spinal System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002254. •Soft tissue fixation structure of proximal tibial component has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 200620007486.2. •The surgery tools for operating UKNEE Total Knee System has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 200620139229.4. •Capital increased by NT$46,000,000 to NT$385,625,000. •"U2 Total Knee System" has been awarded "National Biotechnology Medical Quality Award" •Established United Orthopedic (U.S.A.) Corporation. •Established the United Orthopedic Corporation USA.
2008	•"United" U-MOTION Acetabular Component has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002396. •"UNITED" Round Mesh System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002498. •"United" Express Lumbar Cage System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002512. •"United" Booster Anterior Cervical Plate System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002547. •"United" Express Peek Cage System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002559. •Expansion Mechanism for Minimally Invasive Lumbar Operation (invention) has been awarded utility patent by Republic of China. Licence No.: Utility I298248. •Capital increased by NT$38,000,000 to NT$423,625,000.
2009	•"United" U2 Total Knee System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002662. •"United" Unify Femur Plate System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002676. •"United" Ustar System - shoulder joint has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 002706. •Capital increased by NT$40,000,000 to NT$463,625,000. •Awarded Industrial Technology Advancement Award - Excellent Enterprise Innovation Award from the Ministry of Economic Affairs. •Closed the United Orthopedic Corporation USA.
2010	•A structural improved orthopedic component has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL200920005650.X. •Thighbone Shaft has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 7753961 B2. •Expansion Mechanism for Minimally Invasive Lumbar Operation has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 7811230 B2.
2011	•"United" Hip System-U2 Bipolar Implant has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003187. •"United" Ceramic Femoral Head has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003331. •"United" Hip System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003335. •Established Kaohsiung Plant in Luzhu Science Park. •Support Mechanism for Operation Auxiliary Tools has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8083196 B2.
2012	•"United" Compression Intramedullary Pinning has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003619.

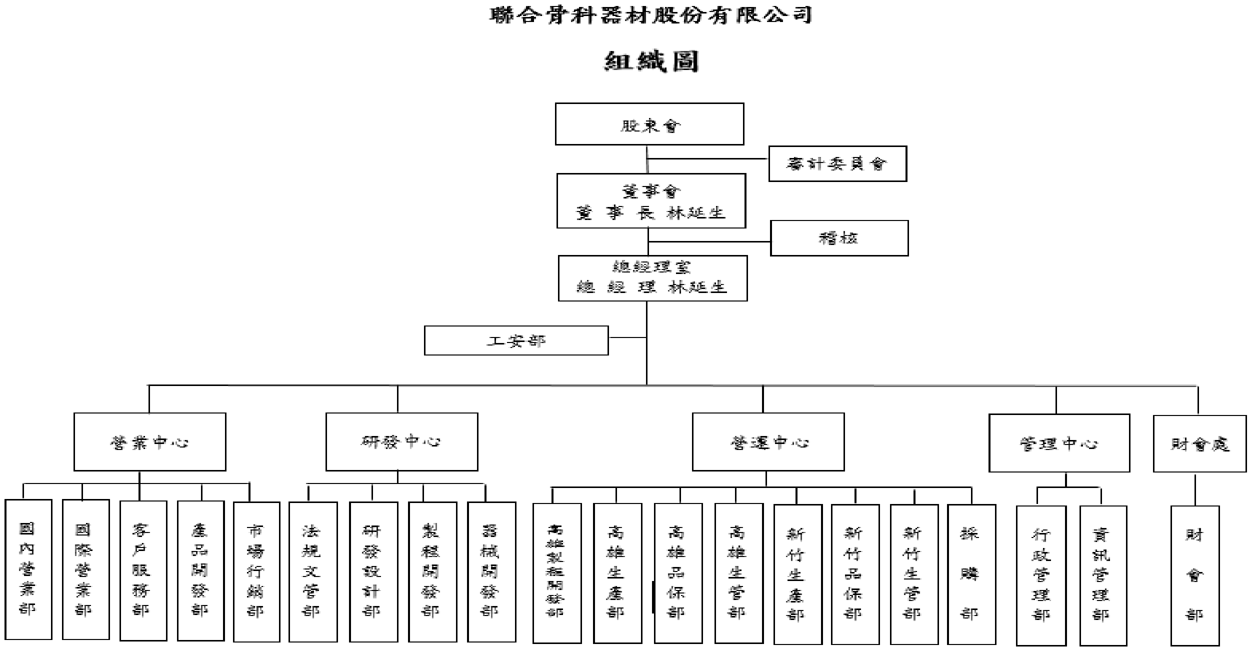
	• The Department of Health has approved the marketing of "United" Ustar system—hip joint under Licence No.: Department of Health Medical Machine Production No.003713. • Founded UOC USA Inc. • Artificial Joint Fixation Mechanism has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8172906 B2. • Awarded Hsinchu Science Park "Innovative Product Award" and "International Exchange and Corporation Promotion Award." • U2 Total Knee System has been awarded "Symbol of national Quality" award by Institute for Biotechnology and Medicine Industry. • U2 Total Knee System has been awarded "Institute for Biotechnology and Medicine Industry Silver Award."
2013	• "United" Century Spinal System II has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003969. • "United" U-MOTION Acetabular Component II has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 003977. • "United" Hip System II has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004220. • "United" BIOLOX OPTION Ceramic Femoral Head has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004236. • Capital increased by NT$70,000,000 to NT$533,625,000. • Issued convertible bonds worth of NT$200 million. • U-MOTION Acetabular Component II has been awarded "Taiwan Excellence Certification". • U-MOTION Acetabular Component II has been awarded "10th National Innovation Award".
2014	• "United" U2 Total Knee System - Model has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004248. • "United" FENCE Anterior Staple Fixation System has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004512. • "United" E-XPE Cemented Cup has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004678. • "United" Slimfit Anterior Cervical Plate System II has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004697. • "United" E-XPE Cemented Hip Stem has received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 004825. • Plate components and their auxiliary positioning pieces have been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 2013 2 0483547.2. • Stacked tibial insert has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. License No.: ZL 2014 2 0085015.8. • Stacked tibial insert has been awarded utility patent by Republic of China. Licence No.: Utility M479734. • Connecting Device of Joint Prosthesis has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8721729 B1 • Femoral resection regulation has been awarded utility patent by Republic of China. Licence No.: Utility M495826.
2015	• "United" U2 Total Knee System - Full Polyethylene Tibial Components have received marketing authorization from the Department of Health. Licence No.: Department of Health Medical Machine Production No. 005246. • Femoral resection regulation has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 2014 2 0579814.0. • Acetabular Cup Inserter has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 2012 1 0353196.3. • Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8926621 B2.

	•Structure Improvement of an Orthopaedic Structure Improvement of an Orthopaedic Implant of an Artificial Knee Joint Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9044327 B2. •The United States Patent and Trademark Office has awarded the patent rights of Stack-up assembly for tibial insert trial under Patent No. US 9144495 B2. •Acetabular Cup Inserter has been awarded patent certification that is issued by Republic of China. Licence No.: Invention I508698. •Capital increased by NT$128,000,000 to NT$712,128,680. •Signed cooperation agreements with Shinva Medical Instrument Co., Ltd. and New China Life Health Co., Ltd. in China.
2016	•Disposed equities of three affiliated companies, namely United Medical Instrument Co., Ltd., Sinopharm United Medical Device Co., Ltd, and United Medical Technology (Shanghai) Co., Ltd. •Invested and jointly founded Shinva United Orthopedic Corporation with Shinva Medical Instrument Co., Ltd and New China Life Health Co., Ltd. •Joints prosthesis has been awarded utility patent by Republic of China. Licence No.: Utility M521999. •Femoral resection regulation has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. Licence No.: ZL 2016 2 0133047.X. •Founded United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) SAS in Switzerland and France respectively. •Founded United Biomech Japan Inc. •Awarded "Golden Quality Medal" of 2016 Outstanding biotechnology industry. •The multifunctional femur measurement and osteotomy tool of U2 UKNEE Total Knee System has been awarded the 13th National Innovation Award
2017	•Purchased all shares of A-Spine Asia Co., Ltd. •Awarded 2017 Taipei Biotech Awards-Go-Global Gold Medal Award. •Capital increased by NT$80,000,000 to NT$797,248,470. •Issued NT$400 million of unsecured convertible bonds.
2018	The bipolar hip system passed the certification application in Japan.
2019	•U2 Knee (AIOMDT) has been awarded a Bronze medal in the 21st Annual Medical Design Excellence Awards (MDEA). •Capital increased by NT$100,000,000 to NT$904,208,470 through issuance of preferred shares A. •Issued NT$500 million of unsecured convertible bonds.
2020	•Bought back and cancelled 2,013,000 shares of treasury stocks and reduced the capital to NT$884,078,470. •The innovative surgical instruments AIO and MDT of "U2" Total Knee System received the silver award in the medical device category of the 19th "Pharmaceutical Technology Research and Development Award".

Chapter 3. Corporate Governance Report

I. Organization

(I) Organizational Structure



United Orthopedic Corporation
Organizational Chart

								Shareholders' Meeting				Supervisors							
								Board of Directors				Auditing Office							
					Department of Construction Safety			General Manager's Office											
Operations Center					Research and Development Center				Operations Center								Control Center		Department of Finance and Accounting
Department of Domestic Operations	Department of International Operations	Department of Customer Service	Department of Product Development	Department of Marketing	Department of Regulations and Document	Department of Research and Design	Department of Manufacturing Development	Development of Machinery Development	Department of Manufacturing Development at Kaohsiung	Department of Production at Kaohsiung	Department of Quality Assurance at Kaohsiung	Department of Production at Kaohsiung	Department of Production at Hsinchu	Department of Quality Assurance at Hsinchu	Department of Production Control at Hsinchu	Procurement Department	Department of Administration	Department of Information Management	Department of Finance and Accounting

(II) Responsibilities and functions of major departments

Departments	Major Functions
General Manager's Office	Strategic planning, developing and promoting operational guidelines and targets, planning of operating meetings and follow up and overseeing resolutions, and review of various management regulations.
Auditing Office	Auditing of the business, financial and operating conditions of the entire Company.
Department of Construction Safety	Developing, coordinating and reviewing the measures over labor safety and health policies, management, education and training, and operation environment. Generating proposals for safety and health measures, publication of inspection results of automatic inspection of safety and health audit, machinery, equipment, raw materials, materials, hazard prevention measures and occupational hazards Other relevant public safety and safety, and health management matters.
Department of Finance and Accounting	Management and auditing of accounting, taxation and cost calculation of the Group, preparation and control of the final accounts of the Company's operational budget, shareholding and financial planning and execution of the Group.
Control Center	The preparation of the regulations of the Company on personnel management, planning and implementation of education and training, maintenance of fixed assets, maintenance of public facilities, purchase of security, fire protection, security business, purchase of public goods and related insurance matters. Planning, development and maintenance management of the information system.
Departments	Major Functions
Operations Center	Marketing and promotion of business for domestic and external orthopedic products, surgical instruments, and OEM. Dealing with the orders of the customers, contracts and complaints, review of the customers' credit status, and tracking accounts. Maintaining solid control over the timing of delivery, control over purchases and refunds, periodical check and control on inventory, stocktaking and testing of machinery tools. Proposal and tracking of execution of product marketing plans; planning and participating in domestic and international exhibitions; analyzing, assessing, and promoting domestic and foreign markets; developing new products and overseeing the progress; holding training for domestic and foreign distribution business products. Establishing internal product databases and organizing internal educational training; drafting development plans for new products and assisting in writing designing principles of new products; collecting clinical results for the Company's products and publishing clinical reports for the Company's products; discussing the rationality and the possibility of publication with the consulting doctors and assisting with clinical discussion and solution plans. Product sales analysis and market research and data analysis, company brand image and social media management, production of product education and training materials, and planning and implementation of product education and training. Formulation of brand guidelines, assisting in the implementation of marketing plans, visual integration of company logos, documents and product marketing materials, and management and implementation of web design, and the design and production of auxiliary products.
Research and Development Center	The planning, design and development, theoretical research, validation, model validation, model production, CAM programming, engineering and production management, product testing, material quality standards, heat treatment specifications of new products. Establishing the product production process management, process quality inspection, mechanical maintenance, and operating standards. The development, manufacture, and maintenance of surgical instruments. Responsible for product compliance confirmation, product marketing authorization, patent and trademark application. Coding, registration and issuance of documents, control and custody of the documents, planning of test and verification related to products development and execution of test and verification related to products development.

Operations Center	Execution, management and control of production plans. Forging, casting, titanium beads sintering, titanium and HA plasma spraying technology research and development, development of operational standards and production plans for the implementation of management control. Production planning as well as scheduling development and maintenance; production status control and feedback; material requirements and procurement planning and maintenance; warehousing control, warehouse control, and maintenance of raw materials and forgings, castings and surface titanium beads sintered products, titanium surface coating, surface titanium, and HA composite spray. The quality assurance and formulation of inspection standards regarding raw materials purchased, first sample, and final manufacturing; customer complaints processing; SPC application planning; measurement and calibration of equipment management; ISO quality management system implementation and maintenance. Businesses such as purchasing international and domestic raw materials for plants and exporting of OEM products. Maintenance and management of plant's facility, integration of project-based constructions and planning, maintenance and cleaning of the machineries, and other matters related to the management of plants.

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

(I) Directors and Supervisors

(1) Information on directors and supervisors

April 18, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shares held upon Election		Shares currently held		Shares Currently Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Significant Experience and Education	Positions Concurrently Held at Other Companies	Any executive officer, director, or supervisor who Is a spouse or relative within the second degree of kinship			Remarks
							Number of Common Stocks	%	Number of Common Stocks / Number of Preferred Stocks	%	Number of Common Stocks / Number of Preferred Stocks	%	Number of Common Stocks / Number of Preferred Stocks	%			Title	Name	Relationship	
Chairman and General Manager	R.O.C.	Lin, Yan-Shen	Male	2020.06.16	3 years	1993.03.05	2,512,000	3.12%	2,512,000	3.20%	559,000	0.71%	0	0.00%	Public Relations, Shih Hsin University Manager of 3M Company, USA3M Chairman, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc.	Supervisor, Taiwan Home Care Co., Ltd Person In Charge, UOC America Holding Corporation Person In Charge, UOC USA Inc. Director, Shinva United Orthopedic Corporation Chairman, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc. Person In Charge, UOC Europe Holding SA	Director	Lin, Chun-Sheng	Brother	Note 1
							111,000	1.11%	106,000	1.06%	0	0.00%	0	0.00%			Director	Lin, Te-Chien	father and son	
Director	R.O.C.	Lin, Chun-Sheng	Male	2020.06.16	3 years	2008.06.13	1,905,743	2.37%	1,905,743	2.43%	15,000	0.02%	0	0.00%	Bachelor in Industrial Management, Tamsui Institute of Business Administration Director, Chuan-Yi Investment Inc. Vice Chairman, United Orthopedic Corporation Vice Chairman, UMP Medical Device Co., Ltd.	Director, United Orthopedic Japan Inc. Director, A-Spine Asia Co., Ltd.	Chairman	Lin, Yan-Shen	Brother	-
							90,000	0.90%	90,000	0.90%	0	0.00%	0	0.00%						
Director	R.O.C.	Hau, Hai-Yen	Male	2020.06.16	3 years	1997.05.15	698,646	0.87%	698,646	0.89%	0	0.00%	0	0.00%	Doctor of Philosophy in Electrical Engineering, Purdue University Associate Professor of Electrical Engineering, National Taiwan University Deputy General Manager, Financial Business Group of the Institute for Information Industry Chairman, Integrate Information System Co. Ltd.	Director, Sincere Medical Imaging Co. Ltd. Independent Director, Walton Advanced Engineering, Inc.	None	None	None	-
							65,000	0.65%	65,000	0.65%	0	0.00%	0	0.00%						
Director	U.K.	Ng Chor Wah Patrick	Male	2020.06.16	3 years	2005.06.16	1,401,139	1.74%	1,433,139	1.83%	0	0.00%	0	0.00%	The Hong Kong Polytechnic University Country Manager, Medtronic Sofamor Danek China Executive Director, Schwartz Group Vice President, Stryker Pacific Ltd. Director, Onlycare Medical Company Ltd.	Person In Charge, United Medical Instrument Co., Ltd. Person In Charge, United Medical Technology (Shanghai) Co., Ltd. Director, Onlycare Medical Company Ltd. Director, Shinva United Orthopedic Corporation Director, Super Joint Engineering Limited	None	None	None	-
							130,286	1.30%	130,286	1.30%	0	0.00%	0	0.00%						
Director	R.O.C.	Chi-Yi Investment Co. Ltd.	-	2017.06.20	3 years	2007.06.13	1,029,312	1.43%	0	0.00%	0	0.00%	0	0.00%	None	None	None	None	None	Note 2
									0	0.00%	0	0.00%	0	0.00%						
Representative of the Corporate Director	R.O.C.	Lee, Chi-Fung	Female	2017.06.20	3 years	2007.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Library and Information Science, National Taiwan University Project Manager, China Management Consultant Inc.	Person In Charge, Chi-Yi Investment Co. Ltd.	None	None	None	-
									0	0.00%	0	0.00%	0	0.00%						
Director	R.O.C.	Lee, Chi-Fung	Female	2020.06.16	3 years	2020.06.16	450,000	0.56%	700,000	0.89%	0	0.00%	0	0.00%	Bachelor in Library and Information Science, National Taiwan University Project Manager, China Management Consultant Inc.	Person In Charge, Chi-Yi Investment Co. Ltd.	None	None	None	Note 3
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Director	R.O.C.	Lin, Te-Chien	Male	2020.06.16	3 years	2020.06.16	960,461	1.19%	1,018,461	1.30%	0	0.00%	0	0.00%	Bachelor in Engineering, National Taiwan University Senior Manager of Overseas Business Department, Micro-Star International Co., Ltd.	CEO, UOC USA Inc.	Chairman	Lin, Yan-Shen	father and son	Note 3
							88,000	0.88%	88,000	0.88%	0	0.00%	0	0.00%						
Independent Director	R.O.C.	Wang, Yueh-Cheng	Male	2017.06.20	3 years	2008.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, National Chengchi University Full-Time and Part-Time Instructor for Business Management, Soochow University General Manager, Primasia Securities Co., Ltd. Director and Deputy General Manager, Vigor International Inc.	None	None	None	None	Note 2
									0	0.00%	0	0.00%	0	0.00%						
	R.O.C.	Lee, Chun-	Male	2017.06.20		2003.06.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, The City University of New York		None	None	None	Note 2

Independent Director		Hsien			3 years				0	0.00%	0	0.00%	0	0.00%	Officer, Credit Department of Bank of Taiwan Director of Department of Investment Management and Accounting Tax, Macronix International Co., Ltd. General Manager and Director, Biomorphic Microsystems Corporation	Senior Director of Department of Business Development Finance, Taiwan Semiconductor Manufacturing Company Limited				
Independent Director	R.O.C. China	Liu, Chien-Lin	Male	2020.06.16	3 years	2020.06.16	80,482	0.10%	80,482	0.10%	0	0.00%	0	0.00%	Medical Graduate, National Defense Medical Center Director of Orthopedics Department and Deputy Dean of Administration, Taipei Veterans General Hospital Professor and Director of Orthopedics, National Yang-Ming University Dean, Lotung Poh-Ai Hospital Chairman, Taiwan Spine Society Chairman, Taiwan Orthopaedic Association	Consultant doctor, Taipei Veterans General Hospital Consultant doctor, Cheng Hsin General Hospital Professor, National Yang-Ming University Professor, National Defense Medical Center Chairman, Chinese Orthopaedic Promotion Society Member of Spine and Spinal Cord Professional Committee, Chinese Association of Rehabilitation Medicine Member of Orthopaedic Section of Cross-straits Medicine Exchange Association	None	None	None	Note 3
							107,505	1.07%	107,505	1.07%	0	0.00%	0	0.00%						
Independent Director	R.O.C.	Lee, Kun-Chang	Male	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor in Management (Accounting and Financial Management Division), National Central University Master in Accounting, Soochow University Committee Member of Taiwan Corporate Governance Association CEO, Premier Think Tank Co., Ltd.	Dean of Academic Affairs, Soochow University Professor of Accounting, Soochow University Professor, Graduate Institute of Law, Soochow University CEO, Fintech Development Center of Business School, Soochow University Independent Director, Eastern Media International Corporation Independent Director, Tatung Fine Chemicals Co. Independent Director, Myson Century, Inc.	None	None	None	Note 3
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Independent Director	R.O.C.	Wu, Meng-Ta	Male	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master, Graduate Institute of Accounting, National Taiwan University Bachelor in Accounting, National Chengchi University Director, Taipei City CPA Association Manager, PwC Taiwan Supervisor, Deloitte & Touche Member of The Land Joint Development Fund Committee of Taipei Mass Rapid Transit System Independent Director and Audit/Remuneration Committee Member of Gourmet Master Co., Ltd. Member of Remuneration Committee of Yungtay Engineering Co., Ltd.	Partnership CPA, Crowe (TW) CPAs Adjunct Associate Professor, Department of Accounting, National Taipei University of Business Independent Director, FunYours Technology Co., Ltd. Accounting Research and Development Foundation Member of Auditing Standards Committee Consultant, Taiwan Financial reporting Standards Committee The National Federation of CPA Associations of the R.O.C. Committee Member of Evaluation and Forensic Accounting Committee	None	None	None	Note 3
									0	0.00%	0	0.00%	0	0.00%						
Supervisor	R.O.C.	Wong, Chi-Yin	Male	2017.06.20	3 years	2014.06.23	758,993	1.06%	0	0.00%	0	0.00%	0	0.00%	Medical Graduate, National Defense Medical Center Director of Orthopedics Department, Kaohsiung Veterans General Hospital Attending Physician, Taipei Veterans General Hospital	Attending Physician of Orthopedics Department, Yuan's General Hospital	None	None	None	Note 2
									0	0.00%	0	0.00%	0	0.00%						
Supervisor	R.O.C.	Wang, Ching-Hsiang	Male	2014.06.20	3 years	2004.06.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Accounting, Soochow University Partner, Solomon & Co., CPAs Convenor of Finance and Taxation Commission, Kaohsiung City Association of Small & Medium Enterprises Instructor, Shih Chien University and Part-time Instructor of Department of Accounting, Tunghai University	Person in Charge and Partner, Yangtze CPAs & Co. Independent Director, Full Wang International Development Co., Ltd. Independent Director, Strong H Machinery Technology (Cayman) Inc.	None	None	None	Note 2
									0	0.00%	0	0.00%	0	0.00%						
Supervisor	R.O.C.	Chen, Li-Ju	Female	2017.06.20	3 years	2009.06.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Accounting, National Chengchi University GMBA, National Chengchi University Chairman, Ping Nan CATV Co., Ltd. Supervisor, Eastern Broadcasting Co., Ltd. Project Finance Consultant, Carlyle Asia Investment Advisors Limited General Manager of Administrative Finance, Melchers Trading GMBH (Taiwan Branch)	Person In Charge, Li-Ru Chen Accounting Firm	None	None	None	Note 2
									0	0.00%	0	0.00%	0	0.00%						

Note 1: The Chairman and General Manager of the Company are the same person, for he has more than 30 years of experience in international brand marketing in the field of orthopedic equipment. In domestic related industries, there is no homogeneous company having experience in international brand marketing, showing that the Company has its uniqueness in industrial management; in addition, the Company has elected two Independent Directors and two supervisors to oversee the implementation of corporate governance before related laws and regulations are in place. At present, only two of our seven directors concurrently serve as managerial officers within the Group, which is deemed reasonable and necessary.

Note 2: resigned from office after the re-general election of directors at the shareholders meeting on June 16, 2020.

Note 3: newly elected at the shareholders meeting on June 16, 2020.

(2) Major shareholders of institutional shareholders

1) Major shareholders of institutional shareholders

April 18, 2021

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

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

(3) Professional knowledge and independence of directors or supervisors, and work experience necessary for the business, and fulfilment of the conditions below:

Condition / Name (Note 1)	Possesses over Five Years' Work Experience and the Following Professional Qualification			Conforms to Independence (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Lin, Yan-Shen			✓					✓	✓	✓	✓	✓		✓	✓	None
Lin, Chun-Sheng			✓					✓	✓	✓	✓	✓		✓	✓	None
Hau, Hai-Yen			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ng Chor Wah Patrick		✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lee, Chi-Fung			✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	None
Lin, Te-Chien			✓					✓	✓	✓	✓	✓	✓	✓	✓	None
Liu, Chien-Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lee, Kun-Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Wu, Meng-Ta	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: The number of rows are adjusted based on the number of entries.

Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during their term in office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or its affiliated enterprise (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in (1) or the personnel listed in (2) or (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total shares issued by the Company, is within the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).

(6) Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).

(7) Not a director, supervisor or employee of another company or institution with the same person or spouse as the chairman, general manager or equivalent of the company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, managerial officer or shareholder holding more than 5% of shares of a specific company or institution

that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).

(9) Not a professional who provides auditing related services to the Company or its affiliates and who does not provide commercial, legal, financial, or accounting related services to the Company or its affiliates with a cumulative amount of remuneration obtained in the last two years exceeding NT$500,000; and is not an owner, partner, director, supervisor, or managerial officer, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the remuneration committee, the special committee for merger/consolidation and acquisition who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Act.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

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

April 18, 2021

Title (Note 1)	Nationality	Name	Gender	Date Elected	Date Elected		Shares Held by Spouse and/or Minor Children		Shares Held in the Name of Other Persons		Significant Experience and Education (Note 2)	Positions Concurrently Held at Other Companies	Managerial officer who is a spouse or relative within the second-degree of kinship			Remarks (Note 3)
					Number of Common Stocks / Number of Preferred Stocks	%	Number of Common Stocks / Number of Preferred Stocks	%	Number of Common Stocks / Number of Preferred Stocks	%			Title	Name	Relationship	
General Manager	R.O.C.	Lin, Yan-Shen	Male	2008.06.30	2,512,000	3.20%	559,000	0.71%	0	0.00%	Public Relations, Shih Hsin University Manager of 3M Company, USA3M Chairman, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc.	Supervisor, Taiwan Home Care Co., Ltd Person In Charge, UOC America Holding Corporation Person In Charge, UOC USA Inc. Vice Chairman, Shinva United Orthopedic Corporation Chairman, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc. Person In Charge, UOC Europe Holding SA	None	None	None	Note 4
					106,000	1.06%	0	0.00%	0	0.00%						
Deputy General Manager	R.O.C.	Liau, Jiann-Jong	Male	2016.07.01	101,293	0.13%	0	0.00%	0	0.00%	Master in Engineering, School of Technology and Engineering of National Yang Ming University Project Manager, United Orthopedic Corporation Assistant Professor, National Taiwan University	Director, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc.	None	None	None	-
					14,201	0.14%	0	0.00%	0	0.00%						
Deputy General Manager and Director of Operations Center	R.O.C.	Peng, Yu-Hsin	Female	2016.10.01	76,933	0.10%	0	0.00%	0	0.00%	Bachelor in Statistics, Tamkang University Financial Manager, Chuan-Yi Investment Inc. Chairman, Taiwan Home Care Co., Ltd.	Director, A-Spine Asia Co., Ltd. Director, United Orthopedic Japan Inc.	None	None	None	-
					0	0.00%	0	0.00%	0	0.00%						
Director of Research and Development Center	R.O.C.	Ho, Fang-Yuan	Female	2016.07.01	10,059	0.01%	37,167	0.05%	0	0.00%	Master in Materials Science & Engineering, National Taiwan University Assistant Researcher, Mackay Memorial Hospital	None	None	None	None	-
					0	0.00%	0	0.00%	0	0.00%						
Director of Operations Center	R.O.C.	Chou, Chin-Lung	Male	2016.07.01	48,805	0.06%	0	0.00%	0	0.00%	Ph.D. in Mechanical Engineering, National Cheng Kung University Vice Director of Department of Medical Equipment and Optoelectronic Equipment, Metal Industries Research & Development Center Secretary-General, Taiwan Forging Association	None	None	None	None	-
					4,551	0.05%	0	0.00%	0	0.00%						
Director of Business Center	R.O.C.	Huang, Wen-Hsuan	Female	2021.02.01	0	0.00%	0	0.00%	0	0.00%	Master in Biotechnology Advanced Management (In-service) of College of Management, Taipei Medical University Director of Domestic Business Department, United Orthopedic Corporation Manager of Spine Products Division, Synthes Medical Taiwan Ltd. Home / Directory / Johnson & Johnson Medical Taiwan Ltd. Johnson & Johnson Medical Taiwan Ltd. Manager of Spine Products Division, Johnson & Johnson Medical Taiwan Ltd. National Sales and Marketing Manager of Neurovascular Intervention Division, Medtronic (Taiwan) Ltd.	None	None	None	None	--
					0	0.00%	0	0.00%	0	0.00%						
Director of Department of Finance and Accounting	R.O.C.	Deng, Yuan-Chang	Male	2016.10.03	0	0.00%	0	0.00%	0	0.00%	Bachelor in Business Administration, Tamkang University University of Illinois Manager of Finance Department, Visera Technologies Co., Ltd. Assistant General Manager, Pihsiang Machinery MFG. Co., Ltd. Supervisor, A-SPINE Asia Co., Ltd.	Director, United Orthopedic Japan Inc.	None	None	None	-
					0	0.00%	0	0.00%	0	0.00%						

Note 1: Information on General Manager, Deputy General Managers, Assistant General Managers, heads of departments and branches shall be included. Persons who hold positions equivalent to General Manager, Deputy General Managers, or Assistant General Managers shall also be disclosed, regardless of job title.

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

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

Note 4: The chairman and general manager of the Company is the same person, for he has more than 30 years of experience in international brand marketing in the field of orthopedic equipment. In domestic related industries, there is no homogeneous company having experience in international brand marketing, showing that the Company has its uniqueness in industrial management. At present, the board of directors consists of nine directors, of which three are independent directors, and the audit committee is established according to the laws. Only three directors concurrently serve as managerial officers of the group, which does not violate the spirit of corporate governance, which is deemed reasonable and necessary.

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

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

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

Unit: NT$1,000; 2020

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Ratio of Total Amount of A, B, C, and D to Net Income (Note 10)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Amount of A, B, C, D, E, F, and G to Net Income (Note 10)</th><th rowspan="4">Parent Companies and All Invested Companies (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Retirement Pension (B)</th><th colspan="2">Remuneration of Directors (C) (Note 3)</th><th colspan="2">Business Execution Fees (D) (Note 4)</th><th colspan="2">Salaries, Bonuses, and Special Expenses (E) (Note 5)</th><th colspan="2">Retirement Pension (F)</th><th colspan="4">Employee Remuneration (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th colspan="2">The Company</th><th colspan="2">Companies in the Consolidated Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 7)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Lin, Yan-Shen</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">3,686</td><td rowspan="13">3,686</td><td rowspan="13">1,320</td><td rowspan="13">1,320</td><td rowspan="13">4.9%</td><td rowspan="13">4.9%</td><td rowspan="13">7,619</td><td rowspan="13">13,2321</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">562</td><td rowspan="13">0</td><td rowspan="13">562</td><td rowspan="13">0</td><td rowspan="13">12.9%</td><td rowspan="13">18.5%</td><td rowspan="13">None</td></tr>
<tr><td>Director</td><td>Lin, Chun-Sheng</td></tr>
<tr><td>Director</td><td>Hau, Hai-Yen</td></tr>
<tr><td>Director</td><td>Chi-Yi Investment Co. Ltd. Lee, Chi-Fung (Note 12)</td></tr>
<tr><td>Director</td><td>Ng Chor Wah Patrick</td></tr>
<tr><td>Director</td><td>Lee, Chi-Fung (Note 13)</td></tr>
<tr><td>Director</td><td>Lin, Te-Chien (Note 13)</td></tr>
<tr><td>Independent Director</td><td>Wang, Yueh-Cheng (Note 12)</td></tr>
<tr><td>Independent Director</td><td>Lee, Chun-Hsien (Note 12)</td></tr>
<tr><td>Independent Director</td><td>Lee, Kun-Chang (Note 13)</td></tr>
<tr><td>Independent Director</td><td>Wu, Meng-Ta (Note 13)</td></tr>
<tr><td>Independent Director</td><td>Liu, Chien-Lin (Note 13)</td></tr>
<tr><td>Independent Director</td><td>Liu, Chien-Lin (Note 13)</td></tr>
<tr><td colspan="23">1. Please state the policy, system, standard and structure of independent directors' remuneration, and the relationship between the remuneration amount and factors such as responsibilities, risks, and contributed time:
The board of directors is authorized to determine the remuneration to directors and independent directors of the Company in accordance with each director's involvement in the Company's business and contribution value, and with reference to the general payment standards of relevant industries locally and overseas.
2. Except as disclosed above, the remuneration received by the directors of the Company for the services provided for all companies in the financial report (such as serving as a consultant who is not an employee) in the most recent year:</td></tr>
</table>

Table of Remuneration Ranges

Range of Remuneration to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) H	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) I
Less than NT$1,000,000	Lin, Yan-Shen, Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd. (Note 12), Hau, Hai-Yen, Lee, Chun-Hsien (Note 12), Wang, Yueh-Cheng (Note 12), Lee, Chi-Fung, Lin, Te-Chien (Note 13), Li, Kun-Chang (Note 13), Wu, Meng-Ta (Note 13), Liu, Chien-Lin (Note 13)	Lin, Yan-Shen, Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd. (Note 12), Hau, Hai-Yen, Lee, Chun-Hsien (Note 12), Wang, Yueh-Cheng (Note 12), Lee, Chi-Fung, Lin, Te-Chien (Note 13), Li, Kun-Chang (Note 13), Wu, Meng-Ta (Note 13), Liu, Chien-Lin (Note 13)	Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd. (Note 12), Hau, Hai-Yen, Lee, Chun-Hsien (Note 12), Wang, Yueh-Cheng (Note 12), Lee, Chi-Fung, Lin, Te-Chien (Note 13), Li, Kun-Chang (Note 13), Wu, Meng-Ta (Note 13), Liu, Chien-Lin (Note 13)	Lin, Chun-Sheng, Ng Chor Wah Patrick, Chi-Yi Investment Co. Ltd. (Note 12), Hau, Hai-Yen, Lee, Chun-Hsien (Note 12), Wang, Yueh-Cheng (Note 12), Lee, Chi-Fung, Li, Kun-Chang (Note 13), Wu, Meng-Ta (Note 13), Liu, Chien-Lin (Note 13)
NT$1,000,000 (included)~NT$2,000,000 (not included)	None	None	None	None
NT$2,000,000 (included)~NT$3,500,000 (not included)	None	None	None	None
NT$3,500,000 (included)~NT$5,000,000 (not included)	None	None	None	None
NT$5,000,000 (included)~NT$10,000,000 (not included)	None	None	Lin, Yan-Shen	Lin, Yan-Shen, Lin, Te-Chien (Note 13)
NT$10,000,000 (included)~NT$15,000,000 (not included)	None	None	None	None
NT$15,000,000 (included)~NT$30,000,000 (not included)	None	None	None	None
NT$30,000,000 (included)~NT$50,000,000 (not included)	None	None	None	None
NT$50,000,000 (included)~NT$100,000,000 (not included)	None	None	None	None
More than NT$100,000,000	None	None	None	None
Total	12 persons	12 persons	12 persons	12 persons

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

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

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

Note 4: Refers to relevant business expenses incurred by directors (including travel expenses, special disbursements, various allowances, accommodation, company car). If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant remuneration paid to the driver must be stated in the note, but such remuneration will not be included.

Note 5: Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as the general manager, deputy general manager, other managerial officer or regular employee) over the past year and includes salary, additional compensation, severance pay, various bonuses, incentive pay, travel expenses, special disbursements, various allowances, living quarters, and company car. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant remuneration paid to the driver must be stated in the note, but such remuneration will not be included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

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

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

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

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

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

Note 11:

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

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

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

Note: 12: Dismissed in June, 2020

Note: 13: Elected in June, 2020

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

(2) Remuneration of Supervisors

Unit: NT$1,000; 2020

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="6">Remuneration of Supervisors</th><th colspan="2" rowspan="2">Ratio of Total Amount of A, B, and C to Net Income (Note 8)</th><th rowspan="3">Companies in which the Company Has Invested (Note 9)</th></tr>
<tr><th colspan="2">Compensation (A) (Note 2)</th><th colspan="2">Compensation (B) (Note 3)</th><th colspan="2">Business Execution Fees (C) (Note 4)</th></tr>
<tr><th>The Company</th><th>Companies in the Consolidated Financial Statements (Note 5)</th><th>The Company</th><th>Companies in the Consolidated Financial Statements (Note 5)</th><th>The Company</th><th>Companies in the Consolidated Financial Statements (Note 5)</th><th>The Company</th><th>Companies in the Consolidated Financial Statements (Note 5)</th></tr>
<tr><td>Supervisor</td><td>Wang, Ching-Hsiang (Note 10)</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">720</td><td rowspan="3">720</td><td rowspan="3">0.7%</td><td rowspan="3">0.7%</td><td rowspan="3">0</td></tr>
<tr><td>Supervisor</td><td>Chen, Li-Ju (Note 10)</td></tr>
<tr><td>Supervisor</td><td>Wong, Chi-Yin (Note 10)</td></tr>
</table>

Table of Remuneration Ranges

<table>
<tr><th rowspan="3">Range of Remuneration to Supervisors</th><th colspan="2">Name of Supervisor</th></tr>
<tr><th colspan="2">Total of (A+B+C)</th></tr>
<tr><th>The Company (Note 6)</th><th>Companies in the Consolidated Financial Statements (Note 7) D</th></tr>
<tr><td>Less than NT$1,000,000</td><td>Wang, Ching-Hsiang, Chen, Li-Ju, Wong, Chi-Yin</td><td>Wang, Ching-Hsiang, Chen, Li-Ju, Wong, Chi-Yin</td></tr>
<tr><td>NT$1,000,000 (included)~NT$2,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$2,000,000 (included)~NT$3,500,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$3,500,000 (included)~NT$5,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$5,000,000 (included)~NT$10,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$10,000,000 (included)~NT$15,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$15,000,000 (included)~NT$30,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$30,000,000 (included)~NT$50,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>NT$50,000,000 (included)~NT$100,000,000 (not included)</td><td>None</td><td>None</td></tr>
<tr><td>More than NT$100,000,000</td><td>None</td><td>None</td></tr>
<tr><td>Total</td><td>3 persons</td><td>3 persons</td></tr>
</table>

Note 1: The names of supervisors shall be listed separately (names of institutional shareholders and representatives shall be listed separately) and the payment amounts shall be disclosed collectively.

Note 2: Refers to remuneration of supervisors for the most recent year (includes supervisor's salary, additional compensation, severance pay, various bonuses, incentive pay).

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

Note 4: Refers to relevant business expenses incurred by supervisors (including travel expenses, special disbursements, various allowances, accommodation, company car). If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant remuneration paid to the driver must be stated in the note, but such remuneration will not be included.

Note 5: The total remuneration provided by all the companies (including the Company) to the Company's supervisors must be disclosed in the consolidated financial statement.

Note 6: The remuneration distributed to each supervisor is disclosed as a range and the names of the supervisors are disclosed by range of compensation received.

Note 7: The total remuneration provided by all the companies (including the Company) to each supervisor must be disclosed in the consolidated financial statement and names of supervisors shall be disclosed in range of remuneration received.

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

Note 9:

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

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

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

Note 10: Dismissed in June, 2020.

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

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

Unit: NT$1,000; 2020

Title	Name	Remuneration (A)(Note2)		Retirement Pension (B)		Bonuses and Special Expenses (C) (Note 3)		Profit Sharing Employee Bonus (D) (Note 4)				Ratio of Total Amount of A, B, C, and D to Net Income (%) (Note 8)		Companies in which the Company Has Invested (Note 9) (Note 9)
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	Companies in the Consolidated Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Lin, Yan-Shen	13,229	13,229	0	0	0	0	1,457	0	1,457	0	14.4%	14.4%	None
Deputy General Manager	Liau, Jiann-Jong													
Deputy General Manager	Peng, Yu-Hsin													

* Regardless of title, remuneration of employees holding positions equivalent to the general manager or deputy general managers (e.g., president, CEO, director, etc) shall be disclosed.

Table of Remuneration Ranges

Range of Remuneration Paid to General Manager and Deputy General Managers	Name	
	The Company (Note 6)	Companies in the Consolidated Financial Statements (Note 7) E
Less than NT$1,000,000	None	None
NT$1,000,000 (included)~NT$2,000,000 (not included)	None	None
NT$2,000,000 (included)~NT$3,500,000 (not included)	None	None
NT$3,500,000 (included)~NT$5,000,000 (not included)	Liau, Jiann-Jong, Peng, Yu-Hsin	Liau, Jiann-Jong, Peng, Yu-Hsin
NT$5,000,000 (included)~NT$10,000,000 (not included)	Lin, Yan-Shen	Lin, Yan-Shen
NT$10,000,000 (included)~NT$15,000,000 (not included)	None	None
NT$15,000,000 (included)~NT$30,000,000 (not included)	None	None
NT$30,000,000 (included)~NT$50,000,000 (not included)	None	None
NT$50,000,000 (included)~NT$100,000,000 (not included)	None	None
More than NT$100,000,000	None	None
Total	3 persons	3 persons

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

Note 2: Refers to salary, additional compensation, severance payment to the general manager and deputy general managers for the most recent year.

Note 3: Refers to various bonuses, incentive payment, travel expenses, special disbursements, various allowances, accommodation, company car provided to the general manager and deputy general managers for the most recent year. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant remuneration paid to the driver must be stated in the note, but such remuneration will not be included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

Note 4: Refers to the amount of compensation (including stock or cash) to the general manager and deputy general managers approved for distribution by the board of directors for the most recent year. If such figure cannot be estimated, the proposed amount of compensation for distribution this year shall be based on the actual proportion distributed last year, and schedule 1-3 should be completed accordingly. Net income refers to net income (after tax) for the most recent year. If IFRS is adopted, net income refers to net income (after tax) stated in the parent company only / individual financial statements for the most recent year.

Note 5: The total remuneration provided by all the companies (including the Company) to the general manager and deputy general managers of the Company must be disclosed in the consolidated financial statement.

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

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

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

Note 9:

a This column shall state the remuneration received by the Company's general manager and deputy general managers from an invested company (other than subsidiaries) or the parent company (If none, please fill in "None").

b If the Company's general manager and deputy general managers receive remuneration from an invested company (other than subsidiaries) or the parent company, the said remuneration shall be included in Column E in Table of Remuneration Ranges and the name of the column shall be changed to "Parent Company and All Invested Companies" accordingly.

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

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

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

Year of 2020

	Title	Name	Stock	Cash	Total	Ratio (%) of Total Amount to Net Income
Managerial Officer	Chairman	Lin, Yan-Shen	0	2,523	2,523	2.5%
	Deputy General Manager	Liau, Jiann-Jong				
	Deputy General Manager	Peng, Yu-Hsin				
	Director of Operations Center	Chou, Chin-Lung				
	Director of Research and Development Center	Ho, Fang-Yuan				
	Director of Department of Finance and Accounting	Deng, Yuan-Chang				

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

Note 2: Employee remunerations (including stock and cash) given to the managerial officers approved by the board of directors for the most recent year shall be disclosed. However, if an estimated figure cannot be derived, this year's budgeted compensations shall be calculated based on last year's actual compensations. Net income refers to net income after tax for the most recent year. If IFRS is adopted, net income refers to net income stated in the parent only company financial statements or individual financial report for the most recent year.

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

(1) General Manager and its equivalent
(2) Deputy General Manager and its equivalent
(3) Assistant General Manager and its equivalent
(4) Chief of Finance
(5) Chief of Accounting
(6) Other personnel with the authority to manage company affairs and signing authority.

Note 4: If the directors, general manager, and deputy general managers of the Company receive employee remunerations (including stock and cash), please fill in Schedule 1-2 and this table as well.

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

(1) For the parent company only financial statements or individual financial reports for the most recent three years that exhibit net losses after tax, remunerations to individual directors and supervisors shall be disclosed. However, this does not apply to the parent company only financial statements or individual financial reports for the most recent year that exhibit net income after tax sufficient to make up for the losses: N/A.

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

(3) For directors and supervisors whose average pledge ratio is higher than 50% in any of the three months in the most recent year, remunerations to individual Directors and Supervisors whose pledge ratio is higher than 50% in the particular month shall be disclosed: None.

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

(5) The Company is ranked in the lowest tier in the corporate governance evaluation for the most recent year, or for the most recent year and up to the date of publication of the Annual Report, the Company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or TPEx, or the Corporate Governance Evaluation Committee has resolved that the Company shall be excluded from evaluation: None.

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

(III) If the circumstance in the sub-item (1) or (5) of the preceding item applies to the Company, the Company shall disclose the individual remuneration paid to each of its top five management personnel: None.

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

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

Title		Ratio of Total Remuneration to Directors, Supervisors, General Manager, and Deputy General Managers Paid by the Company for 2019 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, General Manager, and Deputy General Managers Paid by All Consolidated Entities for 2019 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, General Manager, and Deputy General Managers Paid by the Company for 2020 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, General Manager, and Deputy General Managers Paid by All Consolidated Entities for 2020 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports
Director	First 4 items	4.6%	4.6%	4.9%	4.9%
	First 7 items	12.1%	12.1%	12.9%	18.5%
Supervisor		1.6%	1.6%	0.7%	0.7%
General Manager and Deputy General Managers		16.5%	16.5%	14.4%	14.4%

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

IV. Operations of Corporate Governance

(I) Operations of the Board of Directors

The Board met seven (7) times in the most recent year. The attendance of directors and supervisors is as follows:

Title	Name (Note 1)	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A) (Note 2)	Remarks
Chairman	Lin, Yan-Shen	7	0	100%	None
Director	Lin, Chun-Sheng	7	0	100%	None
Director	Hau, Hai-Yen	7	0	100%	None
Director	Ng Chor Wah Patrick	4	0	57.14%	None
Director	Chi-Yi Investment Co. Ltd. Representative: Lee, Chi-Fung	2	0	100%	Retired after re-election of directors on June 16, 2020
Director	Lee, Chi-Fung	5	0	100%	Newly-appointed after re-election of directors on June 16, 2020
Director	Lin, Te-Chien	5	0	100%	Newly-appointed after re-election of directors on June 16, 2020
Independent Director	Lee, Chun-Hsien	2	0	100%	Retired after re-election of directors on June 16, 2020
Independent Director	Wang, Yueh-Cheng	2	0	100%	Retired after re-election of directors on June 16, 2020
Independent Director	Liu, Chien-Lin	4	0	80%	Newly-appointed after re-election of directors on June 16, 2020
Independent Director	Lee, Kun-Chang	5	0	100%	Newly-appointed after re-election of directors on June 16, 2020
Independent Director	Wu, Meng-Ta	5	0	100%	Newly-appointed after re-election of directors on June 16, 2020
Supervisor	Wong, Chi-Yin	1	0	50%	Retired after re-election of directors on June 16, 2020
Supervisor	Wang, Ching-Hsiang	2	0	100%	Retired after re-election of directors on June 16, 2020
Supervisor	Chen, Li-Ju	2	0	100%	Retired after re-election of directors on June 16, 2020

Other mentionable items:

I. In the operation of the Board of Directors, should one of the below situations occur, the board meeting date, session, content of the resolution, opinions of all independent directors, and the Company's response to said opinions shall be recorded:

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

(II) Save as mentioned above, other matters up for decision by the Board that were objected by independent directors or about which the said directors have reserved opinions and their opinion has been recorded or declared in writing.
Independent directors did not oppose or have reservations on the material resolutions passed by the board of directors in 2020. For details as date, session, content of the resolutions of the board meetings in 2020, please refer to page 41-43 of the Annual Report.

II. Where a director abstain from voting for a decision about which he or she has a conflict of interest, the name of the director, content of the resolution, reasons for abstentions and the results of the vote should be recorded.
No Director is required to abstain from voting due to conflicts of interest in material resolutions that were passed by the board of directors in 2020.

III. TWSE/TPEx listed companies shall disclose the cycle and period, scope, method and content of self-evaluation (or peer evaluation) of the board of directors.
The Company has commenced implementation of self-evaluation mechanism of the board of directors since 2020. The evaluation cycle is once a year in principle and the evaluation period starts from January 1 to December 31 of the current year. The evaluation adopts the method of self-

evaluation by the board of directors and each individual director. The evaluation on the board will be conducted by the chairman and based on five measurement items, including the degree of the board's participation in the Company's operations, the improvement in decision-making quality of the board, the composition and structure of the board, the election and continual education of directors, and internal control. As for self evaluation by individual director, each self-evaluation is based on six measurement items, including mastery of the Company's goals and tasks, recognition of director's responsibilities, participation in the Company operations, internal relationship management and communication, director's expertise and continuing education, and internal control. The performance evaluation result declaration will be done before the end of first quarter of the following year. IV. Board of director's functional improvement goals for the current and recent years (such as establishing an audit committee and improving information transparency) and implementation status: (I) On March 19, 2020, the board of directors approved the establishment of the Company's "Audit Committee Charter" in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and each of Liu, Chien-Lin, Li, Kun-Chang and Wu, Meng-Ta, was elected and appointed as independent directors and audit committee members at the regular shareholders' meeting held on June 16, 2020. Independent director Wu, Meng-Ta was elected by all members as the convener of the audit committee and chairman of the meeting. (II) In response to the newly revised "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" announced by Financial Supervisory Commission on January 15, 2020, the Company approved the amendments to "Procedures for Board of Directors Meetings" on March 19, 2020. (III) Since the establishment of the audit committee on June 16, 2020 and up to March 23, 2021, the Company has complied with the requirements listed in Article 14-3 and Article 14-5 of Company Act and the Securities Exchange Act which provide that all proposed resolutions should first be submitted to the audit committee for approval before submission to the board of directors for approval. All resolutions have been approved by the audit committee and submitted to the board of directors for approval and implementation.

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

Note 2: (1) Where directors or supervisors resign before the end of the year, the date of resignation shall be added in the remarks column. The percentage of attendance in person (%) shall be calculated using the number of board meetings convened and attendance in person during his/her term of service.

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

(II) Operations of the Audit Committee

1. The audit committee aims to assist the board of directors in performing its supervisory duties and is responsible for the tasks required by Company Act, Securities and Exchange Act, and other related laws and regulations. The Company established an audit committee on June 16, 2020 comprising all the three independent directors. The audit committee shall hold regular meetings at least once every quarter. In 2020, the audit committee held four meetings and considered mainly on matters including capital loan to sub-subsidiaries, endorsement and guarantee, semi-annual report and the annual audit plan, etc.
2. The audit committee convened 4 meetings in the most recent year, and the attendance is detailed below:

Title	Name	Attendance in Person (B)	Percentage of Attendance in Person (%) (B/A)	Remarks
Independent Director	Wu, Meng-Ta	4	100%	Newly-appointed after re-election of directors on June 16, 2020
Independent Director	Liu, Chien-Lin	3	75%	Newly-appointed after re-election of directors on June 16, 2020
Independent Director	Lee, Kun-Chang	4	100%	Newly-appointed after re-election of directors on June 16, 2020
Other mentionable items: I. In the operation of the Audit Committee, should one of the below situations occur, the board meeting date, session, content of the resolution, result of the audit committee resolution, and the Company's response to said opinions should be recorded: (I) Matters listed in Article 14-5 of the Securities and Exchange Act: For the material resolutions of shareholders meetings, board of directors meetings and audit committee meetings, please refer to page [ ]; all the proposed resolutions are approved by all members in attendance of the audit committee meeting and passed to the board for approval. (II) Save as mentioned above, other matters that were not passed by the audit committee but approved by more than two-thirds of the entire				

board: None.

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

III. Communication between independent directors and internal audit managers and auditors (should include material matters, methods and results of communication on the Company's financial and operational status, procedures and results):

(I) The Company's chief of internal audit regularly submits an audit report to the independent directors and attends meetings of the board and the audit committee to communicate the audit result. None of the independent directors expressed opinions on the various audit services in 2020.

(II) The certified public accountant shall attend the meetings of the audit committee and the board for reporting material audit matters and results. None of the independent directors expressed opinions on the various operation communication results audited by the certified public accountant in 2020.

Note:

* When an independent director resigns before the year’s end, the remarks column shall note the date of resignation. Attendance rate (%) shall be calculated based on the number of audit committee meetings convened and the actual presence during his/her term of service.
* If there is a re-election of an independent director prior to the end of the year, both the new and old directors shall be included in the table and the remarks column shall note whether the independent director is the new or the old director, and the date of the re-election. Attendance rate (%) is calculated based on the number of meetings held during the period of his/her service and the number of meetings he/she actually attended.

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

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

Evaluation Item	Status of Operations (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Explanation	
(II) In addition to the establishment of the remuneration committee and audit committee as required by law, has the Company voluntarily established committees with other functions? (III) Has the Company established performance evaluation guidelines and evaluation methods for the board of directors and evaluated its performance regularly each year? (IV) Has the Company regularly evaluate the independence of CPAs?	 V V	V	members has met the goal of diversity. (II) The Company has set up a remuneration committee and an audit committee. Other functional committees will be set up according to the status of the Company's operating scale. (III) The Company has conducted board performance evaluation since 2020 and has declared the evaluation results by the end of first quarter of the following year. (IV) The Company shall regularly assess the independence of CPAs and submit the same to the audit committee and the board for approval. The assessment standard is based on the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 and the assessment of the independence of CPAs includes review of register of shareholders to ensure that the auditors are not stakeholders of the Company, and obtaining the declaration of independence from auditors.	
IV. Has the TWSE/TPEx listed company have in place an appropriate number of qualified corporate governance officers, and a designated chief corporate governance manager to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with the information required to conduct business, assisting directors and supervisors in legal compliance, handling matters related to board meetings and shareholders' meetings in accordance with the law, and producing minutes of the board and shareholders' meetings)?	V		The responsible units for corporate governance are the general manager's office and the department of finance and accounting. Besides providing directors and supervisors with the information required to perform their duties, the two units are also responsible for matters relating to shareholders' meeting and board meetings.	No difference
V. Has the company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and adequately responded to the issues which are of concern to the stakeholders in terms of corporate social responsibilities?	V		The Company has currently arranged its acting spokesperson to serve as the point of contact for stakeholders and has designated a section on its website for stakeholders to make timely response to issues and suggestions which are of concern to shareholders, employees, customers and suppliers.	No difference
VI. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	V		The Company has engaged Jih Sun Securities Co. Ltd.'s shareholder services division to deliver shareholder services of the Company.	No difference
VII. Information Disclosure (I) Has the Company established a website to disclose financial, operational, and corporate governance information? (II) Has the Company adopted other methods of information disclosure (e.g. setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)? (III) Has the Company publicly announced and registered the annual financial statements within two months after the end of the fiscal year, and publicly announced and registered the first, second and third quarter financial statements and the monthly operating results before the prescribed time limit?	 V V	 V	The Company has set up a website to disclose material operational and financial information. The Company has also published corporate governance information on the Taiwan Stock Exchange Market Observation Post System and set up a link on the Company's website for shareholders and investors to place their inquiries.	The Company intends to study and formulate relevant corporate governance measures or principles after submission to the audit committee, and will set up and disclose the corporate governance related information on the Company's website. Considering numerous overseas operations, the Company will promptly disclose such information upon issue of audited financial statements by the CPAs.
VIII. Does the Company have other material information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, status of directors' training, risk management policies and risk measurement standards as well as the implementation of customer policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		(I) The Company treats the employees with honesty and builds positive relationship with employees through various benefits and education trainings. (II) Status of directors' training: the Company's directors have participated in a six-hour training on corporate governance in 2020. In addition, they are also informed about the updates of relevant laws and regulations on corporate governance from time to time. (III) Implementation status of risk management policies and risk measurement standards: N/A	No difference

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Status of Operations (Note)</td><td rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Abstract Explanation</td></tr>
<tr><td></td><td></td><td></td><td>(applies to securities firm).
(IV) Implementation status of consumer protection and customer policies: N/A (applies to securities firm).
(V) Status of the Company's purchase of liability insurance for its directors and supervisors: the Company has purchased liability insurances for its directors, supervisors and managerial officers since January 2010.</td><td></td></tr>
<tr><td colspan="5">IX. Please explain improvements that have been made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center, and provide the priority enhancement items and measures. (Companies which are not included as an assessed company is not required to complete)
The Company is not included in the assessment.</td></tr>
</table>

Note 1: Regardless of whether "yes" or "no" is selected for status of operations, the Company shall provide a description in Abstract Explanation column.

Status of directors' training in 2020

<table>
<tr><th>Title</th><th>Name</th><th>Date</th><th>Organization</th><th>Course</th><th>Time</th><th>Conforms to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"</th></tr>
<tr><td rowspan="2">Chairman and General Manager</td><td rowspan="2">Lin, Yan-Shen</td><td>October 16, 2020</td><td>Securities and Futures Institute</td><td>Management of intellectual property rights and corporate operating risks</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>October 21, 2020</td><td>Securities and Futures Institute</td><td>Discussion on fraud cases of corporate financial statements</td><td>3 hours</td><td>Yes</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Lin, Chun-Sheng</td><td>August 11, 2020</td><td>Securities and Futures Institute</td><td>Discussion on the board's functions in preventing corporate fraud</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>August 11, 2020</td><td>Securities and Futures Institute</td><td>Industry 4.0 and how companies can lead innovation and transformation</td><td>3 hours</td><td>Yes</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Hau, Hai-Yen</td><td>November 17, 2020</td><td>Securities and Futures Institute</td><td>Impact of latest changes in tax laws on corporate operations and adaptive strategies</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>November 26, 2020</td><td>Securities and Futures Institute</td><td>5G key technologies and business application</td><td>3 hours</td><td>Yes</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Lee, Chi-Fung</td><td>December 8, 2020</td><td>Securities and Futures Institute</td><td>Discussion on the board's functions in preventing corporate fraud</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>December 8, 2020</td><td>Securities and Futures Institute</td><td>Trends and challenges in information security governance</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>Director</td><td>Ng Chor Wah Patrick</td><td>May 22, 2020</td><td>Welkin Computer Training</td><td>WordPress and Content Management System Essentials</td><td>6 hours</td><td>Yes</td></tr>
<tr><td rowspan="4">Director</td><td rowspan="4">Lin, Te-Chien</td><td>June 29, 2020</td><td>Securities and Futures Institute</td><td>Business strategies and corporate governance in response to global risks from unsustainability from the perspective of the COVID-19 pandemic</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>October 6, 2020</td><td>Accounting Research and Development Foundation</td><td>Enhancing self-preparation ability of financial statements: internal control, internal audit and information technology</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>December 4, 2020</td><td>Accounting Research and Development Foundation</td><td>Common corporate governance deficiencies in enterprises and analysis of related laws and regulations</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>December 4, 2020</td><td>Accounting Research and Development Foundation</td><td>Analysis of financial statements fraud and looking for key information in financial statements</td><td>3 hours</td><td>Yes</td></tr>
<tr><td rowspan="3">Independent Director</td><td rowspan="3">Liu, Chien-Lin</td><td>July 9, 2020</td><td>Securities and Futures Institute</td><td>New version of corporate governance and compliance matters when the board exercising their powers</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>July 14, 2020</td><td>Securities and Futures Institute</td><td>Discussion on legal risks to directors and supervisors of material corporate malpractices and adaptive strategies</td><td>3 hours</td><td>Yes</td></tr>
<tr><td>July 16, 2020</td><td>Securities and Futures Institute</td><td>Analysis of corporate financial information and its application on decision-making</td><td>3 hours</td><td>Yes</td></tr>
</table>

		August 20, 2020	Securities and Futures Institute	Analysis of practical cases on the conviction of the crime of breach of trust and special breach of trust by directors and supervisors	3 hours	Yes
Independent Director	Lee, Kun-Chang	February 14, 2020	Securities and Futures Institute	Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020	3 hours	Yes
		October 20, 2020	Taipei Exchange	2020 directors and supervisors conference - corporate governance and corporate integrity	3 hours	Yes
Independent Director	Wu, Meng-Ta	September 8, 2020	National Federation of CPA Associations of ROC	Real Estate Trust and House and Land Transactions Income Tax	6 hours	Yes
		October 23, 2020	National Federation of CPA Associations of ROC	Disputes on identifying material news and criminal proceeds of insider trading	3 hours	Yes
		December 22, 2020	National Federation of CPA Associations of ROC	Discussion of special practical cases of company registration	4 hours	Yes
		December 25. 2020	National Federation of CPA Associations of ROC	Family trust	3 hours	Yes

(IV) Where the Company has set up a remuneration committee, its composition, functions and powers, and implementation status should be disclosed.

(1) Scope of functions and powers: members of the Committee shall exercise the due care of a good administrator, perform the following functions and duties faithfully, and shall be responsible to the board of directors, and submit their recommendations to the board of directors for discussion:

I. Establishment and regularly review of policies, systems, standards, and structures for performance evaluation and salary and remuneration for directors, supervisors and managerial officers.

II. Regular evaluation and setting up of salary and remuneration for directors, supervisors and managerial officers.

However, the above recommendation regarding remuneration for supervisors shall be submitted to the board of directors for discussion only when the board of directors is expressly authorized to resolve on that matter by the articles of incorporation or by a resolution of the shareholders meeting:

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

Title (Note 1)	Condition / Name	Possesses over Five Years' Work Experience and the Following Professional Qualification			Conforms to Independence (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration Committee	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lee, Kun-Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Independent Director	Wu, Meng-Ta	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Liu, Chien-Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in title as director, independent director or other.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during his/her term in office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or its affiliates (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in (1) or the personnel listed in (2) or (3).

(5) Not a director, supervisor or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(6) Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).

(7) Not a director, supervisor or employee of another company or institution with the same person or spouse as the chairman, general manager or equivalent of the company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, managerial officer or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).

(9) Not a professional who provides auditing related services to the Company or its affiliates and did not provide commercial, legal, financial or accounting related services to the Company or its affiliates with cumulative amount of remuneration obtained in the last two years exceeding NT$500,000; and is not an owner, partner, director, supervisor, or managerial officer, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the remuneration committee, the special committee for merger/consolidation and acquisition who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not a person of any of the conditions defined in Article 30 of the Company Act.

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

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

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

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Lee, Kun-Chang	2	0	100%	
Committee Member (note 4)	Wu, Meng-Ta	1	0	100%	
Committee Member (note 4)	Liu, Chien-Lin	0	1	0%	
Convenor (note 3)	Lee, Chun-Hsien	1	0	100%	
Committee Member (note 4)	Wang, Yueh-Cheng	1	0	100%	

Other mentionable items:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be recorded).
All the recommendations of the remuneration committee in 2020 have been passed by the board of directors.

II. Resolutions of the remuneration committee objected to by members or subject to reserved opinions and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion.
There were no opposition or reservation on the resolutions passed by the remuneration committee in 2020.

Note:

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

(2) When an election is held for the Remuneration Committee before the end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or reelected members, along with the date of election in the remark column. Attendance rate (%) shall be calculated based on the number of remuneration committee meetings convened and the actual presence during his/her term of service.

(3) Dismissed in June, 2020.

(4) Elected in June, 2020.

(V) Fulfillment of Corporate Social Responsibilities and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Status of Operations (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
I. Has the Company, based on the materiality principle, conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies? (Note 3)	V		The Company has set out risk assessment requirements of environmental, social and corporate governance relating to the Company's operations in various work rules and SOP standard operating specifications. The Company intends to study and formulate a risk management policy for the entire Company after submission to the audit committee.	No difference
II. Has the Company designated full-time or part-time personnel to implement corporate social responsibility policy with senior management authorized by the board of directors to manage them and give status reports to the board of directors?	V		The corporate social responsibility activities are jointly promoted by the board of directors, general manager's office and department of administration.	No difference
III. Environmental issues (I) Has the Company established proper environmental management systems based on its industrial characteristics? (II) Has the Company endeavored to make efficient use of resources and use renewable materials which have low impact on the environment? (III) Has the Company assessed the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate measures to counter climate change issues? (IV) Has the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction or waste management?	 V V V V		(I) The Company has complied with the relevant regulations on public safety of buildings, fire regulations, labor safety regulations, waste disposal regulations, energy saving and carbon reduction management stipulated by Hsinchu Science Park Bureau. The Company has conducted regular inspections and reportings, and was accredited ISO14001 Environmental Management System with the hope of reducing waste and efficient utilization of resources. (II) The Company has engaged waste disposal company for recycling and reuse of the Company's waste. It has devised plans for waste water and rain water recycling devices in the new plants, designs of which are compliant with the energy saving requirements of the Bureau. To echo the green energy policy, solar panels on the top floor of the plant factory was installed. (III) The Company engages in non-energy consuming and non-highly polluting industry. The Company will continue to observe the impact of climatic change on operating activities of the Company and shall continue to implement strategic plan and action plan of energy saving and carbon reduction. (IV) The Company attaches importance to sustainable co-prosperity of the corporate and the environment, and regularly compiles statistics on and tracks energy use and greenhouse gas emissions, among which purchased electricity and natural gas are the main energy consumption. For the recent three years, electricity consumption of each plant has continued to grow due to an increase in production capacity. The Company has also established an energy verification system and established energy conservation goals and implementation plans to fulfill its social responsibility to the environment.	No difference
IV. Social Issues (I) Has the Company formulated appropriate management policies and procedures according to relevant laws and the International Bill of Human Rights? (II) Has the Company established and implemented reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee remuneration? (III) Has the Company provided employees with a safe and healthy work environment and regularly implemented health and safety education programs for its employees?	 V V V		(I) The personnel guidelines of the Company exceeds the Labor Standards Act. Material changes of employee rights and interests will be negotiated through labor-management meetings. The current labor-management relationship is in harmony. (II) The Company has stipulated performance evaluation methods in combination with various remuneration policies to share the operating results of the Company with the employees. (III) The Company conducted regular medical check-up on employees according to policies. Each plant has set up occupational safety department that reports directly to the general	No difference

Evaluation Item	Status of Operations (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
			manager and regularly convened labor safety and health committee meetings to evaluate work environment of employees. The Company has introduced the new ISO 45001 occupational health and safety management system to provide employees with a healthy work environment.	
(IV) Has the Company established an effective career skill development training program for employees?	V		(IV) Each department of the Company has devised annual education and training plan for its staff with monthly tracking on the implementation status in order to meet the competency and skills required of the position.	
(V) With regard to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant laws and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	V		(V) The Company's products are artificial joints for implantation to human bodies. The products are required to go through stringent regulatory certification procedures before launching for sale. SOPs have been set up for relevant workflows and relevant records have been documented. The products have clear indication of customer complaint channels. The Company's website contains a stakeholder section for feedback of comments. The Company has clear internal procedure of handling customers complaints so as to provide customers with clear and effective responses.	
(VI) Has the Company implemented supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		(VI) The suppliers of the Company should go through standard certification procedures prior to becoming eligible suppliers. For the materials that are implanted to human bodies, relevant data of product inspection should be provided by batches with follow-up trackings. The contracts with the suppliers are not long-term in nature. All materials are to pass through quality assurance inspection before keeping as inventories. Materials that fail the inspection will be returned. The Company will regularly perform assessment and field audit on suppliers and terminate the relationship if the suppliers are found to be unscrupulous.	
V. Has the Company referenced internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Were these reports assured or verified by a neutral third party unit?	V		The Company has taken reference from internationally-recognized reports standards or guidelines, and the "Core" option set out in GRI Standards promulgated by the Global Reporting Initiative (GRI), for information disclosure and compilation of corporate social responsibility report, which has been assured by Ernst & Young.	No difference

VI. If the Company has set up a set of principles for corporate social responsibility practices based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please provide detailed information on the differences between your company's principles and the principles provided in the above document:

The Company has not established the corporate social responsibility best practice principles. However, as the Company is a medical instrument company working to enhance physical health. In order to carry out corporate social responsibility, other than implementing information transparency, the Company strives to achieve labor-management harmony internally and promote the advancement of orthopedics externally. The Company holds a high bar on the quality of the products to meet customers' expectation of the Company's products. Furthermore, the Company is willing to continually promote social welfare activities. Therefore, the Company has in essence operated in line with the spirit of "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" The Company plans to continuously promote and implement CSR activities in 2021, and will study and formulate CSR policies and system after submission to the audit committee.

VII. Other material information that facilitates understanding of the operation of corporate social responsibility practices:

1. Environmental protection: The plant has set up production waste recovery devices, including dust collection equipment, gas collection equipment, sewage, waste water, and waste oil treatment equipment, to reduce the impact on employees and social environment. The Company has introduced ISO14001 Environmental Management System in hopes of reducing waste and utilize resources effectively.
2. Social contributions: Provision of high quality artificial joints with more reasonable price, breaking of the long time monopoly of large international manufacturers in orthopedic market, reduction of medical expense for patients, improvement of the mobility inconvenience of the elders, and addition of investment in Taiwan year by year, keeping the root of technology in the region and creation of more job opportunities and peripheral business opportunities.
3. Consumer rights: In addition to the Company's strict control over the quality of products during the production process, all of the Company's products have been insured with product liability insurance.
4. Human rights: In addition to the relevant laws and regulations, the Company has purchased insurance for all employees and also set up labor-management meetings to protect employees' rights and interests, while taking into account the price levels and the Company's profitability status in adjustment employees' salary to share the Company's operating results.
5. Safety and health: The Company has the Department of Construction Safety in place to regularly inspect and improve the labor environment. It also provides employees with education and training on labor safety and regular health checkups; standard operating procedures for product manufacturing and quality inspection are established to ensure product safety. The Company has introduced the new ISO 45001 Occupational Health and Safety Management System to provide a healthy work environment for employees.

Note 1: If "Yes" under the Current Operations is ticked off, please describe the key policies, strategies, and measures adopted and their implementation results; if "No" is ticked off, please give the reason and specify related policies, strategies, and measures to be adopted in the future.

Note 2: If the Company has compiled CSR reports, it may specify ways to access the reports and indicate the page numbers of the cited pages.

Note 3: The principle of materiality refers to environmental, social, and governance issues that have significant impacts on the Company's investors and other stakeholders.

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

Evaluation Item	Status of Operations (Note)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
I. Formulating policies and plans for ethical corporate management (I) Has the Company formulated an ethical management policy approved by the board of directors, and expressly stated in the regulations and external documents the policies and practices of ethical management, as well as the board of directors and senior management's commitment to actively implement the management policy? (II) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention, and has implemented said program while regularly reviewing and revising it?	V V V		(I) The Company takes "integrity" as the top priority for the promotion of the corporate core values. Integrity has been clearly stated in the personnel regulations and will be implemented in daily operations. (II) The Company has included relevant plans in the regulations, such as management regulations, guidelines and handling procedures, and will fulfill the commitment of ethical operations through education and trainings for new employees and departmental trainings. (III) The Company has established SOPs and regulations for daily business transaction process and provided clear guidelines on unethical behaviors.	No difference
II. Implementation of Ethical Corporate Management (I) Has the Company evaluated business partners' ethical records and include ethics-related clauses in business contracts? (II) Has the Company set up a unit responsible for ethical corporate management on a full-time basis under the board of directors which reports the ethical corporate management policy and plans against unethical conduct regularly (at least once a year) to the board of directors while overseeing such implementation? (III) Has the Company established policies to prevent conflicts of interest and provided appropriate communication channels and implemented it? (IV) Has the Company established effective accounting and internal control systems to implement ethical corporate management? Has the Company's internal audit unit followed the results of unethical conduct risk assessments and devised audit plans to audit the systems accordingly to prevent unethical conduct, or hired outside accountants to perform the audits? (V) Has the Company regularly held internal and external educational trainings on ethical corporate behavior?	(I) V (III) V (IV) V (V) V	(II) V	(I) The contracts between the Company and its business partners contain clear terms of ethical behaviors, requiring the business partner to comply with principle of relevant legal behavior, violation of which will result in termination of the contract by the Company. (II) The Company currently does not have a full-time or part-time unit solely responsible for promoting ethical corporate management, which has been implemented by the management of each department in accordance with the regulations established by the Company. The internal auditing department is responsible for regular review of implementation status. It shall submit the audit results to the independent directors and attend the board meetings for reporting the results. (III) The Company has established appropriate regulations in relevant management regulations and has set up opinions reporting channels to prevent transactions containing conflicts of interest. (IV) The Company has set up an internal control system and relevant management regulations for transaction cycles. The internal audit staff shall formulate annual audit plan and conduct sampling checks, results of which will be submitted to the independent directors and board members for attention. The implementation is well executed. (V) The Company arranges internal and external training on a regular basis to incubate employees' the required skills set out in the internal regulations to fulfill the belief of ethical corporate management.	No difference
III. Operations of the Company's reporting mechanism (I) Has the Company established a concrete reporting and reward system, set up convenient reporting channels and appointed suitable personnel to handle these cases? (II) Has the Company established the standard operating procedures for investigating received reports, the	V V		(I) The Company has set up a mailbox for employee feedback. The administrative management unit is responsible for handling relevant feedback in accordance with relevant management regulations. (II) (The Company has set up methods of managing the mailbox covering the	No difference

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

Note 1: Regardless of whether "yes" or "no" is selected for status of operations, the Company shall provide a description in Abstract Explanation column.

(VII) If the Company has established corporate governance principles and relevant regulations, the means of inquiry shall be disclosed: None.

(VIII) Other material information that facilitates understanding of the Company's implementation of corporate governance: None.

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

(1) Internal Control Statement

United Orthopedic Corporation

Statement of Internal Control System

Date: March 23, 2021

The Company states the following with regard to its internal control system during 2020 based on the self-assessment results:

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

II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of the internal control system may change along with changes in environment or circumstances. However, the internal control system of the Company contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.

III. The Company assessed the effectiveness of the design and implementation of the internal control system based on judgment criteria set by "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The Regulations adopt judgement criteria of internal control system that follows the management control process, which is divided into five key elements: 1. control environment, 2. evaluation of risk and feedback, 3. control operation, 4. information and communication, and 5. supervision. Each element also includes additional items. For the aforementioned items, please refer to the Regulations.

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

V. Based on the preceding assessment result, the Company believes that its internal control system (with subsidiaries supervision and management) on December 31, 2020 includes the awareness of operation effectiveness and target achievement efficiency, reliability of financial reports and compliance with laws and regulations. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.

VI. This statement will become an integral part of the Company's annual report and the prospectus, which will be made public. Any falsehood, concealment or other illegality in the content made public will entail legal liability under 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This statement has been approved by the board of directors on March 23, 2021, where none of the nine attending directors expressed dissenting opinions, and unanimously affirmed the content of this statement.

United Orthopedic Corporation

Chairman: Lin, Yan-Shen

General Manager: Lin, Yan-Shen

(2) If the Company has engaged external auditors to review the Company's internal control system, the external auditor's report should be disclosed: None.

(X) If there has been disciplinary measures taken against the Company or its internal staff due to violations of legal requirements, or disciplinary measures taken by the Company against its own staff due to violations of the internal control system during the most recent fiscal year up to the publication date of the Annual Report, results of which have a material effect on shareholders' rights and interest or stock price, the details of the disciplinary measures, major faults and improvement measures should be recorded: None.

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

(1) Shareholders' meetings

Date	Major resolutions of meetings
2020.06.16	1. Approval of the 2019 business report and financial statements. 2. Approval of the 2019 surplus earnings distribution Status of execution: the ex-dividend date and distribution date were resolved to be August 2, 2020 and August 26, 2020 respectively after the resolution of the board meeting on June 30, 2020. 3. Approval of the proposal for the distribution of cash dividends from capital surplus Status of execution: the ex-dividend date and distribution date were resolved to be August 2, 2020 and August 26, 2020 respectively after the resolution of the board meeting on June 30, 2020. 4. Approval of amendments to partial provisions of the Company's Articles of Incorporation 5. Approval of amendments to the Company's "Rules of Procedure for Shareholders Meetings" 6. Approval of amendments to the Company's "Procedures for Acquisition or Disposal of Assets" 7. Approval of amendments to the Company's "Procedures for Loaning of Funds to Others" 8. Approval of amendments to the Company's "Procedures for Endorsements/Guarantees" 9. Approval of the Company's directors' re-election 10. Approval of releasing the non-competition restriction on the Company's directors

(2) Board meetings

Date	Major resolutions of meetings
2020.03.19	1. Approved the 2019 remuneration distribution to employees, directors and supervisors 2. Approval of the Company's 2019 financial statements and business report. 3. Approved the Statement of Internal Control System 4. Approval of the Company's 2019 surplus earnings distribution 5. Approval of the proposal for the distribution of cash dividends from capital surplus 6. Approval of amendments to partial provisions of the Company's Articles of Incorporation 7. Approval of amendments to the Company's "Rules of Procedure for Shareholders Meetings" 8. Approval of amendments to the Company's "Procedures for Acquisition or Disposal of Assets" 9. Approval of amendments to partial provisions of the Company's "Procedures for Loaning of Funds to Others" 10. Approval of amendments to partial provisions of the Company's "Procedures for Endorsements/Guarantees" 11. Approval of the amendments to "Procedures for Board of Directors Meetings" 12. Approval of the amendments to the Company's "Remuneration Committee Charter" 13. Approval of the amendments to the Company's "Audit Committee Charter" 14. Approval of the proposal to re-elect the Company's directors at the shareholders' meeting 15. Approval of the proposal to release non-competition restriction on the newly appointed directors of the Company at the shareholders' meeting 16. Approval of the acceptance of shareholders' right to submit proposals at the 2020 annual

	shareholders' meeting 17. Approval of the convening of the 2020 annual shareholders' meeting 18. Approval of the assessment report on CPA's competence and independence 19. Approval of the Company's proposal for cancellation of the 1st repurchase of the Company's stocks according to laws
2020.04.28	1. Approval of acceptance of the board's nomination of directors 2. Approval of acceptance of the board's review of eligibility of independent directors 3. Approval of amendments to partial provisions of the Company's Articles of Incorporation 4. Approval of the amendments to the regulations governing the issuance and transfer of the Company's preferred stock A 5. Approval of acquisition of a 1.389% equity interest in United Orthopedic Japan Inc.
2020.06.16	1. Approval of election of chairman
2020.06.30	1. Approval of August 2, 2020 as the ex-dividend date of the Company's 2019 special dividend and surplus earnings of ordinary shares, and distribution of cash dividends from capital surplus 2. Approval of appointment of Remuneration Committee members 3. Approval of an increase of the Company's guarantee and endorsement of USD500,000 to the group's sub-subsidiaries 4. Approval of the proposal for capital reduction of invested companies UOC America Holding Corporation and UOC USA, Inc. for covering accumulated deficits 5. Approval of cancellation of the 1st treasury stock 6. Approval of the proposal to authorise the chairman to approve the investment quota for acquisition and disposal of marketable securites
2020.08.04	1. Approval of the Company's new "Regulations Governing Salary and Remuneration for Directors and Managerial Officers" 2. Approval of the plan of remuneration distribution for employees, directors and supervisors in 2019 3. Approval of the amendments to the Company's "Remuneration Committee Charter" 4. Approval of the amendments to the Company's "Audit Committee Charter"
2020.11.11	1. Approval of cancellation of new restricted employee shares redeemed by the Company 2. Approval of the adjustments to capital reduction of invested companies UOC America Holding Corporation (subsidiary) and UOC USA, Inc.(sub-subsidiary) for covering accumulated deficits
2020.12.23	1. Approval of the 2021 audit plan 2. Approval of the proposal of the loaning of funds among invested companies of the group 3. Approval of the proposal of the Company's guarantee and endorsement to the group's sub-subsidiaries 4. Approval of the proposal for an increase of the Company's investment in a subsidiary in Japan 5. Approval of the proposal to extend the Company's investment time limit with regard to subsidiaries in Europe
2021.03.23	1. Approved the 2020 remuneration distribution to employees, directors and supervisors 2. Approval of the Company's 2020 financial statements and business report. 3. Approval of the Company's 2020 Statement of Internal Control System 4. Approval of the Company's 2020 surplus earnings distribution 5. Approval of the acceptance of shareholders' right to submit proposals at the 2021 annual shareholders' meeting 6. Approval of the convening of the 2021 annual shareholders' meeting 7. Approval of the assessment report on CPA's competence and independence 8. Approval of the adjustments to remuneration of Company's managerial officers 9. Approval of cancellation of new restricted employee shares redeemed by the Company

(3) The Audit Committee

Date	Major resolutions of meetings
2020.06.16	1. Approval of election of convenor of the audit committee
2020.06.30	1. Approval of an increase of guarantee and endorsement of USD500,000 to the group's sub-subsidiaries.
2020.08.04	1. Approval of review on the 2020 semi-annual financial statement.
2020.12.23	1. Approval of the 2021 audit plan 2. Approval of the loaning of funds among invested companies of the group 3. Approval of the guarantee and endorsement to the group's sub-subsidiaries
2021.03.23	1. Approval of the Company's 2020 financial statements and business report. 2. Approval of the Company's 2020 Statement of Internal Control System 3. Approval of the Company's 2020 surplus earnings distribution 4. Approval of the assessment report on CPA's competence and independence

(XII) Major contents of reserved opinions of directors and supervisors on material resolutions passed by the board of directors and their opinion has been recorded or declared in writing for the most recent year up to the publication date of the Annual Report: None.

(XIII) Resignation or dismissal of the Company's chairman, general manager, chief of accounting, chief of finance, chief of internal audit, chief of corporate governance and chief of R&D, etc: None.

March 31, 2021

Title	Name	Date of appointment	Date of dismissal	Reasons for resignation or dismissal
None				

Note: "Relevant persons in the Company" refers to the chairman, general manager, chief of accounting, chief of finance, chief of internal audit, chief of corporate governance and chief of R&D, etc.

V. Information Regarding the Company's Audit Fee

(I) The Company can choose to disclose the CPA fees in form of ranges or the amount. The following items shall be disclosed if one of the following circumstances occurs:

Range of Audit Fee

Name of Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young	Ma, Chun-Ting	Huang, Chien-Tse	20200101-20201231	None

Note: If the Company has changed CPA or accounting firm during the current fiscal year, the period covered by CPA's audit and the reasons for change shall be stated in the Remarks column.

Unit: NT$1,000

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,000 (included)~NT$4,000,000	3,258	0	3,258
3	NT$4,000,000 (included)~NT$6,000,000			
4	NT$6,000,000 (included)~NT$8,000,000			
5	NT$8,000,000 (included)~NT$10,000,000			
6	Over NT$10,000,000 (included)			

1. When non-audit fees paid to the CPA, the accounting firm of the CPA and any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed.

Information Regarding the Company's Audit Fee

Unit: NT$1,000

Name of Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note 2)	Subtotal		
Ernst & Young	Ma, Chun-Ting	3,258	0	0	0	0	0	20200101	None
	Huang, Chien-Tse							20201231	

Note 1: If the Company has changed CPA or accounting firm during the current fiscal year, the period covered by CPA's audit and the reasons for change shall be stated in the Remarks column. The audit and non-audit fees paid to the former and successor CPA or accounting firm shall also be disclosed in sequence.

Note 2: Please list non-audit fees by separate service items and provide descriptions in the "Remarks Column" if "Others" exceeds 25% of the total amount of non-audit fees.

2. When the Company has changed its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: None.

3. When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

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

VI. Information on replacement of CPA

(I) Information on the Former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">March 18, 2019</td></tr>
<tr><td>Reason of replacement and explanation</td><td colspan="4">Due to the internal CPA adjustments of Ernst & Young, the board of directors resolved to engage CPA Ma, Chun-Ting and CPA Huang, Chien-Tse of Ernst & Young to handle the audit of financial statements starting from the first quarter of 2019.</td></tr>
<tr><td rowspan="3">Description of whether the appointee or the CPA terminated or discontinued the engagement</td><td colspan="2">Involved Party / Situation</td><td>CPA</td><td>The appointee</td></tr>
<tr><td colspan="2">Proactive termination of appointment</td><td>✓</td><td></td></tr>
<tr><td colspan="2">Did not accept further (continuing) appointment</td><td></td><td></td></tr>
<tr><td>Opinion and reasons for issuance of audit report containing an opinion other than an unqualified opinion during the most recent 2 years</td><td colspan="4">Unqualified opinions were issued in both 2019 and 2020</td></tr>
<tr><td rowspan="6">Any disagreements with the issuer</td><td rowspan="4">Yes</td><td colspan="2"></td><td>Accounting principles or practices</td></tr>
<tr><td colspan="2"></td><td>Financial report disclosure</td></tr>
<tr><td colspan="2"></td><td>Audit scope or steps</td></tr>
<tr><td colspan="2"></td><td>Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Explanation: not applicable</td></tr>
<tr><td>Other items disclosed (for which disclosure is required under Article 10, Clause 6, items 1d through 1g of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(II) Regarding the successor CPA

Name of the accounting firm	Ernst & Young
Name of CPA	CPA Ma, Chun-Ting and CPA Huang, Chien-Tse
Date of appointment	March 18, 2019
Pre-appointment consultations for opinions on accounting treatments or principles for specific transactions and the Company's financial reports that the CPA might issue.	None
The successor CPA’s written opinion of disagreement toward the former CPA	None

(III) Former CPA's Reply to Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations: N/A.

VII. Where the Company's chairman, general manager or managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None

VIII. Transfer of shares and change in pledge of shares by directors, supervisors, managerial officers, and/or shareholders with a stake of more than 10 percent in the most recent year up to the publication date of the Annual Report. Where the counterparty in the transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers and shareholders with a stake of more than 10 percent, and the number of shares transferred or pledged.

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

Date: April 18, 2021 (book closure date); Unit: Share

Title	Name	2020				As of April 17, 2021				Remarks
		Common stock		Preferred stock		Common stock		Preferred stock		
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman	Lin, Yan-Shen	0	600,000 (540,000)	(25,000)	0	0	0	0	0	
Director	Lin, Chun-Sheng	0	0	0	0	0	0	0	0	
Director	Hau, Hai-Yen	0	0	0	0	0	0	0	0	
Director	Lee, Chi-Fung	250,000								
Director	Ng Chor Wah Patrick	32,000	0	0	0	0	0	0	0	
Director	Lin, Te-Chien	0	0	0	0	55,000	0	0	0	
Independent Director	Liu, Chien-Lin	0	0	0	0	0	0	0	0	
Independent Director	Lee, Kun-Chang	0	0	0	0	0	0	0	0	
Independent Director	Wu, Meng-Ta	0	0	0	0	0	0	0	0	
Deputy General Manager	Liau, Jiann-Jong	9,000	0	0	0	0	0	0	0	
Deputy General Manager	Peng, Yu-Hsin	0	0	0	0	0	0	0	0	
Director of Research and Development Center	Ho, Fang-Yuan	0	0	0	0	0	0	0	0	
Director of Operations Center	Chou, Chin-Lung	0	0	0	0	0	0	0	0	
Director of Department of Finance and Accounting	Deng, Yuan-Chang	0	0	0	0	0	0	0	0	

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

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

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

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

Name (note 1)	Current Shareholding		Shares Held by Spouse and/or Minor Children		Shareholding by Nominee Arrangement		Names and relationship of the top ten shareholders who are identified as a related party, spouse or relative within the second degree of kinship under no. 6 of the Statements of Auditing Standards. (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Designation (or Name)	Relationship	
Lin, Yan-Shen	2,512,000	3.20%	559,000	0.71%	0	0%	Lin, Chun-Sheng Lin, Te-Chien	Brother father and son	
Lin, Chun-Sheng	1,905,743	2.43%	15,000	0.02%	0	0%	Lin, Yan-Shen	Brother	
New labor pension fund	1,595,243	2.04%	0	0%	0	0%	None	None	
Labor insurance fund	1,581,824	2.02%	0	0%	0	0%	None	None	
E. Sun Bank was commissioned to manage the investor account of Ng Chor Wah Patrick	1,433,139	1.83%	0	0%	0	0%	None	None	
National Pension Insurance Fund	1,324,283	1.69%	0	0%	0	0%	None	None	
Lin, Te-Chien	1,018,461	1.30%	0	0%	0	0%	Lin, Yan-Shen	father and son	
Standard Chartered as custodian of LGT Bank (Singapore) Ltd.	937,461	1.20%	0	0%	0	0%	None	None	
Li, Chen-He	888,943	1.13%	0	0%	0	0%	None	None	
Huang, Hua-Shan	865,162	1.10%	0	0%	0	0%	None	None	

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

Note 2: The calculation of shareholding ratio shall indicate the percentage of shares held in the person's own name or in the name of spouse, minor children, or others.

Note 3: The relationships between the aforementioned shareholders, including corporate and natural persons, shall be disclosed based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers

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

December 31, 2020

Unit: shares

Invested companies (Note 1)	The Company's investments		Supervisors, Managers in directly or indirectly controlled businesses		Combined investments	
	Shares	%	Shares	%	Shares	%
UOC America Holding Corporation	9,380 (note 2)	100	0	0	9,380	100
UOC USA, Inc.	0	0	13,861,016 (note 3)	100	13,861,016	100
UOC Europe Holding SA	13,500 (Note 4)	96	0	0	13,500	96
United Orthopedic Corporation (Suisse) SA			1,550 (Note 4)	100	1,550	100
United Orthopedic Corporation (France)			8,782 (Note 5)	100	8,782	100
United Orthopedic Corporation (Belgium)			500 (Note 5)	100	500	100
United Orthopedic Japan Inc.	36,658 (note 6)	88	0	0	36,658	88
A-Spine Asia Co., Ltd.	10,089,696 (note 7)	75	0	0	10,089,696	75
Pauline Medical.Co., Ltd.	0 (note 8)	0	0	0	0	0

Note 1: The investments were made by the Company under the equity method.
Note 2: The face value of each share is USD 1,000.
Note 3: The face value of each share is USD 0.68.
Note 4: The face value of each share is CHF 1,000.
Note 5: The face value of each share is EUR 1,000.
Note 6: The face value of each share is JPY 3,507.
Note 7: The face value of each share is TWD 10.
Note 8: A-Spine Asia Co., Ltd., a subsidiary of the Company, merged with Pauline Medical.Co., Ltd. on December 31, 2020.

Chapter 4 Funding Status

I. Capital and shares

(I) Source of Capital

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
1993.02	10	11,000,000	110,000,000	2,750,000	27,500,000	Founding capital 25,000,000	Technology stocks 2,500,000	None
1994.08	10	11,225,000	112,250,000	11,225,000	112,250,000	Capital increase 77,250,000	Technology stocks 7,500,000	(83) Official Letter No. 12643
1997.03	10	11,225,000	112,250,000	5,612,500	56,125,000	Capital reduction to offset deficits (56,125,000)	None	(86) Official Letter No. 05947
1997.03	15	11,612,500	116,125,000	11,612,500	116,125,000	Capital increase 53,630,000	Debt-equity swap 6,370,000	(86) Official Letter No. 05947
1998.02	10	18,612,500	186,125,000	18,612,500	186,125,000	Capital increase 59,980,000	Debt-equity swap 10,020,000	None
1998.12	20	30,000,000	300,000,000	22,612,500	226,125,000	Capital increase 40,000,000	None	(87) Official Letter No. 029827
2004.09	13	30,000,000	300,000,000	25,462,500	254,625,000	Capital increase 28,500,000	None	FSC Official Letter No. 0930136711
2006.08	11.50	40,000,000	400,000,000	33,962,500	339,625,000	Capital increase 85,000,000	None	FSC Official Letter No. 0950111098
2007.10	45	60,000,000	600,000,000	38,562,500	385,625,000	Capital increase 46,000,000	None	FSC Official Letter No. 0960042265
2008.12	9.60	60,000,000	600,000,000	42,362,500	423,625,000	Capital increase through private placement 38,000,000	None	None
2009.06	20.60	60,000,000	600,000,000	46,362,500	463,625,000	Capital increase through private placement 40,000,000	None	None
2012.04 2012.08	-	60,000,000	600,000,000	46,362,500	463,625,000	Supplemental public issuance of privately-placed ordinary shares 38,000,000/40,000,000	None	FSC Official Letter No. 1010012282/FSC Official Letter No. 1010037604
2013.01	30	60,000,000	600,000,000	53,362,500	533,625,000	Capital increase 70,000,000	None	FSC Official Letter No. 1010057730
2014.12	40.25	60,000,000	600,000,000	55,976,119	559,761,190	Unsecured convertible bonds 26,136,190	None	FSC Official Letter No. 10100577301
2015.7	40.25	60,000,000	600,000,000	56,202,200	562,022,000	Unsecured convertible bonds 2,260,810	None	FSC Official Letter No. 10100577301
2015.7	-	60,000,000	600,000,000	56,774,200	567,742,000	New restricted employee shares 5,720,000	None	FSC Official Letter No. 1040025385

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2015.11	39.3	100,000,000	1,000,000,000	58,412,868	584,128,680	Unsecured convertible bonds 16,386,680	None	FSC Official Letter No. 10100577301
2015.11	46	100,000,000	1,000,000,000	71,212,868	712,128,680	Capital increase 128,000,000	None	FSC Official Letter No. 1040035809
2015.12	-	100,000,000	1,000,000,000	71,204,868	712,048,680	Cancellation of new restricted employee shares (80,000)	None	FSC Official Letter No. 1040025385
2016.2	39.3	100,000,000	1,000,000,000	71,746,847	717,468,470	Unsecured convertible bonds 5,419,790	None	FSC Official Letter No. 10100577301
2017.8	-	100,000,000	1,000,000,000	71,724,847	717,248,470	Cancellation of new restricted employee shares (220,000)	None	FSC Official Letter No. 1040025385
2017.10	48	100,000,000	1,000,000,000	79,724,847	797,248,470	Capital increase 80,000,000	None	FSC Official Letter No. 1060025497
2017.11	-	100,000,000	1,000,000,000	79,712,847	797,128,470	Cancellation of new restricted employee shares (120,000)	None	FSC Official Letter No. 1040025385
2018.4	-	100,000,000	1,000,000,000	79,700,847	797,008,470	Cancellation of new restricted employee shares (120,000)	None	FSC Official Letter No. 1040025385
2018.7	-	100,000,000	1,000,000,000	80,450,847	804,508,470	New restricted employee shares 7,500,000	None	FSC Official Letter No. 1070323957
2019.5	-	100,000,000	1,000,000,000	80,432,847	804,328,470	Cancellation of new restricted employee shares (180,000)	None	FSC Official Letter No. 1070323957
2019.8	-	150,000,000	1,500,000,000	80,426,847	804,268,470	Cancellation of new restricted employee shares (60,000)	None	FSC Official Letter No. 1070323957
2019.11	52	150,000,000	1,500,000,000	90,426,847	904,268,470	Capital increase Preferred stocks A 100,000,000	None	FSC Official Letter No. 1080325924
2019.11	-	150,000,000	1,500,000,000	90,420,847	904,208,470	Cancellation of new restricted employee shares (60,000)	None	FSC Official Letter No. 1070323957
2020.07	-	150,000,000	1,500,000,000	88,407,847	884,078,470	Cancellation of treasury stock (2,013,000)	None	None
2020.11	-	150,000,000	1,500,000,000	88,389,847	883,898,470	Cancellation of new restricted employee shares (18,000)	None	FSC Official Letter No. 1070323957

Type of Stock	Authorized Capital			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Common Stock	78,389,847	61,610,153	150,000,000	TPEx-listed Stock
Preferred Stock	10,000,000			

Note: 271,703 shares of the common stock are redeemed new restricted employee shares which were not yet cancelled.

Information on Shelf Registration: N/A.

(II) Shareholder Structure

1. Common stocks

Status of Shareholders	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Natural Persons	Total
Number of Shareholders	0	0	127	42	20,013	20,182
Number of Shares Held	0	0	8,282,989	4,666,944	65,168,211	78,118,144
Shareholding Percentage (%)	0.00%	0.00%	10.60%	5.97%	83.42%	100.00%

2. Preferred stocks

Status of Shareholders	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Natural Persons	Total
Number of Shareholders	0	0	20	1	1,560	1,581
Number of Shares Held	0	0	1,911,810	130,286	7,957,904	10,000,000
Shareholding Percentage (%)	0.00%	0.00%	19.12%	1.30%	79.58%	100.00%

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

1. Common stocks

Record date: April 18, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1-999	12,528	369,463	0.47%
1,000-5,000	5,782	11,605,103	14.86%
5,001-10,000	873	6,709,248	8.59%
10,001-15,000	309	3,848,073	4.93%
15,001-20,000	182	3,243,282	4.15%
20,001-30,000	166	4,123,860	5.28%
30,001-40,000	89	3,118,839	3.99%
40,001-50,000	56	2,577,005	3.30%
50,001-100,000	101	7,077,650	9.06%
100,001-200,000	45	6,036,290	7.73%
200,001-400,000	25	6,756,788	8.65%
400,001-600,000	12	6,415,645	8.21%
600,001-800,000	4	2,174,639	2.78%
800,001-1,000,000	3	2,691,566	3.44%
1,000,001 or over	7	11,370,693	14.56%
Total	20,182	78,118,144	100.00%

2. Preferred stocks

Record date: April 18, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1-999	472	97,703	0.98%
1,000-5,000	813	1,391,205	13.91%
5,001-10,000	142	1,132,429	11.32%
10,001-15,000	42	564,889	5.65%
15,001-20,000	22	399,000	3.99%
20,001-30,000	25	637,484	6.37%
30,001-40,000	16	573,648	5.74%
40,001-50,000	9	417,000	4.17%
50,001-100,000	25	1,740,152	17.40%
100,001-200,000	12	1,569,490	15.70%
200,001-400,000	1	321,000	3.21%
400,001-600,000	2	1,156,000	11.56%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
1,000,001 or over	0	0	0.00%
Total	1,581	10,000,000	100.00%

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

Shareholder's Name	Number of Shares Held	Shareholding Percentage (%)
Lin, Yan-Shen	2,512,000	3.20%
Lin,Chun-Sheng	1,905,743	2.43%
2nd-tier New Labor Pension Fund	1,595,243	2.04%
Labor Insurance Fund	1,581,824	2.02%
E. Sun Bank as Custodian of the Investor Account of Ng Chor Wah Patrick	1,433,139	1.83%
National Pension Insurance Fund	1,324,283	1.69%
Lin, Te-Chien	1,018,461	1.30%
Standard Chartered as custodian of LGT Bank (Singapore) Ltd.	937,461	1.20%
Li, Chen-He	888,943	1.13%
Huang, Hua-Shan	865,162	1.10%

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

Year / Item			2019	2020	As of March 31 of the Current Year (Note 8)
Market Price per Share (Note 1)	Highest		53.50	44.60	37.50
	Lowest		43.30	25.50	31.00
	Average		47.74	35.39	33.61
Net Worth per Share (Note 2)	Before distribution		35.47	35.98	35.98
	After distribution		35.13	To be resolved at the shareholders' meeting	--
Earnings per Share	Weighted average shares		79,700,847	78,340,241	77,687,847
	Earnings per share (Note 3)		1.05	1.00	-0.09
Dividends per Share	Cash dividends		0.27462619	To be resolved at the shareholders' meeting	--
	Stock dividends	Dividends from retained earnings	0	To be resolved at the shareholders' meeting	--
		Distribution from capital surplus	0	To be resolved at the shareholders' meeting	--
	Accumulated undistributed dividends (Note 4)		0	0	--
Return on Investment	Price-to-earnings ratio (Note 5)		45.47	35.39	--
	Price-to-dividends ratio (Note 6)		173.84	To be resolved at the shareholders' meeting	--
	Cash dividend yield (Note 7)		0.58%	To be resolved at the shareholders' meeting	--

* If shares are distributed in connection with capitalization of earnings or capital surplus, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

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

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

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

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

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

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

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

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

(VI) Dividend Policy and Implementation Status

(1) Dividend policy and implementation status:
In case the Company makes a profit in the current year (profit refers to income before tax and before distribution of remuneration to employees and Directors), 12% shall be allocated as the employee remuneration and no more than 3% as remuneration to Directors. However, when the Company has accumulated losses (including adjustment on undistributed earnings), the loss should offset first from profits.
The Company may only distribute the aforementioned employees remuneration and remuneration to Directors in cash by a Board resolution and reported to the shareholders' meeting.
If there is net profit after tax after book closure of the fiscal year, it shall be first used to offset any accumulated loss from previous year(s) (including the adjusted amount of undistributed earnings), and then set aside 10% of the said earning as legal reserve and appropriated in accordance with the law. However, this is not applicable when the legal reserve has already reached the amount of the Company's paid-in capital. After the statutory surplus reserve has been retained or rotated in accordance with the regulations or requests made by competent agencies, if there is accumulated undistributed earnings, the holders of preferred stock are given priority to be distributed the dividends of the current year. If there are still undistributed earnings left, 50% to 100% of the remaining earnings shall be distributed as shareholders' dividends, of which, 50% of the shareholders' dividends that are distributed in the current year shall be distributed as cash dividends.

(2) Distribution of dividends proposed at the shareholders' meeting: For the distribution of earnings for 2020, NT$23,400,000 of stock dividends is proposed to be distributed first at NT$2.34 per preferred stock A; NT$0.83391139 per share is proposed to be distributed as cash dividends. The proposal was passed by the Board of Directors on March 23, 2021 and to be resolved at the shareholders' meeting on June 16, 2021 in accordance with relevant regulations.

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

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

(VIII) Compensation of Employees, Directors and Supervisors

(1) Information on compensation of employees, Directors and Supervisors under the Articles of Association:
Article 20 of the Articles of Association: In case the Company makes a profit in the current year (profit refers to income before tax and before distribution of remuneration to employees and Directors), 12% shall be allocated as the employee remuneration and no more than 3% as remuneration to Directors. However, when the Company has accumulated losses (including adjustment on undistributed earnings), the loss should offset first from profits.
The Company may only distribute the aforementioned employees remuneration and remuneration to Directors in cash by a Board resolution and reported to the shareholders' meeting.

(2) The basis for estimating the amount of compensation of employees, Directors, and Supervisors, for calculating the number of shares to be distributed as employee

remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The basis for estimating the amount of compensation of employees, Directors, and Supervisors: In accordance with Article 20 of the Articles of Association, it is based on the profit made in 2020 (profit refers to income before tax and before distribution of remuneration to employees, Directors, and Supervisor).

The basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: It is recognized as profit or loss in 2021.

Discrepancy between the Distributed Compensation of Employees, Directors and Supervisors and the Recognized Compensation for 2020, Reasons Thereof, and Treatment

Unit: NTD

	Recognized Compensation	Distributed Compensation	Discrepancy	Reasons and Treatment
Employee Remuneration	14,742,912	14,742,912	0	None
Remuneration to Directors and Supervisors	3,685,728	3,685,728	0	
Total	18,428,640	18,428,640	0	

Note: Employee remuneration and remuneration to Directors and Supervisors are distributed in cash.

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

1. Distribution of employee remuneration and remunerations to Directors and Supervisors through cash or stock: The Board of Directors resolved to distribute in cash NT$14,743,000 as employees' bonuses, and NT$3,686,000 as remunerations to Directors and Supervisors from the earnings of 2020.
2. The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the net income after tax stated in the parent company only financial statements or individual financial reports for the current period and total employee remuneration: No employee remuneration was distributed in stocks for 2020.

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

There was no discrepancy between the actual distribution and the recognized compensation of employees, Directors, and Supervisors for the previous year (2019).

Unit: NTD

Distribution	Distribution Resolved by the Shareholders' Meeting and the Board of Directors	Actual Distribution	Discrepancy
Employee Remuneration	12,367,173	12,367,173	0
Remuneration to Directors and Supervisors	3,091,793	3,091,793	0
Total	15,458,966	15,458,966	0

(IX) Share Repurchases

(1) Repurchases already completed:

As of book closure date: April 18, 2021

Number of Repurchase	First time (period)
Purpose of Repurchase	Shares are repurchased and cancelled to maintain the Company's credit and stockholders' equity.
Type of Stock Repurchased	The Company's common stock
Upper Limit of Amount Repurchased	NT$220,000,000
Expected Period of Repurchase	March 20, 2020 - May 19, 2020
Expected Number of Shares to Be Repurchased	4,000,000 shares
Price Range of Shares to Be Repurchased	NT$20 to NT$55 per share; repurchase may continue if the Company's stock price is below the lower limit of this range
Type and Amount of Shares Repurchased	2,013,000 shares
Amount of Shares Repurchased	NT$65,537,000
Ratio of Quantity Repurchased to Quantity to Be Repurchased (%)	50.325%

Note: The repurchased of treasury shares was cancelled according to the resolution of the Board of Directors on June 30, 2020. In addition, the change of registration for the capital decrease was approved by the competent authority on July 14, 2020.

(2) Any repurchase still in progress: None.

II. Issuance of corporate Bonds

(I) Issuance of Corporate Bonds

The Company's applications for the 2nd and 3rd issuance of domestic unsecured convertible bonds were approved in the Financial Supervisory Commission's Notices No. 10600254971 and No. 10803259241 dated July 18, 2017 and August 26, 2019, respectively, and became effective on the same dates. The total amounts issued were NT$400 million and NT$500 million, respectively. Trading began on the Taipei Exchange on August 11, 2017 and September 10, 2019, respectively, based on the Notices No. 10600214142 and No. 10800104051 issued by the Taipei Exchange on August 8, 2017 and September 6, 2019, respectively.

Type of Corporate Bonds		2nd issuance of domestic unsecured convertible bonds (Note)	3rd issuance of domestic unsecured convertible bonds
Issue Date		August 11, 2017	September 10, 2019
Face Value		NT$100,000	NT$100,000
Issuance and Trading Place		R. O. C.	R. O. C.
Par Value		100% of face value	100.5% of face value
Total Amount		NT$400,000,000	NT$500,000,000
Interest Rate		Coupon rate 0%	Coupon rate 0%
Term		3 years, maturity date: August 11, 2020	5 years, maturity date: September 10, 2024
Guarantee Agency		None	None
Consignee		Taipei Fubon Commercial Bank Co., Ltd.	KGIBank Co., Ltd.
Underwriter		Fubon Securities Co., Ltd.	KGI Securities Co., Ltd.
Certified Lawyer		Chiu, Ya-Wen, Attorney at law	Chiu, Ya-Wen, Attorney at law
CPA		Ernst & Young CPA Chang, Chih-Ming and CPA Huang, Chien-Tse	Ernst & Young CPA Ma, Chun-Ting and CPA Huang, Chien-Tse
Repayment Method		Effective period: 3 years The bonds can be converted into the Company's common stocks in accordance with the conversion clauses in Article 10 of the Regulations Governing the 2nd Issuance and Conversion of Domestic Unsecured Convertible Bonds (the Regulations) 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.	Effective period: 5 years The bonds can be converted into the Company's common stocks in accordance with the conversion clauses in Article 10 of the Regulations Governing the 3rd Issuance and Conversion of Domestic Unsecured Convertible Bonds (the Regulations), redeemed in advance in accordance with Article 18 of the Regulations, sold back in accordance with Article 19 of the Regulations, or repurchased by the Company for cancellation. The holders shall be paid in cash at the nominal value of the bonds in one payment on the mature date.
Outstanding Principal as of the Publish Date of the Annual Report		NT$0 thousand	NT$500,000,000
Terms of Redemption or Advance Repayment		See the Regulations Governing the 2nd Issuance and Conversion of Domestic Unsecured Convertible Bonds	See the Regulations Governing the 3rd Issuance and Conversion of Domestic Unsecured Convertible Bonds
Restrictive Clause		None	None
Name of Credit Rating Agency, Rating Date, and Rating Results		None	None
Other Rights Attached	Amount that has been converted (exchange or subscription) into common stocks, overseas depository receipts, or other marketable securities as of the publication date	0	0

	of the Annual Report		
	Issuance and conversion (exchange or subscription) regulations	See the Regulations Governing the 2nd Issuance and Conversion of Domestic Unsecured Convertible Bonds	See the Regulations Governing the 3rd Issuance and Conversion of Domestic Unsecured Convertible Bonds
Issuance and Conversion (Exchange or Subscription) Regulations, Issuing Condition Dilution, and Impact on Existing Shareholders' Equity		The total amount of convertible bonds that have been issued this time is NT$400,000,000. The impact on earnings per share will be delayed because the duration of the bonds is 3 three years and each creditor's conversion request timing is different. Therefore, it should not have any material impact on the existing shareholders' equity. The coupon rate of the bonds is 0% and its conversion price is issued at a premium. Therefore, there should no negative impact on the shareholders' equity.	The total amount of convertible bonds that have been issued this time is NT$500,000,000. The impact on earnings per share will be delayed because the duration of the bonds is 5 three years and each creditor's conversion request timing is different. Therefore, it should not have any material impact on the existing shareholders' equity. The coupon rate of the bonds is 0% and its conversion price is issued at a premium. Therefore, there should no negative impact on the shareholders' equity.
Transfer Agent		N/A	N/A

Note: The 2nd issuance of domestic unsecured convertible bonds was matured on August 11, 2020, and the holders were paid at 101.5075% of the nominal value of NT$400,000,000 and interest payable refund of NT$6,030,000 from the said bonds.

(II) Convertible Bonds

Types of convertible bonds (Note 1)		2nd issuance of domestic unsecured convertible bonds		3rd issuance of domestic unsecured convertible bonds	
Item / Year		2020	As of March 31, 2021 (Note 4)	2020	As of March 31, 2021 (Note 4)
Market Value for Conversion of Bonds (Note 2)	Highest	101.00	Already matured on August 11, 2020 (Note 5)	100.50	99.50
	Lowest	100.20		95.00	98.05
	Average	100.41		98.04	98.86
Conversion Price		70.30		51.50	51.50
Issuance Date and Conversion Price on Issuance		August 11, 2017 NT$77.30		August 11, 2019 NT$51.50	August 11, 2019 NT$51.50
Conversion Method (Note 3)		Issuance of new stocks		Issuance of new stocks	Issuance of new stocks

Note 1: The number of rows is adjusted in accordance with the actual entries.

Note 2: If the offshore corporate bonds have multiple trading places, they shall be listed in accordance with their trading locations.

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

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

Note 5: The 2nd issuance of domestic unsecured convertible bonds was matured on August 11, 2020, and the holders were paid at 101.5075% of the nominal value of NT$400,000,000 and interest payable refund of NT$6,030,000 from the said bonds.

III. Issuance of Preferred Stocks

<table>
<tr><td colspan="3">Date of Issuance (Note 2)
Item</td><td>Preferred stock A on November 29, 2019</td></tr>
<tr><td colspan="3">Face Value</td><td>NT$10</td></tr>
<tr><td colspan="3">Par Value</td><td>NT$52</td></tr>
<tr><td colspan="3">Number of Shares</td><td>10,000,000 shares</td></tr>
<tr><td colspan="3">Total Amount</td><td>NT$520,000,000</td></tr>
<tr><td rowspan="4">Rights and Obligations</td><td colspan="2">Distribution of dividends and bonuses</td><td>1. The annual percentage rate of preferred stocks is 4.5% (record date: September 17, 2019, 5-year interest rate swap (IRS) rate, 0.7162% + fixed rate, 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's PYTWDFIX and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.
2. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated undistributed earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year. The Company has discretion over the distribution of preferred stock dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.</td></tr>
<tr><td colspan="2">Distribution of remaining assets</td><td>Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.</td></tr>
<tr><td colspan="2">Execution of voting rights</td><td>Preferred stockholders have neither voting nor election rights. However, they may be elected as Directors or Supervisors. They have voting rights in preferred stockholders' meetings or with respect to agendas associated with the rights and obligations of preferred stockholders in shareholders' meetings.</td></tr>
<tr><td colspan="2">Others</td><td>1. The preferred stocks shall not be converted within one year from the date of issue (October 18, 2019). From the day following the expiration of one year (October 19, 2020), the holders may apply for the conversion of part or all of their preferred stocks to common stocks (conversion ratio: 1:1) in the conversion period. The smallest unit of conversion is one share. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.
2. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.</td></tr>
<tr><td rowspan="2" colspan="2">Outstanding Preferred Stocks</td><td>Amount of preferred stocks redeemed or converted</td><td>NT$0</td></tr>
<tr><td>Balance of preferred stocks not redeemed or converted</td><td>NT$520,000,000</td></tr>
</table>

	Redemption or conversion terms		The Company may, at any time from the next day of the five-year expiration of the issue (October 19, 2024), redeem all or part of the preferred stocks based on the original issue price by making an announcement and sending a 30-day "Notice on the Redemption of Preferred Stocks" to the preferred shareholders. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company's shareholders' meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.
Market Price per Share	2018	Highest	N/A
		Lowest	N/A
		Average	N/A
	2019	Highest	53.70
		Lowest	52.60
		Average	52.99
	2020	Highest	53.00
		Lowest	41.00
		Average	48.42
	Current year as of March 31, 2021 (Note 4)	Highest	49.90
		Lowest	46.40
		Average	47.55
Other Rights Attached	Amount of stock conversion or subscription as of the publication date of the Annual Report		NT$0
	Issuance and conversion or subscription regulations		See the Regulations Governing the Issuance and Conversion of Preferred Stocks A in 2019.
Impact of conditions of issuance on the rights and interests of preferred shareholders and possible dilution of shareholders' equity and impact on existing shareholders' equity			Conditions of issuance have no impact on the rights and interests of preferred shareholders. In regard to any impact on existing shareholders' equity, although the issuance of preferred stock dividends before conversion reduces the distributable earnings to common shareholders (assuming that the original shareholders has not participated in the subscription for preferred stocks), preferred stock dividends to be distributed will decrease when preferred stocks are converted into common stocks. Although the holders may convert preferred stocks into common stocks, each holder's conversion request timing is different. Therefore, it should delay the dilution of earnings per share. The Company's increase in capital by issuing preferred stocks can immediately reduce the debt ratio and enhance the Company's competitiveness, further reducing operational risks.

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

Note 2: The number of column is adjusted depending on the actual number of issuance.

Note 3: Private placement shall be highlighted.

Note 4: Information for the current year up to the publication date of the Annual Report shall be filled in.

Note 5: For preferred stocks issued with an embedded call option, please fill in the table below.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employees' Stock Option Certificates and New Restricted Employee Shares

(I) The issuance of employees' stock option certificates shall record the following:

(1) For the employees' stock options that are yet to be matured, the Company shall disclose their issuance and impact on shareholders' equity as of the publication date of the Annual Report. The private placement of employees' stock options shall be highlighted: None.

(2) Names of managerial officers holding employees' stock option certificates and top ten employees holding stock option certificates, and the cumulative number of such certificates exercised by said managerial officers and employees respectively as of the publication date of the Annual Report: None.

(II) The issuance of new restricted employee shares shall record the following:

(1) The Company shall disclose the new restricted employee shares that have not fully met the vested conditions as of the publication date of the Annual Report and its impact on the shareholders' equity.

Issuance of New Restricted Employee Shares

March 31, 2021

<table>
<tr><td>Type of New Restricted Employee Shares (Note 1)</td><td>2nd issuance of new restricted employee shares</td></tr>
<tr><td>Effective Date</td><td>July 3, 2018</td></tr>
<tr><td>Issue Date (Note 2)</td><td>August 7, 2018</td></tr>
<tr><td>Number of New Restricted Employee Shares Issued</td><td>750,000</td></tr>
<tr><td>Issue Price</td><td>0</td></tr>
<tr><td>New Restricted Employee Shares as a Percentage of Shares Issued</td><td>0.85%</td></tr>
<tr><td>Vesting Conditions of New Restricted Employee Shares</td><td>(I) Managerial officers that receive new restricted employee shares upon approval of the Board of Directors:
1. Employees who are still serving in the Company three years after the capital increase base date.
2. The employees' annual performance evaluation results rank in A and above.
3. The Company's annual consolidated revenue growth of 15% and after-tax net income growth of 20% are used for the performance evaluation indicator. The average standard value ratio reached in three years is taken as the vested share ratio. If the proportion of the vested shares is greater than 100%, it is calculated as 100%. (The consolidated revenue in each year shall not be lower than 12% and the after-tax net income shall not be lower than 16%).
<table>
<tr><td>Assessed Items</td><td>YOY Revenue</td><td>YOY Net Income after Tax</td></tr>
<tr><td>Assessment Standard Value</td><td>15%</td><td>20%</td></tr>
<tr><td>Lowest Standard Value</td><td>12%</td><td>16%</td></tr>
</table>
</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td rowspan="3">Assessment Year</td><td>2018</td><td>• If yoy <12%, then x1 = 0
• If yoy >=12%, then x1=yoy/15%</td><td>• If yoy <16%, then x2=0
• If yoy >=16%, then x2=yoy/20%</td></tr>
<tr><td>2019</td><td>• If yoy <12%, then x3 = 0
• If yoy >=12%, then x3=yoy/15%</td><td>• If yoy <16%, then x4=0
• If yoy >=16%, then x4=yoy/20%</td></tr>
<tr><td>2020</td><td>• If yoy <12%, then x5= 0
• If yoy >=12%, then x5=yoy/15%</td><td>• If yoy <16%, then x6=0
• If yoy >=16%, then x6=yoy/20%</td></tr>
<tr><td>Vested Share Ratio (z)</td><td colspan="3">z =Σxi / 6, (i=1~6, if z>=100%, it is calculated as 100%)</td></tr>
</table>
Note 1: Vested share ratio is rounded to the second decimal place
Note 2: The vested shares are rounded to the nearest integer.
(II) R&D personnel that receive new restricted employee shares upon approval of the Board of Directors:
Employees who are still serving in the Company three years after the capital increase base date, and the employees' annual performance evaluation ranks A and above. The vested share ratio is: 100%.
</td>
</tr>
<tr>
<td>Restriction of Rights on New Restricted Employee Shares</td>
<td>(I) After receiving new restricted employee shares and before meeting vesting conditions, employees shall not sell, pledge, transfer, endow, gift to others, or dispose of the restricted employee shares in any way.
(II) Shareholders' meeting voting rights: same with other common stocks of the Company.
(III) The option and right of interest of shareholders: same with other common stocks of the Company.
(IV) The right to participate, propose, speak and vote at a shareholders' meeting is delegated and executed by the guarantee institution in accordance with the contract.
(V) The new restricted employee shares shall be delivered to the guarantee institution after they have been issued. The employees shall not request the new restricted employee shares to be returned for any reason before the vested conditions are met.</td>
</tr>
<tr>
<td>Custodian of New Restricted Employee Shares</td>
<td>Taipei Fubon Commercial Bank Co., Ltd.</td>
</tr>
<tr>
<td>Procedures for Handling Allocated or Subscribed New Shares without Meeting the Vested Conditions</td>
<td>If the employees violate the Regulations, labor contract or work guidelines that receive a major warning and above, or if the criminal law is violated and the judgment has been confirmed, the new shares of the employee's rights that are allocated but have not yet reached the vested conditions are deemed to have not met the vested conditions on the date of the fact, and the Company has the right to redeem and cancel the shares unconditionally according to law. However, the stock and cash dividends received during the period will be given to the employees unconditionally.</td>
</tr>
<tr>
<td>Quantity of Redeemed or Purchased New Restricted Employee Shares</td>
<td>48,000 (Note 3)</td>
</tr>
<tr>
<td>Number of New Shares with Restricted Rights Lifted</td>
<td>0</td>
</tr>
</table>

Number of New Shares with Restricted Rights Not Yet Lifted	702,000
Proportion of New Shares with Restricted Rights Not Yet Lifted to Total Number of Issued Shares (%)	0.79%
Impact on Shareholders' Equity	A total of 702,000 new restricted employee shares were issued unconditionally. The employees must still be serving the Company three years after the capital increase base date. The current ratio of new restricted employee shares to the total number of shares issued is 0.79%, which should not have any material impact on the existing shareholders' equity.

Note 1: The number of rows is adjusted in accordance with the actual entries.

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

Note 3: Some employees entitled to new restricted employee shares left the Company before meeting the vested conditions. According to the Regulations, the Company redeemed a total of 48,000 new restricted employee shares issued for cancellation upon the Board's resolutions on May 2, 2019, August 6, 2019, November 7, 2019, and November 11, 2020, and has completed the change registration.

(2) Names and acquisition status of managerial officers acquiring new restricted employee shares and top ten employees in the number of new restricted employee shares acquired, cumulative to the publication date of the Annual Report:

Names and Acquisition Status of Managerial Officers Acquiring New Restricted Employee Shares and Top Ten Employees in the Number of New Restricted Employee Shares Acquired

March 31, 2021

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of New Restricted Employee Shares Acquired</th><th rowspan="2">Percentage of New Restricted Employee Shares Acquired to Total Shares Issued</th><th colspan="4">Restricted Rights Lifted (Note 2)</th><th colspan="4">Restricted Rights Not Yet Lifted (Note 2)</th></tr>
<tr><th>Number of Shares with Restricted Rights Lifted</th><th>Par Value</th><th>Issued Amount</th><th>Percentage of Shares with Restricted Rights Lifted to Total Shares Issued</th><th>Number of Shares with Restricted Rights Not Yet Lifted</th><th>Par Value</th><th>Issued Amount</th><th>Percentage of Shares with Restricted Rights Not Yet Lifted to Total Shares Issued</th></tr>
<tr><td rowspan="6">Managerial Officers</td><td>General Manager</td><td>Lin, Yan-Shen</td><td rowspan="6">330,000</td><td rowspan="6">0.37%</td><td rowspan="6">0</td><td rowspan="6">10</td><td rowspan="6">0</td><td rowspan="6">0%</td><td rowspan="6">330,000</td><td rowspan="6">10</td><td rowspan="6">0</td><td rowspan="6">0.37%</td></tr>
<tr><td>Deputy General Manager and Director of Operations Center</td><td>Liau, Jiann-Jong</td></tr>
<tr><td>Deputy General Manager and Director of Operations Center</td><td>Peng, Yu-Hsing</td></tr>
<tr><td>Director, Research and Development Center</td><td>Ho, Fang-Yuan</td></tr>
<tr><td>Director, Operations Center</td><td>Chou, Chin-Lung</td></tr>
<tr><td>Director, Department of Finance and Accounting</td><td>Deng, Yuan-Chang</td></tr>
<tr><td rowspan="7">Employees (Note 3)</td><td>Manager, Department of Finance and Accounting</td><td>Pan, Yun-Han</td><td rowspan="7">156,000</td><td rowspan="7">0.18%</td><td rowspan="7">0</td><td rowspan="7">10</td><td rowspan="7">0</td><td rowspan="7">0%</td><td rowspan="7">156,000</td><td rowspan="7">10</td><td rowspan="7">0</td><td rowspan="7">0.18%</td></tr>
<tr><td>Manager, Department of Information Management</td><td>Kuo, Yao-Chong</td></tr>
<tr><td>Manager, Department of Production Management at Hsinchu</td><td>Lin, Hsiu-Chun</td></tr>
<tr><td>Manager, Department of Manufacturing Development at Kaohsiung</td><td>Lin, Ching-Chi</td></tr>
<tr><td>Project Manager, R&D Department</td><td>Lu, Cheng-Kuang</td></tr>
<tr><td>Manager, Mechanical Development Department</td><td>Pao, Shou-Heng</td></tr>
<tr><td>Audit Manager, General Manager's Office</td><td>Liao, Wei-Chang</td></tr>
</table>

	Manager, Department of Administration	Chuang, Ya-Yen										
	Manager, Department of Customer Service	Wang, Yi-Yung										
	Department of Product Development	Liu, Yu-Liang										

Note1: The names and titles of the managerial officers and employees shall be disclosed individually (those who have left the Company or passed away shall be noted), but the stock options received or subscribed may be disclosed in a consolidated method.

Note 2: The number of rows may be adjusted in accordance with the actual entries.

Note 3: The top ten employees who hold the new restricted employee shares refer to employees who are not managerial officers.

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

VI. Issuance of New Shares in Connection with Mergers and Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. Implementation of Capital Application Plans

As of the first quarter of 2021, the Company's uncompleted public offering or private placement of securities, and for such offering and placement that were completed in the most recent three years but have not yet fully yielded the planned benefits include the issuance of preferred stocks A and the 3rd issuance of domestic unsecured convertible bonds worth NT$1,020,000,000 in 2019. The plans and execution results are explained below:

● Issuance of preferred stocks A and the 3rd issuance of domestic unsecured convertible bonds in 2019

(I) Description of Plans

1. The competent authority's approval date and the document number:
FSC Letters No. 1080325924 and No. 10803259241 dated August 26, 2019.
2. Total amount of funds required for the plan: NT$1,022,500,000.
3. Sources of funds:
   (1) The 3rd issuance of domestic unsecured convertible bonds
   Issued 5,000 unsecured convertible bonds for the third time in Taiwan at 100.5% of face value, each with a face value of NT$100,000, in a period of three years. The total issue amount was NT$500,000,000, with a nominal annual percentage rate of 0%.
   (2) Issuance of preferred stocks A in 2019
   Issued 10,000,000 shares of preferred stock for capital increase at the par value of NT$10 each. The issue price per share was set at NT$52, and the total fund raised reached NT$520,000,000.
4. Capital allocation plans and expected progress:

Unit: NT$1,000

Project Plan	Expected Completion Date	Total Funds Required	Expected Progress	
			2019	
			Third Quarter	Fourth Quarter
Repayment of Bank Borrowings	Fourth Quarter of 2019	1,018,667	500,000	518,667
Replenishment of Working Capital	Fourth Quarter of 2019	3,833	0	3,833
Total		1,022,500	500,000	522,500

5. Changes in plans, reasons thereof, and benefits: N/A.
6. Date on which information on the plans has been entered into the reporting website designated by the FSC: August 26, 2019.
7. Expected benefits:
The capital allocation plans were mainly for repayment of bank borrowings and replenishment of working capital to reduce interest expenses and improve the Company's financial structure. If we apply the borrowing rate of 0.9350%~1.27% and the average short-term borrowing rate of 0.93%, the Company expects to save NT$2,455,000 in interest expenses in 2019 and NT$9,839,000 annually from 2020 onward. The capital allocation

plans can moderately reduce the Company's financial burden and improve its financial structure and solvency.

(II) Status of Implementation

Unit: NT$1,000

Project Plan	Implementation Status		As of Fourth Quarter of 2019	Reason for Exceeding or Falling behind and Improvement Plan
Repayment of Bank Borrowings	Expenses	Expected	1,018,667	Completed on schedule, thus not applicable.
		Actual	1,018,667	
	Progress	Expected	100.00%	
		Actual	100.00%	
Replenishment of Working Capital	Expenses	Expected	3,833	
		Actual	3,833	
	Progress	Expected	100.00%	
		Actual	100.00%	
Total	Expenses	Expected	1,022,500	
		Actual	1,022,500	
	Progress	Expected	100.00%	
		Actual	100.00%	

(III) Benefits

(1) Repayment of bank borrowings

Unit: NT$1,000

Quarter / Interest Expenses	Before Financing	After Financing	
	Second Quarter of 2019	Third Quarter of 2019	Fourth Quarter of 2019
Interest Expenses	4,671	5,127	4,055

Of the funds raised from the issuance of preferred stocks A and the 3rd issuance of domestic unsecured convertible bonds in 2019, NT$1,018,667,000 was used to repay the Company's bank borrowings, which was fully completed in the fourth quarter of 2019 as scheduled. According to the table above, interest expenses have been saved.

(2) Replenishment of working capital

Unit: NT$1,000; %

Year / Item		Before Financing	After Financing
		End of June 2019	End of 2019
Basic Financial Data	Current assets	1,855,262	1,707,132
	Current liabilities	1,289,716	808,161
	Total liabilities	2,239,692	1,728,711
	Operating revenue	788,082	1,576,184
	Earnings per share (NT$)	0.78	1.05
Financial structure (%)	Debt ratio	49.33	37.95
	Ratio of long-term capital to property, plant, and equipment	275.64	369.76
Solvency (%)	Current ratio	143.85	211.24
	Quick ratio	88.93	121.62

Source: Information as of the end of 2019 was based on the parent company only financial statements audited by the CPAs; information as of the end of June 2019 was based on the parent company only financial statements not yet audited by the CPAs.

Of the funds raised from the issuance of preferred stocks A and the 3rd issuance of domestic unsecured convertible bonds in 2019, NT$3,833,000 was used to replenish the Company's working capital, which was fully completed in the fourth quarter of 2019 as scheduled. In terms of basic financial data, current assets at the end of 2019 decreased compared to those at the end of June 2019 mainly due to the increased need of working capital arising from expanded outlets. Cash and cash equivalents decreased accordingly; current liabilities and total liabilities at the end of 2019 decreased compared to those at the end of June 2019 mainly due to the repayment of short-term borrowings. As to the financial structure, at the end of 2019, the debt ratio dropped from 49.33% to 37.95%, the current ratio increased from 143.85% to 211.24%, and the quick ratio rose from 88.93% to 121.62%, showing an improved financial structure and solvency. In summary, the benefits of replenishment of working capital have started to roll in.

Chapter 5 Operational Highlights

I. Business Activities

(I) Business Scope:

(1) Main Areas of Business Operations

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

1.1. Artificial orthopedic implants: including artificial joints, artificial bone plates, intramedullary rods, bone pins, etc.

1.2 Orthopedic surgical equipment and its manufacturing equipment.

1.3 Special metal and plastic materials.

2. Import, export and trade of aforementioned products.

(2) Revenue Distribution

Unit: NT$1,000

Products	Total Sales in 2020	(%) of Total Sales
Artificial joints	1,908,190	81.5%
Spinal products	333,336	14.2%
Other Products	95,969	4.1%
OEM products	4,731	0.2%
Total	2,342,226	100.0%

(3) Main Products of the Company

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

(4) Planned New Products (Services) Development

1	Dual mobility hip system and tools	2	U-Motion II EXPE Liner expansion
3	Non-cement fixed femoral end implants and patella element	4	U2 Restricted Tibial Insert
5	Artificial shoulder joint system and tools	6	3D-printed implant systems and tools
7	Modular stems and tools	8	Metal module double movement acetabula system and tool

(II) Industry Overview:

(1) Current Status and Future Development

According to the "Orthopaedic Industry Annual Report" published by ORTHOWORLD in 2020, the global artificial knee joint is estimated to have an output value of US$9.3 billion in 2021, and the expected growth rate is 4.4% in 2022. The artificial hip joint has an output value of US$7.8 billion and the expected growth rate is 4.4% in 2022. In addition, the overall price fluctuations in the end product market are minimum. In this market, whose scale is approximately NT$500 billion and continues to grow due to population ageing, the future development of the Company is expected to be exceptional.

2. Relationship with Up-, Middle- and Downstream Companies

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

3. Product Development Trends

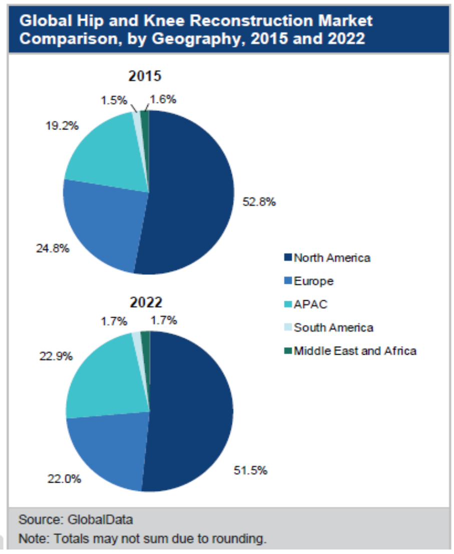
In the field of artificial joints, standardized products continue to account for the majority of revenue. Nevertheless, with their advantages over resources, international corporations continue to control the product trends and enjoy leadership. The development in recent years leans towards improvements on customized joints, more precise operations and shorter recovery period, with the examples of 3D printing and robotic arm navigation. The Company has accumulated considerable R&D power through the investment in manpower, materials and resources over the years. As a result, we believe we can quickly respond to market challenges brought on by new technologies and concepts.

4. Competition

According to the statistics of Global Data, the largest market is still in North America. Therefore, the four largest plants are all based in the U.S, taking up more than 70% of the output value. The Company's product is positioned to compete with world-class plants both in quality and price. Even though the quality and functionality of our products are at the same level as other major plants, our marketing capability and brand awareness are inferior. Improving the visibility of the brand is something we need to invest in and catch up on.

Hip and Knee Reconstruction, Key Metrics in the Global Market, 2015 and 2022

Market Forecast	2015	2022
Global Market Value	$13.83bn	$16.80bn
North America Market Value	$7.30bn	$8.66bn
Europe Market Value	$3.43bn	$3.70bn
APAC Market Value	$2.66bn	$3.85bn
South America Market Value	$0.21bn	$0.29bn
Middle East and Africa Market Value	$0.22bn	$0.29bn



(III) Research and Development

(1) Research and Development Expenses and Its Percentage to Revenue in the Past Two Years and the Current Year as of March 31, 2021:

Unit: NT$1,000

Year	Total Expenses	Total Expenses To Revenue (%)
2019	188,337	7.7%
2020	155,087	6.6%
As of March 31, 2021	39,519	6.3%

(2) Overview of Technology or Product Achievement

1	The Machining Technology of CoCrMo Alloy for Orthopedic Joint Replacements	2	The Technology of Porous Coating on CoCrMo Alloy
3	The Mirror Polishing Technology of CoCrMo Alloy	4	The Machining Technology of Titanium Alloy for Orthopedic Joint Replacements
5	The Surface Treatment and hardening Technology of Stainless Surgical Instruments	6	The Diamond Shape Manufacturing Technology for Stem Broach Surface
7	The Robotic Grinding Technology for Femoral Components	8	The Precision Forging Technology of CoCrMo Alloy for Orthopedic Joint Replacements
9	The Precision Forging Technology of Titanium Alloy for Orthopedic Joint Replacements	10	The Precision Casting Technology of CoCrMo Alloy for Orthopedic Joint Replacements
11	The Sintering Technology of Porous Coating on Titanium Alloy	12	Vacuum Plasma Spraying Technology of Titanium Powder on Titanium Alloy Surface
13	The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Titanium Alloy Surface	14	Vacuum Plasma Spraying Technology of Titanium Powder on The Surface of Alloy of Cobalt, Chromium and Molybdenum
15	The Titanium Alloy Surface High-Thickness HA Plasma Spray Coating Technology	16	The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Cobalt-, Chromium- And Molybdenum-Alloy Surface

(IV) Long-Term and Short-Term Development

(1) Short-Term Development:

1. Marketing strategy

(A) In the past two years, due to the implementation of medical reforms by the central government in China, e.g. the two-invoice system and volume-based tendering system in various provinces, the market business model has also been adjusted to meet local market transformation requirements. At present, the priority is to secure the volume-based tendering in various provinces; in 2020, the Company successfully obtained bidding qualifications for several pilot sites, and it is expected that the Company is able to start supplying the demands of these new bidding projects in 2021. In addition, in terms of the domestic product registration schedule, due to the stricter changes in the medical device review regulations in mainland China in the past two years, and the COVID-19 pandemic has affected the product testing and review schedules, the registration for domestic products has been delayed. It is currently estimated that the certification of various products will be completed in the latter half of 2021, and it is expected that all products will be approved for marketing in 2022. The Company believes that the this will be beneficial to the growth of the Chinese market.

(B) The Company will continue to operate in markets such as Switzerland, France, Belgium and the United Kingdom through its European subsidiaries and continue to look for business opportunities in other European land markets. In addition, starting from 2021, the Company will also be responsible for the maintenance and development of distributors in the European region through its European subsidiaries.

(C) The Japanese subsidiary has successively completed several major product registrations in the past two years, and has been actively engaged in marketing and sales activities. At present, there are still some supporting products in the process of applying for certification. The Company believes that with a more complete product line, the number of surgical operation cases will continue to accumulate. Currently, in addition to self-developed hospital clients, the Company will also actively look for suitable cooperation opportunities to gain a foothold in this iconic Asian market.

(D) The Central and South American markets have been successfully developed in key markets such as Argentina, Brazil and Colombia thanks to the efforts of senior sales consultants' efforts in local client development and assistance in compliance of application procedures. However, due to the local domestic economic and financial issues and the combined impact of COVID-19 pandemic, sales numbers for international markets in 2021 have been dramatic decreasing. Although the current practice of adopting a more conservative approach to the market operation in the region is executed, the Company will continue to pursue in-depth cultivation in these markets in view of the development potential of these emerging countries.

(E) The Company is currently developing the US hospital markets mainly through regular chains. New products developed to break into higher-end hospitals, such as Conformity stems and USTAR II System, the limb salvage system products, have successfully launched in 2020. So far, some successful clinical cases have been accumulated, providing a strong boost to the US market. In conjunction with the launch of the Company's new CIS in 2021, the Company will continue to strive for exposure opportunities in the professional media and orthopedic medical conferences to enhance the brand awareness and engage in shaping the new brand image for potential clients.

(F) The domestic market was affected by the COVID-19 pandemic throughout 2020. The Company took the opportunity to strengthen the professional ability of the sales team, improved the service quality for our clients, ensured the quality and strength of service, increased the interactive communication with large domestic medical centers, and cultivated a loyal client base. Strategically, the Company actively promoted high-quality out-of-pocket products, increased the unit price of sales as well as the penetration rate of regional hospitals, and gradually increased the domestic market share and saw sales growth.

2. Production policy and direction of product development
   - (A) After phase three of the new construction of Kaohsiung plant was put into production, the production lines in Hsinchu plant and Kaohsiung plant have been adjusted for the purpose of improving production efficiency and yields, providing a stable source of goods to meet market demands and expanding production capacity. We will gradually acquire more machines depending on the sales requirement to meet market demand with flexibility. In addition to continuing the mass production of various products at the Phase III Kaohsiung plant, the tasks at this stage is the optimization of production costs.
   - (B) The Company will continue to expand the diversity of product groups to satisfy the needs of patients and doctors in different markets.
3. Operation scale and financial cooperation
   - (A) Target management has been implemented in the entire company to systematically increase the employees' sense of belonging and the confidence in the personal as well as the Company's development.
   - (B) Establish steady regulations and channels for finance, cash flow and financing for the future development of the Company.

(2) Long-term development:

1. Marketing strategy

   The foremost focus of global layout strategy is diversification of operational risks. Because the medical industry is susceptible to external factors, we will reduce operational risks by avoiding overwhelming a single region or a single customer for business development. The Company has sales locations in major strategic markets all over the world, e.g., the U.S., China, Europe, and Japan. Due to the particular regional nature of the pharmaceutical industry, it is difficult for the Company to develop the market on its own. Therefore, through the establishment of subsidiaries, the Company depends on local managers and business teams to develop local markets in order to achieve the goal of continuous growth in sales performance.
2. Production policy and direction of product development

   In-house production has always been a Company's goal. The completion of Phase III Kaohsiung plant not only gradually increases the production capacity, but also realizes the one-stop production planning to effectively control the delivery schedule and costs. The new plant can satisfy the production demand for the next five years. As for product development, the completeness of the Company's product line is very close to that of major international manufacturers, and the product type coverage is about 90%. It is no longer an unattainable dream to enter the market of high-end medical centers. In the past two years, we have developed products jointly with medical doctors from well-known foreign hospitals so that the Company's products can be closer to the demands of the market. Also, the Company is able to strengthen the cooperative relationship with consultant physicians, and its effect is far greater than the figures on the book.
3. Operation scale and financial cooperation

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

II. Market and Sales Overview

(I) Market Analysis

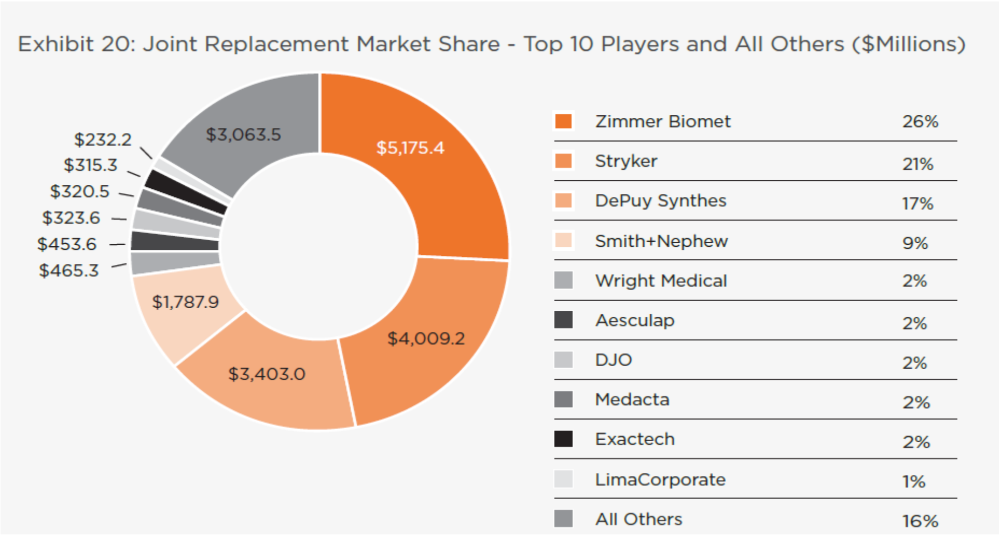
(1) Sales (Service) Region

Unit: NT$1,000

Region \ Year	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Taiwan	868,831	37.3%	967,904	39.7%	943,812	40.3%
Asia	650,072	27.9%	463,846	19.0%	486,381	20.8%
America	400,580	17.2%	432,553	17.8%	403,675	17.2%
Europe	371,629	15.9%	486,778	20.0%	422,829	18.1%
Africa	9,213	0.4%	30,605	1.2%	42,545	1.8%
Australia	31,922	1.3%	55,014	2.3%	42,984	1.8%
Total	2,332,247	100.0%	2,436,700	100.0%	2,342,226	100.0%

(2) Market shares

According to the latest "The Orthopaedic Industry Annual Report" published by the ORTHOWORLD in 2020, the total number of artificial joint prosthesis market share of the four largest manufacturers in the world was approximately 73%. The market share of the Company was approximately 0.4% to 0.5%.



(3) Future market supply and demand and growth

A. Market demand

Degenerative arthritis is most commonly faced by the elderly population. The use of artificial joints is a necessary defense line when all other conservative treatments have failed. Most of the elders are able to go back to their normal lives after receiving artificial joint replacements. External factors, such as population ageing, increased life expectancy, better financial ability, and the pursuit of life quality are all momentum driving the continuous growth of the artificial joint market.

B. Market supply

The market is still controlled by a few major plants. The four major plants in the U.S. produce nearly 70% of the industrial output by value while the rest is divided among other smaller plants. However, the regulatory threshold of entering this industry has been on increase and would thus make it harder for new plants to enter the market. Even though a couple of Chinese manufacturers have received domestic certifications in China, it is still challenging for them to participate in global competitions. Therefore, market supply is relatively stable.

C. Market growth

The current output value of the global artificial joint industry is around US$19.5 billion and the annual growth rate is around 3-4%. However, as the global population ages, the UN forecast shows that elders who are over 60 years old will account for 21% of the global population by 2050. The ratio of elders in the economically-developed area will increase from 20% to 33%. This aging trend will speed up the growth of the artificial joint market even more. Moreover, with the improvement of economic capability for the people in developing countries, more patients will be able to afford joint replacement surgeries. Therefore, this industry will continue to flourish in the next 20 to 30 years.

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

A. Competitive niches

1. The Company is the only plant that has integrated the up, mid, and down streams of artificial joint manufacturing around the globe. We stay updated with the core technologies to respond to market. changes.
2. The long-term steady deployment in accordance with the regulations as well as 20 years of accumulated R&D power is able to stand toe to toe with global manufacturers. The Company's R&D and innovation are also heading towards the "Me Better" direction.
3. New product lines or complementary products will be added to the platform effect of marketing networks in order to strengthen market competitiveness.

B. Favorable factors

The one-stop production and sales are able to accelerate product launch, shorten the production cycle, effectively control the inventory level and reduce costs. More customers have given confidence to the Company through marketing activities and product clinical efficacy, which have created brand awareness for the Company in the industry.

C. Unfavorable factors

The world's four major manufacturers still lead the overall market in terms of market deployment, channels, service, visibility, and awareness. Also, they rely on their huge resources to conduct mergers and acquisitions. Currently, the scale of the Company's operations is still relatively small in comparison.

D. Countermeasures for unfavorable factors

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

(II) Major Products, Their Main Uses and Processes

(1) Main Uses of Major Products:

Main products	Main uses
Artificial hip joints	Joint replacement for patients suffering from rheumatic or degenerative hip problems
Artificial knee joints	Joint replacement for patients suffering from rheumatic or degenerative knee problems
Spinal products	To fix the spine for patients suffering from degenerative discs or spondylolisthesis
Trauma products	Repair and fix bone tissues for patients suffering from all kinds of bone trauma
OEM products	Orthopedic internal fixator and laparoscopic disposable surgical blade

(2) Production Process:

A. Artificial joints

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

Plastic material PE/XPE/E-XPE → Machining/Marking → Deflashing → Final rinsing → Examining → Packaging → Sterilizing

B. Spinal products

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

C. Trauma products

316LStainless steel → Machining → Polishing → Rinsing →

Packaging → Examining → Sterilizing

(III) Supply Status of Main Materials

Domestic Procurement:

(1) Titanium alloy bar: Mainly provided by President Co., Ltd., Titanium Industries Asia, Inc., Xitron Innovation Co., Ltd., TiFast S.r.l., and Carpenter Technology.

Foreign Procurement:

(1) Stainless steel bar: Mainly imported from France and Germany.
(2) Titanium alloy bars: Mainly imported from the United States, Europe and Russia.
(3) Cobalt chrome molybdenum bar: Mainly imported from the United States.
(4) Plastic bar: Mainly imported from the United States and Europe.
(5) Ti bead: Mainly imported from the United States.
(6) Ti / HA powder: Mainly imported from Europe.
(7) F75 Ingot: Mainly imported from the United States.

Main raw materials	Suppliers	Supply
Stainless steel bar	Titanium Industries Asia, Inc., Acnis International	Good
Titanium alloy bar	President Co., Ltd., Titanium Industries Asia, Inc., Xitron Innovation Co., Ltd., TiFast S.r.l.	Good
Cobalt chrome molybdenum bar	Carpenter Technology, Titanium Industries Asia, Inc.	Good
Plastic bar	Mitsubishi Chemical, Orthoplastics, Invibio, Spartech	Good
Ti bead	Phelly Materials, Inc.	Good
Ti /HA powder	Ceram Gmbh, MEDICOAT	Good
F75 Ingot	Cannon-Muskegon	Good

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

(1) Major Suppliers in the Past Two Years

Unit: NT$1,000

	2019				2020				As of March 31, 2021 (Note 2)			
Item	Name	Amount	Proportion to total procurement value for the entire year (%)	Relation with the issuer	Name	Amount	Proportion to total procurement value for the entire year (%)	Relation with the issuer	Name	Amount	Proportion of net procurement as of the previous quarter of the current year (%)	Relation with the issuer
1	CeramTec AG	92,020	20.38	None	CeramTec AG	77,683	20.57	None	CeramTec AG	32,762	26.13	None
2	UMC	40,133	8.89	Associate	UMC	52,085	13.79	Associate	SOCIETE ATF	10,812	8.63	Associate
3	CM	38,387	8.50	None	CM	25,650	6.79	None	CM	10,730	8.56	None
	Others	280,936	62.23		Others	222,316	58.85		Others	71,057	56.68	
	Net Total Procurement	451,476	100.00		Net Total Procurement	377,734	100.00		Net Total Procurement	125,361	100.00	

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

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

Reasons for the increase or decrease in total procurement: Mainly due to the Company's lowering of the Group's inventory level in 2020, which resulted in a relative decrease in the Group's total procurement. Therefore, the changes in the major suppliers in the most recent two years are reasonable in general.

(2) Major Clients in the Past Two Years:

Unit: NT$1,000

	2019				2020				As of March 31, 2021 (Note 2)			
Item	Name	Amount	Proportion of total sales value for the entire year (%)	Relation with the issuer	Name	Amount	Proportion of total sales value for the entire year (%)	Relation with the issuer	Name	Amount	Proportion of net procurement as of the previous quarter of the current year (%)	Relation with the issuer
1	UMI	135,125	5.55	Associate	Shinva United Orthopedic Corporation	274,328	11.71	Associate	Shinva United Orthopedic Corporation	78,730	12.57	Associate
2	Shinva United Orthopedic Corporation	130,244	5.34	Associate	Linkou Chang Gung Memorial Hospital	106,062	4.52	Associate	Linkou Chang Gung Memorial Hospital	26,362	4.21	None
3	Linkou Chang Gung Memorial Hospital	107,865	4.43	None	PSL Presbyterian St. Lukes Medical Cente	47,309	2.03	None	PSL Presbyterian St. Lukes Medical Cente	13,083	2.09	None
	Others	2,063,466	84.68		Others	1,914,528	81.74		Others	508,300	81.13	
	Net Sales	2,436,700	100.00		Net Sales	2,342,227	100.00		Net Sales	626,475	100.00	

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

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

Reasons for the increase or decrease in total sales: The Company's revenue from subsidiaries in mainland China and the US in 2020 has increased due to rationed sales of the Chinese subsidiaries. Therefore, the changes in sales are reasonable in general.

(V) Production in the Past Two Years

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

Year / Production value / Main products	2019			2020		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Artificial joints	348,000pcs	280,760pcs	625,000	348,000pcs	230,570pcs	604,142
OEM products	103,169pcs	97,753pcs	44,474	67,448pcs	35,982pcs	21,453
Spinal products	156,987pcs	148,739pcs	61,343	192,796pcs	102,407pcs	68,295
Other Products	1,289pcs	1,221pcs	229	4,089pcs	2,172pcs	628
Total	609,445pcs	528,473pcs	731,046	612,333pcs	371,131pcs	694,518

(VI) Shipments and Sales in the Past Two Years

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

Year / Sales Volume & Value / Main products	2019				2020			
	Local		Export		Local		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Artificial joints	64,607pcs	660,817	199,366pcs	1,301,451	60,637pcs	635,213	185,342pcs	1,272,977
Spinal products	82,179pcs	270,015	106,739pcs	138,394	69,905pcs	246,466	65,065pcs	86,870
OEM products	88pcs	1,122	5,702pcs	3,849	363pcs	4,731	0	0
Other Products	0	35,950	0	25,102	0	57,402	0	38,567
Total	146,874pcs	967,904	311,807pcs	1,468,796	130,905pcs	943,812	250,407pcs	1,398,414

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

March 31, 2021

	Year	2019	2020	As of March 31, 2021
Number of employees	Sales personnel	96	91	95
	Technical personnel	353	321	328
	Administrative personnel	120	119	110
	R&D personnel	183	159	158
	Total	752	690	691
Average age		37.8	38.9	39.2
Average Years of Service		5.5	6.2	6.4
Educational distribution	PhD	1%	1%	1%
	Masters	16%	16%	16%
	Bachelor's Degree	58%	59%	60%
	Senior High School	22%	22%	21%
	Below Senior High School	3%	3%	3%

IV. Environmental Protection Expenditure

Losses for environmental protection: Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, punishment dates, reference letter number, the articles and content of the law violated, and the punishment content), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or

to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.
The Company has not receive any penalties and fines due to pollution for the most recent year and as of the publish date of the annual report.

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

V. Labor Relations:

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

1. Implementation of welfare measures:
   (1) The employees of United Orthopedic Corporation enjoy labor insurance, health insurance, and group insurance.
   (2) When the Company has a surplus at the end of the year, performance bonuses and employee bonuses will be provided for outstanding performance employees.
   (3) Distribute employee benefits to establish Employee welfare committee in accordance with the regulations to conduct various kinds of employee welfare activities. For example, Labor Day, Dragon Boat Festival, Mid-Autumn Festival bonus, birthday bonus, birthday party, gatherings, club activities, staff travel, subsidies for weddings and funeral, etc.
   (4) Increase employee cohesion by hosting family day activities, and inviting the employees' families to participate.
   (5) Give senior staff seniority awards as a token of appreciation for their long-term support and contribution.
   (6) Provide free health examinations every two years.
2. Education, training and development
   (1) Employees are the most important asset of the United Orthopedic Corporation. The company provides appropriate and necessary training, so that employees can use their strengths and do their jobs well to achieve the objectives that was assigned by the organization , and thus improve the company's core competitive advantage. The Company's training costs amounted to NT$5.35 million in 2020.
   (2) Training system:
   Our training types are currently categorized as follows:
      ① New employee on-boarding training: Help the new employees to get familiar with office administration procedures and relevant general training in the professional field in time.
      ② Professional skills training: When new employees and existing employees are appointed in new positions, professional skills raining shall be given so that the employees are equipped with the capacity to meet the requirements and are aware of the tasks of their new positions.

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

(3) Implementation of educational training:
The Company has always been committed to strengthening personnel job skills and management skills of the management personnel to improve human resources quality. The Company regularly sets up and executes annual training plans to meet the requirement of work objectives, functionality, management, on-boarding, self-development, and regulations. The implementation statistics for educational training in 2020 is as follows:

Hours of internal training	Hours of internal training/person	Hours of external training	Hours of external training/person	Total hours/person
22,549 hours	41 hours	3,308 hours	6 hours	47 hours

3. Retirement system implementation:
The Company formulated the retirement policy in accordance with the Labor Standards Act and the Labor Pension Act. The Company allocates pension to the Department of Trusts, Bank of Taiwan or the employees' personal retirement fund accounts.

4. Code of conduct:
The Company has always valued the transparency and reasonableness of the management system. The system is used as the medium for labor management negotiations and communications. The Company also formulated Work Guidelines based on the Labor Standards Act and relevant regulations.

5. Employee communication channels:
(1) The Company has established the system of labor-management meetings in accordance with the regulations. The meetings are held quarterly and are conducted in an open and bidirectional manner.
(2) The Company has set up employee feedback boxes in each plant for the employees to report any issues at work.
(3) A fully functional internal website (Portal): All important internal information is available through the Portal.

6. Working environment and protection for employees' personal safety
(1) The Company prioritized safety design when constructing new plants.
(2) The Company organizes regular employee health examination in accordance with the Labor Health Protection Act, as well as educational training in accordance with Occupational Safety and Health Education and Training Rules.
(3) Other than complying with the Occupational Safety and Health Act, the Company has set up occupational hazard prevention plan, hired full-time health management personnel, conducted regular environment inspections, and implemented automatic inspection guidelines to effectively prevent the occurrence of occupational diseases and occupational hazards. The Company has equally produced and posted labor safety and health slogans on its premises so that the employees can learn about safety knowledge and establish good environmental safety and health concepts.

(II) Losses suffered by the Company in the most recent two fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, the punishment dates, reference letter number, the articles and content of the law violated, and the content of the punishment), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the reasons why it cannot be made shall be provided:
There has been no significant labor disputes in the most recent year up to the printing date of this annual report.

VI. Important Contracts

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

Nature of contract	Contracting parties	Term	Major contents	Restrictive Clause
Financing	CTBC Bank	October 19, 2017 to October 19, 2022	Loans	None
Financing	Bank of Taiwan	June 19, 2018 to June 20, 2023	Loans	None
Financing	Bank of Taiwan	June 19, 2018 to September 20, 2031	Loans	None
Financing	Mega International Commercial Bank - Neihu	December 7, 2017 to December 7, 2032	Loans	None
Funding the project of development of international markets for the industry	Bureau of Foreign Trade, Ministry of Economic Affairs	January 1, 2021 to November 10, 2021	Brand marketing and market development	None
Central Taiwan Biomedicine Industrial Clusters Project	Central Taiwan Science Park Bureau, MOST	April 15, 2020 to October 14, 2021	Optimized surgical guidance system for total hip implants	None

Chapter 6 Financial Conditions

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

(I) Condensed balance sheet - IFRS

Unit: NT$1,000

Item \ Year		Financial information for the most recent five years					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current assets		1,503,925	1,991,021	2,381,014	2,314,600	2,619,590	2,452,745
Property, plant and equipment		927,242	1,360,136	1,491,953	1,488,791	1,429,199	1,388,717
Intangible assets		38,329	434,988	471,893	500,251	526,189	525,986
Other assets		486,269	509,266	504,972	940,962	1,012,224	997,863
Total assets		2,955,765	4,295,411	4,849,832	5,244,604	5,587,202	5,365,311
Current liabilities	Before distribution	843,254	1,319,631	1,600,383	1,262,533	1,679,211	1,497,344
	After distribution	942,808	1,420,034	1,761,285	1,331,677	(Note 1)	N/A
Non-current liabilities		310,965	757,656	999,091	1,048,143	982,961	969,021
Total liabilities	Before distribution	1,154,219	2,077,287	2,599,474	2,310,676	2,662,172	2,466,365
	After distribution	1,253,773	2,177,690	2,760,376	2,379,820	(Note 1)	N/A
Equity attributable to owners of parent company		1,773,162	2,204,915	2,331,818	2,826,726	2,818,759	2,794,983
Capital		717,469	797,129	804,509	904,209	883,898	883,898
Additional paid-in capital		915,406	1,243,611	1,280,536	1,827,683	1,756,071	1,756,071
Retained earnings	Before distribution	187,080	216,990	242,255	217,357	274,976	269,247
	After distribution	87,526	116,587	81,353	148,213	(Note 1)	N/A
Other equity		-46,793	-52,815	-95,482	-122,523	-96,186	-114,233
Treasury stock		0	0	0	0	0	0
Non-controlling equity		28,384	13,209	18,540	107,202	106,271	103,963
Total equity	Before distribution	1,801,546	2,218,124	2,250,358	2,933,928	2,925,030	2,898,946
	After distribution	1,701,992	2,117,721	2,089,456	2,864,784	(Note 1)	N/A

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

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

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

Note 2: Financial information as of 2021 has been reviewed and verified by accountants, adopting IFRS.

Condensed Statement of Comprehensive Income - IFRS

Unit: NT$1,000

Item \ Year	Financial information for the most recent five years					As of March 31, 2021 (Note 1)
	2016	2017	2018	2019	2020	
Operating revenue	1,383,340	1,972,592	2,332,247	2,436,700	2,342,226	626,474
Gross profit	979,468	1,422,431	1,601,486	1,736,541	1,646,797	452,233
Operating income	159,686	161,936	84,800	81,435	89,878	24,779
Non-operating income and expenses	-974	3,726	22,649	9,306	19,277	-29,931
Net profit before tax	158,712	165,662	107,449	90,741	109,155	-5,152
Continuing operations net income	140,849	110,939	102,492	71,786	101,312	-7,046
Loss from suspended operations	0	0	0	0	0	0
Net profit (loss) in this period	140,849	110,939	102,492	71,786	101,312	-7,046
Other comprehensive income or loss (net value after tax) in this period	-49,034	-17,224	-13,412	-39,094	14,224	-22,231
Total amount of comprehensive income (loss) for this period	91,815	93,715	89,080	32,692	115,536	-29,277
Net income attributable to shareholders of the parent	146,601	130,264	127,554	88,584	101,828	-5,729
Net income attributable to non-controlling interests	-5,752	-19,325	-25,062	-16,798	-516	-1,317
Comprehensive income (loss) attributable to owners of parent company	102,816	113,429	113,818	48,135	115,677	-26,969
Comprehensive income (loss) attributable to non-controlling interests	-11,001	-19,714	-24,738	-15,433	-141	-2,308
Earnings per Share	2.06	1.75	1.61	1.05	1.00	-0.09

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

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

Note 1: Financial information as of 2021 has been reviewed and verified by accountants, adopting IFRS.

(II) Condensed Balance Sheet - IFRS Individual Financial Report

Unit: NT$1,000

Item \ Year		Financial information for the most recent five years				
		2016	2017	2018	2019	2020
Current assets		1,277,147	1,520,576	1,873,328	1,707,132	1,919,484
Property, plant and equipment		815,043	1,008,602	1,027,850	1,013,441	928,922
Intangible assets		32,613	37,583	76,478	109,440	146,574
Other assets		684,615	1,239,084	1,290,864	1,725,424	1,839,915
Total assets		2,809,418	3,805,845	4,268,520	4,555,437	4,834,895
Current liabilities	Before distribution	726,447	949,086	1,143,067	808,161	1,172,814
	After distribution	826,001	1,049,489	1,303,969	877,305	(Note 1)
Non-current liabilities		309,809	651,844	893,635	920,550	843,322
Total liabilities	Before distribution	1,036,256	1,600,930	2,036,702	1,728,711	2,016,136
	After distribution	1,135,810	1,701,333	2,197,604	1,797,855	(Note 1)
Equity attributable to owners of parent company		1,773,162	2,204,915	2,231,818	2,826,726	2,818,759
Capital		717,469	797,129	804,509	904,209	883,898
Additional paid-in capital		915,406	1,243,611	1,280,536	1,827,683	1,756,071
Retained earnings	Before distribution	187,080	216,990	242,255	217,357	274,976
	After distribution	87,526	116,587	81,353	148,213	(Note 1)
Other equity		-46,793	-52,815	-95,482	-122,523	-96,186
Treasury stock		0	0	0	0	0
Non-controlling equity		0	0	0	0	0
Total equity	Before distribution	1,773,162	2,204,915	2,231,818	2,826,726	2,818,759
	After distribution	1,673,608	2,104,512	2,070,916	2,757,582	(Note 1)

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

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

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

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

Condensed Statement of Comprehensive Income - IFRS Individual Financial Report

Unit: NT$1,000

Item \ Year	Financial information for the most recent five years				
	2016	2017	2018	2019	2020
Operating revenue	1,352,145	1,581,054	1,789,376	1,576,184	1,576,014
Gross profit	761,299	840,992	914,694	887,981	758,067
Operating income	176,661	190,185	216,377	174,871	140,498
Non-operating income and expenses	-13,243	-16,316	-95,785	-87,270	-36,069
Net profit before tax	163,418	173,869	120,592	87,601	104,429
Continuing operations net income	146,601	130,264	127,554	88,584	101,828
Loss from suspended operations	0	0	0	0	0
Net profit (loss) in this period	146,601	130,264	127,554	88,584	101,828
Other comprehensive income or loss (net value after tax) in this period	-43,785	-16,835	-13,736	-40,449	13,849
Total amount of comprehensive income (loss) for this period	102,816	113,429	113,818	48,135	115,677
Earnings per Share	2.06	1.78	1.61	1.05	1.00

*Companies having produced an individual financial report shall produce an individual condensed balance sheet and a statement of comprehensive income for the most recent five years.

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

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

(III) Condensed Balance Sheet - Consolidated Financial Report Based on ROC GAAP

Unit: NT$1,000

Item \ Year		Financial information for the most recent five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		N/A	N/A	N/A	N/A	N/A
Funds and long-term investment						
Fixed assets						
Intangible assets						
Other assets						
Total assets						
Current liabilities	Before distribution					
	After distribution					
Long-term liabilities						
Other liabilities						
Total liabilities	Before distribution					
	After distribution					
Capital						
Additional paid-in capital						
Retained earnings	Before distribution					
	After distribution					
Unrealized gains or losses of financial products						
Accumulated translation adjustments						
Net loss of costs not recognized as pension Net loss of costs						
Shareholders' equity Total Amount	Before distribution					
	After distribution					

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

Condensed Statement of Income - Consolidated Financial Report Based on ROC GAAP

Unit: NT$1,000

Item \ Year	Financial information for the most recent five years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	N/A	N/A	N/A	N/A	N/A
Gross profit					
Operating income					
Non-operating income and gains					
Non-operating expenses and losses					
Income from continuing operations before tax					
Income from continuing operations after tax					
Income (loss) from discontinued operations					
Extraordinary gain (loss)					
Cumulative effect of changes in accounting principle					
Income (loss) for this period					
Earnings per Share					

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

(IV) Condensed Balance Sheet - ROC GAAP

Unit: NT$1,000

Item / Year		Financial information for the most recent five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		N/A	N/A	N/A	N/A	N/A
Funds and long-term investment						
Fixed assets						
Intangible assets						
Other assets						
Total assets						
Current liabilities	Before distribution					
	After distribution					
Long-term liabilities						
Other liabilities						
Total liabilities	Before distribution					
	After distribution					
Capital						
Additional paid-in capital						
Retained earnings	Before distribution					
	After distribution					
Unrealized gains or losses of financial products						
Accumulated translation adjustments						
Net loss of costs not recognized as pension						
Shareholders' equity Total Amount	Before distribution					
	After distribution					

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

Condensed Statement of Income – ROC GAAP

Unit: NT$1,000

Item / Year	Financial information for the most recent five years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	N/A	N/A	N/A	N/A	N/A
Gross profit					
Operating income					
Non-operating income and gains					
Non-operating expenses and losses					
Income from continuing operations before tax					
Income from continuing operations after tax					
Income (loss) from discontinued operations					
Extraordinary gain (loss)					
Cumulative effect of changes in accounting principle					
Income (loss) for this period					
Earnings per Share					

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

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

Audit year	Accounting firm	Name of the accountants	Audit opinion
2016	Ernst & Young	Chang, Chih-Ming; Huang, Chien-Che	Unqualified opinion
2017	Ernst & Young	Chang, Chih-Ming; Huang, Chien-Che	Unqualified opinion
2018	Ernst & Young	Chang, Chih-Ming; Huang, Chien-Che	Unqualified opinion
2019	Ernst & Young	Ma, Chun-Ting, Huang, Chien-Tse	Unqualified opinion
2020	Ernst & Young	Ma, Chun-Ting, Huang, Chien-Tse	Unqualified opinion

II. Financial Ratios Analysis for the Most Recent Five Years

(I) Financial Analysis - IFRS

Items	Year (Note 1)	Financial analysis of the most recent five years					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Liability to assets ratio	39.05	48.36	53.59	44.05	47.64	45.97
	Ratio of long-term capital to property, plant, and equipment	227.82	218.78	217.79	267.49	273.43	278.53
Solvency (%)	Current ratio	178.34	150.87	148.77	183.33	156.00	163.81
	Quick ratio	107.45	79.75	77.09	89.25	86.69	85.38
	Interest coverage ratio	29.46	13.51	5.00	3.71	4.47	-0.08
Operation performance	Receivables turnover rate (times)	5.69	5.02	4.05	4.00	4.18	4.43
	Average days of collection	64	72	90	91	87	82
	Inventory turnover rate (times)	0.81	0.73	0.70	0.62	0.61	0.61
	Accounts payable turnover rate (times)	7.43	6.09	6.43	6.25	5.92	6.03
	Average days of sale	450	497	515	581	595	598
	Property, plant and equipment turnover rate (times)	1.74	1.72	1.65	1.64	1.60	1.77
	Total assets turnover rate (times)	0.49	0.54	0.51	0.48	0.43	0.45
Profitability	Return on assets (%)	5.24	3.36	2.72	1.95	2.33	-0.24
	Return on shareholders' equity (%)	7.88	5.52	4.58	2.76	3.45	-1.98
	Ratio of profit before income tax to paid-in capital (%)	8.81	7.46	4.77	3.21	3.87	-0.74
	Net income ratio (%)	10.18	5.62	4.39	2.94	4.32	-1.13
	Earnings per share (NT$)	2.06	1.78	1.61	1.05	1.00	-0.07
Cash flows	Cash flow ratio (%)	21.66	1.63	1.14	41.11	29.80	0.73
	Cash flow adequacy ratio (%)	36.72	24.07	22.03	36.79	47.00	71.06
	Cash re-investment ratio (%)	2.90	-2.71	-2.52	9.24	11.08	0.28
Leverage	Degree of operating leverage	4.45	6.12	12.84	13.51	12.26	11.41
	Financial leverage	1.03	1.08	1.46	1.69	1.53	1.24

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

(1) Interest coverage ratio: Mainly due to the reduction of marketing, R&D and income tax expenses, leading to an increase in net income.

(2) Return on equity: Mainly due to the fact that the previous year's average total equity of capital increase of preferred stock A is less than that of this year, and that this year's net income is more than that of last year.

(3) Net income before tax to paid-up capital ratio: Mainly due to a decrease in marketing and R&D expenses and increase in non-operating income, leading to an increase in net income before tax.

(4) Net income ratio: Mainly due to the reduction of marketing, R&D and income tax expenses, leading to an increase in net income.

(5) Cash flow ratio: Due to the fact that the short-term loans increases comparing with that of the previous period, and that corporate bonds that mature or execute the right to sell back within one year or one business cycle decreases comparing with that of the previous period, causing the current liabilities to increase.

(6) Cash flow adequacy ratio: Due to the fact that the capital expenditures, inventories, and cash dividends of the current period are less than those of the previous period.

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

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

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

Note 2: Financial information as of 2021 has been reviewed and verified by accountants, adopting IFRS.

Individual Financial Analysis - IFRS

Items		Year (Note 1) 2016	2017	2018	2019	2020	As of March 31, 2021 (Note 2)
		Financial analysis of the most recent five years					
Financial structure (%)	Liability to assets ratio	36.88	42.06	47.71	37.94	41.70	N/A
	Ratio of long-term capital to property, plant, and equipment	255.56	283.23	304.07	369.75	394.22	
Solvency (%)	Current ratio	175.80	160.21	163.88	211.23	163.66	
	Quick ratio	107.58	93.31	100.00	121.62	110.51	
	Interest coverage ratio	36.77	17.16	8.60	5.20	5.19	
Operation performance	Receivables turnover rate (times)	3.33	3.11	2.45	2.06	2.28	
	Average days of collection	109	117	148	176	159	
	Inventory turnover rate (times)	1.24	1.23	1.24	1.03	1.20	
	Accounts payable turnover rate (times)	7.07	8.76	10.67	10.49	8.92	
	Average days of sale	292	296	292	352	304	
	Property, plant and equipment turnover rate (times)	1.89	1.73	1.75	1.55	1.62	
	Total assets turnover rate (times)	0.52	0.47	0.44	0.35	0.33	
Profitability	Return on assets (%)	5.81	4.20	3.48	2.38	2.59	
	Return on shareholders' equity (%)	8.26	6.54	5.75	3.50	3.60	
	Ratio of profit before income tax to paid-in capital (%)	9.21	7.88	5.40	3.09	3.70	
	Net income ratio (%)	10.84	8.23	7.12	5.62	6.46	
	Earnings per share (NT$)	2.06	1.78	1.61	1.05	1.00	
Cash flows	Cash flow ratio (%)	21.89	11.96	1.14	68.54	42.49	
	Cash flow adequacy ratio (%)	48.61	44.03	36.85	63.02	84.44	
	Cash re-investment ratio (%)	1.95	0.45	-2.60	10.27	11.48	
Leverage	Degree of operating leverage	3.81	4.37	4.32	4.37	5.49	
	Financial leverage	1.02	1.05	1.07	1.13	1.21	

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

(1) Current ratio: Due to the increase of cash and cash equivalents and short-term loans.

(2) Cash flow ratio: Due to the fact that net cash inflows generated from operating activities decrease from that of the previous period, and that short-term loans increase comparing with that of the previous period, causing the current liabilities to increase.

(3) Cash flow adequacy ratio: Due to the fact that the five-year sum of net cash inflows generated from operating activities increase comparing with that of the previous period, and that capital expenditures and inventories decrease comparing with those of the previous period.

(4) Degree of operating leverage: Mainly due to the increase in operating cost and unrealized gross profit in this period, causing the operating profit to decrease.

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

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

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

Note 2: In accordance with relevant regulations, the financial information for 2021 listed above does not contain a set of IFRS-based individual financial statements.

■ Calculation formulas for financial analysis are as follows:

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

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

1. The calculation shall be based on the weighted average number of shares of common stock instead of the number of issued shares at the end of the year.

2. Where there is cash replenishment or treasury stock transaction, the circulation period should be considered when calculating the weight average number of shares.

3. In the case of capital increase by surplus or by capital reserve, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.

4. If the preferred share cannot be converted into cumulative preferred shares, then the dividend of the year (whether it has been issued or not) shall be deducted from net income after tax (NIAT), or included as a net loss after tax. If the preferred share is designated as non-cumulative, the dividend of the preferred share should be deducted from the net profit after tax if net profit after tax exists; no adjustment is required in case of loss.

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

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure is the annual cash outflow of capital investment.

3. The increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.

4. Cash dividends include the cash dividends of common stocks and preferred stocks.

5. The gross value of PP&E refers to the total value of PP&E minus accumulated depreciation.

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

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

(II) Financial Analysis - ROC GAAP

Items		Year	Financial information for the most recent five years				
			2016	2017	2018	2019	2020
Financial structure (%)	Liability to assets ratio		N/A	N/A	N/A	N/A	N/A
	Long-term fund to fixed assets ratio						
Solvency (%)	Current ratio						
	Quick ratio						
	Interest coverage ratio						
Operation performance	Receivables turnover rate (times)						
	Average days of collection						
	Inventory turnover rate (times)						
	Payables turnover rate						
	Average days of sale						
	Fixed asset turnover (times)						
	Total assets turnover rate (times)						
Profitability	Return on assets (%)						
	Return on shareholders' equity (%)						
	Percentage of paid-in capital (%)	Operating profit					
		Pre-tax net profit					
	Net income ratio (%)						
	Earnings per share (NT$)						
Cash flows	Cash flow ratio (%)						
	Cash flow adequacy ratio (%)						
	Cash re-investment ratio (%)						
Leverage	Degree of operating leverage						
	Financial leverage						

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

Consolidated Financial Analysis - ROC GAAP

<table>
<tr><th colspan="3">Items \ Year</th><th colspan="5">Financial information for the most recent five years</th></tr>
<tr><th colspan="3"></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr>
<tr><td rowspan="2">Financial structure (%)</td><td colspan="2">Liability to assets ratio</td><td rowspan="22">N/A</td><td rowspan="22">N/A</td><td rowspan="22">N/A</td><td rowspan="22">N/A</td><td rowspan="22">N/A</td></tr>
<tr><td colspan="2">Long-term fund to fixed assets ratio</td></tr>
<tr><td rowspan="3">Solvency (%)</td><td colspan="2">Current ratio</td></tr>
<tr><td colspan="2">Quick ratio</td></tr>
<tr><td colspan="2">Interest coverage ratio</td></tr>
<tr><td rowspan="7">Operation performance</td><td colspan="2">Receivables turnover rate (times)</td></tr>
<tr><td colspan="2">Average days of collection</td></tr>
<tr><td colspan="2">Inventory turnover rate (times)</td></tr>
<tr><td colspan="2">Payables turnover rate</td></tr>
<tr><td colspan="2">Average days of sale</td></tr>
<tr><td colspan="2">Fixed asset turnover (times)</td></tr>
<tr><td colspan="2">Total assets turnover rate (times)</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on assets (%)</td></tr>
<tr><td colspan="2">Return on shareholders' equity (%)</td></tr>
<tr><td rowspan="2">Percentage of paid-in capital (%)</td><td>Operating profit</td></tr>
<tr><td>Pre-tax net profit</td></tr>
<tr><td colspan="2">Net income ratio (%)</td></tr>
<tr><td colspan="2">Earnings per share (NT$)</td></tr>
<tr><td rowspan="3">Cash flows</td><td colspan="2">Cash flow ratio (%)</td></tr>
<tr><td colspan="2">Cash flow adequacy ratio (%)</td></tr>
<tr><td colspan="2">Cash re-investment ratio (%)</td></tr>
<tr><td rowspan="2">Leverage</td><td colspan="2">Degree of operating leverage</td></tr>
<tr><td colspan="2">Financial leverage</td></tr>
<tr><td colspan="8">Description of causes for changes to various financial ratios in the two most recent years. (Analysis would not be required if the change is within 20%): N/A</td></tr>
</table>

■ Calculation formulas for financial analysis are as follows:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities/total assets.
   (2) Long-term fund to fixed assets ratio＝(net shareholders' equity + long-term debt)/net fixed assets.

2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense)/current liabilities.
   (3) Interest coverage ratio = net income before income tax and interest expense/current interest expense.

3. Operation performance
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue/average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365/receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold/average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold/average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365/inventory turnover ratio.
   (6) Fixed assets turnover ratio＝net sales/average net fixed assets.
   (7) Total asset turnover rate = net sales/average total assets.

4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1 – tax rate)]/average total assets.
   (2) Return on shareholders' equity＝ net income/net average shareholders' equity.
   (3) Net profit margin = net income/net sales.
   (4) Earnings per share ＝ (net income - dividend to preferred stock)/weighted average of shares issued (Note 4).

5. Cash flows
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend)/(gross fixed assets + long-term investment + other assets + working capital) (Note 5).

6. Leverage:
   (1) Degree of operating leverage (DOL) = (Net operating revenue - operating change costs and expenses)/operating profit (Note 6).
   (2) Financial leverage = operating income/(operating income - interest expenses).

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earnings per share above:

1. The calculation shall be based on the weighted average number of shares of common stock instead of the number of issued shares at the end of the year.

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

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross fixed assets refer to the total fixed assets before the deduction of accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, attention should be paid to its rationality and consistency.

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

United Orthopedic Corporation

Audit Committee's Audit Report

The Board of Directors prepared the Company's 2020 Business Report, Financial Statements, Consolidated Financial Statements, and Earnings Distribution Plan, which were reviewed and considered to be correct and accurate by the Audit Committee. Pursuant to Article 219 of the Company Act, we hereby submit this Report for your reference.

Submitted to

Annual Shareholder's Meeting 2021

United Orthopedic Corporation

Convener of the Audit Committee: Wu, Meng-Da

March 23, 2021

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

Declaration of Consolidated Financial Statements of Affiliated Companies

In year 2020 (from January 1 to December 31, 2020), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

As hereby declared

Company Name: United Orthopedic Corporation

Person in Charge: Lin, Yan-Shen

March 23, 2021

INDEPENDENT AUDITORS' 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, 2020 and 2019, and the related consolidated statements of comprehensive income, statement of changes in equity, statement of cash flow, and notes to consolidated financial statements (including summary of significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2020 and December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), as endorsed by the Financial Supervisory Commission (FSC).

Basis for audit opinion

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

Key audit matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of United Orthopedic Corporation and its subsidiaries for the year ended December 31, 2020 based on our 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

The net inventory of United Orthopedic Corporation and its subsidiaries is NT$1,128,781,000 on December 31, 2020, accounting for 20% of the consolidated total assets, which is considered significant to the consolidated financial statements. Because of the innovation of orthopedic equipment production technology, the inventory might be outdated or the selling price might fall. It is estimated that net realizable value and loss for obsolete and slow-moving inventories have involved significant management judgment. We believe that the inventory valuation is important for the audit of the consolidated financial statements, so the inventory valuation is determined as key audit matters. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Revenue recognition

United Orthopedic Corporation and its subsidiaries' primary products are orthopedic implants - hip/knee replacement, trauma-treatment products, and OEM products, which generated NT$2,342,226,000 in revenue for the year ended December 31, 2020. The amount was considered significant to the consolidated financial statements. Because of the characteristics of the industry, it is necessary to wait for the clients to obtain control of the product so as to satisfy the obligation of fulfilling contracts. We believe that the recognition of contract revenue of the Company is important for the audit of the consolidated financial statements, so it is determined as a key audit matter. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of expenditure on internally generated intangible assets

United Orthopedic Corporation and its subsidiaries' net carrying amount of internally generated intangible assets were NT$80,420,000 as of December 31, 2020, which was considered significant to the consolidated financial statements. United Orthopedic Corporation and its subsidiaries invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation and its subsidiaries needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.

4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on United Orthopedic Corporation and its subsidiaries' ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in United Orthopedic Corporation and its subsidiaries ceasing to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including related notes), and whether the consolidated financial statements could appropriately express related transactions and events.

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

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Code of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of United Orthopedic Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2020. We have clearly indicated such matters in the independent auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Others

United Orthopedic Corporation has also prepared individual financial statements for the years ended December 31, 2020 and 2019, which we had audited and issued an unqualified opinion.

Ernst & Young
Approval Number from Competent Authority for the Auditing and Attestation of Public Companies' Financial Statements by Certified Public Accountants:
Financial Supervisory Securities Official Letter No. Zheng (Shen) 1060027042
Financial Supervisory Securities Official Letter No. VI-0970038990

Ma, Chun-Ting

CPA:

Huang, Chien-Che

March 23, 2021

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: NT$ 1,000

Assets			December 31, 2020		December 31, 2019	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 & 6. 1	$838,930	15	$538,122	10
1110	Financial assets measured at fair value through profit or loss - current	4 & 6. 2	28,453	1	-	-
1150	Notes receivable, net	4, 6. 5 & 6. 20	1,593	-	3,041	-
1170	Net accounts receivable	4, 6. 6 & 6. 20	483,632	9	496,224	10
1180	Notes receivable - related parties, net	4, 6. 6, 6. 20 & 7.	79,488	1	56,704	1
1200	Other receivables	4	7,304	-	7,758	-
1210	Other receivables - related parties	4 & 7	-	-	5,409	-
1220	Current income tax assets	4 & 6. 25	2,808	-	3,462	-
130x	Inventory	4 & 6. 7	1,128,781	20	1,157,050	22
1410	Prepayments		43,029	1	37,204	1
1470	Other current assets		5,572	-	8,626	-
11xx	Total current assets		2,619,590	47	2,313,600	44
	Non-current Assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	4 & 6. 3	53,167	1	3,135	-
1535	Financial assets at amortized cost - non-current	4, 6. 4, 6. 20 & 8.	15,853	-	13,704	-
1550	Investments accounted for using equity method	4 & 6. 8	569,487	10	564,805	11
1600	Property, plant and equipment	4, 6. 9 & 8.	1,429,199	26	1,488,791	28
1755	Right-of-use assets	4, 6. 21	215,314	4	197,740	4
1780	Intangible assets	4, 6. 10 & 6. 11	526,189	9	500,251	10
1840	Deferred income tax assets	4 & 6. 25	104,407	2	107,736	2
1900	Other non-current assets	7	53,996	1	54,842	1
15xx	Total non-current assets		2,967,612	53	2,931,004	56
1xxx	Total assets		$5,587,202	100	$5,244,604	100

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2020 and 2019

Unit: NT$ 1,000

Liabilities and equity			December 31, 2020		December 31, 2019	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	4 & 6. 12	$979,837	18	$199,880	4
2130	Contract liabilities - current	4 & 6. 19	3,843	-	4,420	-
2150	Notes payable	4	1,466	-	2,236	-
2170	Accounts payable	4	83,874	2	69,750	1
2180	Accounts payable - related parties	4 & 7	24,378	-	54,476	1
2200	Other payables	4	451,191	8	425,315	8
2220	Other payables - related parties	4 & 7	55	-	2,934	-
2230	Income tax liabilities for this period	4 & 6. 25	37,473	1	28,461	1
2280	Lease liabilities - current	4 & 6. 21	21,864	-	22,501	-
2300	Other current liabilities	7	36,291	1	12,033	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	4 & 6. 14	-	-	396,813	8
2322	Long-term loan due within one year or one operating cycle	4, 6. 15 & 8.	38,939	1	43,714	1
21xx	Total current liabilities		1,679,211	31	1,262,533	24
	Non-current liabilities					
2500	Financial liabilities measured at fair value through profit or loss - non-current	4, 6. 13 & 6. 14	1,850	-	3,250	-
2530	Corporate bonds payable	4 & 6. 14	478,829	9	473,171	9
2540	Long-term loans	4, 6. 15 & 8.	206,879	4	295,395	6
2570	Deferred income tax liabilities	4 & 6. 25	24,126	-	22,691	-
2580	Lease liabilities - non-current	4 & 6. 21	196,289	3	176,176	4
2600	Other non-current liabilities		1,500	-	1,470	-
2630	Long-term deferred income	6. 8	73,424	1	73,424	1
2640	Net defined benefit liabilities - non-current	4 & 6. 16	64	-	2,566	-
25xx	Total non-current liabilities		982,961	17	1,048,143	20
2xxx	Total liabilities		2,662,172	48	2,310,676	44
31xx	Equity attributable to owners of parent company	4, 6. 17 & 6. 27				
3100	Capital					
3110	Capital - common stock		783,898	13	804,209	15
3120	Capital - preferred stock		100,000	2	100,000	2
	Total capital		883,898	15	904,209	17
3200	Additional paid-in capital		1,756,071	31	1,827,683	35
3300	Retained earnings					
3310	Legal reserve		89,304	2	81,687	2
3320	Special reserve		101,160	2	59,505	1
3350	Undistributed earnings		84,512	2	76,165	1
	Total retained earnings		274,976	6	217,357	4
3400	Other equity					
3410	Exchange differences on translation of foreign financial statements		(84,818)	(2)	(97,388)	(2)
3420	Unrealized gain or loss of financial assets measured at fair value through other comprehensive income		(3,632)	-	(3,772)	-
3491	Employees’ unearned remuneration	4 & 6. 18	(7,736)	-	(21,363)	-
	Total other equity		(96,186)	(2)	(122,523)	(2)
36xx	Non-controlling equity		106,271	2	107,202	2
3xxx	Total equity		2,925,030	52	2,933,928	56
	Total liabilities and equity		$5,587,202	100	$5,244,604	100

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: NT$ 1,000

Code	Accounting Items	Notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	4, 6. 19 & 7	$2,342,226	100	$2,436,700	100
5000	Operating costs	4, 6. 7, 6. 21, 6. 22 & 7	700,189	30	714,201	30
5900	Gross profit		1,642,037	70	1,722,499	70
5920	Realized sales gain		4,760	-	14,042	1
5950	Net gross profit		1,646,797	70	1,736,541	71
6000	Operating expenses	4, 6. 20, 6. 21 & 6 22				
6100	Marketing expenses		1,171,965	50	1,240,845	51
6200	Administrative expenses		225,149	10	224,899	9
6300	Research and development expenses		155,087	6	188,337	8
6450	Expected credit impairment loss		4,718	-	1,025	-
	Total operating expenses		1,556,919	66	1,655,106	68
6900	Operating profit		89,878	4	81,435	3
7000	Non-operating income and expenses	4, 6. 8, 6. 23 & 7				
7100	Interest income		4,133	-	3,842	-
7010	Other income		57,746	2	62,716	3
7020	Other profit and loss		3,052	-	(4,745)	-
7050	Financial cost		(31,386)	(1)	(33,383)	(1)
7060	Share of the loss of associates and joint ventures accounted for using the equity method		(14,268)	-	(19,124)	(1)
	Total non-operating income and expenses		19,277	1	9,306	1
7900	Net profit before tax		109,155	5	90,741	4
7950	Income tax expenses	4 & 6. 25	(7,843)	-	(18,955)	(1)
8200	Current net income		101,312	5	71,786	3
8300	Other comprehensive income or loss	4 & 6. 24				
8310	Items not to be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		1,139	-	1,206	-
8316	Investments in equity instruments measured at fair value through other comprehensive income					
	Unrealized valuation losses		32	-	(737)	-
8349	Income tax related to items not to be reclassified to profit or loss		-	-	-	-
8360	Items that may be subsequently reclassified into profit or loss					
8361	Exchange differences on translation of foreign financial statements		3,111	-	(18,047)	(1)
8370	Share of other comprehensive income (loss) of affiliates and joint ventures accounted for using the equity method					
	- items that may be subsequently reclassified into profit or loss		9,942	-	(21,516)	(1)
8399	Income tax relating to items which will possibly be reclassified into profit or loss		-	-	-	-
	Other comprehensive income or loss (net value after tax) in this period		14,224	-	(39,094)	(2)
8500	Total amount of comprehensive income (loss) for this period		$115,536	5	$32,692	1
8600	Net profit (loss) attributable to:					
8610	Owners of parent company		$101,828		$88,584	
8620	Non-controlling equity		(516)		(16,798)	
	Total		$101,312		$71,786	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		$115,677		$48,135	
8720	Non-controlling equity		(141)		(15,443)	
	Total		$115,536		$32,692	
	Earnings per share (NT$)	4 & 6. 26				
9750	Basic earnings per share		$1.00		$1.05	
9850	Diluted earnings per share		$0.94		$1.01	

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

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

United Orthopedic Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

December 31, 2020 and 2019

Unit: NT$ 1,000

		Equity attributable to owners of parent company												
		Capital			Retained earnings			Other equity						
Code	Item	Capital - common stock 3100	Capital - preferred stock 3120	Additional paid-in capital 3200	Legal reserve 3310	Special reserve 3320	Undistributed earnings 3350	Exchange differences on translation of foreign financial statements 3410	Unrealized valuation gains (losses) from financial assets measured at fair value through other comprehensive income 3420	Employees' unearned remuneration 3491	Treasury stock 3550	Equity attributable to owners of parent company 31XX	Non-controlling equity 36XX	Total equity 3XXX
A1	Balance as of January 1, 2019	$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
	2018 Earnings distribution													
B1	Appropriation of legal reserve	-	-	-	12,755	-	(12,755)	-	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	11,850	(11,850)	-	-	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(101,063)	-	-	-	-	(101,063)	-	(101,063)
C5	Composition of equity recognized due to convertible bond income - arising from stock options	-	-	26,300	-	-	-	-	-	-	-	26,300	-	26,300
C15	Distribution of cash dividend from capital surplus	-	-	(59,839)	-	-	-	-	-	-	-	(59,839)	-	(59,839)
D1	Net profit in 2019	-	-	-	-	-	88,584	-	-	-	-	88,584	(16,798)	71,786
D3	Other comprehensive income in 2019	-	-	-	-	-	1,206	(41,134)	(521)	-	-	(40,449)	1,355	(39,094)
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	89,790	(41,134)	(521)	-	-	48,135	(15,443)	32,692
J3	Issued preferred stock	-	100,000	417,500	-	-	-	-	-	-	-	517,500	-	517,500
M5	Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	-	-	164,332	-	-	-	-	-	-	-	164,332	93,197	257,529
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(13,625)	-	-	-	-	(13,625)	13,625	-
N2	Share-based payment transaction - new restricted employee shares	(300)	-	(1,362)	-	-	-	-	-	14,614	-	12,952	-	12,952
N3	Share-based payment transaction - employee preferred stock	-	-	216	-	-	-	-	-	-	-	216	-	216
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,717)	(2,717)
Z1	Balance as of December 31, 2019	$804,209	$100,000	$1,827,683	$81,687	$59,505	$76,165	$(97,388)	$(3,772)	$(21,363)	$-	$2,826,726	$107,202	$2,933,928
A1	Balance as of January 1, 2020	$804,209	$100,000	$1,827,683	$81,687	$59,505	$76,165	$(97,388)	$(3,772)	$(21,363)	$-	$2,826,726	$107,202	$2,933,928
	2019 Earnings distribution													
B1	Appropriation of legal reserve	-	-	-	7,617	-	(7,617)	-	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	41,655	(41,655)	-	-	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(26,893)	-	-	-	-	(26,893)	-	(26,893)
C15	Distribution of cash dividend from capital surplus	-	-	(42,251)	-	-	-	-	-	-	-	(42,251)	-	(42,251)
D1	Net profit in 2020	-	-	-	-	-	101,828	-	-	-	-	101,828	(516)	101,312
D3	Other comprehensive income in 2020	-	-	-	-	-	1,139	12,570	140	-	-	13,849	375	14,224
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	102,967	12,570	140	-	-	115,677	(141)	115,536
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	(65,567)	(65,567)	-	(65,567)
L3	Retirement of treasury stock	(20,130)	-	(28,199)	-	-	(17,238)	-	-	-	65,567	-	-	-
M5	Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	-	-	(346)	-	-	-	-	-	-	-	(346)	(805)	(1,151)
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(1,217)	-	-	-	-	(1,217)	1,217	-
N2	Share-based payment transaction - new restricted employee shares	(181)	-	(816)	-	-	-	-	-	13,627	-	12,630	-	12,630
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,202)	(1,202)
Z1	Balance as of December 31, 2020	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$-	$2,818,759	$106,271	$2,925,030

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Cash Flow Statement
December 31, 2020 and 2019

Unit: NT$ 1,000

Code	Item	2020 Amount	2019 Amount	Code	Item	2020 Amount	2019 Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investment activities:		
A10000	Current net income before tax	$109,155	$90,741	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	(390)
A20000	Adjustment items:			B00040	Acquisition of financial assets measured at amortized cost	(2,149)	(5,990)
A20010	Income and expenses items:			B00100	Acquisition of financial assets measured at fair value through profit or loss	(27,575)	-
A20100	Depreciation expenses	262,375	251,245	B01800	Acquisition of investments using equity method	-	(216,944)
A20200	Amortization expenses	24,424	18,856	B02700	Acquisition of property, plant and equipment	(147,115)	(208,548)
A20300	Expected credit impairment loss	4,718	1,025	B02800	Disposal of property, plant and equipment	9,809	139
A20400	Net loss (gain) of financial assets measured at fair value through profit or loss	(2,278)	890	B03700	(Increase) decrease in refundable deposits	2,165	(5,119)
A20900	Interest Expenses	31,386	33,383	B04500	Acquisition of intangible assets	(48,763)	(47,279)
A21200	Interest income	(4,133)	(3,843)	B07100	Increase in prepayments for business facilities	(35,914)	(38,460)
A21900	Share-based payment remuneration cost	12,630	13,168	BBBB	Net cash outflow from investing activities	(299,542)	(522,591)
A22300	Share of the loss of associates and joint ventures accounted for using the equity method	14,268	19,124				
A22500	Loss on disposal of property, plant and equipment	1,886	844	CCCC	Cash from financing activities:		
A24000	Realized sales gain	(4,760)	(14,042)	C00100	(Decrease) increase in short-term loans	786,560	(769,141)
A29900	Other income	(351)	(6,371)	C00600	Decrease in short-term notes and bills payable	-	(49,984)
A30000	Changes in assets/liabilities related to operating activities			C01200	Issuance of corporate bonds	-	500,000
A31130	Decrease in notes receivable	1,448	14,894	C01300	Repayments of bonds	(400,000)	-
A31150	Decrease (increase) in accounts receivable	7,874	(66,410)	C01600	Long-term loans raised	460,000	-
A31160	Decrease (increase) in accounts receivable - related parties	(22,784)	154,992	C01700	Repayment of long-term loans	(553,291)	(204,395)
A31180	Decrease in other receivables	854	13,665	C03000	Increases in guarantee deposits received	29	496
A31190	Decrease (increase) in other receivables - related parties	5,409	(5,409)	C04020	Repayment of lease principal	(29,477)	(26,679)
A31200	Decrease (increase) in inventories	16,633	(34,143)	C04300	Decrease in other non-current liabilities	-	(4,263)
A31230	Increase (decrease) in prepayments	(5,825)	5,941	C04500	Cash dividends paid	(69,144)	(160,902)
A31240	Decrease (increase) in other current assets	3,054	(2,386)	C04600	Cash capital increase	-	517,500
A32125	Decrease in contract liabilities	(577)	(8,565)	C04900	Repurchase cost of treasury stock	(65,567)	-
A32130	Increases (decreases) in notes payable	(770)	1,461	C05400	Acquisition of equity of subsidiaries	(1,151)	-
A32150	Increase in accounts payable	14,124	2,543	C05500	Disposal of equity of subsidiaries (without losing controlling right)	-	257,529
A32160	Increase (decrease) in accounts payable - related parties	(30,098)	20,658	C05600	Interest paid	(19,651)	(25,187)
A32180	Increase in other payables	31,238	39,249	C05800	Changes in non-controlling equity	(1,202)	(2,717)
A32190	Increase (decrease) in other payables - related parties	(2,879)	1,074	CCCC	Net cash inflow from financing activities	107,106	32,257
A32230	Increase in other current liabilities	24,258	2,905				
A32240	Decreases in net defined benefit liability	(1,363)	(7,829)				
A33000	Cash inflow generated from operations	489,916	537,660	DDDD	Effects from changes in exchange rates on cash and cash equivalents	(7,290)	(18,122)
A33100	Interest received	3,733	3,825	EEEE	Increase in cash and cash equivalents in the current period	300,808	10,638
A33500	Income tax refunded (paid)	6,885	(22,391)	E00100	Beginning balance of cash and cash equivalents	538,122	527,484
AAAA	Net cash inflow from operating activities	500,534	519,094	E00200	Ending balance of cash and cash equivalents	$838,930	$538,122

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

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

United Orthopedic Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2020 and 2019
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

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

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

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as "the Group") for 2020 and 2019 were authorized for issue by the Board of Directors on March 23, 2021.

III. Adoption of New and Amended Standards and Interpretations

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

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by FSC and applicable since January 1, 2020. First-time adoption has not had significant influences on the Group besides the following explanations on the characters and impacts from the new standards and amendments:

   The Group has chosen to adopt the amendments to IFRS 16 "COVID-19-Related Rent Concessions" endorsed by the FSC earlier than planned for fiscal years beginning on or after January 1, 2020. Matters related to this amendment are handled based on its transition requirements. For the relevant rent concession which are the direct result of the COVID-19 pandemic, the Group does not assess whether it is a lease modification, as the rent concession will be handled as a change in lease payment. Please refer Note 6 for disclosures concerning the lessees based on the amendment.

2. The Group has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Interest Rate Benchmark Reform - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)	January 1, 2021

(1) Interest Rate Benchmark Reform - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)

The amendments in this final phase mainly focus on the impact of changes in interest rate indicators on corporate financial statements, including:

A. Regarding cash flows of financial instruments, the carrying amounts thereof will not be de-recognized or adjusted due to the changes in the reform. Instead, changes result directly from interbank offered rates (IBORs) will be accounted for by updating the effective interest rates;
B. If a hedging relationship is subject to hedging accounting, the hedging relationship will still be subject to hedging accounting regardless of changes in the requirements of the reform; and
C. It is required to disclose the risks arise from the reform and the risk management in the transition.

The Group evaluates that the amendments which are to be adopted in the fiscal year starting January 1, 2021 have no significant impact on the Group.

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

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
5	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023

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

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

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

(2) IFRS 17 "Insurance Contracts"

This standard provides a comprehensive model for insurance contracts, including all accounting-related parts (i.e. principles of recognition, measurement, presentation and disclosure). The core of the standard is the general model. Under this model, the Company measures a group of insurance contracts at the total of fulfillment cash flows and contractual service margin upon initial recognition. The fulfillment cash flows include:

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

The carrying amount of the group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for claims incurred.

In addition to the general model, it also provides the following:

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

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

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

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

(4) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
This amendment replaces the old version of the reference on the Conceptual Framework for Financial Reporting and updates IFRS 3 with the latest version of the reference published in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. In addition, the amendments also clarify existing guidelines for contingent assets that are not affected by the replacing reference to conceptual framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant, and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent company in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 "Financial Instruments"
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 "Leases"
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(5) Disclosure Initiative - Accounting Policies (Amendment to IAS 1)

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

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

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

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

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The consolidated financial statements for the years ended December 31, 2020 and 2019 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed and issued into effect by FSC.

2. Basis of preparation

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

3. Basis of consolidation

<u>Preparation principle of consolidated financial statements</u>

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Corporation controls an investee if and only if it has:

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership 2020.12.31	2019.12.31	Remark
The Company	UOC America Holding Corporation	Sales and investment	100.00%	100.00%	
The Company	UOC Europe Holding SA	Sales and investment	96.00%	96.00%	
The Company	United Orthopedic Japan Inc.	Sales	88.00%	65.00%	Note 1
The Company	A-Spine Asia Co., Ltd.	Sales, investment and manufacturing	74.90%	74.90%	
UOC America Holding Corporation	UOC USA, Inc.	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC (Suisse) SA	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC (France)	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC Belgium	Sales	100.00%	100.00%	
A-Spine Asia Co., Ltd.	Pauline Medical.Co., Ltd.	Sales	-	100.00%	Note 2

Note 1: The English name of United Biomech Japan, the Japanese subsidiary of United Orthopedic Corporation, was changed to United Orthopedic Japan Inc. after the resolution of the Board of Directors.

Note 2: A-Spine Asia Co., Ltd. was approved by the Board of Directors on December 23, 2020 to carry out a short-form merger with Pauline Medical. Co., Ltd., and A-Spine Asia Co., Ltd. would be the surviving company after the merger, while Pauline Medical. Co., Ltd. would be dissolved. All rights and obligations of Pauline Medical. Co., Ltd. has been generally accepted by A-Spine Asia Co., Ltd. since December 31, 2020, the reference date of the merger. The merger was approved by the New Taipei City Government on January 20, 2021 and changes made to company registration has been completed.

4. Foreign currency transactions

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

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

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

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

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

5. Translation of foreign-currency financial statements

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

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

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

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

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

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

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

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

7. Cash and cash equivalents

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

8. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

<u>Financial assets measured at amortized cost:</u>

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

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

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

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

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

Financial assets measured at FVTOCI

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

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

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

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

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

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

Financial assets measured at FVTPL

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

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

(2) Impairment of financial assets

The Group recognizes and measures the loss allowance for debt instrument investments measured at FVTOCI and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments measured at FVTOCI is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. Time value of money; and
C. Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort at the balance sheet date).

Loss allowance is measured as follows:

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

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

(3) Derecognition of financial assets

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

A. The contractual rights to the cash flows from the financial asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity instruments

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial liabilities or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and the portfolio information provided to the management within the merged company is also based on fair value.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Derivatives

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

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

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

10. Fair value measurement

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

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

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

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

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

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

11. Inventories

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

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

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

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

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

12. Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

13. Property, plant and equipment

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

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

Buildings and constructions	3 to 50 years
Machinery and equipment	3 to 15 years
Tooling equipment (except for forging die)	2 to 5 years
Transportation equipment	5 years
IT equipment	3 to 5 years
Other equipment	3 to 10 years
Leasehold improvements	Over the shorter of the lease terms or useful lives

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

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

14. Leases

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

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

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

<u>The Group as a lessee</u>

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

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

(1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
(2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
(3) Lease payments expected to be paid by the lessee under the residual value guarantee; and
(4) Exercise price for purchase of options, if the Group can be reasonably assured that the right will be exercised; and
(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the start date, the Group will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

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

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

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

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

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

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

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

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

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

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

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

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

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

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

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

Intangible assets under development – research and development costs

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

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

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

Specialized technology

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

Trademark and licensing rights

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

Brand

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

Computer software

Computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years)

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

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

16. Impairment of non-financial assets

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

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

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

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

17. Treasury stock

When the Group obtains the shares (treasury stocks) of the parent company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

18. Revenue recognition

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

<u>Sales of goods</u>

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

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

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

19. Government subsidy

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

20. Post-employment benefits

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

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

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

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

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

21. Share-based payment transactions

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

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

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

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

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

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

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

22. Income tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

23. Business combinations and goodwill

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

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

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

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

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

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

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

V. Significant Accounting Judgments, Estimates and Assumptions

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

1. Judgments

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

Judgment on whether development expenditures are eligible for capitalization

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

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

2. Estimates and assumptions

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

(1) Inventory valuation

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

(2) Income tax

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

Deferred income tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred income tax assets as of December 31, 2020.

VI. Important Accounting Items

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash on hand	$144	$143
Checks and demand deposits	421,650	348,531
Time deposits	417,136	189,448
Total	$838,930	$538,122

2. Financial assets measured at FVTPL

	2020.12.31	2019.12.31
Mandatorily measured at FVTPL:		
Funds	$20,403	$-
Bonds	8,050	-
Total	$28,453	$-
Current	$28,453	$-

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

3. Financial assets measured at fair value through other comprehensive income (FVTOCI)

	2020.12.31	2019.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$49,800	$-
Unlisted stocks		
Changgu Biotech Corporation	2,744	2,083
Taiwan Main Orthopaedic Biotechnology Co., Ltd.	623	1,052
Total	$53,167	$3,135

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

(2) On September 10, 2020, the Group invested in Chailease Finance Co., Ltd. The invested amount was NT$50,000,000 and acquired 500,000 shares. As of December 31, 2020, 500,000 shares were held and the shareholding percentage was 0.03%. On December 31, 2020, the fair value of the stock investment amounted to NT$49,800,000, and the difference between the initial investment amount and the fair value was NT$200,000, which was recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2020 and December 31, 2019, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 19.26%. On December 31, 2020 and 2019, the fair values of the aforementioned stock investments were NT$2,744,000 and NT$2,083,000, respectively, and the differences between the initial investment amount and the fair value were NT$2,032,000 and NT$2,693,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(4) As of December 31, 2020 and December 31, 2019, the investment in Taiwan Main Orthopaedic Biotechnology Co., Ltd. by the subsidiary A-Spine Asia Co., Ltd. was both NT$2,350,000, with 235,040 shares acquired, and the shareholding ratio was 3.15% and 3.26%, respectively. On December 31, 2020 and 2019, the fair values of the aforementioned stock investments were NT$623,000 and NT$1,052,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,727,000 and NT$1,298,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments

measured at FVTOCI.

4. Financial assets measured at amortized cost

	2020.12.31	2019.12.31
Time deposits	$15,853	$13,704
Less: Loss allowance	-	-
Total	$15,853	$13,704
Non-current	$15,853	$13,704

The Group has classified a part of financial assets as financial assets measured at amortized cost; for the information about loss allowance, please refer to Note 6.20. Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

5. Notes receivable

	2020.12.31	2019.12.31
Notes receivable - arising from operation	$1,593	$3,041
Less: Loss allowance	-	-
Total	$1,593	$3,041

The Group's notes receivables were not pledged.

The Group assesses information related to impairment and loss allowance in accordance with IFRS 9. Please refer to Note 6.20 for details; please see Note 12 for information on credit risk.

6. Account receivables and account receivable - related party

	2020.12.31	2019.12.31
Accounts receivable	$495,635	$505,428
Less: Loss allowance	(12,003)	(9,204)
Subtotal	483,632	496,224
Accounts receivable - related parties	79,488	56,704
Less: Loss allowance	-	-
Total	$563,120	$552,928

The Group's accounts receivable were not pledged.

The Group's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2020 and 2019 were NT$575,123,000 and NT$562,132,000, respectively. Please refer to Note 6.20 for detailed information on loss allowance for 2020 and 2019; please see Note 12 for information on credit risk.

7. Inventories

	2020.12.31	2019.12.31
Product	$53,242	$64,703
Finished product	747,143	710,883
Work-in-process	234,567	249,298
Raw material	93,357	132,046
Materials and supplies in transit	472	120
Total	$1,128,781	$1,157,050

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

Item	2020	2019
Cost of sales	$694,783	$714,223
Loss for market price decline and obsolete and slow-moving inventories (gain from price recovery of inventory)	5,406	(22)
Total	$700,189	$714,201

The Group's gain from price recovery of inventory in 2019 is the result of the consumption of inventories listed in loss on inventory valuation.

(2) No inventories aforementioned were pledged.

8. Investments accounted for using the equity method

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

	2020.12.31		2019.12.31	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in associates:				
Shinva United Orthopedic Corporation	$569,487	49%	$564,805	49%

Investments in associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China.

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

Summarized financial information and reconciliation of the investments' carrying amount:

	2020.12.31	2019.12.31
Current assets	$585,651	$664,349
Non-current Assets	806,602	651,699
Current liabilities	(173,354)	(88,322)
Non-current liabilities	-	-
Equity	1,218,899	1,227,726
Shareholding ratio of the Group	49%	49%
Subtotal	597,260	601,586
Elimination and adjustment due to inter-company transactions	(27,773)	(36,781)
Carrying amount of investments	$569,487	$564,805

	2020	2019
Operating revenue	$403,971	$155,471
Net (loss) profit of continuing business units for this period	(29,118)	(39,029)
Other comprehensive profit or loss	-	-
Comprehensive profit or loss for this period	(29,118)	(39,029)

The Group has invested CNY 30,000,000, equivalent to NT$149,844,000, to associates by way of technical value, which was recognized as long-term deferred income. Starting from the service provision date, this amount is amortized on a straight-line basis for three years. As of December 31, 2020 and 2019, the accumulated amortization amounted to NT$76,420,000 for both dates.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2020 and 2019, nor was there guarantee provided.

9. Property, plant and equipment

	2020.12.31	2019.12.31
Property, plant and equipment for own use	$1,211,175	$1,284,130
Property, plant and equipment for operating leases	218,024	204,661
Total	$1,429,199	$1,488,791

(1) Property, plant and equipment for self-use

	Land	Buildings and constructions	Machinery and equipment	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Cost:								
2020.1.1	$174,589	$486,916	$559,334	$109,735	$22,868	$15,281	$527,671	$1,896,394
Additions	-	-	539	4,777	4,697	2,304	53,101	65,418
Disposals	-	-	(538)	(4,186)	(117)	(4,903)	(28,114)	(37,858)
Reclassification	-	-	1,749	(4,838)	1,892	9,384	27,591	35,778
Effect of exchange rate changes	-	-	-	-	(15)	(162)	(12,145)	(12,322)
2020.12.31	$174,589	$486,916	$561,084	$105,488	$29,325	$21,904	$568,104	$1,947,410
2019.1.1	$174,589	$486,916	$549,117	$88,622	$13,348	$15,339	$454,740	$1,782,671
Additions	-	-	1,799	31,492	11,064	-	92,797	137,152
Disposals	-	-	(19,608)	(11,191)	(1,518)	-	(24,267)	(56,584)
Reclassification	-	-	28,026	812	-	-	10,827	39,665
Effect of exchange rate changes	-	-	-	-	(26)	(58)	(6,426)	(6,510)
2019.12.31	$174,589	$486,916	$559,334	$109,735	$22,868	$15,281	$527,671	$1,896,394
Depreciation and impairment:								
2020.1.1	$-	$60,850	$222,571	$33,619	$9,233	$11,622	$274,369	$612,264
Depreciation	-	16,168	47,724	10,022	5,321	2,512	87,035	168,782
Disposals	-	-	(538)	(3,730)	(116)	(4,903)	(27,556)	(36,843)
Reclassification	-	-	-	-	-	-	(15)	(15)
Effect of exchange rate changes	-	-	-	-	(6)	(119)	(7,828)	(7,953)
2020.12.31	$-	$77,018	$269,757	$39,911	$14,432	$9,112	$326,005	$736,235
2019.1.1	$-	$44,615	$193,746	$31,993	$7,814	$9,650	$223,807	$511,625
Depreciation	-	16,235	48,433	11,968	2,954	2,022	82,874	164,486
Disposals	-	-	(19,608)	(10,342)	(1,518)	-	(24,133)	(55,601)

	Land	Buildings and constructions	Machinery and equipment	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Reclassification	-	-	-	-	-	-	(4,928)	(4,928)
Effect of exchange rate changes	-	-	-	-	(17)	(50)	(3,251)	(3,318)
2019.12.31	$-	$60,850	$222,571	$33,619	$9,233	$11,622	$274,369	$612,264
Net carrying amount:								
2020.12.31	$174,589	$409,898	$291,327	$65,577	$14,893	$12,792	$242,099	$1,211,175
2019.12.31	$174,589	$426,066	$336,763	$76,116	$13,635	$3,659	$253,302	$1,284,130

(2) Property, plant and equipment for self-use

	Other equipment
Cost:	
2020.1.1	$306,276
Additions	81,697
Disposals	(19,364)
Effect of exchange rate changes	12,871
2020.12.31	$381,480
2019.1.1	$247,429
Additions	71,396
Disposals	(10,244)
Effect of exchange rate changes	(2,305)
2019.12.31	$306,276
Depreciation and impairment	
2020.1.1	$101,615
Depreciation	65,243
Disposals	(8,684)
Effect of exchange rate changes	5,282
2020.12.31	$163,456
2019.1.1	$51,003
Depreciation	61,493
Disposals	(10,244)
Effect of exchange rate changes	(637)
2019.12.31	$101,615
Net carrying amount:	
2020.12.31	$218,024
2019.12.31	$204,661

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

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

10. Intangible assets

	Computer software cost	Specialized technology	Development expenditure	Trademark and licensing rights	Goodwill	Brand	Total
Cost:							
2020.1.1	$21,882	$10,747	$114,944	$1,994	$292,891	$107,940	$550,398
Additions - development by internal units	-	-	44,388	-	-	-	44,388
Additions - separate acquisition	3,286	660	429	-	-	-	4,375
Reclassification	336	59,040	(58,040)	-	-	-	1,336
Effect of exchange rate changes	467	-	-	2	-	-	469
2020.12.31	$25,971	$70,447	$101,721	$1,996	$292,891	$107,940	$600,966
2019.1.1	$19,914	$7,650	$77,857	$2,010	$292,891	$107,940	$508,262
Additions - development by internal units	-	-	40,184	-	-	-	40,184
Additions - separate acquisition	7,095	-	-	-	-	-	7,095
Reclassification	-	3,097	(3,097)	-	-	-	-
Others	(5,058)	-	-	-	-	-	(5,058)
Effect of exchange rate changes	(69)	-	-	(16)	-	-	(85)
2019.12.31	$21,882	$10,747	$114,944	$1,994	$292,891	$107,940	$550,398
Amortization and impairment:							
2020.1.1	$9,269	$798	$18,962	$1,329	$-	$19,789	$50,147
Amortization	7,956	6,534	2,339	399	-	7,196	24,424
Reclassification	-	-	-	-	-	-	-
Effect of exchange rate changes	205	-	-	1	-	-	206
2020.12.31	$17,430	$7,332	$21,301	$1,729	$-	$26,985	$74,777
2019.1.1	$8,648	$43	$14,147	$938	$-	$12,593	$36,369
Amortization	5,689	755	4,815	401	-	7,196	18,856
Reclassification	-	-	-	-	-	-	-
Others	(5,058)	-	-	-	-	-	(5,058)
Effect of exchange rate changes	(10)	-	-	(10)	-	-	(20)
2019.12.31	$9,269	$798	$18,962	$1,329	$-	$19,789	$50,147
Net carrying amount:							
2020.12.31	$8,541	$63,115	$80,420	$267	$292,891	$80,955	$526,189
2019.12.31	$12,613	$9,949	$95,982	$665	$292,891	$88,151	$500,251

Amortization for recognition of intangible assets is as follows:

	2020	2019
Operating costs	$6,008	$246
Operating expenses	18,416	18,610
Total	$24,424	$18,856

11. Goodwill impairment test

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

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

ASA cash generating unit

	2020.12.31	2019.12.31
Goodwill	$292,891	$292,891

The recoverable amount of the ASA cash generating unit has been determined based on the fair value less costs of disposal, on December 31, 2020 and 2019. Fair value is evaluated according to the market approach. Based on the results of this analysis, the management assessed that there was no sign of impairment of the goodwill on December 31, 2020 and 2019.

12. Short-term loans

	2020.12.31	2019.12.31
Bank credit loans	$979,837	$199,880
Interest rate range (%)	0.4899-1.0100	1.1500-2.8800

As of December 31, 2020 and 2019, the Group's unused short-term loan facilities were NT$877,000,000 and US$3,000,000, and NT$1,685,000,000 and US$1,500,000, respectively; the unused short-term notes and bills payable were NT$50,000,000 and NT$150,000,000, respectively, while the unused long-term loan facilities were NT$375,000,000 and NT$425,000,000, respectively.

13. Financial liabilities measured at FVTPL

	2020.12.31	2019.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$1,850	$3,250
Non-current	$1,850	$3,250

14. Corporate bonds payable

	2020.12.31	2019.12.31
Domestic unsecured bonds payable	$478,829	$869,984
Less: Liabilities due within one year	-	(396,813)
Long-term domestic convertible bonds payable	$478,829	$473,171

Domestic convertible bonds payable

	2020.12.31	2019.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$900,000
Converted amount	-	-
Discount on domestic convertible bonds payable	(21,171)	(30,016)
Subtotal	478,829	869,984
Less: Liabilities due within one year	-	(396,813)
Net	$478,829	$473,171
Embedded derivative - assets	$-	$-

	2020.12.31	2019.12.31
Embedded derivative - liabilities	$1,850	$3,250
Equity elements	$26,300	$42,900

(1) On August 11, 2017, the Company issued the second round of domestic unsecured convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

Total amount of issuance: NT$400,000,000. Face amount per equity: NT$100,000. The issuance is in full carrying amount.

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

Critical clauses for redemption:

A. On the next day after the convertible bonds were issued for three full months (November 13, 2017) until 40 days prior to the end of issuance period (July 2, 2020), if the closing price of the Company's common stock at the Taipei Exchange exceeds conversion price by more than 30 percent (inclusive) for 30 consecutive business days, the Corporation may inform the bondholders that it will recall all of its outstanding convertible bonds by cash at the nominal amount.

B. On the next day after the convertible bonds were issued for three full months (November 13, 2017) until 40 days prior to the end of issuance period (July 2, 2020), if the balance of outstanding convertible bonds is lower than NT$40,000,000 (10% of the original issuance amount), the Company may recall all of its outstanding convertible bonds by cash at the nominal amount at any subsequent period.

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

Conversion methods:

A. Converted target: Common stock of the Company.

B. Conversion period: From November 12, 2017 to August 11, 2020, the bond holders can request for conversion into the Company's common stocks instead of cash redemption by the Company.

C. Converted price and adjustment: the converted price upon issuance was set as NT$77.30 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses.

D. Redemption on maturity date: The Company's bonds matured on August 11, 2020, and 101.5075% of the face value of the bond paid the remaining face value of the aforementioned convertible bonds of NT$400,000,000 and interest compensation of NT$6,030,000. Meanwhile, the expired conversion rights of NT$16,600,000 was transferred from capital reserve - stock options to capital reserve - other.

(2) On September 10, 2019, the Company issued the third round of domestic unsecured convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract

clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer, and an option of requesting the issuer's redemption), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

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

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

Critical clauses for redemption:

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

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

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

Critical clauses for redemption:

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

Conversion methods:

A. Converted target: Common stock of the Company.

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

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2020 and 2019, each share carried the value of NT$51.50.

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

In addition, the aforementioned bonds have not been converted as of December 31, 2020.

15. Long-term loans

Details of long-term loans for the years ended December 31, 2020 and 2019 are as follows:

Creditor	2020.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$62,750	1.0677	From June 19, 2018 to June 20, 2023; the first repayment is due on September 20, 2019; principal is to be repaid by 16 equal installments of NT$6,275,000 every three months.
〃	123,032	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	60,036	1.2300	From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments of NT$458,000 every month.
Total	245,818		
Less: long-term loans due within one year	(38,939)		
Net	$206,879		

Creditor	2019.12.31	Interest rate (%)	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Industrial Park Branch	$43,886	1.4000	From September 18, 2013 to October 31, 2031; the first repayment was due on September 18, 2014; principal is to be repaid by 70 equal installments of NT$914,000 every three months.
Bank of Taiwan	87,850	1.3531	From June 19, 2018 to June 20, 2023; the first repayment is due on September 20, 2019; principal is to be repaid by 16 equal installments of NT$6,275,000 every three months.
〃	131,373	1.3214	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	71,476	1.4800	From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments of NT$458,000 every month.
〃	4,524	1.4800	From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments of NT$93,000 every month.
Total	339,109		
Less: long-term loans due within one year	(43,714)		
Net	$295,395		

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

16. Post-employment benefits

Defined contribution plan

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

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

The Group's expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 are NT$31,138,000 and NT$32,515,000, respectively.

Defined benefits plan

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

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefits plan has been estimated to contribute NT$1,568,000 in the following year.

For the years ended on December 31, 2020 and December 31, 2019, the Company's defined benefits plans are both expected to due in 2031.

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

	2020	2019
Current service cost	$186	$345
Net interest of net defined benefit liability	19	122
Total	$205	$467

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

	2020.12.31	2019.12.31	2019.1.1
Present value of defined benefit obligations	$50,010	$50,991	$57,045
Fair value of plan assets	(49,946)	(48,425)	(45,444)
Net defined benefit liabilities on the book	$64	$2,566	$11,601

Reconciliation of net defined benefit liabilities:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2019.1.1	$57,045	$45,444	$11,601
Current service cost	345	-	345
Interest expense (income)	599	(477)	122
Previous service cost and settlement gains or losses	-	-	-
Subtotal	57,989	(45,921)	12,068
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	1,836	-	1,836
Experience adjustment	(1,577)	-	(1,577)
Remeasurements of defined benefit assets	-	(1,465)	(1,465)
Subtotal	58,248	(47,386)	10,862
Benefits paid	(7,257)	7,257	-
Employer contributions	-	(8,296)	(8,296)
2019.12.31	50,991	(48,425)	2,566
Current service cost	186	-	186
Interest expense (income)	377	(358)	19
Previous service cost and settlement gains or losses	-	-	-
Subtotal	51,554	(48,783)	2,771
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	2,142	-	2,142
Experience adjustment	(1,607)	-	(1,607)
Remeasurements of defined benefit assets	-	(1,674)	(1,674)
Subtotal	52,089	(50,457)	1,632
Benefits paid	(2,079)	2,079	-
Employer contributions	-	(1,568)	(1,568)
2020.12.31	$50,010	$(49,946)	$64

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

	2020.12.31	2019.12.31
Discount rate	0.35%	0.74%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2020		2019	
	Defined benefit obligation increases	Defined benefit obligation decreases	Defined benefit obligation increases	Defined benefit obligation decreases
Discount rate increases by 0.5%	$-	$2,725	$-	$2,920
Discount rate decreases by 0.5%	2,932	-	3,150	-
Expected salary increases by 0.5%	2,840	-	3,063	-
Expected salary decreases by 0.5%	-	2,669	-	2,871

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

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

17. Equity

(1) Share capital

As of December 31, 2020 and 2019, the Company's authorized share capital amounted to NT$1,500,000,000 and NT$1,000,000,000; the outstanding common stock capital were NT$804,209,000 and NT$804,509,000, respectively, and the outstanding preferred stock capital were NT$100,000,000 and NT$0 thousand, respectively. Common shares were issued at a par value of NT$10, dividing into 80,421,000 shares and 80,451,000 shares, respectively. Preferred shares were issued at a par value of NT$10, dividing into 10,000,000 shares and 0 thousand share, respectively.

Common Stock

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 18,000 shares, 6,000 shares, and 6,000 shares on May 2, 2019, August 6, 2019, and November 7, 2019 with base dates for capital reduction set on May 13, 2019, August 15, 2019, and November 15, 2019, and the registration of changes was completed on May 27, 2019, August 21, 2019, and November 28, 2019, respectively.

The Board of Directors of the Company resolved to cancel 2,013,000 shares of treasury stock on June 30, 2020, and the change of capital registration was completed on July 14, 2020.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 18,000 shares on November 11, 2020 with the base date of capital reduction set on November 16, 2020, and the registration of the changes were completed on November 23, 2020.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated undistributed earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year.

C. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

D. Preferred stock dividends will be distributed in cash once a year. After the financial reports have been acknowledged in the annual general meeting of the shareholders, the Board of Directors shall set the payment date of the distribution of the payable preferred stock dividends for the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company's shareholders' meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. The shareholders of this preferred stock have a higher claim to the Company's residual properties than shareholders of common stocks. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred shareholders stay subordinate to general creditors. The amount preferred shareholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voting nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

J. When the Company issues new shares for cash capital increase, the shareholders of this preferred stock have the same subscription right to the new shares as the shareholders of common stock.

As of December 31, 2020 and 2019, the Company's authorized share capital was both NT$1,500,000,000 , and had issued share capital of common stock in the amount of NT$783,898,000 and NT$804,209,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,390,000 shares and 80,421,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

(2) Capital surplus

	2020.12.31	2019.12.31
Issuance premium	$1,515,847	$1,586,295
Stock options – convertible corporate bonds	26,300	42,900
Issuance of restricted employee shares	31,872	32,688

	2020.12.31	2019.12.31
Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	163,986	164,332
Others	18,066	1,468
Total	$1,756,071	$1,827,683

According to the laws, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

For details of capital reserve - stock options transferring to capital reserve - other for the year ended December 31, 2020, please refer to Note 6.14. Also, please refer to Note 6.27 for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

(3) Treasury stock

The amount of treasury stock held by the Company on December 31, 2020 and 2019 were both NT$0 thousand, and the number of the shares held were both 0 thousand.

The Company's repurchasing of treasury stock in 2020 were implemented as follows:

Reason for repurchasing	Number of shares at beginning of period	Increased amount of the period	Decreased amount of the period	Number of shares at end of period
To maintain credit of the Company and shareholders' equity	0 thousand shares	2,013,000 shares	2,013,000 shares	0 thousand shares

The Company repurchased 2,013,000 shares of treasury stock which had not been transferred to the employees. The said treasury stock were cancelled on July 1, 2020 upon the resolution of the Board of Directors, with a capital reduction of NT$20,130,000; the capital reserve - issuance premium of NT$28,199,000 based on shareholding ratio were offset, and the retained earnings were used to offset NT$17,238,000 for the insufficient part.
The Securities and Exchange Act stipulates that the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(4) Earnings distribution and dividend policy

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

A. Payment of all taxes and dues.
B. Offset deficits.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.

E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals the paid-in capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

After adopting IFRS, the Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1010012865 issued on April 6, 2012: upon the first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) that the Corporation elects to transfer to retained earnings by application of the exemption under IFRS 1, "First-time Adoption of IFRS", the Corporation shall set aside an equal amount of special earnings reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the Corporation has already set aside special earnings reserve according to the requirements in the preceding point, it shall set aside supplemental special earnings reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2020 and 2019, there is no reversal of special capital reserve to undistributed earnings.

Details of the 2020 and 2019 earnings appropriation and distribution, distribution of capital surplus in cash, and dividends per share as approved by the Board of Directors meeting and the annual general meeting of shareholders on March 23, 2021 and June 19, 2020, respectively, are as follows:

	Appropriation and distribution of earnings		Dividend per share (NTD)	
	2020	2019	2020	2019
Earnings appropriation proposal				
Legal reserve	$8,451	$7,617		
(Reversal) Allocation of special reserve	(12,709)	41,655		
Cash dividend of common stock	65,370	22,085	$0.834	$0.275
Dividend of preferred stock (Note)	23,400	4,808	2.340	0.481

Cash distribution from additional paid-in capital proposal				
Additional paid-in capital	-	42,251	-	0.525

Note: The dividend of preferred stock is calculated based on the number of days in circulation in 2019 (75 days) and the rate of dividend of 4.5%.

Please refer to Note 6.22 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

(5) Non-controlling interests

	2020	2019
Beginning balance	$107,202	$18,540
Net loss attributable to non-controlling interests	(516)	(16,798)
Other comprehensive income, attributable to non-controlling interests:		
Exchange differences on translation of foreign financial statements	483	1,571
Unrealized valuation loss (gain) on investments in an equity instrument measured at FVTOCI	(108)	(216)
Difference in the carrying amount of share price and its acquired or disposed value of equity of	(805)	
subsidiaries acquired		93,197
New shares of subsidiaries not subscribed in proportion of shares held	1,217	13,625
Capital increase of subsidiaries	7,252	5,398
Cash dividends distributed by subsidiaries	(8,454)	(8,115)
Ending balance	$106,271	$107,202

18. Share-based payment plans

Employees of the Group are entitled to share-based payment as part of their compensation. Services rendered by employees are considerations for the equity instruments granted. These transactions are accounted for as equity-settled share-based payment transactions.

(1) Restricted employee share plans of the Group's parent company

The Company's shareholders' meeting on June 12, 2018 resolved to issue restricted employee shares of up to 750 thousand common stocks at NT$0. The stock price at the grant date stood at NT$55.4. The restricted employee shares issued by the Company shall not be transferred within the three-year vesting period, however, the holders are still entitled to dividend distribution. The Company's Board of Directors resolved to cancel 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. As the Company's restricted employee shares did not meet the vesting conditions, as of December 31, 2020 and 2019, the Company had issued 702,000 shares and 720,000 shares.

After the issuance of restricted employee shares, they shall be transferred immediately to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the restricted employee shares for any reason or in any manner. Moreover, during the restricted employee shares' trust period, the Corporation is delegated to act on behalf of the employees in dealing with the stock trust agency concerning the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the delivery, use and disposal of the trust property.

When the employee fails to meet the vesting conditions, the Company is entitled by law to retrieve the restricted employee shares and cancel them.

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

	2020	2019
Plan of restricted employee shares	$12,630	$12,952

19. Operating revenue

	2020	2019
Income from sales of goods	$2,342,226	$2,436,700

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2020.12.31	2019.12.31	2019.1.1
Sales of goods	$3,843	$4,420	$12,985

The significant changes in the balance of contract liabilities of the Group from January 1 to December 31, 2020 and 2019 are as follows:

	2020	2019
Beginning balance recognized as revenue in the current period	$(3,848)	$(12,367)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	3,271	3,802

20. Expected credit loss (gain)

	2020	2019
Operating expenses - expected credit loss (gain)		
Notes receivable	$-	$-
Accounts receivable	4,718	2,025
Refundable deposits	-	(1,000)
Total	$4,718	$1,025

For information on credit risk, please refer to Note 12.

The Group's financial assets measured at amortization cost were assessed on December 31, 2020 and 2019 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

The Group's receivables (including notes receivable and accounts receivable) are all measured for the loss allowance based on the lifetime expected credit losses. Relevant description of assessing the amount of loss allowance on December 31, 2020 and 2019 is as follows:

Loss allowance is measured by taking into account the credit ratings of the counterparties, the geographical regions and the industry, and adopts the provision matrix. Relevant information is as follows:

2020.12.31

	Not past due (Note)	Number of days overdue: Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$514,343	$49,168	$1,309	$22	$11,874	$576,716
Loss ratio	0%	1%	3%	0%	100%	
Lifetime expected credit losses	-	89	40	-	11,874	12,003
Total	$514,343	$49,079	$1,269	$22	$-	$564,713
Carrying amount						$564,713

2019.12.31

	Not past due (Note)	Number of days overdue: Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$499,615	$54,280	$1,074	$1,171	$9,033	$565,173
Loss ratio	0%	0%	5%	10%	100%	
Lifetime expected credit losses	-	-	54	117	9,033	9,204
Total	$499,615	$54,280	$1,020	$1,054	$-	$555,969
Carrying amount						$555,969

Note: None of the Group's notes receivable is past due.

The changes in the Group's loss allowance for notes and accounts receivables in 2020 and 2019 are as follows:

	Notes receivable	Accounts receivable
2020.1.1	$-	$9,204
Increase in this period	-	4,718
Write off due to inability to recover	-	(1,894)
Exchange differences	-	(25)
2020.12.31	$-	$12,003
2019.1.1	$-	$7,323
Increase in this period	-	2,025
Write off due to inability to recover	-	(121)
Exchange differences	-	(23)
2019.12.31	$-	$9,204

The subsidiary A-Spine Asia Co., Ltd. assessed in 2019 that it would recover the refundable deposits that were recognized as impairment due to inability to recover in the previous year. Therefore, in 2019, the impairment loss recognized in the previous year was reversed, and the expected credit loss (gain) reversal benefit of NT$1,000,000 was recognized. In addition, the subsidiary A-Spine Asia Co., Ltd., has recovered the aforementioned refundable deposits in 2020.

21. Leases

(1) The Group as a lessee

The Group leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2020.12.31	2019.12.31
Land	$151,991	$152,386
Buildings and constructions	54,212	41,142
Transportation equipment	8,435	4,212
Office equipment	676	-
Total	$215,314	$197,740

In 2020 and 2019, the Group added NT$47,319,000 and NT$29,539,000, respectively, to the category of right-of-use assets.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities	$218,153	$198,677
Current	$21,864	$22,501
Non-current	$196,289	$176,176

Please refer to Note 6.23(3)for the interest expenses of the Group's 2020 and 2019 lease liabilities; please refer to Note 12.5 Liquidity risk management for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2020 and 2019.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2020	2019
Land	$8,180	$7,085
Buildings and constructions	16,166	15,161
Transportation equipment	3,817	3,020
Office equipment	187	-
Total	$28,350	$25,266

C. Revenues and expenses related to the lessee and lease activities

	2020	2019
Short-term lease expense	$289	$161
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	1,406	1,405
Revenue from sublease of right-of-use asset	1,406	1,381

As of December 31, 2020 and 2019, the Group had no commitments to short-term lease portfolio.

For the year ended December 31, 2020, a relevant rent concession directly caused by the COVID-19 pandemic of NT$385,000 is recognized by the Group as a deduction in rental expenses to reflect the change in lease payments due to the application of the practical expedient.

D. Cash flow related to the lessee and lease activities

The Group's total cash outflow to leases in 2020 and 2019 was in the amount of NT$31,172,000 and NT$28,245,000, respectively.

(2) The Group as lessor

For the Group's relevant disclosures of its own property, plant and equipment, please refer to Note 6.9 for details. The Group's own real estate, plant and equipment are classified as operating leases because almost all risks and rewards attached to the ownership of the underlying assets have not been transferred.

	2020	2019
Lease revenue recognized from operating lease		
Fixed lease payment and relevant income from variable lease payments dependent on index or rate changes	$1,981	$2,948

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

Function / Type	2020			2019		
	Fees that belong to operational costs	Fees that belong to operational expenses	Total	Fees that belong to operational costs	Fees that belong to operational expenses	Total
Employee benefits expenses						
Salary expenses	$222,886	$376,406	$599,292	$235,872	$391,865	$627,737
Labor and health insurance premiums	23,978	38,022	62,000	25,120	34,554	59,674
Pension expenses	11,564	19,779	31,343	12,188	20,794	32,982
Other employee benefits expenses	8,984	5,867	14,851	9,474	6,132	15,606
Depreciation expenses	79,808	182,567	262,375	80,831	170,414	251,245
Amortization expenses	6,008	18,416	24,424	246	18,610	18,856

The Group’s Articles of Association provide that if there is profit in the year, 12 percent of profit shall be allocated for employee remuneration, and no more than 3 percent shall be allocated for compensations of the directors and members of the supervisory board. However, the Company's accumulated losses shall first be offset. The aforementioned employees' compensation shall be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such distribution shall be submitted to the shareholders' meeting. Information relating to employees' and directors' remunerations approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Based on the profits of 2020, the Company allocated 12% and 3% of the profits as compensation to employees and remuneration to Directors and Supervisors in the amounts of NT$14,743,000 and NT$3,686,000 recognized under salary expenses, respectively. If the Company's Board of Directors resolves to distribute employee compensation with shares, the closing price of the day before the Board of Directors' resolution shall be adopted as the basis for calculating the number of shares distributed. If there is any discrepancy between the estimated amount and the actual distribution amount resolved by the Board of Directors, it will be listed as profit/loss for the next year. On March 23, 2021, the Company's Board of Directors resolves to distribute compensation to employees and remuneration to Directors and Supervisors distributed in the amounts of NT$14,743,000 and NT$3,686,000, respectively.

In 2019, the actual amounts of compensation to employees and remuneration to Directors and Supervisors distributed were NT$12,367,000 and NT$3,092,000, respectively. There was no material difference between the amount paid and the amount recognized as expenses in the 2019 financial reports.

23. Non-operating income and expenses

(1) Other income

	2020	2019
Rent income	$1,406	$4,329
Subsidy income	45,301	6,097
Indemnity income	-	2,466
Exhibition participation income	-	5,758
Other income	11,039	44,066
Total	$57,746	$62,716

(2) Other profit and loss

	2020	2019
Loss on disposal of property, plant and equipment	$(1,886)	$(844)
Foreign exchange gain (loss), net	3,562	(3,195)
Gains (loss) on financial assets measured at FVTPL (Note)	1,749	(355)
Other profits	351	-
Miscellaneous expenses	(724)	(351)
Total	$3,052	$(4,745)

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

(3) Financial cost

	2020	2019
Interest on bank loans	$(13,129)	$(22,789)
Interest on bonds payable	(14,875)	(7,460)
Interest on lease liabilities	(3,382)	(3,134)
Total	$(31,386)	$(33,383)

24. Components of the other comprehensive income (loss)

Components of other comprehensive income (loss) for the year ended December 31, 2020 are as follows:

	Arising during the period	Current reclassification adjustment	Other comprehensive income or loss	Income tax gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,139	$-	$1,139	$-	$1,139
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	32	-	32	-	32
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign financial statements	3,111	-	3,111	-	3,111
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	9,942	-	9,942	-	9,942
Total	$14,224	$-	$14,224	$-	$14,224

Components of other comprehensive income (loss) for the year ended December 31, 2019 are as follows:

	Arising during the period	Current reclassification adjustment	Other comprehensive income or loss	Income tax gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,206	$-	$1,206	$-	$1,206
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	(737)	-	(737)	-	(737)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign financial statements	(18,047)	-	(18,047)	-	(18,047)
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	(21,516)	-	(21,516)	-	(21,516)
Total	$(39,094)	$-	$(39,094)	$-	$(39,094)

25. Income tax

The major components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 are as follows:

Income tax expense recognized in profit or loss

	2020	2019
Current income tax expense (benefit):		
Current income tax payable	$7,746	$48,363
Adjustments on current income tax of prior periods	(5,109)	(12,725)
Deferred income tax benefit:		
Deferred income tax expenses (gains) relating to its original generation from the temporary differences	5,206	(16,683)
Income tax expenses	$7,843	$18,955

Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax expense:		
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	$-	$-
Exchange differences on translation of foreign financial statements	-	-
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-
Income tax relating to the components of other comprehensive income	$-	$-

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

	2020	2019
Profit before tax from continuing operations	$137,911	$90,741
Tax at the domestic tax rates applicable of profits in the country of main operation	$27,582	$31,726
Tax effect of revenues exempt from taxation	(4,723)	(8,715)
Tax effect of expenses not deductible for tax purposes	(6,392)	3,498
Tax effect of deferred income tax assets/liabilities	(4,028)	5,167
Income tax on unappropriated retained earnings	513	4
Adjustments on current income tax of prior periods	(5,109)	(12,725)
Total income tax expense recognized in profit and loss	$7,843	$18,955

Balance of deferred income tax assets (liabilities) related to the following items:

2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$49,412	$5,134	$-	$-	$54,546
Unrealized exchange gain (loss) - parent company	3,275	(3,825)	-	-	(550)
Unrealized exchange gain (loss) - subsidiaries	183	(34)	-	-	149
Valuation on financial assets measured at FVTPL	-	(286)	-	-	(286)
Long-term deferred income	14,685	-	-	-	14,685
Excess of allowance for bad loans	8	(8)	-	-	-
Provision for inventory valuation loss	10,351	33	-	-	10,384

Unrealized bonus for unused compensated absences	448	(84)	-	-	364
Tax differentials in depreciation expenses	(7,705)	(2,192)	-	442	(9,455)
Fair value adjustment resulting from business combination	(14,986)	1,223	-	-	(13,763)
Foreign investment losses accounted for using equity method	29,374	(29,374)	-	-	-
Remeasurements of the net defined benefit plan	-	(72)	-	-	(72)
Loss carryforwards	-	24,242	-	-	24,242
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	-	37	-	-	37
Deferred income tax (expense)/benefit		$(5,206)	$-	$442	
Deferred income tax assets/(liabilities), net	$85,045				$80,281
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$107,736				$104,407
Deferred income tax liabilities	$(22,691)				$(24,126)

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$57,916	$(8,504)	$-	$-	$49,412
Unrealized exchange gain (loss) - parent company	657	2,618	-	-	3,275
Unrealized exchange gain (loss) - subsidiaries	(15)	198	-	-	183
Long-term deferred income	15,958	(1,273)	-	-	14,685
Excess of allowance for bad loans	8	-	-	-	8
Provision for inventory valuation loss	10,801	(450)	-	-	10,351
Unrealized bonus for unused compensated absences	245	203	-	-	448
Tax differentials in depreciation expenses	(1,106)	(6,706)	-	107	(7,705)
Fair value adjustment resulting from business combination	(16,209)	1,223	-	-	(14,986)
Foreign investment losses accounted for using equity method	-	29,374	-	-	29,374
Deferred income tax (expense)/benefit		$16,683	$-	$107	
Deferred income tax assets/(liabilities), net	$68,255				$85,045
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$85,585				$107,736
Deferred income tax liabilities	$(17,330)				$(22,691)

Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets accounted for NT$48,041,000 and NT$52,569,000 for the year ended December 31, 2020 and 2019, respectively.

The table below shows the business income tax approval status of entities within the Group:

	2020.12.31	
	Business income tax approval status	Remark
United Orthopedic Corporation (the Company)	Approved up to 2018	-
A-Spine Asia Co., Ltd. (subsidiary)	Approved up to 2018	-
Pauline Medical Co., Ltd. (2nd-tier subsidiary)	Approved up to 2018	-

26. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company by weighted average number of common stocks outstanding of the period.

Diluted earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company (after adjusted for interests on convertible bonds) by weighted average number of common stocks outstanding of the period, plus weighted average number of common stocks to be issued when all dilutive potential common stocks are converted into common stocks.

	2020	2019
(1) Basic earnings per share		
Net income attributable to common stock holders of the parent company (NT$ thousand)	$101,828	$88,584
Dividend of preferred stock	(23,400)	(4,808)
Net profit used in calculating basic earnings per share (NT$ thousand)	$78,428	$83,776
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,340	79,701
Basic earnings per share (NT$)	$1.00	$1.05
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$78,428	$83,776
Interest of convertible bond (NT$ thousand)	4,526	5,968
Net income attributable to common stock holders of the parent company after dilution effect adjustment (NT$ thousand)	$82,954	$89,744
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,340	79,701
Dilution effect:		
Convertible bonds (thousand shares)	9,709	8,696
New restricted employees shares (thousand shares)	447	162
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	88,496	88,559
Diluted earnings per share (NT$)	$0.94	$1.01

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

27. Changes in ownership equity of subsidiaries

Acquisition of shares issued by subsidiaries

The Group acquired 2% of the voting shares of United Orthopedic Japan Inc. on April 30, 2020, increasing the percentage of the Group's ownership to the Japanese company to 81%. Cash considerations paid to shareholders of non-controlling interests totaled NT$1,151,000, and the net carrying amount of the additional purchase of related equity was NT$805,000. The difference between the consideration paid and the equity disposed was NT$346,000, which has been recognized as "capital surplus - difference between the proceeds received from actual acquisition or disposal of a subsidiary and its carrying amount."

Disposal of shares issued by subsidiaries

The Group disposed of 24.5% of the voting shares of A-Spine Asia Co., Ltd. on June 12, 2019, reducing its ownership to 74.9%. The total cash consideration received from non-controlling equity shareholders was NT$257,529,000, and the net carrying amount of the additional sale of relevant equity was NT$93,197,000. The difference between the consideration received and the equity disposed of was NT$164,332,000, which has been recognized as "capital surplus - difference between the proceeds received from actual acquisition or disposal of a subsidiary and its carrying amount."

New shares of subsidiaries not subscribed in proportion of shares held

UOC Europe Holding SA issued new shares for capital increase on April 15, 2019. Cash acquired by the Group from capital increase was CHF 2,000,000 (NT$61,713,000), and the carrying amount of UOC Europe Holding SA's net asset (originally acquired without goodwill) was CHF 12,285,000 (NT$379,877,000). The Company's ownership in this subsidiary remained 96%, so there was no adjustment relevant to the Company's interest in UOC Europe Holding SA.

United Orthopedic Japan Inc. issued new shares on February 20, 2019. As a result, the Group's ownership increased to 56%. Cash acquired by the Group from capital increase was JPY 25,500,000 (NT$7,109,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 29,623,000 (NT$8,377,000). Adjustments relevant to the increase of the Group's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	2,877
Difference in retained earnings recognized in equity	$2,877

United Orthopedic Japan Inc. issued new shares on May 15, 2019. As a result, the Group's ownership increased to 60%. Cash acquired by the Group from capital increase was JPY 89,000,000 (NT$24,893,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY (798,000) (NT$(222,000)). Adjustments relevant to the increase of the Group's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	4,568
Difference in retained earnings recognized in equity	$4,568

United Orthopedic Japan Inc. issued new shares on June 17, 2019. As a result, the Group's ownership increased to 65%. Cash acquired by the Group from capital increase was JPY 70,000,000 (NT$20,429,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 66,819,000 (NT$19,411,000). Adjustments relevant to the increase of the Group's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	6,180
Difference in retained earnings recognized in equity	$6,180

United Orthopedic Japan Inc. issued new shares on January 6, 2020. As a result, the Group's ownership increased to 79%. Cash acquired by the Group from capital increase was JPY 156,000,000 (NT$43,508,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 28,962,000 (NT$7,994,000). Adjustments relevant to the decrease of the Group's interest in United Orthopedic Japan Inc. is as follows:

	2020
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	766
Difference in retained earnings recognized in equity	$766

United Orthopedic Japan Inc. issued new shares on July 29, 2020. As a result, the Group's ownership increased to 88%. Cash acquired by the Group from capital increase was JPY 88,997,000 (NT$24,740,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 130,774,000 (NT$35,976,000). Adjustments relevant to the decrease of the Group's interest in United Orthopedic Japan Inc. is as follows:

	2020
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	451
Difference in retained earnings recognized in equity	$451

VII. Related-party Transactions

Related-parties who have transactions with the Group during the financial reporting period are as follows:

Name of related-party and relationship

Name of related party	Relationship with the Group
Shinva United Orthopedic Corporation	Associate of the Group
United Medical Co., Ltd.	Associate of the Group
United Medical Instrument Co., Ltd.	Associate of the Group
United Medical Technology (Shanghai) Co.,Ltd.	Associate of the Group
Changgu Biotech Corporation	The Group is a shareholder of the company
Paonan Biotech Co., Ltd.	The Company's subsidiary is its associate
Kazuya Oribe	The Company's subsidiary is its associate

Major transactions with related parties

1. Sales

	2020	2019
Associate of the Group		
Shinva United Orthopedic Corporation	$274,328	$130,244
United Medical Co., Ltd.	6,966	9,841
United Medical Instrument Co., Ltd.	24,388	135,125

United Medical Technology (Shanghai) Co.,Ltd.	9,507	2,693
The Group is a shareholder of the company		
Changgu Biotech Corporation	4,731	1,210
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	-	1,490
Total	$319,920	$280,603

The sales price offered by the Group to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Group may offer a longer credit period in consideration of the related parties' funding conditions.

2. Purchase (purchase returns)

	2020	2019
Associate of the Group		
United Medical Co., Ltd.	$52,085	$40,134
United Medical Instrument Co., Ltd.	9,841	15,568
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	(24,714)	8,197
Total	$37,212	$63,899

The purchase price offered by the Group to related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

3. Accounts receivable - related parties

	2020.12.31	2019.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$78,025	$31,662
United Medical Co., Ltd.	1,463	2,597
United Medical Instrument Co., Ltd.	-	21,697
The Group is a shareholder of the company		
Changgu Biotech Corporation	-	748
Total	$79,488	$56,704

4. Accounts payable - related parties

	2020.12.31	2019.12.31
Associate of the Group		
United Medical Co., Ltd.	$10,732	$6,937
United Medical Instrument Co., Ltd.	9,906	14,299
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	3,740	33,240
Total	$24,378	$54,476

5. Other receivables - related parties

	2020.12.31	2019.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$-	$5,409

6. Other payables - related parties

	2020.12.31	2019.12.31
Associate of the Group		
United Medical Co., Ltd.	$55	$58
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	-	2,876
Total	$55	$2,934

7. Other current liabilities

	2020.12.31	2019.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$3,302	$-

A-Spine Asia Co., Ltd., a subsidiary of the Company, sold part of its existing lmbar cage and cervical cage products to Shinva United Orthopedic Corporation, an associate of the Company, by way of technology transfer in accordance with an agreement signed on August 20, 2020. The content of the technology transfer included transfer of registration information, provision of clinical trial results of registered products, and assistance to Shinva United Orthopedic Corporation in obtaining the relevant product registration certificates, with an amount of CNY 1,030,000 as the fee for technology transfer. As of December 31, 2020, subsidiary A-Spine Asia Co., Ltd., Ltd. has received technology transfer fee of NT$3,302,000 (CNY 750,000), and the fee was recorded as other current liabilities – advances from customers.

8. Lending of funds

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

9. Endorsement/Guarantee

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

10. Remuneration for the Group's key management

	2020	2019
Short-term employee benefits	$21,332	$21,727
Share-based payments	4,440	4,428
Total	$25,772	$26,155

11. Other revenues

	2020	2019
Associate of the Group		
Shinva United Orthopedic Corporation	$4,247	$22,693

The Group intended to provide technical services to the affiliated company Shinva United Orthopedic Corporation in an amount of CNY 6,000,000 based on the agreement signed on January 23, 2019. As of December 31, 2020 and 2019, the Company received a technical service amount of NT$26,940,000 (CNY 6,000,000) on both dates, and after unrealized profit and loss of NT$0 thousand (CNY 0) and NT$4,247 thousand (CNY 987 thousand) was deducted, respectively, the amount recognized under other revenues is NT$4,247,000 (CNY 987,000) NT$22,693,000 (CNY 5,271,000).

12. Property transactions

Acquisition of equity from subsidiaries

(1) 2020

The Company acquired the equity of United Orthopedic Japan Inc. from Kazuya Oribe, an other related party of the Company, and the change of registration was completed on April 30, 2020. The number of acquired shares is 350 shares, and the purchasing proceeds was NT$1,151,000 (JPY 4,200,000). The aforementioned proceeds

(2) 2019

None.

VIII. Pledged Assets

The following table lists assets of the Group pledged as collaterals:

	Carrying amount		
Item	2020.12.31	2019.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$15,853	$13,704	Performance bond and guarantee for customs duties
Property, plant and equipment - land and building	431,208	512,452	Comprehensive credit line
Property, plant and equipment - machinery and equipment	103,176	115,357	Comprehensive credit line
Total	$550,237	$641,513	

IX. Commitments and Contingencies

None.

X. Loss due to Major Disasters

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Categories of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at FVTPL	$28,453	$-
Financial assets measured at FVTOCI	53,167	3,135
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	838,786	537,979
Financial assets measured at amortized cost:	15,853	13,704
Notes receivable	1,593	3,041
Accounts receivable (including related parties)	563,120	552,928
Other receivables (including related parties)	7,304	13,167
Refundable deposits	34,397	36,562
Subtotal	1,461,053	1,157,381
Total	$1,542,673	$1,160,516

Financial liabilities

	2020.12.31	2019.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at FVTPL	$1,850	$3,250
Financial liabilities measured at amortized cost:		
Short-term loans	979,837	199,880
Receivables (including related parties)	560,964	554,711
Bonds payable (including bonds due within one year)	478,829	869,984
Long-term loans (including loans due within one year)	245,818	339,109
Lease liabilities	218,153	198,677
Guarantee deposit received	723	694
Subtotal	2,484,324	2,163,055
Total	$2,486,174	$2,166,305

2. Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies while managing its financial activities.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk, and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign exchange risk

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for U.S. dollar. The information on the sensitivity analysis as follows:

When NT dollar appreciates/depreciates against US dollar by 1%, the Group's profit or loss for the years ended December 31, 2020 and 2019 will decrease/increase by NT$1,148,000 and NT$1,752,000, respectively.

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the interest rate risk relates primarily to its investments with bank loans with fixed and variable interest rates.

The Group manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, it is not applied.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps, and it was assumed that the said items had been held for a fiscal period; when the interest rates rose/fell by 0.1%, the Group's profit and loss in 2020 and 2019 would increase/decrease by NT$374,000 and decrease/increase by NT$8,000, respectively.

Equity price risk

The fair value of listed and unlisted equity securities held by the Group are susceptible to equity price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities include respective ones measured at FVTPL or measured at FVTOCI. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Corporation's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests for the years ended December 31, 2020 and 2019.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivable, and lease payments receivable) and financing activities (primarily for bank deposits and various financial instruments).

The Group manages its credit risk in accordance with its credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by the Group by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

As of December 31, 2020 and 2019, the Group's top ten contract assets and receivables from clients accounted for 25% and 27% of the Group's total contract assets and total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group’s treasury in accordance with the Group’s policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

5. Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents, as well as securities with high liquidity, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Group’s financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2020.12.31					
Loans	$1,019,198	$66,039	$27,987	$115,114	$1,228,338
Payables	560,964	-	-	-	560,964
Convertible bonds	-	-	500,000	-	500,000
Lease liabilities	25,214	44,356	38,004	156,280	263,854
2019.12.31					
Loans	$244,443	$88,627	$49,388	$161,446	$543,904
Payables	554,711	-	-	-	554,711
Convertible bonds	400,000	-	500,000	-	900,000
Lease liabilities	25,382	34,897	24,649	158,143	243,071

6. Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
2020.1.1	$199,880	$339,109	$869,984	$694	$198,677	$1,608,344
Cash flows	786,560	(93,291)	(400,000)	29	(29,477)	263,821
Non-cash changes	-	-	8,845	-	48,604	57,449
Changes in exchange rates	(6,603)	-	-	-	349	(6,254)
2020.12.31	$979,837	$245,818	$478,829	$723	$218,153	$1,923,360

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Corporate bonds payable	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
2019.1.1	$973,982	$49,984	$543,504	$391,223	$198	$197,612	$2,156,503
Cash flows	(769,141)	(49,984)	(204,395)	500,000	496	(26,679)	(549,703)
Non-cash changes	-	-	-	(21,239)	-	29,085	7,846
Changes in exchange rates	(4,961)	-	-	-		(1,341)	(6,302)
2019.12.31	$199,880	$-	$339,109	$869,984	$694	$198,677	$1,608,344

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

A. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

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

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		Fair value	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Financial assets				
Financial assets measured at amortized cost:	$15,853	$13,704	$15,853	$13,704
Financial liabilities				
Corporate bonds payable	478,829	869,984	478,829	869,984

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Group.

8. Derivatives

As of December 31, 2020 and 2019, the Group's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at FVTPL. Please refer to Note 6.13 and Note 6.14 for the contract information involved in this transaction.

For forward exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

9. Fair value hierarchy

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets measured at FVTPL				
Funds	$20,403	$-	$-	$20,403
Bonds	8,050	-	-	8,050
Measured at FVTOCI				
Equity instruments measured at fair value through other comprehensive income	49,800	-	3,367	53,167
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	1,850	-	1,850

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at FVTOCI				
Equity instruments measured at fair value through other comprehensive income	$-	$-	$3,135	$3,135
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	3,250	-	3,250

Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Group's assets and liabilities measured at fair value on a recurring basis.

Details on changes in repetitive Level 3 fair value hierarchy

For those of the Group's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Measured at FVTOCI
	Stock
2020.1.1	$3,135
Total profits (loss) recognized for 2020:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	232
2020.12.31	$3,367

	Measured at FVTOCI
	Stock
2019.1.1	$3,483
Total profit (loss) recognized for 2019:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	(737)
Acquired in 2019	389
2019.12.31	$3,135

Information on material unobservable input of Level 3 fair value hierarchy

For the Group's assets measured at repetitive fair value and categorized as Level 3 fair value hierarchy, the material unobservable input used toward fair value measurement is as follows:

December 31, 2020:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Measured at FVTOCI					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$387,000 (increase by NT$387,000)

December 31, 2019:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Measured at FVTOCI					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$447,000 (increase by NT$449,000)

Valuation of Level 3 fair value measurement

The Company's finance department is responsible to verify the fair value by using independent sources to make the valuations close to the market status and confirming that the sources used are independent, reliable, consistent with other resources, and representative of executable prices. The finance department is also responsible to analyze the changes in the value of assets and liabilities to be remeasured or reassessed according to the Company's accounting policies on each reporting day to make sure that the valuations are reasonable.

(3) Fair value hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value shall be disclosed

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$478,829	$-	$478,829

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$869,984	$-	$869,984

10. Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant assets and liabilities denominated in foreign currencies are listed below:

Unit: thousand dollars

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rates	NT$	Foreign currency	Exchange rates	NT$
Financial assets						
Monetary items:						
USD	$4,853	28.4300	$137,957	$7,676	29.9300	$229,732
EUR	2,342	34.8200	81,550	2,085	33.3900	69,632
JPY	2,868	0.2743	787	83,323	0.2740	22,831
CHF	-	32.1800	-	11	30.7800	343
CNY	23,071	4.3520	100,406	15,635	4.2800	66,917
GBP	768	38.7000	29,735	693	39.1500	27,116
Financial liabilities						
Monetary items:						
USD	$811	28.5300	$23,141	$1,815	30.0300	$54,508
EUR	860	35.2200	30,286	590	33.7900	19,942
JPY	3,525	0.2783	981	3,410	0.2780	948
CHF	31	32.4300	994	-	31.0700	-
CNY	5,539	4.4020	24,384	3,677	4.3300	15,919
GBP	286	39.1000	11,199	13	39.5700	497

As the entities within the Group transact in numerous functional currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign currency exchange gain (loss) from January 1 to December 31, 2020 and 2019 was NT$3,562,000 and NT$(3,195,000), respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Additional Disclosures

1. Information on significant transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.2, Note 6.13 and Note 12 to the consolidated financial statements.

(10) Others: Business relations and significant transactions between parent and subsidiary companies: Please refer to Table 6.

2. Information on investees: Please refer to Table 7.

3. Information on investments in Mainland China: Please refer to Table 8.

4. Information on major shareholders: Please refer to Table 9.

XIV. Segment Information

1. The Group's primary income comes from sales of hip/knee replacements, artificial spine, trauma-treatment products, and OEM products. According to the management's judgment, the Group belongs to a single operating segment.

2. Geographical information

Revenue from external customers:

	2020	2019
Taiwan	$943,812	$967,904
Asia	486,381	463,846
Americas	403,675	432,553
Europe	422,829	486,778
Africa	42,545	30,605
Australia	42,984	55,014
Total	$2,342,226	$2,436,700

Non-current Assets:

	2020.12.31	2019.12.31
Taiwan	$2,554,962	$2,553,721
United States	122,579	113,655
Europe	241,810	214,137
Japan	48,261	49,491
Total	$2,967,612	$2,931,004

3. Information on major customers

	2020.12.31	2019.12.31
Shinva United Orthopedic Corporation	$274,328	$130,244

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 1. Capital financing to others as December 31, 2020:

Unit: NT$ 1,000

No.	Lending company	Borrower	Account item	Whether the recipient is a related party	Highest amount in current period	Ending balance (approved by the Board of Directors)	Actual expenditures	Interest range	Nature of capital financing	Business transaction amount	Reason for short-term financing	Appropriated amount for loss allowance	Collateral		Cap of capital financing for individual parties	Total loan limit
													Name	Value		
0	United Orthopedic Corporation	UOC America Holding Corporation	Accounts receivable - related parties	Yes	$40,000	$40,000	$-	0.48985%~1.0677%	Business nature	$133,514	None	$-	None	$-	$133,514	$265,170
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	96,915	96,915	69,729	0.48985%~1.0677%	Business nature	167,696	None	-	None	-	167,696	265,170
1	UOC America Holding Corporation	UOC USA ,Inc	Accounts receivable - related parties	Yes	40,000	40,000	-	0.48985%~1.0677%	Business nature	133,435	None	-	None	-	132,585	132,585
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	48,458	48,458	-	0.48985%~1.0677%	Business nature	155,264	None	-	None	-	132,585	132,585

Note 1: The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.
Note 2: Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.
Note 3: The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 2. Endorsements/Guarantees for others as of December 31, 2020:

No.	Name of company providing endorsements/guarantees	Recipient of endorsements/guarantees		Limits on endorsements/guarantees for a single enterprise	Maximum endorsement/guarantee amount for the current period	Endorsements/guarantees balance at the end of the period	Actual expenditures	Property-secured endorsement/guarantee amount	Accumulated endorsement/guarantee amount to net worth in the financial statements	Maximum endorsement/guarantee amount	Endorsements/guarantees provided by parent company to subsidiaries	Endorsements/guarantees provided by subsidiaries to parent company	Endorsements/Guarantees for entities in Mainland China
		Company name	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	Wholly owned sub-subsidiary	$265,170	$227,840	$227,840	$128,160	$-	8.00%	$441,949	Y	N	N

Note 1: The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2020:

Unit: NT$ 1,000

Company holding shares	Type and name of securities (Note 1)	Relationship with the issuer of securities (Note 2)	Accounting item	End of period				Remark (Note 4)
				No. of shares/Unit	Carrying amount (Note 3)	Shareholding ratio	Fair value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of the company	Investments in equity instrument measured at fair value through other comprehensive profit and loss - non-current	477,568	$2,744	19.26%	$2,744	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of the company	Investments in equity instrument measured at fair value through other comprehensive profit and loss - non-current	500,000	49,800	0.03%	49,800	〃
	Bond funds							
United Orthopedic Corporation	PineBridge Global ESG Quantitative Bond Fund	-	Financial assets measured at fair value through profit or loss - current	1,967,710	20,403	*	20,403	〃
	Bonds							
United Orthopedic Corporation	Singtex Industrial Co., Ltd. Second Issuance of Unsecured Convertible Bonds	-	Financial assets measured at fair value through profit or loss - current	50	5,300	*	5,300	〃
United Orthopedic Corporation	Rossmax International Ltd. Second Issuance of Unsecured Convertible Bonds	-	Financial assets measured at fair value through profit or loss - current	25	2,750	*	2,750	〃
	Stock							
A-Spine Asia Co., Ltd.	Taiwan Main Orthopedics Biotechnology Co., Ltd.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	235	623	3.15%	623	〃

*The shareholding ratio is less than 0.01%.

Note 1: The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2: If the issuer is not a related party, this field is not required.

Note 3: For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount based on the original acquisition cost or amortized cost deducted by the cumulative impairment on the account.

Note 4: If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

			Transaction details				Unusual transaction terms and its reasons		Bills and accounts receivable (payable)		
Purchase (sales) company	Transacting party	Relationship	Purchase (sales)	Amount	Ratio to total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total receivables (payable) (%)	Remark
United Orthopedic Corporation	UOC America Holding Corporation	Parent/Subsidiary Company	Sales	$(133,514)	8.47%	90 days	Note	Note	$64,381	8.98%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(167,696)	10.64%	270 days	Note	Note	$254,744	35.55%	
United Orthopedic Corporation	Shinva United Orthopedic Corporation	Associate	Sales	$(264,595)	16.79%	90 days	Note	Note	$70,913	9.90%	
UOC America Holding Corporation	UOC USA, Inc.	Subsidiary/Sub-subsidiary	Sales	$(133,435)	99.70%	90 days	Note	Note	$64,393	100.00%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Associate	Sales	$(155,264)	77.26%	90 days	Note	Note	$60,767	64.15%	

Note: The payment term in principle has no significant differences from general clients; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as of December 31, 2020:

Unit: NT$ 1,000

Company with accounts receivable	Name of transacting party	Relationship	Accounts receivable balance from related parties	Turnover rate	Overdue accounts receivable from related party		Amount received from related parties	Appropriated amount for loss allowance
					Amount	Handling method		
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	$254,744 (Note 1)	0.71	$-	-	$27,888	$-

Note 1: Should be related parties of receivables

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 6. Business relations and significant transactions between parent and subsidiary companies:

No. (Note 1)	Name of transacting party	Transacting party	Nature of relationship (Note 2)	Transaction terms			
				Account	Amount	Transaction terms	Percentage to consolidated revenue or total assets (Note 3)
2020							
0	United Orthopedic Corporation	UOC America Holding Corporation	1	Sales revenue	$133,514	Note 4	5.60%
0	United Orthopedic Corporation	UOC America Holding Corporation	1	Accounts receivable	64,381	-	1.15%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	167,696	Note 4	7.03%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	254,744	-	4.56%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Sales revenue	33,769	Note 4	1.42%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Accounts receivable	52,446	-	0.94%
0	United Orthopedic Corporation	A-Spine Asia Co., Ltd.	1	Sales revenue	712	Note 4	0.03%
0	United Orthopedic Corporation	UOC USA, Inc.	4	Sales revenue	29,791	Note 4	1.25%
0	United Orthopedic Corporation	UOC USA, Inc.	4	Accounts receivable	29,614	-	0.53%
1	UOC America Holding Corporation	United Orthopedic Corporation	2	Sales revenue	399	Note 4	0.02%
1	UOC America Holding Corporation	UOC USA, Inc.	5	Sales revenue	133,435	Note 4	5.60%
1	UOC America Holding Corporation	UOC USA, Inc.	5	Accounts receivable	64,393	-	1.15%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	155,264	Note 4	6.51%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	60,767	-	1.09%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Sales revenue	27,234	Note 4	1.14%
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	26,384	-	0.47%
3	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	6,598	Note 4	0.28%
4	A-Spine Asia Co., Ltd.	United Orthopedic Japan Inc.	3	Sales revenue	19	Note 4	0.00%
4	A-Spine Asia Co., Ltd.	United Orthopedic Japan Inc.	3	Accounts receivable	18	-	0.00%
4	A-Spine Asia Co., Ltd.	Pauline Medical.Co., Ltd.	5	Sales revenue	2,329	Note 4	0.10%

Note 1: Business operating information between parent company and subsidiary shall be indicated in column number, number filled in as follows:
1. Fill in 0 for the parent company.
2. Number subsidiaries starting from 1.

Note 2: Six types of relations with transaction parties are applicable; simply marking the type:
1. Parent - Subsidiary
2. Subsidiary - Parent
3. Subsidiary - Subsidiary
4. Parent - Sub-subsidiary
5. Subsidiary - Sub-subsidiary
6. Sub-subsidiary - Sub-subsidiary

Note 3. For the percentage of transaction amount to consolidated total revenue or total assets, if the items constitute liabilities on the balance sheet, they are calculated based on the percentage of ending balance to total consolidated total assets; however, if it is for profit/loss account, they are calculated based on the percentage of interim accumulated amount to consolidated total revenue.

Note 4: The aforementioned operating income conditions and collection period have no significant differences with that of general exporting customers.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 7. Information on investees:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of period			Net (loss) gain of the investee in current period	Investment (loss) gain recognized in current period	Remark
				End of the current period	End of previous year	Number of Shares	Ratio	Carrying amount			
United Orthopedic Corporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$286,986	$356,086	9,380	100 %	$132,502	$(6,129)	$(6,129)	Subsidiary
				(USD 9,380)	(USD 11,500)	(Note 6)					
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96%	144,370	(29,767)	(44,366)	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note 2)					
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	65,202	105,294	36,658	88%	24,621	(29,374)	(24,578)	Subsidiary
				(JPY 179,724)	(JPY 369,500)	(Note 4).					
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,480	386,480	10,089,696	75%	566,944	30,389	18,288	Subsidiary
						(Note 5).					
UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905	356,086	13,861,016	100 %	257,553	(5,528)	(5,528)	Sub-subsidiary
				(USD 9,360)	(USD 11,500)	(Note 1)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100 %	10,128	(13,073)	(13,073)	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note 2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100 %	269,614	6,721	6,721	Sub-subsidiary
				(EUR 8,782)	(EUR 8,782)	(Note 3)					
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	17,194	17,194	500	100 %	3,109	(11,767)	(11,767)	Sub-subsidiary
				(EUR 500)	(EUR 500)	(Note 3)					
A-Spine Asia Co., Ltd.	Pauline Medical.Co., Ltd.	Taiwan	Trading, wholesale	-	4,800	-	-	-	(871)	(871)	Sub-subsidiary
				(Note 7)							

Note 1: The face value per share is USD 0.68.

Note 2: The face value per share is CHF 1,000.

Note 3: The face value per share is EUR 1,000.

Note 4: The face value per share is JPY 3,507.

Note 5: The face value per share is TWD 10.

Note 6: The face value per share is USD 1,000.

Note 7: A subsidiary of the Company, A-Spine Asia Co., Ltd., caried out a short-form merger with Pauline Medical Co., Ltd. on December 31, 2020.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8: Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Name of investee company in Mainland China	Main business items	Actual paid-in capital	Investment method	Cumulative investment remitted from Taiwan at the beginning of the period	Amount remitted or recollected in current period		Cumulative investment remitted from Taiwan at the end of the period	Net (loss) gain of the investee in current period	The Company's shareholding ratio through direct or indirect investments	Income (loss) for this period	Carrying amount of investment at end of period	Accumulated repatriation of investment income as of the end of the period
					Remit	Recollect						
Shinva United Orthopedic Corporation	Production and sales of implants and artificial joints	$1,436,694 (CNY 300,000,000)	(Note 1)	$704,464 (CNY 147,000,000)	$-	$-	$704,464 (CNY 147,000,000) (Note 2)	$(29,118)	49%	($14,268)	$569,487	$-

Cumulative investment remitted from Taiwan to Mainland China as of end of period	Investment amount approved by the Investment Commission, MOEA	Ceiling of investment in Mainland China imposed by the Investment Commission, MOEA
$704,464 (CNY 147,000,000)	$704,464 (CNY 147,000,000)	$1,755,018

Note 1: Direct investment in Mainland China.

Note 2: Including technical value of CNY 30,000,000.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8-1. Significant transactions directly or indirectly invested by the Group through third-region companies and reinvested companies in Mainland China:

(1) Purchase amount and percentage, and ending balance of accounts payable and percentage: Unit: NT$ 1,000

Year	Name of transacting party	Company name	Purchase amount	Percentage to the Company's purchase	Ending balance of accounts payable	Percentage
2020	United Orthopedic Corporation	United Medical Co., Ltd.	$50,927	15.89%	$10,732	11.37%
2020	United Orthopedic Corporation	United Medical Instrument Co., Ltd.	9,841	3.07%	9,906	10.50%
2020	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	1,158	3.52%	-	0.00%

(2) Sales amount and percentage, and ending balance of accounts receivable and percentage:

Year	Name of transacting party	Company name	Sales amount	Percentage to the Company's sales	Ending balance of accounts receivable	Percentage
2020	United Orthopedic Corporation	United Medical Instrument Co., Ltd.	$23,871	1.51%	$-	0.00%
2020	United Orthopedic Corporation	United Medical Co., Ltd.	6,966	0.44%	1,463	0.20%
2020	United Orthopedic Corporation	Shinva United Orthopedic Corporation	264,595	16.79%	70,913	9.90%
2020	United Orthopedic Corporation	United Medical Technology (Shanghai) Co.,Ltd.	9,507	0.60%	-	0.00%
2020	A-Spine Asia Co., Ltd.	United Medical Instrument Co., Ltd.	517	0.14%	-	0.00%
2020	A-Spine Asia Co., Ltd.	Shinva United Orthopedic Corporation	9,733	2.68%	7,112	7.78%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:

None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:

None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:

None.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 9. Disclosure of information on major shareholders:

Shareholding / Shareholder's Name	Number of Shares Held	Shareholding ratio
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. As for the share capital recorded in the Company's financial reports and the Company's actual number of shares delivered registration of non-physical securities, there may be differences between the two due to differences in the basis of the calculation.

Note 2: If the aforementioned information concerns shareholders registering their shareholding as insider holding more than 10 percent of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to the Market Observation Post System for information on insider equity registration.

V. The Company's Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year

INDEPENDENT AUDITORS' REPORT

To United Orthopedic Corporation:

Audit opinion

We have audited the parent company only balance sheets of United Orthopedic Corporation as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to parent company only financial statements (including summary of significant accounting policies) for the years then ended.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the financial status of United Orthopedic Corporation as of December 31, 2020 and 2019, and its financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis for audit opinion

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

Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of United Orthopedic Corporation for the year ended December 31, 2020 based on our professional judgment. These items have been covered in the verification process of the overall parent company only financial statements and the audit opinions; hence, the CPA shall not express separate opinions on these items.

<u>Inventory valuation</u>

The net inventories of United Orthopedic Corporation were NT$605,493,000, and is considered significant to the parent company only financial statements. With the continuous innovation of orthopedic supplies and equipment production technology, the inventory may become outdated or the selling price may drop. The estimated net realizable value and obsolescence loss involve significant management judgment. We believed that inventory valuation was of significance to the audit of parent company only financial statements; hence, we determined inventory valuation to be a key audit item. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the parent company only financial statements.

Revenue recognition

United Orthopedic Corporation's primary products are orthopedic implants - artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products, and their revenue is NT$1,576,014,000, which is significant to the parent company only financial statements. As the characteristics of the industry, it is necessary to judge and determine the performance obligations and the timing of meeting the performance obligations. We believe that the recognition of revenue from contracts with customers was of significance to the audit of parent company only financial statements; hence, we determine revenue recognition to be a key audit item. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of expenditure on internally generated intangible assets

United Orthopedic Corporation's net carrying amount of internally generated intangible assets were NT$80,420,000 as of December 31, 2020, which was considered significant to the parent company only financial statements. United Orthopedic Corporation invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

Responsibilities of the management and governance bodies for the parent company only financial statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.

4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on United Orthopedic Corporation's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in United Orthopedic Corporation ceasing to continue as a going concern.

5. Evaluating the overall expression, structure and contents of the parent company only financial statement (including related notes) and whether the parent company only financial statements could appropriately express related transactions and events.

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

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Code of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of United Orthopedic Corporation's parent company only financial statements for the year ended December 31, 2020. We have clearly indicated such matters in the independent auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Ernst & Young
Approval Number from Competent Authority for the Auditing and Attestation of Public Companies' Financial Statements by Certified Public Accountants:
Financial Supervisory Securities Official Letter No. Zheng (Shen) 1060027042
Financial Supervisory Securities Official Letter No. VI-0970038990

Ma, Chun-Ting

CPA:

Huang, Chien-Che

March 23, 2021

United Orthopedic Corporation
Parent Company Only Balance Sheet
December 31, 2020 and 2019

Unit: NT$ 1,000

Assets			December 31, 2020		December 31, 2019	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 & 6. 1	$554,017	11	$299,528	7
1110	Financial assets measured at fair value through profit or loss - current	4 & 6. 2	28,453	1	-	-
1150	Notes receivable, net	4, 6. 5 & 6. 19	1,593	-	3,041	-
1170	Net accounts receivable	4, 6. 6 & 6. 19	233,245	5	262,599	6
1180	Notes receivable - related parties, net	4, 6. 6, 6. 19 & 7	473,561	10	405,777	9
1200	Other receivables	4	2,286	-	1,716	-
1210	Other accounts receivable - related parties (net)	4 & 7	667	-	7,251	-
1220	Current income tax assets	4 & 6. 24	103	-	165	-
130x	Inventory	4 & 6. 7	605,493	13	708,074	16
1410	Prepayments		20,005	-	17,205	-
1470	Other current assets		61	-	1,776	-
11xx	Total current assets		1,919,484	40	1,707,132	38
	Non-current Assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	4 & 6. 3	52,544	1	2,083	-
1535	Financial assets at amortized cost - non-current	4 & 6. 4 & 8	14,853	-	12,704	-
1550	Investment accounted for using equity method	4 & 6. 8	1,437,783	30	1,407,105	31
1600	Property, plant and equipment	4, 6. 9 & 8.	928,922	19	1,013,441	22
1755	Right-of-use assets	4 & 6. 20	138,467	3	140,631	3
1780	Intangible assets	4 & 6. 10	146,574	3	109,440	2
1840	Deferred income tax assets	4 & 6. 24	93,473	2	96,746	3
1900	Other non-current assets	7	102,795	2	66,155	1
15xx	Total non-current assets		2,915,411	60	2,848,305	62
1xxx	Total assets		$4,834,895	100	$4,555,437	100

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation
Parent Company Only Balance Sheet (continued)
December 31, 2020 and 2019

Unit: NT$ 1,000

Liabilities and equity			December 31, 2020		December 31, 2019	
Code	Accounting items	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	4 & 6. 11	$740,000	15	$-	-
2130	Contract liabilities - current	4 & 6. 18	2,482	-	616	-
2150	Notes payable	4	1,196	-	1,996	-
2170	Accounts payable	4	72,531	3	59,088	1
2180	Accounts payable - related parties	4 & 7	20,638	-	21,236	1
2200	Other payables	4	263,485	5	261,037	6
2220	Other payables - related parties	4 & 7	-	-	32	-
2230	Income tax liabilities for this period	4 & 6. 24	23,673	-	17,840	-
2280	Lease liabilities - current	4 & 6. 20	5,197	-	7,915	-
2300	Other current liabilities		10,171	-	4,490	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	4 & 6. 13	-	-	396,813	9
2322	Long-term loan due within one year or one operating cycle	4 & 6. 14	33,441	1	37,098	1
21xx	Total current liabilities		1,172,814	24	808,161	18
	Non-current liabilities					
2500	Financial liabilities measured at fair value through profit or loss - non-current	4, 6. 12 & 6. 13	1,850	-	3,250	-
2530	Corporate bonds payable	6. 13	478,829	10	473,171	10
2540	Long-term loans	4 & 6. 14	152,341	3	226,011	5
2570	Deferred income tax liabilities	4 & 6. 24	908	-	-	-
2580	Lease liabilities - non-current	4 & 6. 20	135,183	3	133,715	3
2600	Other non-current liabilities		723	-	693	-
2630	Long-term deferred income	4 & 6. 8	73,424	2	73,424	2
2640	Net defined benefit liabilities - non-current	4 & 6. 15	64	-	2,566	-
2650	Remaining loan credit for investments accounted for using the equity method	4 & 6. 8	-	-	7,720	-
25xx	Total non-current liabilities		843,322	18	920,550	20
2xxx	Total liabilities		2,016,136	42	1,728,711	38
	Equity	4, 6. 16 & 6. 26				
3100	Capital					
3110	Capital - common stock		783,898	16	804,209	18
3120	Capital - preferred stock		100,000	2	100,000	2
	Total capital		883,898	18	904,209	20
3200	Additional paid-in capital		1,756,071	36	1,827,683	40
3300	Retained earnings					
3310	Legal reserve		89,304	2	81,687	2
3320	Special reserve		101,160	2	59,505	1
3350	Undistributed earnings		84,512	2	76,165	2
	Total retained earnings		274,976	6	217,357	5
3400	Other equity					
3410	Differences on translation of foreign financial statements		(84,818)	(2)	(97,388)	(2)
3420	Unrealized gain or loss of financial assets measured at fair value through other comprehensive income		(3,632)	-	(3,772)	-
3491	Employees' unearned remuneration	4 & 6. 17	(7,736)	-	(21,363)	(1)
	Total other equity		(96,186)	(2)	(122,523)	(3)
3xxx	Total equity		2,818,759	58	2,826,726	62
	Total liabilities and equity		$4,834,895	100	$4,555,437	100

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation

Parent Company Only Statement of Comprehensive Income

January 1 to December 31, 2020 and 2019

Unit: NT$ 1,000

Code	Accounting Items	Notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	4, 6. 18 & 7	$1,576,014	100	$1,576,184	100
5000	Operating costs	4, 6. 7, 6. 21 & 7	788,029	50	734,972	47
5900	Gross profit		787,985	50	841,212	53
5920	(Unrealized) realized sales gain		(29,918)	(2)	46,769	3
5950	Net gross profit		758,067	48	887,981	56
6000	Operating expenses	4, 6. 19, 6. 20, 6. 21 & 7				
6100	Marketing expenses		358,225	23	412,118	26
6200	Administrative expenses		136,311	9	148,948	9
6300	Research and development expenses		121,904	8	152,044	10
6450	Expected credit impairment loss		1,129	-	-	-
	Total operating expenses		617,569	40	713,110	45
6900	Operating profit		140,498	8	174,871	11
7000	Non-operating income and expenses	4, 6. 8, 6. 21 & 7				
7100	Interest income		3,910	-	3,104	-
7010	Other income		46,363	3	50,569	4
7020	Other profit and loss		9,596	1	(12,520)	(1)
7050	Financial cost		(24,885)	(2)	(20,839)	(1)
7775	Share of the losses of subsidiaries, associates and joint ventures accounted for using the equity method		(71,053)	(5)	(107,584)	(7)
	Total non-operating income and expenses		(36,069)	(3)	(87,270)	(5)
7900	Net profit before tax		104,429	5	87,601	6
7950	Income tax (expense) benefit	4 & 6. 24	(2,601)	-	983	-
8200	Current net income		101,828	5	88,584	6
8300	Other comprehensive income or loss	4 & 6. 23				
8310	Items not to be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		1,139	-	1,206	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		461	-	126	-
8320	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method - items not to be reclassified into profit or loss		(321)	-	(647)	-
8349	Income tax relating to items that will not be reclassified to profit or loss		-	-	-	-
8360	Items that may be subsequently reclassified into profit or loss					
8380	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method - items that may be subsequently reclassified into profit or loss		12,570	1	(41,134)	(3)
8399	Income tax relating to items which will possibly be reclassified into profit or loss		-	-	-	-
	Other comprehensive income or loss (net value after tax) in this period		13,849	1	(40,449)	(3)
8500	Total amount of comprehensive income (loss) for this period		$115,677	6	$48,135	3
	Earnings per share (NT$)	4 & 6. 25				
9750	Basic earnings per share		$1.00		$1.05	
9850	Diluted earnings per share		$0.94		$1.01	

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation
Parent Company Only Statements of Changes in Equity
December 31, 2020 and 2019

Unit: NT$ 1,000

		Capital			Retained earnings			Other equity				
		Capital - common stock	Capital - preferred stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (loss) on financial assets measured at fair value through other comprehensive income	Employees' unearned remuneration	Treasury stock	Total equity
Code	Item	3100	3120	3200	3310	3320	3350	3410	3420	3491	3500	3XXX
A1	Balance as of January 1, 2019	$804,509	$-	$1,280,536	$68,932	$47,655	$125,668	$(56,254)	$(3,251)	$(35,977)	$-	$2,231,818
	Earnings appropriation and distribution in 2018											
B1	Appropriation of legal reserve	-	-	-	12,755	-	(12,755)	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	11,850	(11,850)	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(101,063)	-	-	-	-	(101,063)
C5	Composition of equity recognized due to convertible bond income	-	-	26,300	-	-	-	-	-	-	-	26,300
C15	Distribution of cash dividend from capital surplus	-	-	(59,839)	-	-	-	-	-	-	-	(59,839)
D1	Net profit in 2019	-	-	-	-	-	88,584	-	-	-	-	88,584
D3	Other comprehensive income in 2019	-	-	-	-	-	1,206	(41,134)	(521)	-	-	(40,449)
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	89,790	(41,134)	(521)	-	-	48,135
J3	Issued preferred stock	-	100,000	417,500	-	-	-	-	-	-	-	517,500
M5	Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	-	-	164,332	-	-	-	-	-	-	-	164,332
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(13,625)	-	-	-	-	(13,625)
N2	Share-based payment transaction - new restricted employee shares	(300)	-	(1,362)	-	-	-	-	-	14,614	-	12,952
N3	Share-based payment transaction - employee preferred stock	-	-	216	-	-	-	-	-	-	-	216
Z1	Balance as of December 31, 2019	$804,209	$100,000	$1,827,683	$81,687	$59,505	$76,165	$(97,388)	$(3,772)	$(21,363)	$-	$2,826,726
A1	Balance as of January 1, 2020	$804,209	$100,000	$1,827,683	$81,687	$59,505	$76,165	$(97,388)	$(3,772)	$(21,363)	$-	$2,826,726
	Earnings appropriation and distribution in 2019											
B1	Appropriation of legal reserve	-	-	-	7,617	-	(7,617)	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	41,655	(41,655)	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(26,893)	-	-	-	-	(26,893)
C15	Distribution of cash dividend from capital surplus	-	-	(42,251)	-	-	-	-	-	-	-	(42,251)
D1	Net profit in 2020	-	-	-	-	-	101,828	-	-	-	-	101,828
D3	Other comprehensive income in 2020	-	-	-	-	-	1,139	12,570	140	-	-	13,849
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	102,967	12,570	140	-	-	115,677
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	(65,567)	(65,567)
L3	Retirement of treasury stock	(20,130)	-	(28,199)	-	-	(17,238)	-	-	-	65,567	-
M5	Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	-	-	(346)	-	-	-	-	-	-	-	(346)
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(1,217)	-	-	-	-	(1,217)
N2	Share-based payment transaction - new restricted employee shares	(181)	-	(816)	-	-	-	-	-	13,627	-	12,630
Z1	Balance as of December 31, 2020	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$-	$2,818,759

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation
Parent Company Only Cash Flow Statement
January 1 to December 31, 2020 and 2019

Unit: NT$ 1,000

Code	Item	2020 Amount	2019 Amount
AAAA	Cash flow from operating activities:		
A10000	Current net income before tax	$104,429	$87,601
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	121,440	121,909
A20200	Amortization expenses	11,843	8,690
A20300	Expected credit impairment loss	1,129	-
A20400	Net (gain) loss of financial liabilities measured at fair value through profit or loss	(2,278)	890
A20900	Interest Expenses	24,885	20,839
A21200	Interest income	(3,910)	(3,104)
A21900	Share-based payment remuneration cost	12,630	13,168
A22300	Share of the losses of subsidiaries, associates and joint ventures accounted for using the equity method	71,053	107,584
A22500	Loss on disposal of property, plant and equipment	433	818
A24000	Unrealized (realized) sales gain	29,918	(46,769)
A29900	Other income	(321)	(6,368)
A30000	Changes in assets/liabilities related to operating activities		
A31130	Decrease in notes receivable	1,448	694
A31150	Decrease (increase) in accounts receivable	28,225	(16,554)
A31160	Decrease (increase) in accounts receivable - related parties	(67,784)	199,794
A31180	Decrease (increase) in other accounts receivable	(140)	4,678
A31190	Decrease (increase) in other receivables - related parties	6,584	(5,935)
A31200	Decrease in inventories	98,334	6,788
A31220	Decrease (increase) in prepayment	(2,800)	2,533
A31240	Decrease (increase) in other current assets	1,715	(1,645)
A32125	Increase (decrease) in contract liabilities	1,866	(1,254)
A32130	Increases (decreases) in notes payable	(800)	1,461
A32150	Increase in accounts payable	13,443	3,183
A32160	Increase (decrease) in accounts payable - related parties	(598)	19,872
A32180	Increase in other payables	7,127	21,188
A32190	Decrease in other payables - related parties	(32)	(213)
A32230	Increase in other current liabilities	5,681	150
A32240	Decreases in net defined benefit liability	(1,363)	(7,829)
A33000	Cash inflow generated from operations	462,157	532,169
A33100	Interest received	3,479	3,041
A33200	Dividends received	25,225	24,215
A33500	Income tax refunded (paid)	7,475	(5,454)
AAAA	Net cash inflow from operating activities	498,336	553,971
BBBB	Cash flow from investment activities:		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	-
B00040	Acquisition of financial assets measured at amortized cost	(2,149)	(5,990)
B00100	Acquisition of financial assets measured at fair value through profit or loss	(27,575)	-
B01800	Acquisition of investments using equity method	(149,659)	(448,843)
B02700	Acquisition of property, plant and equipment	(29,723)	(73,657)
B02800	Disposal of property, plant and equipment	23	31
B03700	(Increase) decrease in refundable deposits	1,891	(2,306)
B04500	Acquisition of intangible assets	(47,977)	(41,652)
B06700	Increase in other non-current assets	(30,545)	(39,184)
B07100	Increase in prepayments for business facilities	(12,525)	(34,001)
BBBB	Net cash outflow from investing activities	(348,239)	(645,602)
CCCC	Cash from financing activities:		
C00100	(Decrease) increase in short-term loans	740,000	(743,619)
C00600	Decrease in short-term notes and bills payable	-	(49,984)
C01200	Issuance of corporate bonds	-	500,000
C01300	Repayments of bonds	(400,000)	-
C01600	Long-term loans raised	460,000	-
C01700	Repayment of long-term loans	(537,327)	(187,780)
C03000	Increases in guarantee deposits received	30	496
C04020	Repayment of lease principal	(9,952)	(10,321)
C04500	Cash dividends paid	(69,144)	(160,902)
C04600	Cash capital increase	-	517,500
C04900	Repurchase cost of treasury stock	(65,567)	-
C05500	Disposal of equity of subsidiaries (without losing controlling right)	-	257,529
C05600	Interest paid	(13,648)	(11,441)
CCCC	Net cash inflow from financing activities	104,392	111,478
EEEE	Increase in cash and cash equivalents in the current period	254,489	19,847
E00100	Beginning balance of cash and cash equivalents	299,528	279,681
E00200	Ending balance of cash and cash equivalents	$554,017	$299,528

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation
Notes to Parent Company Only Financial Statements
January 1 to December 31, 2020 and 2019
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

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

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

II. Approval Date and Procedures of the Financial Statements

The parent company only financial statements of the Company for 2020 and 2019 were authorized for issue by the Board of Directors on March 23, 2021.

III. Adoption of New and Amended Standards and Interpretations

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

   The Comapny has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by FSC and applicable since January 1, 2020. First-time adoption has not had significant influences on the Company besides the following explanations on the characters and impacts from the new standards and amendments:

   The Company has chosen to adopt the amendments to IFRS 16 "COVID-19-Related Rent Concessions" endorsed by the FSC earlier than planned for fiscal years beginning on or after January 1, 2020. Matters related to this amendment are handled based on its transition requirements. For the relevant rent concession which are the direct result of the COVID-19 pandemic, the Group does not assess whether it is a lease modification, as the rent concession will be handled as a change in lease payment. Please refer Note 6 for disclosures concerning the lessees based on the amendment.

2. The Company has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Interest Rate Benchmark Reform - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)	January 1, 2021

(1) Interest Rate Benchmark Reform - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)

The amendments in this final phase mainly focus on the impact of changes in interest rate indicators on corporate financial statements, including:

A. Regarding cash flows of financial instruments, the carrying amounts thereof will not be de-recognized or adjusted due to the changes in the reform. Instead, changes result directly from interbank offered rates (IBORs) will be accounted for by updating the effective interest rates;

B. If a hedging relationship is subject to hedging accounting, the hedging relationship will still be subject to hedging accounting regardless of changes in the requirements of the reform; and

C. It is required to disclose the risks arise from the reform and the risk management in the transition.

The Company evaluates that the amendments which are to be adopted in the fiscal year starting January 1, 2021 have no significant impact on the Company.

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

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
5	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023

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

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

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

(2) IFRS 17 "Insurance Contracts"

This standard provides a comprehensive model for insurance contracts, including all accounting-related parts (i.e. principles of recognition, measurement, presentation and disclosure). The core of the standard is the general model. Under this model, the Company measures a group of insurance contracts at the total of fulfillment cash flows and contractual service margin upon initial recognition. The fulfillment cash flows include:

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

The carrying amount of the group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for claims incurred.

In addition to the general model, it also provides the following:

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

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

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

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

(4) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
This amendment replaces the old version of the reference on the Conceptual Framework for Financial Reporting and updates IFRS 3 with the latest version of the reference published in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. In addition, the amendments also clarify existing guidelines for contingent assets that are not affected by the replacing reference to conceptual framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant, and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent company in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 "Financial Instruments"
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 "Leases"
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(5) Disclosure Initiative - Accounting Policies (Amendment to IAS 1)

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

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

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

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

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The parent company only financial statements for the years ended December 31, 2020 and 2019 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of preparation

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income of the period presented in parent company only financial reports shall be the same as the share of profit or loss and other comprehensive income attributable to owners of the parent presented in the consolidated financial statements, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Therefore, investments in subsidiaries are expressed as "investments accounted for using the equity method" in the parent company only financial statements with evaluation adjustments, if needed.

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

3. Foreign currency transactions

The parent company only financial statements of the Company are expressed in New Taiwan Dollars, which is the Company's functional currency.

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

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

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

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

4. Translation of foreign-currency financial statements

Each foreign operation in the Company may determine its functional currency, and use it to measure its financial statements In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The loss of control, significant influence or joint control over a foreign operation while retaining partial equity is accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted via "investments accounted for using the equity method" instead of being recognized in profit or loss. In partial disposal of an associate or a joint-controlled equity that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

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

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

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

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

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

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

6. Cash and cash equivalents

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

7. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

<u>Financial assets measured at amortized cost:</u>

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

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

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

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

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

<u>Financial assets measured at FVTOCI</u>

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

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

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

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

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

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

Financial assets measured at FVTPL

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

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

(2) Impairment of financial assets

The Company recognizes and measures the loss allowance for debt instrument investments measured at FVTOCI and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments measured at FVTOCI is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. Time value of money; and
C. Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort at the balance sheet date).

Loss allowance is measured as follows:

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

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

(3) Derecognition of financial assets

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

A. The contractual rights to the cash flows from the financial asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial assets and liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and the portfolio information provided to the management within the merged company is also based on fair value.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Derivatives

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

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

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

9. Fair value measurement

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

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

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

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

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

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

10. Inventories

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

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

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

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

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

11. Investments accounted for using the equity method

The Company's investments in subsidiaries are accounted for as "investments accounted for using the equity method" with evaluation adjustments, if needed, pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The adjustments are made so that the profit or loss and other comprehensive income of the period presented in individual financial statements are the same as the share of profit or loss and other comprehensive income attributable to owners of the parent presented in the consolidated financial statements, and the owners' equity presented in the individual financial statements are the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Those adjustments mainly take into account the accounting treatments for investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the difference in IFRSs adoption by different reporting entities. The Company debits or credits "investments accounted for using the equity method," "share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method" or "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method."

The Corporation's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as assets held for sale. An associate is an entity over which the Company has significant influence.

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

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

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

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

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

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

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

Upon loss of significant influence over the associates, the Corporation measures and recognizes the retaining investment at its fair value. The difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment plus proceeds from disposal is recognized in profit or loss.

The Company's investments in joint-controlled entities are also accounted for using the equity method, other than those classified as held-for-sale assets. Joint-controlled entities refer to companies, partnerships or other entities whose establishment involves the Company and the Company has joint control over.

12. Property, plant and equipment

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

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

Buildings and constructions	3 to 50 years
Machinery and equipment	10 to 15 years
Tooling equipment (except for forging die)	3 to 5 years
Transportation equipment	5 years
IT equipment	3 to 5 years
Leasehold improvements	Over the shorter of the lease terms or useful lives

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

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

13. Leases

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

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

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

The Company as a lessee

Except for leases that meet and are selected to be treated as short-term leases or low-value assets, when the Company is the lessee of a lease contract, the Company will recognize all right-of-use asset and lease liabilities related to all leases.

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

(1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
(2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
(3) Lease payments expected to be paid by the lessee under the residual value guarantee; and
(4) Exercise price for purchase of options, if the Company can be reasonably assured that the right will be exercised; and
(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the start date, the Company will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

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

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

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

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

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

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

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

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

The Company being a lessor

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

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

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

14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

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

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

Intangible assets under development – research and development costs

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

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

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

Specialized technology

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

Computer software

Computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years)

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

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

15. Impairment of non-financial assets

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

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

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

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

16. Treasury stock

When the Company obtains the treasury stocks, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

17. Revenue recognition

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

<u>Sales of goods</u>

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

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

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

18. Government subsidy

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

19. Post-employment benefits

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

For the post-employment benefit plan regarding the defined contribution plan, the Company's monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period.

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

(1) When a plan amendment or curtailment occurs; and
(2) The date when the Company recognizes any related restructuring costs or termination benefits.

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

20. Share-based payment transactions

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

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

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

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

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

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

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

21. Income tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

V. Significant Accounting Judgments, Estimates and Assumptions

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

1. Judgments

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

Judgment on whether development expenditures are eligible for capitalization

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

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

2. Estimates and assumptions

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

(1) Inventory valuation

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

(2) Income tax

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

Deferred income tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets unrecognized by the Company as of December 31, 2020 are disclosed in Note 6.

VI. Important Accounting Items

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash on hand	$9	$7
Checks and demand deposits	136,872	134,556
Time deposits	417,136	164,965
Total	$554,017	$299,528

2. Financial assets measured at FVTPL

	2020.12.31	2019.12.31
Mandatorily measured at FVTPL:		
Funds	$20,403	$-
Bonds	8,050	-
Total	$28,453	$-
Current	$28,453	$-

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

3. Financial assets measured at fair value through other comprehensive income (FVTOCI)

	2020.12.31	2019.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$49,800	$-
Unlisted stocks		
Changgu Biotech Corporation	2,744	2,083
Total	$52,544	$2,083

(1) The Company's financial assets measured at FVTPL are not pledged.

(2) On September 10, 2020, the Company invested in Chailease Finance Co., Ltd. The invested amount was NT$50,000,000 and acquired 500,000 shares. As of December 31, 2020, 500,000 such preferred shares were held and the shareholding percentage was 0.03%. On December 31, 2020, the fair value of the stock investment amounted to NT$49,800,000, and the difference between the initial investment amount and the fair value was NT$200,000, which was recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2020 and December 31, 2019, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 19.26%. On December 31, 2020 and 2019, the fair values of the aforementioned stock investments were NT$2,744,000 and NT$2,083,000, respectively, and the differences between the initial investment amount and the fair value were NT$2,032,000 and NT$2,693,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets measured at amortized cost

	2020.12.31	2019.12.31
Time deposits	$14,853	$12,704
Less: Loss allowance	-	-
Total	$14,853	$12,704
Non-current	$14,853	$12,704

The Company has classified a part of financial assets as financial assets measured at amortized cost; for the information about loss allowance, please refer to Note 6.19. Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

5. Notes receivable

	2020.12.31	2019.12.31
Notes receivable - arising from operation	$1,593	$3,041
Less: Loss allowance	-	-
Total	$1,593	$3,041

The Company's notes receivables were not pledged.

The Company assesses information related to impairment and loss allowance in accordance with IFRS 9. Please refer to Note 6.19 for details; please see Note 12 for information on credit risk.

6. Account receivables and account receivable - related party

	2020.12.31	2019.12.31
Accounts receivable	$241,451	$269,676
Less: Loss allowance	(8,206)	(7,077)
Subtotal	233,245	262,599
Accounts receivable - related parties	473,561	405,777
Less: Loss allowance	-	-
Total	$706,806	$668,376

The Company's accounts receivable were not pledged.

The Company's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2020 and 2019 were NT$715,012,000 and NT$675,453,000, respectively. Please refer to Note 6.19 for detailed information on loss allowance for 2020 and 2019; please see Note 12 for information on credit risk.

7. Inventories

	2020.12.31	2019.12.31
Product	$3,216	$2,740
Finished product	346,696	399,846
Work-in-process	177,418	196,543
Raw material	78,163	108,945
Total	$605,493	$708,074

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

Item	2020	2019
Cost of sales	$788,029	$731,708
Allowance for inventory valuation and obsolescence loss	-	3,264
Total	$788,029	$734,972

(2) No inventories aforementioned were pledged.

8. Investments accounted for using the equity method

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

	2020.12.31		2019.12.31	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in subsidiaries:				
UOC America Holding Corporation	$132,502	100%	$88,137	100%
UOC Europe Holding SA	144,370	96%	180,102	96%
United Orthopedic Japan Inc.	24,621	88%	-	-
A-Spine Asia Co., Ltd.	566,803	75%	574,061	75%
Investments in associates:				
Shinva United Orthopedic Corporation	569,487	49%	564,805	49%
Subtotal of items under assets	1,437,783		1,407,105	
Investments in subsidiaries:				
United Orthopedic Japan Inc.	-	-	(7,720)	65%
Subtotal of items under liabilities	-		(7,720)	
Total	$1,437,783		$1,399,385	

(1) Investments in subsidiaries

Investments in subsidiaries are expressed as "investments accounted for using the equity method" in parent company only financial report with valuation adjustments if necessary.

(2) Investments in associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China.

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

Summarized financial information and reconciliation of the investments' carrying amount:

	2020.12.31	2019.12.31
Current assets	$585,651	$664,349
Non-current Assets	806,602	651,699
Current liabilities	(173,354)	(88,322)
Non-current liabilities	-	-
Equity	1,218,899	1,227,726
Shareholding ratio of the Company	49%	49%
Subtotal	597,260	601,586
Elimination and adjustment due to inter-company transactions	(27,773)	(36,781)
Carrying amount of investments	$569,487	$564,805

	2020	2019
Operating revenue	$403,971	$155,471
Net loss of continuing business units for this period	(29,118)	(39,029)
Other comprehensive income or loss	-	-
Comprehensive income or loss for this period	(29,118)	(39,029)

The Company has invested CNY 30,000,000, equivalent to NT$149,844,000, to associates by way of technical value, which was recognized as long-term deferred income. Starting from the service provision date, this amount is amortized on a straight-line basis for three years. As of December 31, 2020 and 2019, the accumulated amortization amounted to NT$76,420,000 for both dates.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2020 and 2019, nor was there guarantee provided.

9. Property, plant and equipment

	2020.12.31	2019.12.31
Property, plant and equipment for own use	$928,922	$1,013,441
Property, plant and equipment for operating leases	-	-
Total	$928,922	$1,013,441

(1) Property, plant and equipment for own use

	Land	Buildings and constructions	Machinery and equipment	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Cost:								
2020.1.1	$87,763	$436,750	$555,882	$109,399	$11,135	$7,937	$244,905	$1,453,771
Additions	-	-	163	4,777	3,360	66	21,357	29,723
Disposals	-	-	-	(4,186)	-	-	(26,681)	(30,867)
Reclassification	-	-	-	(4,838)	-	-	3,538	(1,300)
2020.12.31	$87,763	$436,750	$556,045	$105,152	$14,495	$8,003	$243,119	$1,451,327
2019.1.1	$87,763	$436,750	$545,975	$88,285	$12,077	$7,937	$212,997	$1,391,784
Additions	-	-	1,488	31,492	576	-	40,101	73,657
Disposals	-	-	(19,608)	(11,191)	(1,518)	-	(24,015)	(56,332)
Reclassification	-	-	28,027	813	-	-	15,822	44,662
2019.12.31	$87,763	$436,750	$555,882	$109,399	$11,135	$7,937	$244,905	$1,453,771
Depreciation and impairment:								
2020.1.1	$-	$57,370	$220,154	$33,289	$7,999	$4,423	$117,095	$440,330
Depreciation	-	14,051	47,148	10,016	2,387	1,464	37,420	112,486
Disposals	-	-	-	(3,730)	-	-	(26,681)	(30,411)
Reclassification	-	-	-	-	-	-	-	-
2020.12.31	$-	$71,421	$267,302	$39,575	$10,386	$5,887	$127,834	$522,405
2019.1.1	$-	$43,251	$191,618	$31,713	$7,101	$2,854	$106,437	$382,974
Depreciation	-	14,119	48,144	11,918	2,416	1,569	34,673	112,839
Disposals	-	-	(19,608)	(10,342)	(1,518)	-	(24,015)	(55,483)
Reclassification	-	-	-	-	-	-	-	-
2019.12.31	$-	$57,370	$220,154	$33,289	$7,999	$4,423	$117,095	$440,330
Net carrying amount:								
2020.12.31	$87,763	$365,329	$288,743	$65,577	$4,109	$2,116	$115,285	$928,922
2019.12.31	$87,763	$379,380	$335,728	$76,110	$3,136	$3,514	$127,810	$1,013,441

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

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

10. Intangible assets

	Computer software cost	Specialized technology	Development expenditure	Total
Cost:				
2020.1.1	$8,131	$10,747	$114,944	$133,822
Additions - development by internal units	-	-	44,388	44,388
Additions - separate acquisition	2,500	660	429	3,589
Reclassification	-	59,040	(58,040)	1,000
2020.12.31	$10,631	$70,447	$101,721	$182,799
2019.1.1	$11,721	$7,650	$77,857	$97,228
Additions - development by internal units	-	-	40,184	40,184
Additions - separate acquisition	1,468	-	-	1,468
Reclassification	-	3,097	(3,097)	-
Others	(5,058)	-	-	(5,058)
2019.12.31	$8,131	$10,747	$114,944	$133,822
Amortization and impairment:				
2020.1.1	$4,622	$798	$18,962	$24,382
Amortization	2,970	6,534	2,339	11,843
2020.12.31	$7,592	$7,332	$21,301	$36,225
2019.1.1	$6,560	$43	$14,147	$20,750
Amortization	3,120	755	4,815	8,690
Others	(5,058)	-	-	(5,058)
2019.12.31	$4,622	$798	$18,962	$24,382
Net carrying amount:				
2020.12.31	$3,039	$63,115	$80,420	$146,574
2019.12.31	$3,509	$9,949	$95,982	$109,440

Amortization for recognition of intangible assets is as follows:

	2020	2019
Operating costs	$6,001	$246
Operating expenses	5,842	8,444
Total	$11,843	$8,690

11. Short-term loan

	2020.12.31	2019.12.31
Credit loans	$740,000	$-
Interest rate range (%)	0.4899-0.8700	-

As of December 31, 2020 and 2019, the Company's unused short-term loan facilities were NT$802,000,000 and NT$1,580,000,000, respectively; the unused short-term notes and bills payable were NT$50,000,000 and NT$150,000,000, respectively, while the unused long-term loan facilities were NT$375,000,000 and NT$425,000,000, respectively.

12. Financial liabilities measured at FVTPL

	2020.12.31	2019.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$1,850	$3,250
Non-current	$1,850	$3,250

13. Bonds payable

	2020.12.31	2019.12.31
Domestic unsecured bonds payable	$478,829	$869,984
Less: Liabilities due within one year	-	(396,813)
Long-term domestic convertible bonds payable	$478,829	$473,171

Domestic convertible bonds payable

	2020.12.31	2019.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$900,000
Converted amount	-	-
Discount on domestic convertible bonds payable	(21,171)	(30,016)
Subtotal	478,829	869,984
Less: Liabilities due within one year	-	(396,813)
Net	$478,829	$473,171
Embedded derivative - assets	$-	$-
Embedded derivative - liabilities	$1,850	$3,250
Equity elements	$26,300	$42,900

(1) On August 11, 2017, the Company issued the second round of domestic unsecured convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

Total amount of issuance: NT$400,000,000. Face amount per equity: NT$100,000. The issuance is in full carrying amount.

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

Critical clauses for redemption:

A. On the next day after the convertible bonds were issued for three full months (November 13, 2017) until 40 days prior to the end of issuance period (July 2, 2020), if the closing price of the Company's common stock at the Taipei Exchange exceeds conversion price by more than 30 percent (inclusive) for 30 consecutive business days, the Corporation may inform the bondholders that it will recall all of its outstanding convertible bonds by cash at the nominal amount.

B. On the next day after the convertible bonds were issued for three full months (November 13, 2017) until 40 days prior to the end of issuance period (July 2, 2020), if the balance of outstanding convertible bonds is lower than NT$40,000,000 (10% of the original issuance amount), the Company may recall all of its outstanding convertible bonds by cash at the nominal amount at any subsequent period.

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

Conversion methods:

A. Converted target: Common stock of the Company.

B. Conversion period: From November 12, 2017 to August 11, 2020, the bond holders can request for conversion into the Company's common stocks instead of cash redemption by the Company.

C. Converted price and adjustment: the converted price upon issuance was set as NT$77.30 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses.

D. Redemption on maturity date: The Company's bonds matured on August 11, 2020, and 101.5075% of the face value of the bond paid the remaining face value of the aforementioned convertible bonds of NT$400,000,000 and interest compensation of NT$6,030,000. Meanwhile, the expired conversion rights of NT$16,600,000 was transferred from capital reserve - stock options to capital reserve - other.

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

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

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

Critical clauses for redemption:

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

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

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

Critical clauses for redemption:

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

Conversion methods:

A. Converted target: Common stock of the Company.

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

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2020 and 2019, each share carried the value of NT$51.50.

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

In addition, the aforementioned bonds have not been converted as of December 31, 2020.

14. Long-term loan

Details of long-term loans for the years ended December 31, 2020 and 2019 are as follows:

Creditor	2020.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$62,750	1.0677	From June 19, 2018 to June 20, 2023; the first repayment is due on September 20, 2019; principal is to be repaid by 16 equal instalments of NT$6,275,000 every three months.
〃	123,032	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Total	185,782		
Less: long-term loans due within one year	(33,441)		
Net	$152,341		

Creditor	2019.12.31	Interest rate (%)	Repayment period and method
Taiwan Cooperative Bank - Hsinchu Science Industrial Park Branch	$43,886	1.4000	From September 18, 2013 to October 31, 2031; the first repayment was due on September 18, 2014; principal is to be repaid by 70 equal instalments of NT$914,000 every three months.
Bank of Taiwan	87,850	1.3531	From June 19, 2018 to June 20, 2023; the first repayment is due on September 20, 2019; principal is to be repaid by 16 equal instalments of NT$6,275,000 every three months.
〃	131,373	1.3214	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Total	339,109		
Less: long-term loans due within one year	(43,714)		
Net	$295,395		

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

15. Post-employment benefits

Defined contribution plan

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

The Company's expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 are NT$19,029,000 and NT$19,808,000, respectively.

Defined benefits plan

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

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefits plan has been estimated to contribute NT$1,568,000 in the following year.

For the years ended on December 31, 2020 and December 31, 2019, the Company's defined benefits plans are both expected to due in 2031.

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

	2020	2019
Current service cost	$186	$345
Net interest of net defined benefit liability	19	122
Total	$205	$467

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

	2020.12.31	2019.12.31	2019.1.1
Present value of defined benefit obligations	$50,010	$50,991	$57,045
Fair value of plan assets	(49,946)	(48,425)	(45,444)
Net defined benefit liabilities on the book	$64	$2,566	$11,601

Reconciliation of net defined benefit liabilities:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2019.1.1	$57,045	$(45,444)	$11,601
Current service cost	345	-	345
Interest expense (income)	599	(477)	122
Previous service cost and settlement gains or losses	-	-	-
Subtotal	57,989	(45,921)	12,068
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	1,836	-	1,836
Experience adjustment	(1,577)	-	(1,577)
Remeasurements of defined benefit assets	-	(1,465)	(1,465)
Subtotal	58,248	(47,386)	10,862
Benefits paid	(7,257)	7,257	-
Employer contributions	-	(8,296)	(8,296)
2019.12.31	50,991	(48,425)	2,566
Current service cost	186	-	186
Interest expense (income)	377	(358)	19
Previous service cost and settlement gains or losses	-	-	-
Subtotal	51,554	(48,783)	2,771
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	2,142	-	2,142
Experience adjustment	(1,607)	-	(1,607)
Remeasurements of defined benefit assets	-	(1,674)	(1,674)
Subtotal	52,089	(50,457)	1,632
Benefits paid	(2,079)	2,079	-
Employer contributions	-	(1,568)	(1,568)
2020.12.31	$50,010	$(49,946)	$64

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

	2020.12.31	2019.12.31
Discount rate	0.35%	0.74%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2020	2019

	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increases by 0.5%	$-	$2,725	$-	$2,920
Discount rate decreases by 0.5%	2,932	-	3,150	-
Expected salary increases by 0.5%	2,840	-	3,063	-
Expected salary decreases by 0.5%	-	2,669	-	2,871

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

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

16. Equities

(1) Share capital

As of December 31, 2020 and 2019, the Company's authorized share capital amounted to NT$1,500,000,000 and NT$1,000,000,000; the outstanding common stock capital were NT$804,209,000 and NT$804,509,000, respectively, and the outstanding preferred stock capital were NT$100,000,000 and NT$0 thousand, respectively. Common shares were issued at a par value of NT$10, dividing into 80,421,000 shares and 80,451,000 shares, respectively. Preferred shares were issued at a par value of NT$10, dividing into 10,000,000 shares and 0 thousand share, respectively.

Common Stock

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 18,000 shares, 6,000 shares, and 6,000 shares on May 2, 2019, August 6, 2019, and November 7, 2019 with base dates for capital reduction set on May 13, 2019, August 15, 2019, and November 15, 2019, and the registration of changes was completed on May 27, 2019, August 21, 2019, and November 28, 2019, respectively.

The Board of Directors of the Company resolved to cancel 2,013,000 shares of treasury stock on June 30, 2020, and the change of capital registration was completed on July 14, 2020.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 18,000 shares on November 11, 2020 with the base date of capital reduction set on November 16, 2020, and the registration of the changes were completed on November 23, 2020.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated undistributed earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year.

C. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

D. Preferred stock dividends will be distributed in cash once a year. After the financial reports have been acknowledged in the annual general meeting of the shareholders, the Board of Directors shall set the payment date of the distribution of the payable preferred stock dividends for the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms.

In the year of redeeming the preferred shares, if the Company's shareholders' meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. The shareholders of this preferred stock have a higher claim to the Company's residual properties than shareholders of common stocks. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred shareholders stay subordinate to general creditors. The amount preferred shareholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voting nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

J. When the Company issues new shares for cash capital increase, the shareholders of this preferred stock have the same subscription right to the new shares as the shareholders of common stock.

As of December 31, 2020 and 2019, the Company's authorized share capital was both NT$1,500,000,000 , and had issued share capital of common stock in the amount of NT$783,898,000 and NT$804,209,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,390,000 shares and 80,421,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

(2) Capital surplus

	2020.12.31	2019.12.31
Issuance premium	$1,515,847	$1,586,295
Stock options – convertible corporate bonds	26,300	42,900
Issuance of restricted employee shares	31,872	32,688
Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	163,986	164,332
Others	18,066	1,468
Total	$1,756,071	$1,827,683

According to the laws, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

For details of capital reserve - stock options transferring to capital reserve - other for the year ended December 31, 2020, please refer to Note 6.13. Also, please refer to Note 6.26 for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

(3) Treasury stock

The amount of treasury stock held by the Company on December 31, 2020 and 2019 were both NT$0 thousand, and the number of the shares held were both 0 thousand.

The Company's repurchasing of treasury stock in 2020 were implemented as follows:

Reason for repurchasing	Number of shares at beginning of period	Increased amount of the period	Decreased amount of the period	Number of shares at end of period
To maintain credit of the Company and shareholders' equity	0 thousand shares	2,013,000 shares	2,013,000 shares	0 thousand shares

The Company repurchased 2,013,000 shares of treasury stock which had not been transferred to the employees. The said treasury stock were cancelled on July 1, 2020 upon the resolution of the Board of Directors, with a capital reduction of NT$20,130,000; the capital reserve - issuance premium of NT$28,199,000 based on shareholding ratio were offset, and the retained earnings were used to offset NT$17,238,000 for the insufficient part.

The Securities and Exchange Act stipulates that the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(4) Earnings distribution and dividend policy

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

A. Payment of all taxes and dues.
B. Offset deficits.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.
E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals total capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

After adopting IFRS, the Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1010012865 issued on April 6, 2012: upon the first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) that the Corporation elects to transfer to retained earnings by application of the exemption under IFRS 1, "First-time Adoption of IFRS", the Corporation shall set aside an equal amount of special earnings reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the Corporation has already set aside special earnings reserve according to the requirements in the preceding point, it shall set aside supplemental special earnings reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2020 and 2019, there is no reversal of special capital reserve to undistributed earnings.

Details of the 2020 and 2019 earnings appropriation and distribution and dividends per share as approved by the Board of Directors meeting and the annual general meeting of shareholders on March 23, 2021 and June 19, 2020, respectively, are as follows:

	Earnings appropriation proposal		Dividend per share (NTD)	
	2020	2019	2020	2019
Legal reserve	$8,451	$7,617		
(Reversal) Allocation of special reserve	(12,709)	41,655		
Cash dividend of common stock	65,370	22,085	$0.834	$0.275
Dividend of preferred stock (Note)	23,400	4,808	2.340	0.481
Cash distribution from additional				

	Earnings appropriation proposal		Dividend per share (NTD)	
	2020	2019	2020	2019
paid-in capital proposal				
Additional paid-in capital	-	42,251	-	0.525

Note: The dividend of preferred stock is calculated based on the number of days in circulation in 2019 (75 days) and the rate of dividend of 4.5%.

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

17. Share-based payment plans

Employees of the Company are entitled to share-based payment as part of their compensation. Services rendered by employees are considerations for the equity instruments granted. These transactions are accounted for as equity-settled share-based payment transactions.

(1) Restricted employee share plans of the Company

The Company's shareholders' meeting on June 12, 2018 resolved to issue restricted employee shares of up to 750 thousand common stocks at NT$0. The stock price at the grant date stood at NT$55.4. The restricted employee shares issued by the Company shall not be transferred within the three-year vesting period, however, the holders are still entitled to dividend distribution. The Company's Board of Directors resolved to cancel 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. As the Company's restricted employee shares did not meet the vesting conditions, as of December 31, 2020 and 2019, the Company had issued 702,000 shares and 720,000 shares.

After the issuance of restricted employee shares, they shall be transferred immediately to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the restricted employee shares for any reason or in any manner. Moreover, during the restricted employee shares' trust period, the Corporation is delegated to act on behalf of the employees in dealing with the stock trust agency concerning the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the delivery, use and disposal of the trust property.

When the employee fails to meet the vesting conditions, the Company is entitled by law to retrieve the restricted employee shares and cancel them.

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

	2020	2019
Plan of restricted employee shares	$12,630	$12,952

18. Operating revenue

	2020	2019
Income from sales of goods	$1,575,311	$1,569,615
Other operating revenues	703	6,569
Total	$1,576,014	$1,576,184

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2020.12.31	2019.12.31	2019.1.1
Sales of goods	$2,482	$616	$1,870

The significant changes in the balance of contract liabilities of the Company from January 1 to December 31, 2020 and 2019 are as follows:

	2020	2019
Beginning balance recognized as revenue in the current period	$(603)	$(1,870)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	2,469	616

19. Expected credit loss

	2020	2019
Operating expenses - expected credit loss		
Notes receivable	$-	$-
Accounts receivable	1,129	-
Total	$1,129	$-

For information on credit risk, please refer to Note 12.

The Company's financial assets measured at amortization cost were assessed on December 31, 2020 and 2019 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

The Company's receivables (including notes receivable and accounts receivable) are all measured for the loss allowance based on the lifetime expected credit losses. Relevant description of assessing the amount of loss allowance on December 31, 2020 and 2019 is as follows:

Loss allowance is measured by taking into account the credit ratings of the counterparties, the geographical regions and the industry, and adopts the provision matrix. Relevant information is as follows:

2020.12.31

	Not past due	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$625,270	$83,129	$-	$-	$8,206	$716,605
Loss ratio	0%	0%	5%	10%	100%	
Lifetime expected credit losses	-	-	-	-	8,206	8,206
Total	$625,270	$83,129	$-	$-	$-	$708,399
Carrying amount						$708,399

2019.12.31

		Number of days overdue				
	Not past due (Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$605,313	$64,431	$993	$811	$6,946	$678,494
Loss ratio	0%	0%	5%	10%	100%	
Lifetime expected credit losses	-	-	50	81	6,946	7,077
Total	$605,313	$64,431	$943	$730	$-	$671,417
Carrying amount						$671,417

Note: None of the Company's notes receivable is past due.

The changes in the Company's loss allowance for notes and accounts receivables in 2020 and 2019 are as follows:

	Notes receivable	Accounts receivable
2020.1.1	$-	$7,077
Increase in this period	-	1,129
2020.12.31	$-	$8,206
2019.1.1	$-	$7,077
Increase in this period	-	-
2019.12.31	$-	$7,077

20. Leases

(1) The Company as a lessee

The Company leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Company's financial position, financial performance, and cash flow:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2020.12.31	2019.12.31
Land	$136,510	$134,706
Buildings and constructions	1,957	5,925
Total	$138,467	$140,631

In 2020 and 2019, the Group added NT$8,637,000 and NT$402,000, respectively, to the category of right-of-use assets.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities	$140,380	$141,630
Current	$5,197	$7,915
Non-current	$135,183	$133,715

Please refer to Note 6.23(3) for the interest expenses of the Company's 2020 and 2019 lease liabilities; please refer to Note 12.5 Liquidity risk management for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2020 and 2019.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2020	2019
Land	$5,278	$5,224
Buildings and constructions	3,676	3,846
Total	$8,954	$9,070

C. Revenues and expenses related to the lessee and lease activities

	2020	2019
Short-term lease expense	$211	$142
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	988	1,052
Revenue from sublease of right-of-use asset	1,081	1,045

As of December 31, 2020 and 2019, the Company had no commitments to short-term lease portfolio.

For the year ended December 31, 2020, a relevant rent concession directly caused by the COVID-19 pandemic of NT$385,000 is recognized by the Company as a deduction in rental expenses to reflect the change in lease payments due to the application of the practical expedient.

D. Cash flow related to the lessee and lease activities

The Company's total cash outflow to leases in 2020 and 2019 was in the amount of NT$11,151,000 and NT$11,515,000, respectively.

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

Function / Type	2020 Fees that belong to operational costs	2020 Fees that belong to operational expenses	2020 Total	2019 Fees that belong to operational costs	2019 Fees that belong to operational expenses	2019 Total
Employee benefits expenses						
Salary expenses	$206,324	$170,555	$376,879	$220,325	$185,752	$406,077
Labor and health insurance premiums	22,145	15,759	37,904	23,551	16,488	40,039
Pension expenses	10,661	8,573	19,234	11,435	8,840	20,275
Remuneration to directors	-	3,686	3,686	-	3,092	3,092
Other employee benefits expenses	8,197	4,660	12,857	8,792	4,922	13,714
Depreciation expenses	75,654	45,786	121,440	78,753	43,156	121,909
Amortization expenses	6,001	5,842	11,843	246	8,444	8,690

Note 1: The number of employees in this year and the previous year was 590 and 628, respectively, among which the number of directors who were not concurrent employees was 6.

Note 2: The average employee benefits expense for the current year and the previous year was NT$765,000 and NT$772,000, respectively. The average salaries expense for the current year and the previous year was NT$645,000 and NT$653,000, respectively. The average salary adjustment was (1)%.

The Company has acted pursuant to the Securities and Exchange Act and established an Audit Committee comprising all Independent Directors. No Supervisors are established, so there is no remuneration for them.

The Company's policies concerning the remuneration of Directors and managerial officers are in compliance with Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and are submitted to Remuneration Committee for review. The remuneration policy for the managerial officers is mainly determined with reference to the individual's experience, performance, contribution to the Company, future potential and operating performance of the Company. The remuneration policy of the employees and Directors in the years in which the Company have a surplus is governed by the Articles of Association. Employee compensation includes the basic salary, allowances, supplementary pay, overtime pay and bonuses. The basic salary is determined based on the employee's education level, professional skills and the value of the position held, and taking into account the salary level within the industry. The distribution of bonuses is dependent on the Company's annual surplus position and the achievement of targets set by departments and individuals.

The Group’s Articles of Association provide that if there is profit in the year, 12 percent of profit shall be allocated for employee remuneration, and no more than 3 percent shall be allocated for compensations of the directors and members of the supervisory board. However, the Company's accumulated losses shall first be offset. The aforementioned employees' compensation shall only be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such distribution shall be submitted to the shareholders' meeting. Information relating to employees' and directors' remunerations approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Based on the profits of 2020, the Company allocated 12% and 3% of the profits as compensation to employees and remuneration to Directors and Supervisors in the amounts of NT$14,743,000 and NT$3,686,000 recognized under salary expenses, respectively. If the Company's Board of Directors resolves to distribute employee compensation with shares, the closing price of the day before the Board of Directors' resolution shall be adopted as the basis for calculating the number of shares distributed. If there is any discrepancy between the estimated amount and the actual distribution amount resolved by the Board of Directors, it will be listed as profit/loss for the next year. On March 23, 2021, the Company's Board of Directors resolves to distribute compensation to employees and remuneration to Directors and Supervisors distributed in the amounts of NT$14,743,000 and NT$3,686,000, respectively.

In 2019, the actual amounts of compensation to employees and remuneration to Directors and Supervisors distributed were NT$12,367,000 and NT$3,092,000, respectively. There was no material difference between the amount paid and the amount recognized as expenses in the 2019 financial reports.

22. Non-operating income and expenses

(1) Other income

	2020	2019
Subsidy income	$37,538	$6,097
Indemnity income	-	2,466
Other income - others	8,825	42,006
Total	$46,363	$50,569

(2) Other gains and losses

	2020	2019
Loss on disposal of property, plant and equipment	$(433)	$(818)
Foreign exchange gain (loss), net	8,380	(11,347)
Gain (loss) on financial assets and financial liabilities measured at FVTPL (Note)	1,749	(355)
Other profits	322	-
Miscellaneous expenses	(422)	-
Total	$9,596	$(12,520)

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

(3) Financial costs

	2020	2019
Interest on bank loans	$(7,775)	$(11,129)
Interest on bonds payable	(14,875)	(7,460)
Interest on lease liabilities	(2,235)	(2,250)
Total	$(24,885)	$(20,839)

23. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the year ended December 31, 2020 are as follows:

	Arising during the period	Current reclassification adjustment	Other comprehensive income or loss	Income tax gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,139	$-	$1,139	$-	$1,139
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	461	-	461	-	461
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(321)	-	(321)	-	(321)
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	12,570	-	12,570	-	12,570
Total	$13,849	$-	$13,849	$-	$13,849

Components of other comprehensive income (loss) for the year ended December 31, 2019 are as follows:

	Arising during the period	Current reclassification adjustment	Other comprehensive income or loss	Income tax gains (expenses)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,206	$-	$1,206	$-	$1,206
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	126	-	126	-	126
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(647)	-	(647)	-	(647)
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(41,134)	-	(41,134)	-	(41,134)
Total	$(40,449)	$-	$(40,449)	$-	$(40,449)

24. Income tax

The major components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 are as follows:

Income tax expense recognized in profit or loss

	2020	2019
Current income tax expense (benefit):		
Current income tax payable	$-	$32,387
Adjustments on current income tax of prior periods	(1,580)	(11,155)
Deferred income tax benefit:		
Deferred income tax expenses (gains) relating to its original generation from the temporary differences	4,181	(22,215)
Income tax expense (gain)	$2,601	$(983)

Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax expense:		
Remeasurement of defined benefit plans	$-	$-
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	-	-
Exchange differences on translation of foreign financial statements	-	-
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	-	-
Income tax relating to the components of other comprehensive income	$-	$-

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

	2020	2019
Profit before tax from continuing operations	$104,429	$87,601
Tax at the domestic tax rates applicable of profits in the country of main operation	$20,886	$17,520
Tax effect of revenues exempt from taxation	(4,552)	(8,675)
Tax effect of expenses not deductible for tax purposes	(6,948)	1,643
Tax effect of deferred income tax assets/liabilities	(5,205)	(316)
Deferred income tax relating to changes in tax rates or new taxes	-	-
Adjustments on current income tax of prior periods	(1,580)	(11,155)
Total income tax expense (benefit) recognized in profit or loss	$2,601	$(983)

Balance of deferred income tax assets (liabilities) related to the following items:

2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized transactions between Company entities	$49,412	$5,134	$-	$54,546
Unrealized exchange gain (loss)	3,275	(3,825)	-	(550)
Long-term deferred income	14,685	-	-	14,685
Valuation on financial assets measured at FVTPL	-	(286)	-	(286)
Remeasurements of the net defined benefit plan	-	(72)	-	(72)
Foreign investment losses accounted for using equity method	29,374	(29,374)	-	-
Loss carryforwards	-	24,242	-	24,242
Deferred income tax (expense)/benefit		$(4,181)	$-	
Deferred income tax assets/(liabilities), net	$96,746			$92,565
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$96,746			$93,473
Deferred income tax liabilities	$-			$(908)

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized transactions between Company entities	$57,916	$(8,504)	$-	$49,412
Unrealized exchange gain (loss)	657	2,618	-	3,275
Long-term deferred income	15,958	(1,273)	-	14,685
Foreign investment losses accounted for using equity method	-	29,374	-	29,374
Deferred income tax (expense)/benefit		$22,215	$-	
Deferred income tax assets/(liabilities), net	$74,531			$96,746
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$74,531			$96,746
Deferred income tax liabilities	$-			$-

Unrecognized deferred income tax assets

As of December 31, 2020 and 2019, since taxable profit is expected to be insufficient for unused tax losses and deductible temporary differences, the unrecognized deferred income tax assets amounted to NT$48,041,000 and NT$52,569,000, respectively.

Business income tax approval status

As of December 31, 2020, the Company's business income tax settlement and declaration were approved by the tax authority as of 2018.

25. Earnings per share

Basic earnings per share is calculated by dividing the net profit of parent company ordinary shares holders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company (after adjusted for interests on convertible bonds) by weighted average number of common stocks outstanding of the period, plus weighted average number of common stocks to be issued when all dilutive potential common stocks are converted into common stocks.

	2020	2019
(1) Basic earnings per share		
Net income of the period (NT$ thousand)	$101,828	$88,584
Dividend of preferred stock	(23,400)	(4,808)
Net income used in calculating basic earnings per share	$78,428	$83,776
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,340	79,701
Basic earnings per share (NT$)	$1.00	$1.05

	2020	2019
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$78,428	$83,776
Interest of convertible bond (NT$ thousand)	4,526	5,968
Net income of the period after dilution effect adjustment (NT$ thousand)	$82,954	$89,744
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,340	79,701
Dilution effect:		
Convertible bonds (thousand shares)	9,709	8,696
New restricted employees shares (thousand shares)	447	162
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	88,496	88,559
Diluted earnings per share (NT$)	$0.94	$1.01

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

26. Changes in ownership equity of subsidiaries

Acquisition of shares issued by subsidiaries

The Company acquired 2% of the voting shares of United Orthopedic Japan Inc. on April 30, 2020, increasing the percentage of the Group's ownership to the Japanese company to 81%. Cash considerations paid to shareholders of non-controlling interests totaled NT$1,151,000, and the net carrying amount of the additional purchase of related equity was NT$805,000. The difference between the consideration paid and the equity disposed was NT$346,000, which has been recognized as "capital surplus - difference between the proceeds received from actual acquisition or disposal of a subsidiary and its carrying amount."

Disposal of shares issued by subsidiaries

The Company disposed of 24.5% of the voting shares of A-Spine Asia Co., Ltd. on June 12, 2019, reducing its ownership to 74.9%. The total cash consideration received from non-controlling equity shareholders was NT$257,529,000, and the net carrying amount of the additional sale of relevant equity was NT$93,197,000. The difference between the consideration received and the equity sold was NT$164,332,000, which has been recognized as "capital surplus - difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount."

New shares of subsidiaries not subscribed in proportion of shares held

UOC Europe Holding SA issued new shares for capital increase on April 15, 2019. Cash acquired by the Company from capital increase was CHF 2,000,000 (NT$61,712,000), and the carrying amount of UOC Europe Holding SA's net asset (originally acquired without goodwill) was CHF 12,285,000 (NT$379,877,000). The Company's ownership in this subsidiary remained 96%, so there was no adjustment relevant to the Company's interest in UOC Europe Holding SA.

United Orthopedic Japan Inc. issued new shares on February 20, 2019. As a result, the Company's ownership increased to 56%. Cash acquired by the Company from capital increase was JPY 25,500,000 (NT$7,109,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 29,623,000 (NT$8,377,000). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	2,877
Difference in retained earnings recognized in equity	$2,877

United Orthopedic Japan Inc. issued new shares on May 15, 2019. As a result, the Company's ownership increased to 60%. Cash acquired by the Company from capital increase was JPY 89,000,000 (NT$24,893,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY (798,000) (NT$(222,000)). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	4,568
Difference in retained earnings recognized in equity	$4,568

United Orthopedic Japan Inc. issued new shares on June 17, 2019. As a result, the Company's ownership increased to 65%. Cash acquired by the Company from capital increase was JPY 70,000,000 (NT$20,429,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 66,819,000 (NT$19,411,000). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2019
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	6,180
Difference in retained earnings recognized in equity	$6,180

United Orthopedic Japan Inc. issued new shares on January 6, 2020. As a result, the Company's ownership increased to 79%. Cash acquired by the Company from capital increase was JPY 156,000,000 (NT$43,508,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 28,962,000 (NT$7,994,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2020
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	766
Difference in retained earnings recognized in equity	$766

United Orthopedic Japan Inc. issued new shares on July 29, 2020. As a result, the Company's ownership increased to 88%. Cash acquired by the Company from capital increase was JPY 88,997,000 (NT$24,740,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 130,774,000 (NT$35,976,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2020
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	451
Difference in retained earnings recognized in equity	$451

VII. Related-party Transactions

The related parties who have had transactions with the Company during the financial reporting period are as follows:

Name of related-party and relationship

Name of related party	Relationship with the Company
UOC America Holding Corporation	Subsidiary of the Company
UOC USA Inc.	Subsidiary of the Company
United Orthopedic Corporation (Suisse) SA	Subsidiary of the Company
United Orthopedic Japan Inc.	Subsidiary of the Company
A-Spine Asia Co., Ltd.	Subsidiary of the Company
Shinva United Orthopedic Corporation	Associate of the Company
United Medical Co., Ltd.	Associate of the Company
United Medical Instrument Co., Ltd.	Associate of the Company
United Medical Technology (Shanghai) Co.,Ltd.	Associate of the Company
Changgu Biotech Corporation	The Company is a shareholder of the company
Kazuya Oribe	The Company's subsidiary is its associate

Major transactions with related parties

1. Sales

	2020	2019
Subsidiary of the Company		
UOC America Holding Corporation	$133,514	$126,368
UOC USA Inc.	29,791	-
United Orthopedic Corporation (Suisse) SA	167,696	106,800
United Orthopedic Japan Inc.	33,769	30,620
A-Spine Asia Co., Ltd.	712	6,596
Associate of the Company		
Shinva United Orthopedic Corporation	264,595	125,429
United Medical Co., Ltd.	6,966	9,841
United Medical Instrument Co., Ltd.	23,871	134,807
United Medical Technology (Shanghai) Co.,Ltd.	9,507	2,693
The Company is a shareholder of the company		
Changgu Biotech Corporation	4,731	1,210
Total	$675,152	$544,364

The sales price offered by the Company to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Company may offer a longer credit period in consideration of the related parties' funding conditions.

2. Purchase

	2020	2019
Subsidiary of the Company		
UOC America Holding Corporation	$399	$1,847
United Orthopedic Corporation (Suisse) SA	-	9,267
United Orthopedic Japan Inc.	-	51
A-Spine Asia Co., Ltd.	-	705
Associate of the Company		
United Medical Co., Ltd.	50,927	40,134
United Medical Instrument Co., Ltd.	9,841	15,568
Total	$61,167	$67,572

The purchase price offered by the Company to related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

3. Operating expenses - Rent expense

	2020	2019
Subsidiary of the Company		
A-Spine Asia Co., Ltd.	$96	$96

4. Accounts receivable - Related parties

	2020.12.31	2019.12.31
Subsidiary of the Company		
UOC America Holding Corporation	$64,381	$78,551
UOC USA Inc.	29,614	-
United Orthopedic Corporation (Suisse) SA	254,744	218,537
United Orthopedic Japan Inc.	52,446	52,649
A-Spine Asia Co., Ltd.	-	1,341
Associate of the Company		
Shinva United Orthopedic Corporation	70,913	29,914
United Medical Co., Ltd.	1,463	2,597
United Medical Instrument Co., Ltd.	-	21,440
The Company is a shareholder of the company		
Changgu Biotech Corporation	-	748
Total	$473,561	$405,777

5. Accounts payable - Related parties

	2020.12.31	2019.12.31
Associate of the Company		
United Medical Co., Ltd.	$10,732	$6,937
United Medical Instrument Co., Ltd.	9,906	14,299
Total	$20,638	$21,236

6. Other receivables - Related parties

	2020.12.31	2019.12.31
Subsidiary of the Company		
UOC America Holding Corporation	$11	$14
United Orthopedic Corporation (Suisse) SA	240	13
A-Spine Asia Co., Ltd.	416	1,815
Associate of the Company		
Shinva United Orthopedic Corporation	-	5,409
Total	$667	$7,251

7. Other payables - Related parties

	2020.12.31	2019.12.31
Associate of the Company		
United Medical Co., Ltd.	$-	$32

8. Lending of funds

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

9. Endorsement/Guarantee

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

10. Remuneration for the Company's key management

	2020	2019
Short-term employee benefits	$21,332	$21,727
Share-based payments	4,440	4,428
Total	$25,772	$26,155

11. Other revenues

	2020	2019
Associate of the Company		
Shinva United Orthopedic Corporation	$4,247	$22,693

The Company intended to provide technical services to the affiliated company Shinva United Orthopedic Corporation in an amount of CNY 6,000,000 based on the agreement signed on January 23, 2019. As of December 31, 2020 and 2019, the Company received a technical service amount of NT$26,940,000 (CNY 6,000,000) on both dates, and after unrealized profit and loss of NT$0 thousand (CNY 0) and NT$4,247 thousand (CNY 987 thousand) was deducted, respectively, the amount recognized under other revenues is NT$4,247,000 (CNY 987,000) NT$22,693,000 (CNY 5,271,000).

12. Property transactions

Acquisition of equity from subsidiaries

(3) 2020

The Company acquired the equity of United Orthopedic Japan Inc. from Kazuya Oribe, an other related party of the Company, and the change of registration was completed on April 30, 2020. The number of acquired shares is 350 shares, and the purchasing proceeds was NT$1,151,000 (JPY 4,200,000). The aforementioned proceeds

(4) 2019

None.

VIII. Pledged Assets

The following table lists assets of the Company pledged as collaterals:

	Carrying amount		
Item	2020.12.31	2019.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$14,853	$12,704	Performance bond and import tariff guarantee
Property, plant and equipment - land and building	310,361	390,880	Comprehensive credit line
Property, plant and equipment - machinery and equipment	103,176	115,357	Comprehensive credit line
Total	$428,390	$518,941	

IX. Commitments and Contingencies

None.

X. Loss due to Major Disasters

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Categories of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at FVTPL	$28,453	$-
Financial assets measured at FVTOCI	52,544	2,083
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	554,008	299,521
Financial assets measured at amortized cost:	14,853	12,704
Notes receivable	1,593	3,041
Accounts receivable (including related parties)	706,806	668,376
Other receivables (including related parties)	2,953	8,967
Refundable deposits	16,700	18,591
Subtotal	1,296,913	1,011,200
Total	$1,377,910	$1,013,283

Financial liabilities

	2020.12.31	2019.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at FVTPL	$1,850	$3,250
Financial liabilities measured at amortized cost:		
Short-term loans	740,000	-
Receivables (including related parties)	357,850	343,389
Bonds payable (including bonds due within one year)	478,829	869,984
Long-term loans (including loans due within one year)	185,782	263,109
Lease liabilities	140,380	141,630
Guarantee deposit received	723	694
Subtotal	1,903,564	1,618,806
Total	$1,905,414	$1,622,056

2. Financial risk management objectives and policies

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

The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company shall comply with its financial risk management policies while managing its financial activities.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk, and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rate of U.S. dollar. The information on sensitivity analysis is as follows:

When NT dollar appreciates/depreciates against US dollar by 1%, the Company's profit or loss for the years ended December 31, 2020 and 2019 will increase/decrease by NT$1,703,000 and NT$2,106,000, respectively.

When NT dollar appreciates/depreciates against RMB by 1%, the Company's profit or loss for the years ended December 31, 2020 and 2019 will increase/decrease by NT$781,000 and NT$507,000, respectively.

When NT dollar appreciates/depreciates against EUR by 1%, the Company's profit or loss for the years ended December 31, 2020 and 2019 will increase/decrease by NT$3,230,000 and NT$2,711,000, respectively.

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the interest rate risk relates primarily to its investments with variable interest rates and bank loans with fixed and variable interest rates.

The Company manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, hedge account is not adopted.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps, and it was assumed that the said items had been held for a fiscal period; when the interest rates rose/fell by 0.1%, the Company's profit and loss in 2020 and 2019 would increase/decrease by NT$357,000 and decrease/increase by NT$49,000, respectively.

Equity price risk

The fair value of listed and unlisted equity securities held by the Company are susceptible to equity price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities include respective ones measured at FVTPL or measured at FVTOCI. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Corporation's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Company's interests for the years ended December 31, 2020 and 2019.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets and accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

The Company manages its credit risk in accordance with its credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Company's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by the Company by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

As of December 31, 2020 and 2019, the Company's top ten receivables from clients accounted for 73% and 65% of the Company's total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

5. Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2020.12.31					
Loans	$773,796	$54,907	$16,855	$82,169	$927,727
Payables	357,850	-	-	-	357,850
Convertible bonds	-	-	500,000	-	500,000
Lease liabilities	7,327	14,249	13,034	147,787	182,397
2019.12.31					
Loans	$37,599	$75,199	$37,040	$116,810	$266,648
Payables	343,389	-	-	-	343,389
Convertible bonds	400,000	-	500,000	-	900,000
Lease liabilities	10,039	14,845	13,215	145,391	183,490

6. Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
2020.1.1	$-	$263,109	$869,984	$694	$141,630	$1,275,417
Cash flows	740,000	(77,327)	(400,000)	29	(9,952)	252,750
Non-cash changes	-	-	8,845	-	8,702	17,547
2020.12.31	$740,000	$185,782	$478,829	$723	$140,380	$1,545,714

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Corporate bonds payable	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
2019.1.1	$743,619	$49,984	$450,889	$391,223	$198	$149,399	$1,785,312
Cash flows	(743,619)	(49,984)	(187,780)	500,000	496	(10,321)	(491,208)
Non-cash changes	-	-	-	(21,239)	-	2,552	(18,687)
2019.12.31	$-	$-	$263,109	$869,984	$694	$141,630	$1,275,417

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Company in measuring or disclosing the fair values of financial assets and liabilities:

A. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

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

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Company's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		Fair value	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Financial assets				
Financial assets measured at amortized cost:	$14,853	$12,704	$14,853	$12,704
Financial liabilities				
Corporate bonds payable	478,829	869,984	478,829	869,984

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Company

8. Derivatives

As of December 31, 2020 and 2019, the Company's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at FVTPL. Please refer to Note 6.13 for the contract information involved in this transaction.

For forward exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

9. Fair value hierarchy

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Company does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets measured at FVTPL				
Funds	$20,403	$-	$-	$20,403
Bonds	8,050	-	-	8,050
Measured at FVTOCI				
Equity instruments measured at fair value through other comprehensive income	49,800	-	2,744	52,544
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	1,850	-	1,850

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at FVTOCI				
Equity instruments measured at fair value through other comprehensive income	$-	$-	$2,083	$2,083
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	3,250	-	3,250

Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Company's assets and liabilities measured at fair value on a recurring basis.

Details on changes in repetitive Level 3 fair value hierarchy

For those of the Company's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Measured at FVTOCI
	Stock
2020.1.1	$2,083
Total profits (loss) recognized for 2020:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	661
2020.12.31	$2,744

	Measured at FVTOCI
	Stock
2019.1.1	$1,957
Total profits (loss) recognized for 2019:	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	126
2019.12.31	$2,083

Information on material unobservable input of Level 3 fair value hierarchy

For the Company's assets measured at repetitive fair value and categorized as Level 3 fair value hierarchy, the material unobservable input used toward fair value measurement is as follows:

December 31, 2020:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Measured at FVTOCI					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$298,000 (increase by NT$298,000)

December 31, 2019:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Measured at FVTOCI					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$297,000 (increase by NT$298,000)

Valuation of Level 3 fair value measurement

The Company's finance department is responsible to verify the fair value by using independent sources to make the valuations close to the market status and confirming that the sources used are independent, reliable, consistent with other resources, and representative of executable prices. The finance department is also responsible to analyze the changes in the value of assets and liabilities to be remeasured or reassessed according to the Company's accounting policies on each reporting day to make sure that the valuations are reasonable.

(3) Fair value hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value shall be disclosed

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$478,829	$-	$478,829

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$869,984	$-	$869,984

10. Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant assets and liabilities denominated in foreign currencies are listed below:

Unit: thousand dollars

	2020.12.31		
	Foreign currency	Exchange rates	NT$
Financial assets			
Monetary items:			
USD	$6,618	28.4300	$188,152
EUR	10,346	34.8200	360,263
JPY	194,066	0.2743	53,232
CHF	-	32.1800	-
CNY	22,682	4.3520	98,711
GBP	204	38.7000	7,878
Financial liabilities			
Monetary items:			
USD	$625	28.5300	$17,843
EUR	775	35.2200	27,300
JPY	3,525	0.2783	981
CHF	23	32.4300	753
CNY	4,688	4.4020	20,638
GBP	-	39.1000	-

	2019.12.31		
	Foreign currency	Exchange rates	NT$
Financial assets			
Monetary items:			
USD	$7,809	29.9300	$233,730
EUR	8,615	33.3900	287,646
JPY	275,474	0.2740	75,480
CHF	11	30.7800	343
CNY	15,450	4.2800	66,128
GBP	9	39.1500	334
Financial liabilities			
Monetary items:			
USD	$771	30.0300	$23,152
EUR	488	33.7900	16,500
JPY	3,410	0.2780	948
CHF	-	31.0700	-
CNY	3,561	4.3300	15,419
GBP	4	39.5700	138

As the Company transacts in numerous functional currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Company's foreign currency exchange gain (loss) from January 1 to December 31, 2020 and 2019 was NT$8,380,000 and NT$(11,347,000), respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Additional Disclosures

1. Information on significant transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.13 and Note 12 to the financial statements.

2. Information on investees: Please refer to Table 6.

3. Information on investments in Mainland China: Please refer to Table 7.

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

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 1. Capital financing to others as December 31, 2020:

Unit: NT$ 1,000

No.	Lending company	Borrower	Account item	Whether the recipient is a related party	Highest amount in current period	Ending balance (approved by the Board of Directors)	Actual expenditures	Interest range	Nature of capital financing	Business transaction amount	Reason for short-term financing	Appropriated amount for loss allowance	Collateral		Cap of capital financing for individual parties	Total loan limit
													Name	Value		
0	United Orthopedic Corporation	UOC America Holding Corporation	Accounts receivable - related parties	Yes	$40,000	$40,000	$-	0.48985%~1.0677%	Business nature	$133,514	None	$-	None	$-	$133,514	$265,170
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	96,915	96,915	69,729	0.48985%~1.0677%	Business nature	167,696	None	-	None	-	167,696	265,170
1	UOC America Holding Corporation	UOC USA ,Inc	Accounts receivable - related parties	Yes	40,000	40,000	-	0.48985%~1.0677%	Business nature	133,435	None	-	None	-	132,585	132,585
2	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	48,458	48,458	-	0.48985%~1.0677%	Business nature	155,264	None	-	None	-	132,585	132,585

Note 1: The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.
Note 2: Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.
Note 3: The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 2. Endorsements/Guarantees for others as of December 31, 2020:

Unit: NT$ 1,000

No.	Name of company providing endorsements/guarantees	Recipient of endorsements/guarantees		Limits on endorsements/guarantees for a single enterprise	Maximum endorsement/guarantee amount for the current period	Endorsements/guarantees balance at the end of the period	Actual expenditures	Property-secured endorsement/guarantee amount	Accumulated endorsement/guarantee amount to net worth in the financial statements	Maximum endorsement/guarantee amount	Endorsements/guarantees provided by parent company to subsidiaries	Endorsements/guarantees provided by subsidiaries to parent company	Endorsements/Guarantees for entities in Mainland China
		Company name	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	Wholly owned sub-subsidiary	$265,170	$227,840	$227,840	$128,160	$-	8.00%	$441,949	Y	N	N

Note 1: The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2020:

Unit: NT$ 1,000

Company holding shares	Type and name of securities (Note 1)	Relationship with the issuer of securities (Note 2)	Accounting item	End of period				Remark (Note 4)
				No. of shares/Unit	Carrying amount (Note 3)	Shareholding ratio	Fair value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of the company	Measured at FVTOCI .	477,568	$2,744	19.26%	$2,744	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of the company	Measured at FVTOCI .	500,000	49,800	0.03%	49,800	〃
	Bond funds							
United Orthopedic Corporation	PineBridge Global ESG Quantitative Bond Fund	-	Financial assets measured at fair value through profit or loss - current	1,967,710	20,403	*	20,403	〃
	Bonds							
United Orthopedic Corporation	Singtex Industrial Co., Ltd. Second Issuance of Unsecured Convertible Bonds	-	Financial assets measured at fair value through profit or loss - current	50	5,300	*	5,300	〃
United Orthopedic Corporation	Rossmax International Ltd. Second Issuance of Unsecured Convertible Bonds	-	Financial assets measured at fair value through profit or loss - current	25	2,750	*	2,750	〃

*The shareholding ratio is less than 0.01%.

Note 1: The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2: If the issuer is not a related party, this field is not required.

Note 3: For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount based on the original acquisition cost or amortized cost deducted by the cumulative impairment on the account.

Note 4: If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

Purchase (sales) company	Transacting party	Relationship	Transaction details				Unusual transaction terms and its reasons		Bills and accounts receivable (payable)		Remark
			Purchase (sales)	Amount	Ratio to total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total receivables (payable) (%)	
United Orthopedic Corporation	UOC America Holding Corporation	Parent/Subsidiary Company	Sales	$(133,514)	8.47%	90 days	Note	Note	$64,381	8.98%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(167,696)	10.64%	270 days	Note	Note	$254,744	35.55%	
United Orthopedic Corporation	Shinva United Orthopedic Corporation .	Associate	Sales	$(264,595)	16.79%	90 days	Note	Note	$70,913	9.90%	
UOC America Holding Corporation	UOC USA, Inc.	Subsidiary/Sub-subsidiary	Sales	$(133,435)	99.70%	90 days	Note	Note	$64,393	100.00%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Associate	Sales	$(155,264)	77.26%	90 days	Note	Note	$60,767	64.15%	

Note: The payment term in principle has no significant differences from general clients; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as of December 31, 2020:

Unit: NT$ 1,000

Company with accounts receivable	Name of transacting party	Relationship	Accounts receivable balance from related parties	Turnover rate	Overdue accounts receivable from related party		Amount received from related parties	Appropriated amount of allowance for doubtful accounts
					Amount	Handling method		
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	$254,744 (Note 1)	0.71	$-	-	$27,888	$-

Note 1: Should be related parties of receivables

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 6. Information on investees:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000

Name of Investor	Name of investee	Location	Main business items	Initial investment amount: End of the current period	Initial investment amount: End of previous year	Holding at the end of period: Number of Shares	Holding at the end of period: Ratio	Holding at the end of period: Carrying amount	Net (loss) gain of the investee in current period	Investment (loss) gain recognized in current period	Remark
United Orthopedic Corporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$286,986	$356,086	9,380	100 %	$132,502	$(6,129)	$(6,129)	Subsidiary
				(USD 9,380)	(USD 11,500)	(Note 6)					
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96%	144,370	(29,767)	(44,366)	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note 2)					
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	65,202	105,294	36,658	88%	24,621	(29,374)	(24,578)	Subsidiary
				(JPY 179,724)	(JPY 369,500)	(Note 4).					
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,480	386,480	10,089,696	75%	566,803	30,389	18,288	Subsidiary
						(Note 5).					
UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, wholesale	285,606	356,086	13,861,016	100 %	257,553	(5,528)	(5,528)	Sub-subsidiary
				(USD 9,360)	(USD 11,500)	(Note 1)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100 %	10,128	(13,073)	(13,073)	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note 2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100 %	269,614	6,721	6,721	Sub-subsidiary
				(EUR 8,782)	(EUR 8,782)	(Note 3)					
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	17,194	17,194	500	100 %	3,109	(11,767)	(11,767)	Sub-subsidiary
				(EUR 500)	(EUR 500)	(Note 3)					
A-Spine Asia Co., Ltd.	Pauline Medical Co., Ltd.	Taiwan	Trading, wholesale	-	4,800	-	-	-	(871)	(871)	Sub-subsidiary
				(Note 7)							

Note 1: The face value per share is USD 0.68.

Note 2: The face value per share is CHF 1,000.

Note 3: The face value per share is EUR 1,000.

Note 4: The face value per share is JPY 3,507.

Note 5: The face value per share is TWD 10.

Note 6: The face value per share is USD 1,000.

Note 7: A subsidiary of the Company, A-Spine Asia Co., Ltd., caried out a short-form merger with Pauline Medical Co., Ltd. on December 31, 2020.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 7. Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Name of investee company in Mainland China	Main business items	Actual paid-in capital	Investment method	Cumulative investment remitted from Taiwan at the beginning of the period	Amount remitted or recollected in current period		Cumulative investment remitted from Taiwan at the end of the period	Net (loss) gain of the investee in current period	The Company's shareholding ratio through direct or indirect investments	Income (loss) for this period	Carrying amount of investment at end of period	Accumulated repatriation of investment income as of the end of the period
					Remit	Recollect						
Shinva United Orthopedic Corporation	Production and sales of implants and artificial joints	$1,436,694 (CNY 300,000,000)	(Note 1)	$704,464 (CNY 147,000,000)	$-	$-	$704,464 (CNY 147,000,000) (Note 2)	$(29,118)	49%	$(14,268)	$569,487	$-

Cumulative investment remitted from Taiwan to Mainland China as of end of period	Investment amount approved by the Investment Commission, MOEA	Ceiling of investment in Mainland China imposed by the Investment Commission, MOEA
$704,464 (CNY 147,000,000)	$704,464 (CNY 147,000,000)	$1,755,018

Note 1: Direct investment in Mainland China.

Note 2: Including technical value of CNY 30,000,000.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 7-1. Significant transactions directly or indirectly invested by the Company through third-region companies and reinvested companies in Mainland China:

(1) Purchase amount and percentage, and ending balance of accounts payable and percentage:

Unit: NT$ 1,000

Year	Name of transacting party	Company name	Purchase amount	Percentage to the Company's purchase	Ending balance of accounts payable	Percentage
2020	United Orthopedic Corporation	United Medical Co., Ltd.	$50,927	15.89%	$10,732	11.37%
2020	United Orthopedic Corporation	United Medical Instrument Co., Ltd.	9,841	3.07%	9,906	10.50%

(2) Sales amount and percentage, and ending balance of accounts receivable and percentage:

Year	Name of transacting party	Company name	Sales amount	Percentage to the Company's sales	Ending balance of accounts receivable	Percentage
2020	United Orthopedic Corporation	United Medical Instrument Co., Ltd.	$23,871	1.51%	$-	0.00%
2020	United Orthopedic Corporation	United Medical Co., Ltd.	6,966	0.44%	1,463	0.20%
2020	United Orthopedic Corporation	Shinva United Orthopedic Corporation	264,595	16.79%	70,913	9.90%
2020	United Orthopedic Corporation	United Medical Technology (Shanghai) Co.,Ltd.	9,507	0.60%	-	0.00%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:

None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:

None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:

None.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 9. Disclosure of information on major shareholders:

Shareholding / Shareholder's Name	Number of Shares Held	Shareholding ratio
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. As for the share capital recorded in the Company's financial reports and the Company's actual number of shares delivered registration of non-physical securities, there may be differences between the two due to differences in the basis of the calculation.

Note 2: If the aforementioned information concerns shareholders registering their shareholding as insider holding more than 10 percent of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to the Market Observation Post System for information on insider equity registration.

VI. Impacts of financial difficulties the Company and affiliated companies have for the most recent year and up to the publication date of the Annual Report on the Company's financial status: None.

Chapter 7 Review and Analysis of Financial Status and Financial Performance and Risk Assessment Matters

I. Analysis of financial status

Consolidated Financial Statements

Comparative analysis of financial conditions

Unit: NT$1,000

Item \ Year	2020	2019	Increases (decreases)	Increase/decrease ratio (%)
Current assets	2,619,590	2,313,600	305,990	13.23
Investments accounted for using equity method	569,487	564,805	4,682	0.83
Property, plant and equipment	1,429,199	1,488,791	(59,592)	-4.00
Intangible assets	526,189	500,251	25,938	5.18
Other assets (Note 1)	442,737	377,157	65,580	17.39
Total assets	5,587,202	5,244,604	342,598	6.53
Current liabilities	1,679,211	1,262,533	416,678	33.00
Non-current liabilities	982,961	1,048,143	-65,182	-6.22
Total liabilities	2,662,172	2,310,676	351,496	15.21
Capital	883,898	904,209	-20,311	-2.25
Additional paid-in capital	1,756,071	1,827,683	-71,612	-3.92
Retained earnings	274,976	217,357	57,619	26.51
Other equity	(96,186)	(122,523)	26,337	-21.50
Non-controlling equity	106,271	107,202	-931	-0.87
Total equity	2,925,030	2,933,928	-8,898	-0.30

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets and other non-current assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years
  Increase in investment accounted for using the equity method: Mainly due to the increase in investment in Mainland China this year.
  Decrease in current liabilities: Mainly due to the YoY increase in short-term borrowings in this year and the decrease in corporate bonds that will mature or due to exercise the put options within one year or one operating cycle.
  Increase in retained earnings: Mainly due to the increase in this year's profit and special reserve than those of last year.
  Increase in other equity: Mainly due to the increase in the translation of the financial statements of foreign operations in this period compared to last year as well as employees of new restricted employee shares failed to earn remuneration.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: Not applicable.

Parent Company Only Financial Statement

Comparative analysis of financial conditions

Unit: NT$1,000

Item \ Year	2020	2019	Increases (decreases)	Increase/decrease ratio (%)
Current assets	1,919,484	1,707,132	212,352	12.44
Investment accounted for using equity method	1,437,783	1,407,105	30,678	2.18
Property, plant and equipment	928,922	1,013,441	(84,519)	-8.34
Intangible assets	146,574	109,440	37,134	33.93
Other assets (Note 1)	402,132	318,319	83,813	26.33
Total assets	4,834,895	4,555,437	279,458	6.13
Current liabilities	1,172,814	808,161	364,653	45.12
Non-current liabilities	843,322	920,550	(77,228)	-8.39
Total liabilities	2,016,136	1,728,711	287,425	16.63
Capital	883,898	904,209	(20,311)	-2.25
Additional paid-in capital	1,756,071	1,827,683	(71,612)	-3.92
Retained earnings	274,976	217,357	57,619	26.51
Other equity	(96,186)	(122,523)	26,337	-21.50
Total equity	2,818,759	2,826,726	(7,967)	-0.28

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets and other non-current assets.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

  Increase in intangible assets: Mainly due to the increase in capitalization of research and development expenses compared with the previous year in accordance with the provisions of section 57 of IAS 38 Intangible Assets in this year.

  Increase in other assets: Mainly due to the Company's investment in Chailease Finance Co., Ltd. this year and the increase of long-term receivables - related parties comparing with that of the previous year.

  Increase in current liabilities: Mainly due to the YoY increase in short-term borrowings in this year and the decrease in corporate bonds that will mature or due to exercise the put options within one year or one operating cycle.

  Increase in retained earnings: Mainly due to the increase in this year's profit and special reserve than those of last year.

  Increase in other equity: Mainly due to the increase in the translation of the financial statements of foreign operations in this period compared to last year as well as employees of new restricted employee shares failed to earn remuneration.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: Not applicable.

II. Financial Performance

Consolidated Financial Statements

Comparison and analysis table for financial performance

Unit: NT$1,000

Item \ Year	2020	2019	Increases (decreases)	Ratio of changes (%)
Net revenue	2,342,226	2,436,700	(94,474)	-3.88
Operating costs	700,189	714,201	(14,012)	-1.96
Gross profit before adjustment	1,642,037	1,722,499	(80,462)	-4.67
Realized (unrealized) sales profit and loss	4,760	14,042	(9,282)	-66.10
Gross profit	1,646,797	1,736,541	(89,744)	-5.17
Operating expenses	1,556,919	1,655,106	(98,187)	-5.93
Operating profit	89,878	81,435	8,443	10.37
Non-operating income and expenses	19,277	9,306	9,971	107.15
Net profit before tax	109,155	90,741	18,414	20.29
Income tax expenses	(7,843)	(18,955)	11,112	-58.62
Current net income	101,312	71,786	29,526	41.13
Other comprehensive income or loss (net value after tax) in this period	14,224	(39,094)	53,318	-136.38
Total amount of comprehensive income (loss) for this period	115,536	32,692	82,844	253.41
Net profit attributable to parent company in this period	101,828	88,584	13,244	14.95
Total net profits and losses attributable to parent company in this period	115,677	48,135	67,542	140.32

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

Increase in realized (unrealized) sales profit and loss: Mainly due to the decrease in realized sales profit in Mainland China.

Increase in non-operating income and expenses: Mainly due to the foreign exchange gain arising from exchange rate fluctuation in the current year, which caused foreign exchange loss in the previous year, and the fact there was the subsidy arising from COVID-19 in the current year. Also, in the previous year, there was other income generated by the amortization of technology stocks, and the overall other income decreased compared with that of the previous year.

Increase in net profit before tax: Mainly due to decrease in operating expenses as compared to last year and increase in foreign exchange gains as compared to last year.

Decrease in income tax expenses: Mainly due to the tax effect generated by subsidiary's capital reduction to offset deficits, causing reduction in income tax expenses.

Increase in net profit for the period: Mainly due to the decrease in operating expenses as compared to last year and the increase in foreign exchange gains as compared to last year.

Increase in other comprehensive income (net value after tax) in this period: Mainly due to the increase in the exchange loss on translation of the financial statements of foreign operations, and the appreciation of CNY profits earned by investees in China that are accounted for using equity method.

Increase in total comprehensive income: Mainly due to the increase in net profits as a result of an increase in expense and foreign exchange profit of operating units and sales units; an increase in other comprehensive income as a result of an increase in exchange profit on translation of financial statements of foreign operations and increase in profits denominated in CNY earned by investees accounted for using equity method in Mainland China as a result of appreciation of that currency.

Increase in total net profits and losses attributable to parent company in this period: Mainly due to the increase in the exchange loss on translation of the financial statements of foreign operations, and the appreciation of CNY profits earned by investees in China that are accounted for using equity method, generating exchange profits.

- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales: The Company expands in Europe, U.S, Japan, and Mainland China markets through products of its proprietary brand and its continuous launch of new products is expected to sustain the growth.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: Not applicable.

Analysis of changes in gross profit: Increase/decrease ratio has not reached 20%, and analysis is thus not required.

Parent Company Only Financial Statement

Comparison and analysis table for financial performance

Unit: NT$1,000

Item \ Year	2020	2019	Increases (decreases)	Ratio of changes (%)
Net revenue	1,576,014	1,576,184	(170)	-0.01
Operating costs	788,029	734,972	53,057	7.22
Gross profit before adjustment	787,985	841,212	(53,227)	-6.33
Realized (unrealized) sales gain	(29,918)	46,769	(76,687)	-163.97
Gross profit	758,067	887,981	(129,914)	-14.63
Operating expenses	617,569	713,110	(95,541)	-13.40
Operating profit	140,498	174,871	(34,373)	-19.66
Non-operating income and expenses	(36,069)	(87,270)	51,201	-58.67
Net profit before tax	104,429	87,601	16,828	19.21
Income tax expenses	(2,601)	983	(3,584)	-364.60
Current net income	101,828	88,584	13,244	14.95
Other comprehensive income or loss (net value after tax) in this period	13,849	(40,449)	54,298	-134.24
Total amount of comprehensive income (loss) for this period	115,677	48,135	67,542	140.32

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years

  Decrease in realized (unrealized) sales profit and loss: Mainly due to growth i in sales revenue of subsidiaries, leading to an increase in unrealized sales profit and loss.

  Increase in non-operating income and expenses: Mainly due to the foreign exchange gain arising from exchange rate fluctuation in the current year, which caused foreign exchange loss in the previous year, and investment losses of subsidiaries decreased as compared to the previous year.

  Increase in income tax expenses: Mainly due to the temporary deferred income tax arising from investments in the US and Japanese subsidiaries in the previous year, resulting in income tax benefits, and the deferred income tax expenses generated by the difference between the actual loss deduction of this year and the actual loss of the current year, resulting in an increase in overall income tax expenses.

  Increase in other comprehensive income (net value after tax) in the current period: Mainly due to the profit generated from fluctuation in foreign exchange rate for subsidiaries and associates that are accounted for using equity method.

  Increase in total comprehensive profit and loss for the period: Mainly due to the decrease in operating expenses for the current year as compared with the previous year, and the exchange rate fluctuations generated exchange benefits and the investment losses of each subsidiary decreased compared with that of the previous year, and the profit generated from fluctuation in foreign exchange rate for subsidiaries and associates that are accounted for using equity method.
- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales: The Company expands in Europe, U.S, Japan, and Mainland China markets through products of its proprietary brand and its continuous launch of new products is expected to sustain the growth.
- Impact of changes in the financial status in the most recent two years: No significant impact on the financial status.
- Future response plan: Not applicable.

Analysis of changes in gross profit: Increase/decrease ratio has not reached 20%, and analysis is thus not required.

III. Cash Flow

Consolidated Financial Statements

Cash Flow Analysis

Unit: NT$1,000

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (deficit)	Remedial measures for cash inadequacy	
				Investing plan	Financing plan
538,122	500,534	(199,726)	838,930	None	None

- Analysis of the changes in cash flow this year:
  The cash inflow from operating activities was mainly due to the decrease in accounts receivable, inventories and accounts payable - related parties, and the increase of accounts receivable - related parties.
  The cash outflow from investing activities was mainly due to the investments in preferred stocks, bond funds, convertible funds, and expenses in acquisition of machinery and equipment.
  Cash inflows from financing activities are mainly due to the increase in short-term loans. Cash outflows are mainly due to repayments of long-term loans, corporate bonds, distribution of cash dividends, and repurchasing of treasury stocks.
- Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.
- Analysis of cash liquidity for the following year: Not applicable.

Parent Company Only Financial Statement

Cash Flow Analysis

Unit: NT$1,000

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (deficit)	Remedial measures for cash inadequacy	
				Investing plan	Financing plan
299,528	498,336	(243,847)	544,017	None	None

- Analysis of the changes in cash flow this year:
  The cash inflow from operating activities was mainly due to the decrease in accounts receivable, inventories, and accounts payable - related parties, and the increase in accounts receivable - related parties and profits.
  The cash outflow from investing activities was mainly due to the investments in preferred stocks, bond funds, convertible funds, and expenses in acquisition of machinery and equipment for the US and Japanese subsidiaries, as well as in intangible assets.
  Cash inflows from financing activities are mainly due to the increase in short-term loans. Cash outflows are mainly due to repayments of long-term loans, corporate bonds, distribution of cash dividends, and repurchasing of treasury stocks.

- Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.
- Analysis of cash liquidity for the following year: Not applicable.

IV. The impact of major capital expenditures in the most recent year on the Company's finance: None.

V. Policy on re-investment in other companies, main reasons for profit or losses resulting therefrom, improvement plans and investment plans for the upcoming fiscal year

Investee Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
UOC America Holding Corporation	100%	Indirect investments in U.S through third region	The majority of the profits of the holding company is sourced from the gains and losses of the investment.	None	None
UOC Europe Holding SA	96%	Indirect investments in Europe through third region	The majority of the profits of the holding company is sourced from the gains and losses of the investment.	None	None
United Biomech Japan	88%	Market proximity	Several major product registrations have been completed, and there are still some complementary products currently in the process of applying for certification. Expansion of market share and sales campaigns have been actively executed.	None	None
A-Spine Asia Co., Ltd.	75%	A-Spine Asia enters the market of spinal products in response to the Company's strategy for business diversification	Actively expands spinal products in Taiwan and international markets.	None	None
Shinva United Orthopedic Corporation	49%	Shinva United Orthopedic Corporation works with Shinva Medical Instrument Co., Ltd to expand the sales of domestic and imported products in the market of Mainland China in response to Mainland Chinese	It has built a comprehensive marketing system and domestic products to expand market shares.	None	None

		government's Made in China policy.			
UOC USA,Inc. (Note 1)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None
United Orthopedic Corporation (Suisse) SA (Note 2)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None
United Orthopedic Corporation (France) (Note 2)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None
United Orthopedic Corporation (Belgium) (Note 2)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None
Boiling Medical Co., Ltd. (Note 3)	100%	A-Spine Asia enters the market of spinal products in response to the Company's strategy for business diversification	Actively expands the spine products into the Taiwan market.	None	None

Note 1: It is a reinvestment of UOC America Holding Corporation, a subsidiary of the Company.
Note 2: It is a reinvestment of UOC Europe Holding SA, a subsidiary of the Company.
Note 3: It is a reinvestment of For the re-investment of A-Spine Asia Co., Ltd., a subsidiary of the Company. It went through a short-form merger with A-Spine Asia Co., Ltd., on January 1, 2021.

VI. Risk assessments shall evaluate the following items for the most recent year and up to the publication date of the Annual Report

(I) The Impacts of interest rates, exchange rate fluctuation and inflation situation on the company's profit and loss, and the future countermeasures:

(1) Impact from interest rate changes

In recent years, interest rates in the global market have been declining, so the risk is relatively low. The USD is expected to decline, so the increase rate should not be high in a mild and gradual manner. If there are more significant fluctuations in future interest rates, the Company shall use other capital market fund raising tools to raise funds. We shall closely monitor Interest rate status and consider using fixed or floating Interest rate for loans to hedge against the risks of interest rate fluctuations.

(2) Impact from exchange rate changes

The Company's sales revenue denominated in foreign currency in 2020 accounted for 59.7% of the total sales revenue, while the purchase of major imported raw materials denominated in foreign currency accounted for 76.9% of the annual purchases. On the whole, the Company relies on the principle of natural hedging and continuously monitors the fluctuation of the market exchange rate, and tries to minimize the possible risks that changes in the exchange rate might do to the Company.

(A) The effect of changes in exchange rates on the Company's revenue for the last three years, as follows:

Unit: NT$1,000; %

Year / Item	2020	2019	2018
Net currency exchange gain (loss)	3,562	(3,195)	4,796
Net revenue	2,342,226	2,436,700	2,332,247
Operating (loss) gain	89,878	81,435	84,800
Net foreign exchange profits (losses)/Net operating income profits (losses)	0.15%	-0.13%	0.21%
Net foreign exchange profits (losses)/Operating profits (losses)	3.96%	-3.92%	5.66%

(B) Specific measures in response to changes in exchange rates:

a. The business units would first evaluate the trends of currencies and consider the impact of changes in exchange rate before making a quote to the customer, and the business unit would take a more robust and conservative exchange rate as the basis for the quote, so that the impact of appreciation and depreciation of NTD is minimized for the orders.

b. Open an foreign currency account at the banks to keep the foreign currency for the needs of foreign currency. Exchange the remittance of sales into NTD in accordance with actual exchange rate and deposit it in NTD account or foreign currency account. Foreign currencies that are earned from the exports are preferred to used when paying for the import to reduce the impact of changes in foreign exchange.

c. Collect information with regards to changes in foreign exchange at any time and fully grasp the domestic and international exchange rate movements to adjust the ratio of foreign currency assets and liabilities, so that the exchange rate fluctuations have a natural hedge effect.

(C) Impact from inflation

The inflation for the most recent year has no impact on the profits and losses on the Company. The Company will keep a close watch at the flunctuation of the market prices and maintain a good relationship with the suppliers and the customers and and collect the information of the inflation and government pricing policy.

(II) Policies on high risk, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

(1) The Company is not engaged in high risk or highly leveraged investments for the most recent year.

(2) As of March 31, 2021, the actual loan amount taken out by the Company in accordance of the Procedures for Loaning of Funds for the reinvestment of United Orthopedic Corporation (Suisse) SA, a sub-subsidiary of the Company, was EUR 2,418,000.

(3) As of March 31, 2021, the Company has taken out a loan from the bank that is worth US$4,500,000 with joint liability for UOC USA, Inc, a reinvested company registered under a subsidiary, in accordance with the Operating Procedures for Endorsements and Guarantees.

(4) The Company engages in the trading of derivatives products. As of March 31, 2021, there are no future transactions of derivative products that has not been settled.

(III) Future R&D projects and estimated R&D expenditures:

Unit: NTD

Plan title	Progress	Required additional R&D expenses	Time expected to complete mass-production	Main reasons that would affect the success of R&D
Double movement acetabular system and tool (Dual Mobility Cup)	Mass production under development	631,000	2021/6/18	Integrated inner lining and ball-shaped design for inner mirror surface polishing
U-Motion II EXPE Liner expansion	Regulatory application in progress	69,000	2021/7/30	Metal acetabular cup strength design
U2 Restricted Tibial Insert	Regulatory application in progress	3,125,000	2021/9/30	Products certification in wearing performance
3D-printed implant systems and tools	In design and research	5,100,000	2022/4/30	Microporous structural design
Shoulder joint systems and tools	In design and research	27,474,000	2023/1/30	Development of elipsoid mirror surface manufacturing process combined with mechanism design
Non-cement fixed femoral end implants and patella element	In design and development	15,200,000	2023/5/3	Small-sized cobalt molybdenum-coated sintering process development and asymmetrical surface sintering process development
Modular stems and tools	In design and development	10,015,000	2023/10/31	Combine mechanism and the corresponding corrosion phenomenon
Metal module double movement acetabula system and tool	In design and development	15,517,000	2024/6/24	Combination mechanisms and corresponding intensity and corrosion phenomenon

(IV) Impacts of changes in the important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures: None.

(V) Impacts of recent technological and market changes on the Company's finance and business, and response measures: None.

(VI) Impacts of corporate image change on risk management and response measures:

Ever since the Company has been listed in September 2004, the Company has always upheld professionalism and integrity of the operating principles, paid attention to corporate image and risk control, and made positive contributions to the Company's visibility and improvements of image, sound management of the Company, and sustainability of the Company. The Company will continue to operate in maximum efficiency to retrieve the best interest and share the results with all shareholders and employees. Thus, there are no major events that would have an impact on the company's corporate image.

(VII) Potential risks and rewards associated with M&A and the response measures: Not applicable.

(VIII) Potential impact associated with capacity expansion and the response measures: Not applicable.

(IX) The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures:

The Company's purchase and sales are not relatively focused on specific manufacturers or clients.

(X) The impacts and risks arising from major exchange or transfer of shares by Directors, Supervisors or shareholders with over 10% of stake in the Company and the countermeasures:

The Directors, Supervisors or shareholders of more than 10% of the Company's shares do not have any substantial transfers or changes in the shares of the Company for the most recent year and as of the publish date of the annual report. Thus, it did not have any significant impact on the Company.

(XI) Effects of, risks relating to and response to the changes in management rights: Not applicable.

(XII) Litigation and non-litigation events:

(1) Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving the Company for the most recent two years and as of the publication date of the annual report, which might have a significant impact on the shareholders' equities or price of securities: None.

(2) Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving Directors, Supervisors, General Manager, responsible person, and stockholders holding more than 10% of this Company's shares in the last two years and up to the publication date of this Annual Report that might have a significant impact on shareholders' equity or securities prices: None.

(XIII) Information security risk assessment and countermeasures: For the implementation of information security management, the Company has formulated an "Information Security Management Policy" to ensure the security of information such as data, systems, equipment and networks.

The Company has established network firewalls, anti-virus software, mail security mechanisms, system backup mechanisms, and regularly performs system updates and other operations to ensure the safety of information equipment in the Company. In response to information security risks, the Company carries out relevant countermeasures and preventive methods to enhance colleagues ’information security skills and thereby reduce information security risks.

(XIV) Other Material Risks and Response Measures: None.

VII. Other Important Matters: None.

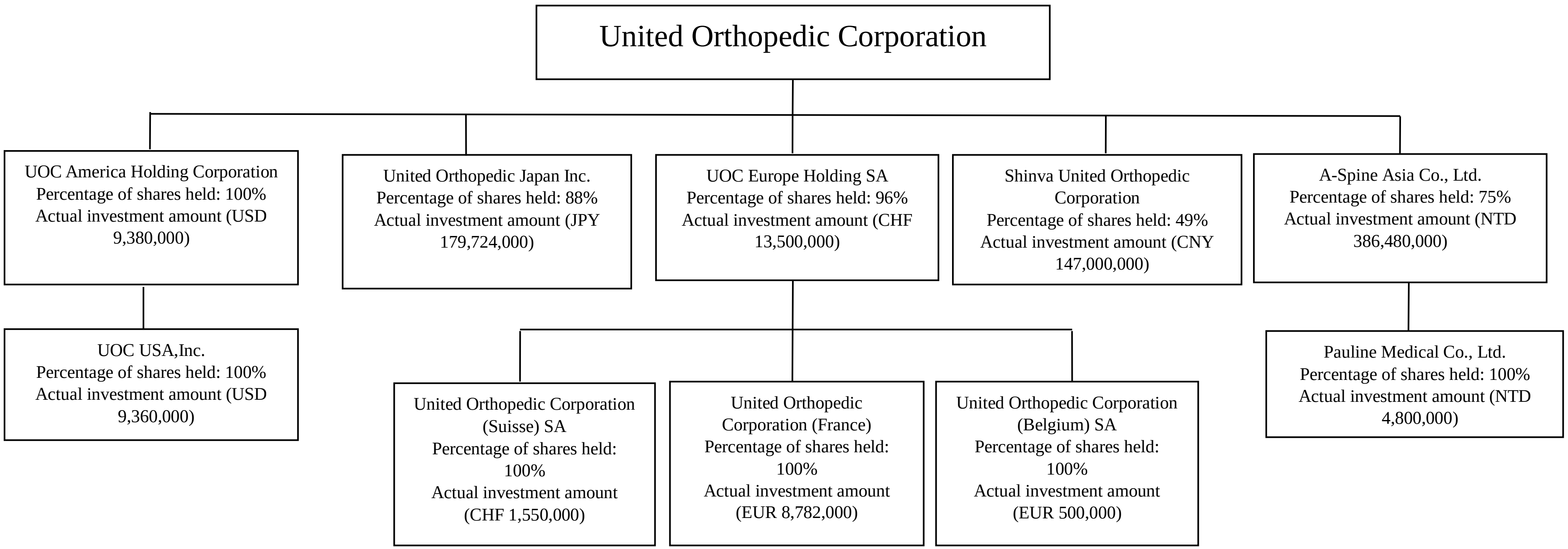
Chapter 8 Special Items

I. Relevant information on affiliated companies

(I) Consolidated Operation Report of Affiliated Companies

1. Organization structure of affiliated companies

December 31, 2020



2. Basic information of various affiliated companies

Unit: thousand dollars

Name of company	Date of Incorporation	Address	Actual paid-in capital	Main business items
UOC America Holding Corporation	2012.05.10	Note 4(1)	USD9,380	Investment and trading business
UOC USA,Inc.	2012.07.19	Note 4(2)	USD 9,360	Sales of medical equipment
UOC Europe Holding SA	2016.05.23	Note 4(3)	CHF 14,000	Investment and trading business
United Orthopedic Corporation (Suisse) SA	2016.06.29	Note 4(4)	CHF 1,550	Sales of medical equipment
United Orthopedic Corporation (France)	2016.07.05	Note 4(5)	EUR 8,782	Sales of medical equipment
United Orthopedic Corporation (Belgium) SA	2019.07.11	Note 4(6)	EUR 500	Sales of medical equipment
United Orthopedic Japan Inc.	2016.08.05	Note 4(7)	JPY 145,740	Sales of medical equipment
Shinva United Orthopedic Corporation	2016.01.13	Note 4(8)	CNY 300,000	Manufacture and sales of orthopedic equipment
A-Spine Asia Co., Ltd.	2001.06.15	Note 4(9)	NTD 134,710	Manufacturing and sales of medical equipment
Pauline Medical Co., Ltd.	2010.04.13	Note 4(10)	NTD 4,800	Sales of medical equipment

Note 1: All affiliated companies shall disclosed regardless of their sizes.

Note 2: For all affiliated companies that have plants, and the production value of products of the plants worth more than 10% of the operating income of the holding company, the name of the plants, founding dates, addresses, the main productions of the plants shall also be listed.

Note 3: If the affiliated company is a foreign company, the title of the company and the address may be shown in English, and the founding date may also be expressed in Gregorian calendar. The paid-in capital may be expressed in foreign exchange (However, the exchange rate as of the publish date shall be listed).

Note 4: (1) Portcullis TrustNet Chambers, P.O.Box 3444, Road Town, Tortola, British Virgin Islands.
(2) 20 Fairbanks, Suite 173, Irvine CA 92618
(3) Avenue Général Guisan 60A, 1009 Pully
(4) Avenue Général Guisan 60A, 1009 Pully, Switzerland.
(5) 7 Allée des Peupliers, 54180 Houdemont, France
(6) 5000 Namur, Rue du Lombard, numéro 67.
(7) 2-9-40 Kitayuki Nishi-ku Ginyo Building, Yokohama
(8) No. 1999, Luxin Road, High-tech Zone, Zibo City, Shandong Province
(9) 20F., No. 80, Sec. 1, Chenggong Road, Yonghe District, New Taipei City
(10) 20F., No. 80, Sec. 1, Chenggong Road, Yonghe District, New Taipei City

3. Companies presumed as having control and subordinate relationships in accordance with Article 369-3 of the Company Act:
   According to the organization chart above, the Company's affiliated companies are all subsidiaries of the Company.

4. Industries that are covered by affiliated companies and their distribution of work if the businesses of affiliate companies are interconnected with others:
   (1) Industries that the affiliated companies are generally involved with: Mainly for orthopedic artificial implants, surgical equipment manufacturing and sales.
   (2) Distribution of work if the businesses of affiliated companies are interconnected with others: The Company also invested in UOC America Holding Corporation, and indirectly invested in UOC USA, Inc. in 2012. We use UOC USA, Inc. as the marketing operation in the US. The marketing model adopted is a dealer and direct selling to quickly establish a complete marketing system to increase market share. The Company also invested in Shinva United Orthopedic Corporation in 2016 for production and sales of artificial joints in Mainland China

to respond to the 2025 Made in China policy by Mainland Chinese government. It also imports the artificial joints of the Company to build a comprehensive marketing system and increase market share. The Company invested in UOC Europe Holding SA in 2016, which in turn invested in United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France). Indirect investment in United Orthopedic Corporation (Belgium) SA in 2019 was made to establish sales bases in Switzerland, France, and Belgium in Europe region. By simultaneously adopting the distribution method and direct sales method, the Company aimed to achieve sustained high growth in the European market and accelerate the expansion of market share. At the same time, the Company invested in United Orthopedic Japan Inc. in 2016 as a sales and operation base in Japan. United Orthopedic Japan Inc. has completed product registration and started marketing and sales activities in 2019. The Company invested in A-Spine Asia Co., Ltd. in 2017 in response to the Company's strategy of business diversification. We were looking to quickly enter the spine product market through mergers and acquisitions to accelerate the development of spine products in Taiwan and international markets, as well as boosting the Company's revenue and profit.

5. Information of Directors, Supervisors and General Managers in all affiliated companies:

Name of company	Title (Note 1)	Name or representative	Shares held	
			Number of Shares	Shareholding ratio
UOC America Holding Corporation	Director	Lin, Yan-Shen	9,380	100%
UOC USA, Inc.	Chairman	Lin, Yan-Shen	13,861,016	100%
UOC Europe Holding SA	Chairman	Lin, Yan-Shen	13,500	96%
United Orthopedic Corporation (Suisse) SA	General Manager	Bopp François	1,550	100%
United Orthopedic Corporation (France)	General Manager	Bopp François	8,782	100%
United Orthopedic Corporation (Belgium) SA	General Manager	Bopp François	500	100%
United Orthopedic Japan Inc.	Chairman	Tetsuhiko Niwa	36,658	88%
Shinva United Orthopedic Corporation	Chairman	Cui Hongtao	147,000,000	49%
A-Spine Asia Co., Ltd.	Chairman	Lin, Yan-Shen	10,089,696	75%
Pauline Medical Co., Ltd.	Chairman	Chen, Wei-Hsiung	480,000	100%

Note 1: If the affiliated company is a foreign company, list those whose job position is equivalent.
Note 2: If the invested company is a joint-stock company, please list the amount of stocks and shareholding ratio. For others, please list the capital contribution and contribution ratio and make a note on that.

6. Operating status of affiliated companies:

Unit: NT$1,000

Name of company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (after tax/NT$)
UOC America Holding Corporation	286,986	320,128	64,619	255,509	133,834	(1,084)	(6,129)	-
UOC USA,Inc.	283,905	574,767	319,453	255,314	351,418	424	(5,528)	-
UOC Europe Holding SA	436,770	335,091	11,014	324,077	0	(11,650)	(29,767)	-
United Orthopedic Corporation (Suisse) SA	49,987	366,735	356,607	10,128	200,950	(17,480)	(13,073)	-

United Orthopedic Corporation (France)	310,304	434,267	164,642	269,625	332,591	845	6,721	-
United Orthopedic Corporation (Belgium) SA	17,194	37,765	34,657	3,108	7,777	(11,667)	(11,767)	-
United Orthopedic Japan Inc.	40,971	120,377	73,791	46,586	58,095	(29,085)	(29,374)	-
Shinva United Orthopedic Corporation	1,436,694	1,347,913	129,013	1,218,900	403,971	6,675	(29,118)	-
A-Spine Asia Co., Ltd.	134,710	542,262	243,572	298,510	363,231	33,214	30,389	2.26
Pauline Medical Co., Ltd.	4,800	5,643	0	5,643	9,073	(485)	(871)	-

Note 1: All affiliated companies shall disclosed regardless of their sizes.
Note 2: If the affiliate company is a foreign company, all relevant numbers shall be expressed in NTD by using the exchange rate as of the publish date.
Note 3: The exchange rates for the balance sheet are as the following:
1 USD = 28.840 NTD, 1 CNY = 4.377 NTD,
1 EUR = 35.020 NTD, 1 CHF = 32.305 NTD,
1 EUR = 1.084 CHF, 1 CHF = 0.9225 EUR,
1 JPY = 0.2763 NTD
The exchange rates for the income statement are as follows:
1 USD = 29.230 NTD, 1 CNY = NTD 4.341,
1 EUR = 34.305 NTD, 1 CHF = 31.615 NTD,
1 EUR =1.0851 CHF, 1 CHF = 0.9216 EUR,
1 JPY = 0.2762 NTD

(II) Reports of all entities: Please refer to the consolidated financial report.

II. For private issuance of marketable securities in the most recent year and up to the publication date of the Annual Report, the Company shall disclose the approval date and amount of the shareholders' meeting or the Board of directors meeting, the basis and rationale of the pricing, the selection method of specific person and the necessary reasons for private issuance: None.

III. Holding or disposal of this Company's shares by a subsidiary company in the most recent year, up to the publication date of the Annual Report: None.

IV. Other necessary supplementary information: None.

Chapter 9 Any event that results in substantial impact on the shareholders’ equity or prices of the Company’s securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year, up to the printing date of this report: None.

United Orthopedic Corporation

Chairman: Lin, Yan-Sheng