Stock Code: 4129

United Orthopedic

2021 Annual Report

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Address: 7F, No.85, Sec 2, Nanking E. Road,Zhongzheng District,TaipeiCity
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V. Overseas Trade Places for Listed Negotiable Securities and the Inquire Method of Overseas Securities Information
Not applicable

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 2022 Annual General Meeting of the United Orthopedic Corporation. I would like to welcome everyone on behalf of the Company.

I. 2021 Operating Results

(I) Implementation of Business Plan

In 2021, net operating revenue of the Company was NT$1,682,232 thousand, representing an increase of 6.7% from NT$1,576,014 thousand in 2020, consolidated net operating revenue was NT$2,570,866 thousand, a 9.8% increase from NT$2,342,226 thousand in 2020; profit after tax was NT$52,877 thousand, representing a decrease of NT$48,435 thousand from NT$101,312 thousand in 2020.

(II) Budget execution

The Company's undisclosed budget amount and overall operating conditions were roughly the same with the original operating plan for 2021 in accordance with the current laws.

(III) Consolidated income and expenses and profitability analysis

(1) Consolidated income and expenses

Unit: NT$1,000

Item	2021	2020
Current Period Net Profit	52,877	101,312
Cash Inflow from Operating Activities	342,069	500,534
Cash Outflow from Investing Activities	(186,721)	(299,542)
Cash Inflow from Financing Activities	(321,984)	107,106
Increase(Decrease)in Cash and Cash Equivalents	(200,247)	300,808
Opening Balance of Cash and Cash Equivalents	838,930	538,122
Ending Balance of Cash and Cash Equivalents	638,683	838,930

(2) Consolidated profitability analysis

In 2021, revenue of the Company was NT$2,570,866 thousand, an increase from NT$2,342,226 thousand in 2020, profit after tax was NT$52,877 thousand, representing a decrease of NT$48,435 thousand from NT$101,312 thousand in 2020; the earnings per share was NT$0.37, a decrease from NT$1 in 2020. The decrease was mainly attributed to exchange rate loss and increasing loss from the investments in Mainland China from the previous year.

(IV) Research and Development Status

The Group's research and development funds in 2021 included ongoing research and development costs of NT$168,755 thousand, representing a decrease of NT$30,720 thousand from 2020 and accounting for 6.6% of revenue in 2021. The decrease was mainly attributed to the delayin development progress of certain products in response to the COVID-19 pandemic.

II. Overview of 2022 Business Plan

(I) Business Strategy

A. As the artificial orthopedic joint operation is non-urgent of nature, such operation is affected by COVID-19 pandemic worldwide. The Company's sales see both increase and decrease in different areas. If the pandemic is controlled and many countries adopt the policy of coexisting with the pandemic, the whole artificial orthopedic joint sales will be recovered to the level of the previous years. In 2021, the Company achieved a good result in high-end markets such as the USA and Europe. If the pandemic is controlled, our revenue will achieve positive results in 2022 based on the previous achievements.

B. The Company's product matrix could meet the market needs in terms of quality, function and diversification. In 2022, we will launch new high-end product research and development plan to work with American expert consultants. Through such cooperation, we will launch new products better aligning with the high-price medical needs. The promotion and sales work will be rolled out after the product launch, in virtue of the influence of consultant physicians. The R&D projects will kick off such as the knee joint system with highly porous coating, modular shoulder system, modular femoral stems for revision of hip joint to upgrade the Company's product matrix to a new level.

C. Despite the pandemic, the Company will continuously expand its sales both domestically and internationally. The online product promotion and training activities will be organized at the sales areas. The international experts will be invited to attend offline meetings to exchange on the United products. Physicians are invited to share the operation process and their research results to increase United products' reputation and credibility. With the recovery of the pandemic and launch of promotional activities, we will expand and develop more markets.

(II)Estimated Sales Volume and Supporting Information

Unit: Pieces

Main products	Expected sales target for 2022
	Quantity
Artificial joints	315,540pcs

Spinal products	168,054pcs

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

The sales targets for 2022 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 ongoing surge of the COVID-19 pandemic worldwide, the Company has taken a more conservative and steady approach on the supply perspective of production capacity. With the pandemic gradually controlled in the future, the Company has new product launches and newly added sales network in place to moderately expand production capacity to meet the demand of market sales.

III. Future Corporate Development Strategy

With a history of over 28 years, United is devoted to becoming an independent Taiwan brand, which is the only goal of the Company, aiming at the artificial joint market with a value of around US$18 billion, to win more market shares with better artificial joint products. With the efforts over the yeas, we believe that United's artificial joints reach international standards in terms of functions, effectiveness and specification. Relied on its R&D capacity, United is capable to launch new products and compete with leading manufacturers, which product performance is not inferior to those produced by the top four manufacturers with around 80% of global market share. Despite several years of efforts, we only own less than one percent of global market share mainly due to lacking reputation. Compared to those top four manufacturers with over 80-100 years of development, United only has nearly 30 years of development history. In particular, those four manufacturers build a monopolistic market position. It is difficult to challenge such four manufacturers. How to expand the market and introduce United artificial joints to worldwide orthopedic surgeons is the biggest challenge. So, we will strengthen the market, marketing and services in the future. United has sold its products in Taiwan for over 20 years, and Taiwan is also a major market for United. Taiwanese orthopedic surgeons know United brand and its services. Thanks to their trust and recognition for after-surgery effect, United ranks second in Taiwan market and occupies around one quarter market share, only second to a US manufacturer. The market share of other three manufactures leave behind of United. It is illustrated that as long as with opportunities customers will recognize the clinical effect of United products. How to copy the experience with Taiwanese physicians to the global market is our goal. In addition to Taiwan headquarters and Mainland sales channels re-invested by the United, United has expanded its presence by setting up the European branch in Switzerland, subsidiaries in UK, France and Belgium, directly operating branches in USA and Japan. These directly operating branches diligently explore the market through contacting physicians. Although United is a small brand based in Taiwan, United introduces its products to physicians with the joint efforts of all employees. Upon investment and efforts over years, United has achieved a positive growth in directly operated countries. More and more international physicians know and use United products. United will deliver excellent results in the foreseeable future. In addition to directly operating branches, United employs agents in around 30 countries to promote United artificial joints. With more physicians using United artificial joints, United will significantly increase its market share worldwide.

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

Although artificial joints industry is an industry with high threshold, the internationally leading manufacturers have dominated competitive advantages. The physicians' trust on such leading manufacturers and their use habits are hardly challenged by small manufacturers, like United. However, under the efforts of United sales team, more and more physicians are satisfied with United's products after operation. They increasingly know United's advantages and support United. This is advantage for United. The world's leading manufacturers have their production, research and development in Europe and USA, and their high-end medical devices are very expenses. United has advantages in costs and price. It is evidenced that although the Company is small, it still has its international competitiveness.
In face of the increasingly stringent regulations on medical device in various jurisdiction in recent years, no matter the US FDA, EU CE Mark, China CFDA and Taiwan TFDA, all tend to have stricter management. However, all manufacturers are required to follow regulations. United's quality has aligned with international standards and is capable of addressing any challenges with large manufacturers.

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 and may encounter some unintended adverse effects occasionally, such as the recent COVID-19 pandemic and the political, economic turmoil in Central and South America and appreciation of Taiwan dollars. To deal with these uncontrollable external shocks, the Company will take into account risk diversification 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 Overview

1993	•The Company was incorporated with registered capital of NT$27,500,000.
1994	•The registered capital is NT$112,250,000. •"United"United Total Hip System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No.000587. •First clinical used United 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. License No.: Department of Health Medical Production No.000630.
1997	•The registered capital is NT$116,125,000. •"United Pin"has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 000659. •"United"UKNEE Total Knee System products have received marketing authorization from the Department of Health. License 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. License No.: Department of Health Medical Machine Production No.000691.
1998	•"United UKNEE Total Knee System" has been awarded innovative product award of Science-Based Industrial Park in 1997. •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. License No.: Department of Health Medical Machine Production No.000716. •"United" Greater trochanter has received marketing authorization from the Department of Health. License 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 certificationISO 9001/EN46001. • GMPwell-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. License No.: Department of Health Medical Machine Production No. 000884. •"United 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 Intramedullary Nair 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 United 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 ISO13485: 1996version. •"United" UKNEE Total Knee System, Mobile has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 001038. •"United" Unify Femur Plate System has received marketing authorization from the Department of Health. License 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. License No.: Department of Health Medical Machine Production No. 001071. •"United" Ustar System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 001119. •"United" Ustar System - hip joint has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 001144. •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. License No.: Department of Health Medical Machine Production No. 001396. •"United" Ceramic Femoral Head has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No.001397. •"United" U2 CUP(HA coating)& CUP LINERhave 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. License 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. License No.: Department of Health Medical Machine Production No. 002134. •"United" Century Spinal System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 002254. •<u>Soft tissue fixation structure of proximal tibial component</u> has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. License No.: ZL 200620007486.2. •<u>The surgery tools for operating UKNEE Total Knee System</u> has been awarded utility model title patent rights by the State Intellectual Property Office of the People's Republic of China. License No.: ZL 200620139229.4. •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. License No.: Department of Health Medical Machine Production No. 002396. •"UNITED" Round Mesh System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 002498. •"United" Express Lumbar Cage System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 002512. •"United" Booster Anterior Cervical Plate System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 002547. •"United" Express Peek Cage System has received marketing authorization from the Department of Health. License 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. License 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. License No.: Department of Health Medical Machine Production No. 002662. •"United" Unify Femur Plate System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 002676. •"United" Ustar System - shoulder joint has received marketing authorization from the Department of Health. License 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. License 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. License No.: Department of Health Medical Machine Production No. 003187. •"United" Ceramic Femoral Head has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 003331. •"United" wedged bone has received marketing authorization from the Department of Health. License 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. License No.: Department of Health Medical Machine Production No. 003619. •"United" Ustar System - hip joint has received marketing authorization from the Department of Health. License 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. License No.: Department of Health Medical Machine Production No. 003969. •"United" U-MOTION Acetabular Component II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 003977. •"United" Greater trochanter II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 004220. •"United" BIOLOX OPTION Ceramic Femoral Head has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production 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. License No.: Department of Health Medical Machine Production No. 004248.

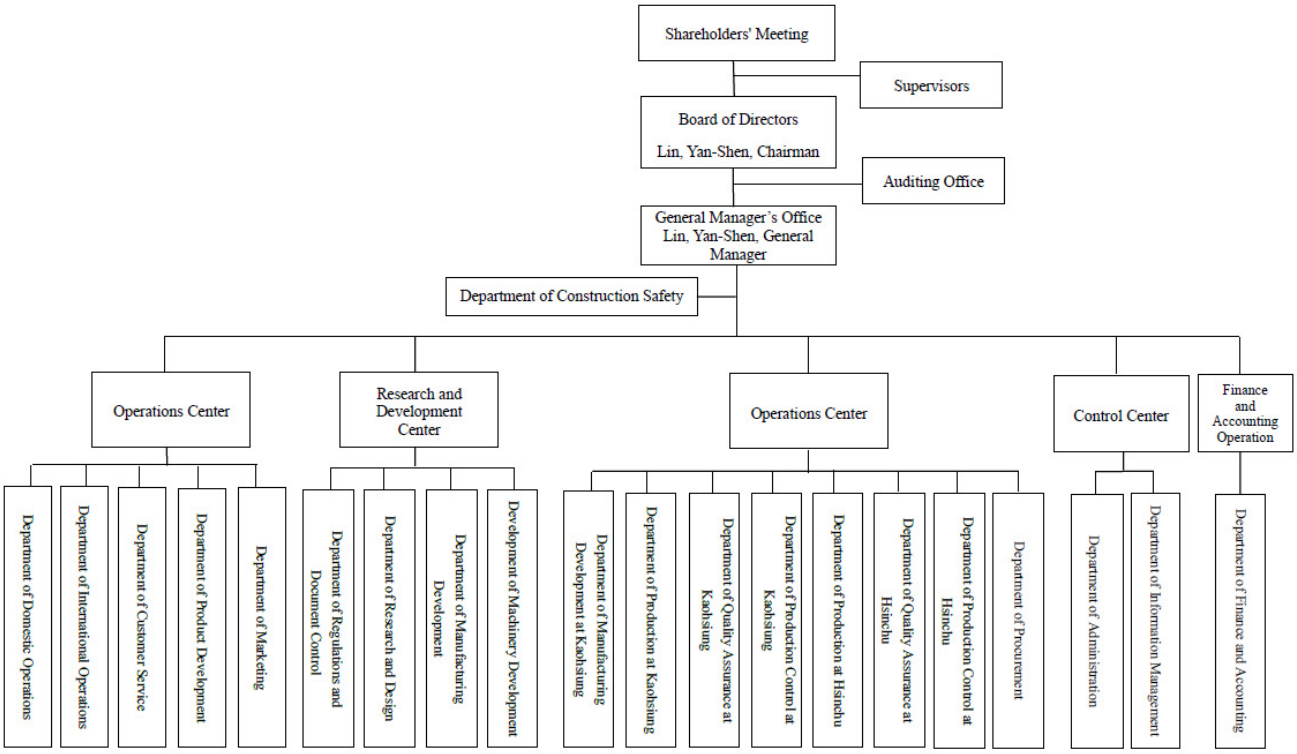
	•"United" FENCE Anterior Staple Fixation System has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 004512. •"United" E-XPE Cemented Cup has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 004678. •"United" Slimfit Anterior Cervical Plate System II has received marketing authorization from the Department of Health. License No.: Department of Health Medical Machine Production No. 004697. •"United" E-XPE Cemented Hip Stem has received marketing authorization from the Department of Health. License 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. License 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. License No.: Utility No.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. License No.: Utility No.M495826.
2015	•"United" U2 Total Knee System - Full Polyethylene Tibial Components have received marketing authorization from the Department of Health. License 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. License 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. License No.: ZL 2012 1 0353196.3. •Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 8926621 B2. •Structure Improvement of an Orthopaedic Implant of an Artificial Knee Joint Acetabular Cup Inserter has been awarded patent rights by United States Patent and Trademark Office. Patent No. US 9044327 B2. •Stacked tibial pad test piece STACK-UP ASSEMBLY FOR TIBIAL INSERT TRIALwarded 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. License 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 sub-subsidiaries, 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. License No.: Utility No.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. License 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".
2021	•Ustar gen-2 reconstruction joint replacements for oncology won Taiwan Excellence Awards Gold Prize.

Chapter 3 Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Responsibilities and functions of major departments

Department	Major functions
President'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.
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 consultant physicians and assisting with clinical discussion and solution plans. Product sales analysis and market research and data analysis, company brand image and social media management, production of product education and training materials, and planning and implementation of product education and training. Formulation of brand guidelines, assisting in the implementation of marketing plans, visual integration of company logos, documents and product marketing materials, and management and implementation of web design, and the design and production of auxiliary products.
Research and Development Center	The planning, design and development, theoretical research, validation, model validation, model production, CAM programming, engineering and production management, product testing, material quality standards, heat treatment specifications of 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. Directors, Supervisors, President, Vice President, Assistant Vice Presidents and Managers of Departments and Branches

(I) Directors and supervisors

(1) Information on directors and supervisors

April 23, 2022

Title	Nationality or Place of Registration	Name	Gender Age	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 Common Stocks	%	Number of Common Stocks	%			Title	Name	Relationship	
							Number of Preferred Stocks		Number of Preferred Stocks		Number of Preferred Stocks		Number of Preferred Stocks							
Chairman and President	R. O. C.	Lin, Yan-Shen	Male 71-80 years old	2020.06.16	3 years	1993.03.05	2,512,000	3.12%	2,772,441	3.55%	584,000	0.75%	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 71-80 years old	2020.06.16	3 years	2008.06.13	1,905,743	2.37%	1,905,743	2.44%	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 61-70 years old	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 Vice President, 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 61-70 years old	2020.06.16	3 years	2005.06.16	1,401,139	1.74%	1,470,139	1.88%	0	0.00%	0	0.00%	The Hong Kong Polytechnic University ROLM (IBM) HK LIMITED Managing Director MEDTRONIC SOFAMOR DANEK CHINA-Country Manager STRYKER PACIFIC LTD Vice president Director, Onlycare Medical Company Ltd.	Person In Charge, United Medical Instrument Co., Ltd. Person In Charge, United Medical Technology (Shanghai) Co., Ltd. Person In Charge, Shanghai Lian-Yun Biology Co., Ltd. Director of World Vision China Foundation Limited Director, Onlycare Medical Company Ltd. Director, Shinva United Orthopedic Corporation	None	None	None	-
							130,286	1.30%	130,286	1.30%	0	0.00%	0	0.00%						
Director	R.O.C.	Lee, Chi-Fung	Female 61-70 years old	2020.06.16	3 years	2020.06.16	450,000	0.56%	700,000	0.90%	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%	0	0.00%						
Director	R. O. C.	Lin, Te-Chien	Male 41-50 years old	2020.06.16	3 years	2020.06.16	960,461	1.19%	1,052,461	1.35%	0	0.00%	0	0.00%	Bachelor in Engineering, National Taiwan University Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. MSI Computer SARL Managing Director MSI Iberia Managing Director	UOC USA Inc. President	Chairman	Lin, Yan-Shen	father and son	-
							88,000	0.88%	88,000	0.88%	0	0.00%	0	0.00%						
Independent Director	R. O. C.	Liu, Chien-Lin	Male 71-80 years old	2020.06.16	3 years	2020.06.16	80,482	0.10%	80,482	0.10%	0	0.00%	0	0.00%	Medical Graduate, National Defense Medical Center Director of Orthopedics Department and Deputy Dean of Medical Care, Taipei Veterans General Hospital Professor and Director of Orthopedics, National Yang-Ming University Dean, Lotung Poh-Ai Hospital Chairman, Taiwan Spine Society Chairman, Taiwan Orthopaedic Association	Consultant doctor, Taipei Veterans General Hospital Consultant doctor, Cheng Hsin General Hospital Professor, 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	-
							107,505	1.07%	107,505	1.07%	0	0.00%	0	0.00%						
Independent Director	R. O. C.	Lee, Kun-Chang	Male 51-60 years old	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor in Management (Accounting and Financial Management Division), National Central University Master in Accounting, Soochow University Committee Member of Taiwan Corporate Governance Association CEO, Premier Think Tank Co., Ltd. CEO, Fintech Development Center of Business School, Soochow University	Dean of Academic Affairs, Soochow University Professor of Accounting, Soochow University Professor, Graduate Institute of Law, Soochow University Independent Director, Eastern Media International Corporation Independent Director, Tatung Fine Chemicals Co.	None	None	None	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Independent Director	R. O. C.	Wu, Meng-Ta	Male 51-60 years old	2020.06.16	3 years	2020.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master, Graduate Institute of Accounting, National Taiwan University Bachelor in Accounting, National Chengchi University Director, Taipei City CPA Association Director of PwC Taiwan Team Leader, Deloitte & Touche Member of Audit Standard Committee, Accounting Research and Development Foundation Independent Director, Gourmet Master Co., Ltd.	Partnership CPA, Crowe (TW) CPAs Lecturer, Department of Accounting Information, National Taipei University of Business Independent Director, FunYours Technology Co., Ltd. The National Federation of CPA Associations of the R.O.C. -Committee Member of Evaluation and Forensic Accounting Committee	None	None	None	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						

Note 1: The chairman and president 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.

(2)Major shareholders of institutional shareholders:

①Major shareholders of institutional shareholders: None.

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

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

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

Condition / Name	Professional Qualifications and Experiences (Note 1)	Independence (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lin, Yan-Shen	Have over 30 years of international marketing experience in orthopedic medical devices for independent brands, Job Titles: Manager of 3M Company, Chairman of Chuan-Yi Investment Inc . Serve as a professional manager on the board of directors for strategic communication and advice on business management, put forward and exchange on the relevant management advice. Has the practical skills in industry-related business planning, operation and management. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None
Lin, Chun-Sheng	Possess professional work experience in industry business and commerce area. Now, serve as Director, United Orthopedic Japan Inc . Job Titles: Director, Chuan-Yi Investment Inc., Vice Chairman of United Orthopedic Corporation and Vice Chairman of UMP Medical Device Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None
Hau, Hai-Yen	Possess professional work experience in commerce, marketing and business. Director, Sincere Medical Imaging Co. Ltd., Independent Director, Walton Advanced Engineering, Inc. Job Titles: Vice President, Financial Business Group of the Institute for Information Industry, Chairman, Integrate Information System Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	1
Ng Chor Wah Patrick	Possess professional work experience in commerce, marketing and industrial business. Person In Charge, Unted Medical Instrument Co., Ltd. Job Titles: Vice President, Stryker Pacific Ltd., Director, Onlycare Medical (Shanghai) Company Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None

Lee, Chi-Fung	Possess professional work experience in commerce and business. Person In Charge, Chi-Yi Investment Co. Ltd. Job Titles: Project Manager, China Management Consultant Inc. Not under any of the circumstances stated in Article 30of the Company Act.	Non-independent-director, not applied.	None
Lin, Te-Chien	Possess professional work experience in commerce, marketing and industrial business. President, UOC USA Inc. Job Titles: Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None
Liu, Chien-Lin	Have expertise in orthopedic scoliosis treatment, corrective surgery, spinal fracture and trauma surgery. Consultant doctor, Taipei Veterans General Hospital. Job Titles: President of Lotung Poh-Ai Hospital, Deputy Dean of Administration, Taipei Veterans General Hospital, President of Taiwan Orthopaedic Association Have professional experience and expertise in related areas and be able to provide professional opinions on the Company's technology research and development. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliated enterprises; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliated enterprises in the recent 2 years.	None
Lee, Kun-Chang	Possess insights into governance, financial analysis, industrial development and technology application. Dean of Academic Affairs, Soochow University. Job Titles: Auditing Department, Deloitte & Touche, CEO of Premier CPAs Firm, CEO of Premier Think Tank Co., Ltd., Director of Accounting Department, Soochow University, CEO of Franklin Fintech Development Center, School of Business, Soochow University. Exchange on corporate management strategies at the board meeting and put forward related management opinions. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliated enterprises; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliated enterprises in the recent 2 years.	2
Wu, Meng-Ta	Have experience in accounting, and have passed the national examination required for CPAs with the Certificate of Professional and Technician. CPA, Crowe (TW) CPAs Job Titles: Lecturer of Ming Chuan University, Council Member of Taipei CPA Association, Deputy Director Member of the National Federation of CPA Associations of the R.O.C. His expertise in finance and accounting facilitates to enhance the quality of corporate governance of the board and the functions of audit committee. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliated enterprises; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliated enterprises in the recent 2 years.	1

②Diversity and independence of the Board of Directors:

Diversity of the Board of Directors:

The Company upholds and respects a policy of director diversity so as to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors. We believe that the diversity policy will enhance the overall performance of the

Company. The appointment of board members is based on a merit-based approach. The board members come from diversified background with supplementary skills across different industries. They meet basic composition requirements and also have their own industrial experience and related skills, as well as capabilities in business determination, operating management, leadership, decision-making and crisis management. To strengthen the functions of the Board of Directors and achieve the ideal objectives of corporate governance, the Board of Directors as a whole shall possess the following capabilities as set out in Article 3 of the Procedures for Election of Directors: 1. Business determination capacity 2. Accounting and financial analysis capacity 3. Operating management capacity 4 Crisis management capacity
5. Industrial knowledge 6. International market vision 7. Leadership 8.Decision-making capacity

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

Core Diversity / Name of Director	Basic composition										Industrial experience				Professional capabilities			
	Nationality	Gender	Employee status	Age				Length of service as independent directors			Professional service and marketing	Finance	Business and supply	Medical professional	Legal	Medical	Accounting	Risk management
				41-50 years	51-60 years	61-70 years	71-80 years	Less than 3 years	3-6 years	6-9 years								
Lin, Yan-Shen	R.O.C.	Male	ˇ	-	-	-	ˇ	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Lin, Chun-Sheng	R.O.C.	Male	-	-	-	-	ˇ	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Hau, Hai-Yen	R.O.C.	Male	-	-	-	ˇ	-	-	-	-	-	-	ˇ	-	-	-	-	ˇ
Ng Chor Wah Patrick	R.O.C.	Male	-	-	-	ˇ	-	-	-	-	ˇ	ˇ	ˇ	-	ˇ	-	-	ˇ
Lee, Chi-Fung	R.O.C.	Femal e	-	-	-	ˇ	-	-	-	-	-	ˇ	ˇ	-	-	-	-	ˇ
Lin, Te-Chien	R.O.C.	Male	-	ˇ	-	-	-	-	-	-	ˇ	-	ˇ	-	-	-	-	ˇ
Liu, Chien-Lin (independent director)	R.O.C.	Male	-	-	-	-	ˇ	ˇ	-	-	ˇ	-	ˇ	ˇ	-	ˇ	-	ˇ
Lee, Kun-Chang (independent director)	R.O.C.	Male	-	-	ˇ	-	-	ˇ	-	-	ˇ	ˇ	ˇ	-	-	-	ˇ	ˇ
Wu, Meng-Ta (independent director)	R.O.C.	Male	-	-	ˇ	-	-	ˇ	-	-	ˇ	ˇ	ˇ	-	-	-	ˇ	ˇ

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

② The average tenure of directors is 3~6 years, of them, 3independent directors have a tenure less than3 years. Except for director Ng Chor Wah Patrick, other directors are R.O.C. citizens; the composition is 3 independent directors 33%; 1 director as an employee 11%. The age breakdown of directors is 1 director at 41-50 ages, 2 directors at 51-60 years, 3 directors at 61-70 yearsand 2 directors at 71-80 years. Apart from mentioned above, the Company pays attention to gender equality in board structure. This board has 1 female members, accounting for 11%. In the future, the Company will increase the proportion offemale directors.

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

Independence of the Board of Directors:

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

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

Please refer to Pages11-13 for information about all directors and their resume, including their relationship (if any).

(II) President, Vice President, Assistant Vice Presidents and Managers of Departments and Branches

April 23, 2022

Title (Note 1)	Nationality	Name	Gender	Dated Elected	Shareholding (Shares): Number of Common Stocks / Number of Preferred Stocks	%	Shares Held by Spouse and/or Minor Children: Number of Common Stocks / Number of Preferred Stocks	%	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preferred Stocks	%	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: Title	Name	Relationship	Remarks (Note 3)
President	R. O. C.	Lin, Yan-Shen	Male	2008.06.30	2,772,441	3.20%	584,000	0.75%	0	0.00%	Public Relations, Shih Hsin University Manager, 3MCompany, USA Chairman, Chuan-YiInvestment 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%						
Vice President	R. O. C.	Liau, Jiann-Jong	Male	2016.07.01	134,013	0.17%	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.	None	None	None	-
					14,201	0.14%	0	0.00%	0	0.00%						
Vice President and Directorof Operations Center	R. O. C.	Peng, Yu-Hsing	Female	2016.10.01	109,653	0.14%	0	0.00%	0	0.00%	Bachelor in Statistics, Tamkang University Financial Manager, Chuan-Yi Investment Inc. Chairman, Taiwan Home Care Co., Ltd.	Director, United Orthopedic Japan Inc.	None	None	None	-
					0	0.00%	0	0.00%	0	0.00%						
Research and Development Center Head of the Division	R. O. C.	Ho, Fang-Yuan	Female	2016.07.01	26,419	0.03%	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%						
Operations Center Head of the Division	R. O. C.	Chou, Chin-Lung	Male	2016.07.01	65,165	0.08%	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 Secretary-General, Taiwan Titanium Metal Association	None	None	None	None	-
					4,551	0.05%	0	0.00%	0	0.00%						

Operations Center Head of the Division	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. 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%						
Department of Finance and Accounting Head of the Division	R.O.C.	Deng, Yuan-Chang	Male	2016.10.03	16,360	0.02%	0	0.00%	0	0.00%	Bachelor in Business Administration, Tamkang University Department of Administration, University of Illinois Finance Department, Visera Technologies Co., Ltd. Pihsiang Machinery MFG. Co., Ltd. Supervisor, A-SPINE Asia Co., Ltd. Director of United Orthopedic Japan Inc.	None	None	None	None	-
					0	0.00%	0	0.00%	0	0.00%						

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

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

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

Note 4: The chairman and president 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 president and vice presidents 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; 2021

Title	Name	Remuneration of Directors								Ratio of Total Amount of A, B, C, and D to Net Income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Amount of A, B, C, D, E, F, and G to Net Income (Note 10)		Compensation from investees other than the company's subsidiaries or Parent Company (Note 11)
		Remuneration (A) (Note 2)		Retirement Pension (B)		Remuneration of Directors (C) (Note 3)		Business Execution Fees (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Retirement Pension (F)		Employee Remuneration (G) (Note 6)						
		The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements(Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies inthe Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements(Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements(Note 7)	The Company		Companies in the Consolidated Financial Statements(Note 7)		The Company	Companies in the Consolidated Financial Statements(Note 7)	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Lin, Yan-Shen	0	0	0	0	0	0	1,440	1,440	2.8%	2.8%	7,096	17,878	0	0	447	0	447	0	17.2%	37.8%	None
Director	Lin, Chun-Sheng																					
Director	Hau, Hai-Yen																					
Director	Ng Chor Wah Patrick																					
Director	Lee, Chi-Fung																					
Director	Lin, Te-Chien																					
Independent Director	Lee, Kun-Chang																					
Independent Director	Wu, Meng-Ta																					
Independent Director	Liu, Chien-Lin																					

1. Please specify the Independent Director's remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the factors, such as their job responsibilities, risks, and time contributed: 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.Other than disclosures in the table above, remuneration paid to Directors for providing services (such as consulting services as a non-employee for the parent company/all companies in the financial statements/reinvestments) in the most recent year:

Table of Remuneration Ranges

1. 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, Hau, Hai-Yen, Lee, Chi-Fung, Lin, Te-Chien, Lee, Kun-Chang, Wu, Meng-Ta, Liu, Chien-Lin	Lin, Yan-Shen, Lin, Chun-Sheng, Ng Chor Wah Patrick, Hau, Hai-Yen, Lee, Chi-Fung, Lin, Te-Chien, Lee, Kun-Chang, Wu, Meng-Ta, Liu, Chien-Lin	Lin, Chun-Sheng, Ng Chor Wah Patric, Hau, Hai-Yen, Lee, Chi-Fung, Lin, Te-Chien, Lee, Kun-Chang, Wu, Meng-Ta, Liu, Chien-Lin	Lin, Chun-Sheng, Ng Chor Wah Patrick, Hau, Hai-Yen, Lee, Chi-Fung, Lee, Kun-Chang, Wu, Meng-Ta, Liu, Chien-Lin
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,
NT$10,000,000 (included)~NT$15,000,000 (not included)	None	None	None	Lin, Te-Chien
NT$15,000,000 (included)~NT$30,000,000 (not included)	None	None	None	None
NT$30,000,000 (included)~NT$50,000,000 (not included)	None	None	None	None
NT$50,000,000 (included)~NT$100,000,000 (not included)	None	None	None	None
More than 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 president or vice presidents, please complete this table and table (3-1) or the below table (3-2-1) and (3-2-2).

Note2: 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.

Note4: 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.

Note5: Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as the president, vice president, other managerial officer or regular employee) over the past year and includes salary, additional compensation, severance pay, various bonuses, incentive pay, travel expenses, special disbursements, various allowances, living quarters, and company car. If 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.

Note6: Refers to employee's remuneration (including stock or cash) received by directors who are also employed by the Company (including the president, vice presidents, 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.

Note7: The total remuneration provided by all the companies (including the Company) to the Company's directors must be disclosed in the consolidated financial statement.

Note8: 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.

Note9: 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.

Note11: 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 inColumn I in Table of Remuneration Ranges and the name of the column shall be changed to"Parent Company and All Invested Companies" accordingly.

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

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

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

Unit: NT$1,000; 2021

Title	Name	Remuneration of Supervisors						Ratio of Total Amount of A, B and C to NetIncome(Note8)		Compensation from investees other than United's subsidiaries or Parent Company (Note9)
		Remuneration (A)(Note2)		Compensation (B)(Note3)		Business Execution Fees (C)(Note4)				
		The Company	Companies in theConsolidated Financial Statements (Note5)	The Company	Companies in theConsolidated Financial Statements (Note5)	The Company	Companies in theConsolidated Financial Statements (Note5)	The Company	Companies in theConsolidated Financial Statements (Note5)	
None	None	None	None	None	None	None	None	None	None	None

Table of Remuneration Ranges

Range of Remuneration to Supervisors	Name of Supervisor	
	Total (A+B+C)	
	The Company(Note 6)	Companies in the Consolidated Financial Statement (Note7) D
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)	None	None
NT$5,000,000 (included)~NT$10,000,000 (not included)	None	None
NT$10,000,000 (included)~NT$15,000,000 (not included)	None	None
NT$15,000,000 (included)~NT$30,000,000 (not included)	None	None
NT$30,000,000 (included)~NT$50,000,000 (not included)	None	None
NT$50,000,000 (included)~NT$100,000,000 (not included)	None	None
More than NT$100,000,000	None	None
Total	0 person	0 person

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

Note2: 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.

Note4: 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.

Note5: The total remuneration provided by all the companies (including the Company) to the Company's supervisors must be disclosed in the consolidated financial statement.

Note6: The remuneration distributed to each supervisor is disclosed as a range and the names of the supervisors are disclosed by range of compensation received.

Note7: 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.

Note8: Net income refers to net income (after tax) of the parent company's financial statements or individual financial statements for the most recent year.

Note9: 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).

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

(3)Remuneration of the President and Vice Presidents

Unit: NT$1,000; 2021

Title	Name	Remuneration (A)(Note2)		Retirement Pension (B)		Bonuses and Special Expenses (C)(Note3)		Profit Sharing Employee Bonus (D)(Note4)				Ration of Total Amount of A,B, CandDtoNet Income (%)(Note8)		Parent Companies and All Invested Companies (Note 9)
		The Company	Companies in theConsolidated Financial Statements (Note 5)	The Company	Companies in theConsolidated Financial Statements (Note 5)	The Company	Companies in theConsolidated Financial Statements (Note5)	The Company		Companies in theConsolidated Financial Statements (Note5)		The Company	Companies in theConsolidated Financial Statements (Note5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lin, Yan-Shen	12,763	12,763	0	0	0	0	1,119	0	1,119	0	26.6%	26.6%	None
Vice President	Liau, Jiann-Jong													
Vice President	Peng, Yu-Hsing													

*Regardless of job titles, the information about anyone equivalent to President, Vice President(e.g. President, CEO, Director) shall be disclosed.

Table of Remuneration Ranges

Range of Remuneration Paid to President and Vice Presidents	Names of the president and vice presidents	
	The Company(Note 6)	Companies in the Consolidated Financial Statements (Note7) E
Less than NT$1,000,000	None	None
NT$1,000,000(included) ～NT$2,000,000	None	None
NT$2,000,000(included) ～NT$3,500,000	None	None
NT$3,500,000(included) ～NT$5,000,000	Liau, Jiann-Jong, Peng, Yu-Hsing	Liau, Jiann-Jong, Peng, Yu-Hsing
NT$5,000,000(included)～NT$10,000,000	Lin, Yan-Shen	Lin, Yan-Shen
NT$10,000,000(included) ～NT$15,000,000	None	None

NT$15,000,000(included) ～NT$30,000,000	None	None
NT$30,000,000(included) ～NT$50,000,000	None	None
NT$50,000,000(included) ～NT$100,000,000	None	None
More than NT$100,000,000	None	None
Total	3 persons	3 persons

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

Note2: Refers to salary, additional compensation, severance payment to the president and vice presidents for the most recent year.

Note 3: Refers to various bonuses, incentive payment, travel expenses, special disbursements, various allowances, accommodation, company car provided to the president and vice presidents for the most recent year. If 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.

Note4: Refers to the amount of compensation (including stock or cash) to the president and vice presidents 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.

Note5: The total remuneration provided by all the companies (including the Company) to the president and vice presidents of the Company must be disclosed in the consolidated financial statement.

Note6: Theremuneration distributed to each president and vice president is disclosed as a range and their names are disclosed by range of remuneration received.

Note 7: The total remuneration provided by all companies (including the Company)to each president and vice president 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 president and vice presidents from an invested companyother than subsidiariesorthe parent company (if none, please fill in "None").

b.If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remunerationreceived by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "All Invested Companies".

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

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

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

2021

	Title	Name	Stock Amount	Cash Amount	Total	Ratio (%) of Total Amount to Net Income
Managerial Officers	Chairman	Lin, Yan-Shen	0	1,904	1,904	3.6%
	Vice President	Liau, Jiann-Jong				
	Vice President	Peng, Yu-Hsing				
	Director, Operations Center	Chou, Chin-Lung				
	Director, Research and Development Center	Ho, Fang-Yuan				

	Director of Department of Finance and Accounting	Deng, Yuan-Chang				
	Director of Business Center	Huang, Wen-Hsuan				

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

Note2: 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. 0920001301ofMarch272013:

(1)President and its equivalent

(2)Vice President and its equivalent

(3)Assistant Vice President and its equivalent

(4)Chief of Finance

(5)Chief of Accounting

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

Note4: If the directors, president, and vice presidents of the Company receive employee remunerations (including stock and cash), please fill in Schedule 1-2 and this table as well.

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

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

(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, president and vice presidents, and describe the policies, standards, and packages for payment of remuneration ,procedures for determining remuneration and its linkage to businessperformance 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, president and vice presidents as a percentage of net income stated in the parent company only financial statements or individualfinancialreports:

Title		Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents 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, President, and Vice Presidents Paid by All Consolidated Entities for 2020 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by the Company for 2021 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by All Consolidated Entities for 2021 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports
Director	First 4 items	4.9%	4.9%	2.8%	2.8%
	First 7 items	12.9%	18.5%	17.2%	37.8%
Supervisors		0.7%	0.7%	0%	0%
President and Vice Presidents		14.4%	14.4%	26.6%	26.6%

2.Policies, standards and packages for payment of remuneration, the procedures for determiningremuneration, 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 president and vice presidents 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 procedurefor determining the remuneration: 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. Status 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(Note1)	AttendanceinPerson(B)	Attendance by Proxy	Percentageof Attendance in Person (%)(B/A)(Note2)	Remarks
Chairman	Lin, Yan-Shen	7	0	100.00%	None
Director	Lin, Chun-Sheng	6	1	85.71%	None
Director	Hau, Hai-Yen	4	0	57.14%	None
Director	Ng Chor Wah Patrick	4	0	57.14%	None
Director	Lee, Chi-Fung	7	0	100.00%	None
Director	Lin, Te-Chien	7	0	100.00%	None
Independent Director	Liu, Chien-Lin	6	0	85.71%	None
Independent Director	Lee, Kun-Chang	6	1	85.71%	None
Independent Director	Wu, Meng-Ta	7	0	100.00%	None

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 2021. For details as date, session, content of the resolutions of the board meetings in 2021, please refer to page 34 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 2021.

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 continued education.

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 approvedthe establishment of the Company's

"Audit CommitteeCharter" in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of PublicCompanies" 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"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, 2022, 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.

Note2: (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) Operation of 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 the Company Act,Securities and Exchange Act, and other related laws and regulations. The Company established an audit committee on June 16, 2020comprising all the three independent directors. The audit committee holds at least one regular meeting per year, and the five meetings were held in 2021. The matters deliberated by the audit committee includeloans to other parties, guarantees/endorsements, financial reports in the first half of the year, annual audit plan and so on.
2. The audit committeeconvened 5meetings in the most recent year, and the attendance is detailed below:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)(Note1,Note 2)	Remarks
Independent Director	Wu, Meng-Ta	5	100%	None
Independent Director	Liu, Chien-Lin	5	100%	None
Independent Director	Lee, Kun-Chang	4	80%	None
Other mentionable items: I. With regard to the operations of the Audit Committee, if any of the following circumstances occur, the dates, terms of Audit Committee meetings, contents of motions,dissenting or reserved opinion or material recommendation from the Independent Director, Audit Committee’s resolutions, and the Company’s response to the Audit Committee's opinions shall be specified: (I) Matters referred to Article 14-5 of the Securities and Exchange Act: For the material resolutions of shareholders meetings,board of directors meetings and audit committee				

meetings,please refer to pages 52-54; all the proposed resolutions are approved by all members in attendance of the audit committee meeting and passed to the board for approval. (II) ave 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. 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 2021. (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 2021.

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

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

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	
				Charter", , etc. has been established.
II. Shareholding structure & shareholders' rights (I)Has the Company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (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 and procedures for preventing insider trading for managing prevention of insider trading in accordance with the requirements of Article 8 of "Regulations Governing Establishment of Internal Control Systems".	None
III. Composition and Responsibilities of the Board of Directors (I)Has the Board of Directors formulated a diversification policy, substantial management objectives and implemented accordingly? (II) In addition to the establishment of the remuneration committee	V	 V	(I) The Company has established "Procedures for Election of Directors". The election of directors is based on the nomination,as well as the required knowledge,skills and competence for operation.Two-thirds of the current board members do not have a martial 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 members has met the goal of diversity. (II) The Company has set up a remuneration committee and an	None

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	
and audit committee as required by law, has the Company voluntarily established committees with other functions?			audit committee. Other functional committees will be set up according to the status of the Company's operating scale.	
(III) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?	V		(III) The Company has conducted board performance evaluation since 2020 and has declared the evaluation results by the end of the first quarter of the following year.	
(IV) Has the Company regularly evaluate the independence of CPAs?	V		(IV) The Company shall regularly assess the independence of CPAs and submit the same to the audit committee and the board of directors 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 shareholders of the Company, and obtainingthedeclaration of independence from auditors.	
IV.Has the Company listed on TWSE and TPEx employed an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting according to laws, and taking the minutes of board and	V		The responsible units for corporate governance are the president'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.	None

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	
shareholders' meetings)?				
V. Has the Company established a communication channel with its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder relations section on the corporate website to appropriately respond to corporate social responsibilities issues that are essential to stakeholders?	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 issue and suggestions which are of concern to shareholders, employees, customers, and suppliers.	None
VI. Has the Company appointed a professional shareholder service agency to organize the shareholders' meetings?	V		The Company has engaged Jih Sun Securities Co. Ltd.'s shareholder services division to deliver shareholder services of the Company.	None
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 conference 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 disclosesuch information upon issue of audited financial statements by the CPAs.
VIII. Has the Corporation disclosed other information to facilitate a better understanding of its corporate governance(including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, status of directors' training, risk	V		(I)The Company treats the employees with honesty and builds positive relationship with employees through various benefits and education training. (II)Status of directors' training: The Company's directors have participated in a six-hour training on corporate governance in 2021. In addition, they are	None

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	
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)?			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:Not applicable(applies to securities firm). (IV)Implementation status of consumer protection and customer policies: Not applicable(applies to securities firm). (V)Status of the Company's purchase of liability insurance for its directors and supervisors: The Company has purchased liability insurance for its directors,supervisorsand managerial officers since January 2020.	
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.				

Note: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 2021

Title	Name	Date	Organization	Course	Time	Whether conform to"Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"
Chairman and President	Lin, Yan-Shen	October 6, 2021	Securities & Futures Institute	The liabilities of directors and supervisors from the illegal cases in the securities market	3hours	Yes
		October 7, 2021	Securities & Futures Institute	Discussion on fraud cases of corporate financial statements	3hours	Yes
Director		March 15, 2021	Securities & Futures Institute	2021Economic Outlook and Industrial Trend	3hours	Yes

	Lin, Chun-Sheng	March 26, 2021	Securities & Futures Institute	Case analysis of abnormal transactions for directors and supervisors	3hours	Yes
Director	Hau, Hai-Yen	October 28, 2021	Accounting Research and Development Foundation	Common missing, preparation process and practices of preparing financial statements for enterprises	6 hours	Yes
Director	Lee, Chi-Fung	October 23, 2021	Securities & Futures Institute	How directors control corporate risk management through analyzing financial statements	3hours	Yes
		October 23, 2021	Securities & Futures Institute	Enterprise tax governance and tax technology solutions from the perspective of ESG trend and pandemic environment	3hours	Yes
Director	Ng Chor Wah Patrick	October 27, 2021	Association of Chartered Certified Accountants	Digital Transformation: Key Drivers and Disruptors"	1 hour	Yes
		October 30, 2021	Association of Chartered Certified Accountants	Corporate Resilience and Business Recovery	4 hours	Yes
		November 7, 2021	Association of Chartered Certified Accountants	Creating Dashboards in Excel	4 hours	Yes
Director	Lin, Te-Chien	September 17, 2021	Accounting Research and Development Foundation	Financial risks and case analysis of Taiwan enterprises disposing of real estate in Mainland	3 hours	Yes
		November 1, 2021	Accounting Research and Development Foundation	Analyzing the positive influence of ESG on enterprises	3 hours	Yes
Independent Director	Liu, Chien-Lin	April 15, 2021	Securities & Futures Institute	2021 Economic Outlook and Industrial Trend	3 hours	Yes
		April 15, 2021	Securities & Futures Institute	HR consolidation issues in the process of enterprise M&A	3 hours	Yes
Independent Director	Lee, Kun-Chang	September 1, 2021	Financial Supervisory Commission R.O.C.	The 13th Taipei Corporate Governance Forum	3 hours	Yes
		October 15, 2021	Securities & Futures Institute	2021Insider Equity Trading Law Compliance Workshop	3 hours	Yes
Independent Director	Wu, Meng-Ta	January 19, 2021	National Federation of CPA Associations of ROC	Case analysis of textile accounting and appraiser practices	3 hours	Yes
		April 6, 2021	National Federation of CPA Associations of ROC	Case analysis of non-cash contribution to enterprise capital increase	3 hours	Yes
		April 9, 2021	National Federation of CPA Associations of ROC	Analyzing Statement on Auditing Standards No. 74	3 hours	Yes
		August 19, 2021	National Federation of CPA Associations of ROC	CPA's responsibilities and response to shareholders' disputes	3 hours	Yes
		November 29, 2021	National Federation of CPA Associations of ROC	Case analysis of tax disputes	3 hours	Yes

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

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

April 23, 2022

Roles (Note 1)	Name / Condition	Professional Qualifications and Experiences (Note 2)	Independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration Committee
Convener Independent Director	Lee, Kun-Chang	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	None
Independent Director	Wu, Meng-Ta	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	2
Independent Director	Liu, Chien-Lin	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	Please refer to Page 13-15 of Table 1- Information about Directors and Supervisors (I)	1

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

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

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

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

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

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

II. Term of service: 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%	
Members	Wu, Meng-Ta	2	0	100%	
Members	Liu, Chien-Lin	2	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 2021 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 2021.

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) If any member was re-elected before the end of the year, incoming and outgoing members shall be listed accordingly, and the status of member, i.e. whether he/she is "Outgoing", "Incoming" or "Re-elected", and the date of re-election shall be indicated 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)Informationon members and operation of the nomination committee: The Company has not set up the nomination committee.

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

ImplementationItem	Status ofOperations (Note 1)			Deviations from the Corporate Governance Best Sustainable DevelopmentPractice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Explanation	
I. Has the Companyestablished exclusively (or concurrently) dedicated units to implement sustainable development, andthe Board of Directorsappointed the senior managementwith responsibility for sustainable development, and to report the status of the supervisionto the Board of Directors?	V		The corporate social responsibility activities are jointly promoted by the board of directors, president's office and department of administration.	None
II. Has the Company, based on the materiality principle, conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies?(Note2)	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.	None
III. Environmental issues (I) Has the Company established proper environmental management systems based on its industrial characteristics?	V		The Company has complied with the relevant regulations on public safety of buildings, fire regulations, labor safety regulations, waste disposal regulations, energy saving and carbon reduction management stipulated by Hsinchu Science Park Bureau. The Company has conducted regular inspections and reportings, and was accredited ISO14001 Environmental Management System with the hope of reducing waste and efficient utilization of resources.	None

(II) Has the Company endeavored to make efficient use of resources and use renewable materials which have low impact on the environment?	V		The Company has engaged waste disposal company for recycling and reuse of the Company's waste. It has devised plans for waste water and rain water recycling devices in the new plants, designs of which are compliant with the energy saving requirements of the Bureau. To echo the green energy policy, solar panels on the top floor of the plant factory was installed.	None
(III) Has the Company assessed the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate measures to address issues?	V		The Company engages in non-energy consuming and non-highly polluting industry. The Company will continue to observe the impact of climatic change on operating activities of the Company and shall continue to implement strategic plan and action plan of energy saving and carbon reduction.	None
(IV) Has the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction or waste management?	V		The Company emphasizes the sustainable development, regularly takes inventory of and monitors its energy consumption and greenhouse gas emissions, of which major energy consumption comes from purchased power and natural gas. The plants keep growing due to capacity increase over the last three years. The Company also formulates the energy inventory system and sets up energy-saving goals and implementation plans to perform the corporate social responsibility for the environment.	None
VI. Social issues (I) Has the Company formulated appropriate management policies and procedures according to relevant laws and the International Bill of Human Rights?	V		The personnel guidelines of the Company exceeds the Labor Standards Act. Material changes of employee rights and interests will be negotiated through labor-management meetings. The current labor-management relationship is in harmony.	None

(II) Has the Company established and implemented reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee remuneration?	V		The Company has stipulated performance evaluation methods in combination with various remuneration policies to share the operating results of the Company with the employees.	None
(III) Has the Company provided employees with a safe and healthy working environment, and regularly offer safety and health education to employees?	V		The Company regularly organizes the health examination for employees according to policies. Each plant has set up occupational safety department that reports directly to the president and regularly convene labor safety and health committee meetings to evaluate work environment of employees. The Company has introduced the ISO 45001 occupational health and safety management system to provide employees with a safety and healthy work environment.	None
(IV) Has the Company established an effective career skill development training program for employees?	V		Each department of the Company has devised annual education and training plan for its staff with monthly tracking on the implementation status in order to meet the competency and skills required of the position.	None
(V) With regard to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant laws and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	V		The Company's products are artificial joints for implantation to human bodies. The products are required to go through stringent regulatory certification procedures before launching for sale. Related operating procedures have SOP and kept records. The products are clearly marked with consumer complaint channels and the Company keeps a good communication relationship with customers. The stakeholder section is set on the Company's website for providing opinions and feedback. The Company sets up the appeal procedure internally and respond to consumers and clients.	None
(VI) Has the Company implemented supplier	V		The suppliers of the Company should go through standard	None

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.			certification procedures prior to becoming eligible suppliers. For the materials that are implanted to human bodies, relevant data of product inspection should be provided by batches with follow-up tracking. The contracts with the suppliers are not long-term in nature. All materials are to pass through quality assurance inspection before keeping as inventories. Materials that fail the inspection will be returned. The Company will regularly perform assessment and field audit on suppliers and terminate the relationship if the suppliers are found to be unscrupulous.	
V. Did the Corporation, following internationally recognized guidelines, prepare and publish reports such as its Sustainability Report to disclose non-financial information of the Corporation? Has the disclosure report received the confirmation or verification for the third-party accreditation agency?	V		The Company has taken reference from internationally-recognized reports standards or guidelines since 2016, and the "Core" option set out in GRI Standards promulgated by the Global Reporting Initiative (GRI), for information disclosure and compilation of corporate social responsibility report(changed to the Sustainable Development Report from 2021), which has been assured by Ernst & Young.	None
VI.If the Company has established its own CSR principles based on the Sustainability Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any discrepancies from the Principles: The Company has not established the sustainable development best practice principles. However, as the Company is a medical instrument company working to enhance physical health. In order to carry out corporate social responsibility, other than implementing information transparency, the Company strives to achieve labor-management harmony internally and promote the advancement of orthopedics externally. The Company holds a high bar on the quality of the products to meet customers' expectation of the Company's products. Furthermore, the Company continually promote social welfare activities. Therefore, the Company has in essence operated in line with the spirit of "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies". The Company will continuously pushes ahead with the sustainable development and asks the audit committee to formulate the sustainable development principles and regulations.				
VII.Other important information to facilitate a better understanding of the Company's sustainable development practices: 1. Environmental protection: The plant has set up production waste recovery devices, including dust collection equipment, gas collection equipment, sewage, waste water, and waste oil treatment equipment, to reduce the impact on employees and social environment. The Company has introduced ISO4001 Environmental Management				

System in hopes of reducing waste and utilize resources effectively. 2. Social contributions: Provision of high quality artificial joints with more reasonable price, breaking of the long time monopoly of large international manufacturers in orthopedic market, reduction of medical expense for patients, improvement of the mobility inconvenience of the elders, and addition of investment in Taiwan year by year, keeping the root of technology in the region and creation of more job opportunities and business opportunities. 3. Consumer rights: In addition to 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 set up an industrial safety department to regularly detect and improve the work environment, and regularly arranged safety education and training for employees and regularly inspected the employee health; the standard operating procedures are drafted for product manufacturing and quality inspection to ensure product safety. The international ISO45001 occupational safety and health management systems have been introduced to provide employees with a healthy and safe work environment.

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

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

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

(VI) Discrepancies between the implementation of ethical corporate management and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

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. Establishment of ethical management policies and schemes (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 a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? (III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	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.	None
II. Implementation of ethical management (I)Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	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.	None

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	
(II) Has the Company set up a unit responsible for ethical corporate management on a full-time basis under the board of directors which reports the ethical corporate management policy and plans against unethical conduct regularly (at least once a year) to the board of directors while overseeing such implementation?		V	(II) The Company currently does not have a full-time or part-time unit solely responsible for promoting ethical corporate management, which has been implemented by the management of each department in accordance with the regulations established by the Company. The internal auditing department is responsible for regular review of implementation status. It shall submit the audit results to the independent directors and attend the board meetings for reporting the results.	
(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels and thoroughly implement the policies?	V		(III) The Company has established appropriate regulations in relevant management regulations and has set up opinions reporting channels to prevent transactions containing conflicts of interest.	
(IV) Has the Company established effective accounting and internal control systems to implement ethical corporate management? Has the Company's internal audit unit followed the results of unethical conduct risk assessments and devised audit plans to audit the systems accordingly to prevent unethical conduct, or hired outside accountants to perform the audits?	V		(IV) The Company has set up an internal control system and 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) Has the Company regularly held internal and external training sessions on ethical management?	V		(V) The Company arranges internal and external training on a regular basis to incubate employees' the required skills set out in the internal	

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	
			regulations to fulfill the belief of ethical corporate management.	
III. Implementation of whistleblowing system (I) Has the Company established a concrete whistleblowing and reward system, established convenient whistleblowing channels, and designated appropriate personnel to handle the case being exposed by the whistle-blower? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Has the Company established measures to protect whistleblowers from retaliation?	V V V		(I) The Company has set up a mailbox for employee feedback. The administrative management unit is responsible for handling relevant feedback in accordance with relevant management regulations. (II) The Company has set up methods of managing the mailbox covering the acceptance and handling procedures. (III) The Company has stipulated confidentiality provisions for the opinions provided, which will be handled in accordance with regulations that are stipulated by the Company.	None
IV. Enhancement on 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.	None
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 important information to facilitate a better understanding of the Company's 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) Please disclose access to the Company's corporate governance principles and relevant rules and regulations: None.

(VIII)Other Important Information Regarding Corporate Governance: None.

(IX) The implementation of the internal control system shall disclose the following items

(1) Statement of Internal Control

United Orthopedic Corporation

Statement of Internal Control System

Date: March 24, 2022

The Company states the following with regard to its internal control system during 2021 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 innate limitations. No matter how robust and effective the internal control system is, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.

III. The Company makes judgments on the designand operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as the"Regulations"). The 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, 2021 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 be an essential content of the Company's Annual Report and prospectus, and will be publicly disclosed. 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 24, 2022, 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

President: 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' meeting

Date	Major resolutions of meetings
July 29, 2021	1. Approval of the 2020 business report and financial statements 2. Adopted the 2020 Earnings Distribution Plan Status of Implementation The ex-dividend date and distribution date were resolved to be September 12, 2021 and October 8, 2021, respectively after the resolution of the board meeting on August 6, 2021.

(2) Board of Directors.

Date	Major meeting resolutions
2021.03.23	1.Approved the 2020 remunerationdistributionto employees, directors and supervisors 2. Approved the Company's 2020 financial statements and business report 3. Approved the Company's 2020 Statementof Internal Control System 4. Approved the Company's 2020 surplus earnings distribution 5. Approved the acceptance of shareholders' right to submit proposals at the 2021 annual shareholders' meeting 6. Approvedthe convening of the 2021 annual shareholders' meeting 7.Approved the assessment report on CPA's competence and independence 8.Approved the adjustments to remuneration of Company's managerial officers 9.Approvedcancellation of new restricted employee shares redeemed by the Company
April 28, 2021	1. Adopted the proposalto appoint the CPAs for2021 2. Approvedthe liquidation proposal for UOC America Holding Corporation, a subsidiary of the Company to simplify the investment structure
May 16, 2021	1. Approved the amendment to the proposed the venue of the 2021 Annual Shareholders' Meeting
July 13, 2021	1. Approvedthe amendment to the propose for 2021 Annual Shareholders' Meeting time
August 6, 2021	1. Approved the proposal for the Company's consolidated financial report of the first half of 2021 2.Approved September 12, 2021 as the ex-dividend date of the Company's 2020 special dividend and surplus earnings of ordinary shares, and the bench-marking date for distribution ofcash dividends 3.Approved the plan of remuneration distribution for employees, directors and supervisors in 2020 4.Approved the appointment of the audit manager 5.Approved cancellation of new restricted employee shares redeemed by the Company 6.Approved the proposal of Swiss sub-subsidiary for loaning to the Belgian sub-subsidiary
November 9, 2021	1. Approvedthe proposal for an increase of the Company's investment in a subsidiary in Japan 2.Approvedthe proposal for extending the Company's investment time limit with regard to sub-subsidiaries in Europe

December 27, 2021	1. Approvedto amend the Company's written internal control and internal audit regulations 2. Approvedthe audit plan for 2022 3.Approved the proposal for the loaning of funds among invested companies of the group 4.Approved the proposal of the Company's guarantee and endorsement provided to the group's sub-subsidiaries
March 24, 2022	1.Approved the 2021 remuneration distribution to employees, directors and supervisors 2. Approved the adjustments to remuneration of Company's managerial officers 3. Approved the Company's 2021 financial statements and business report 4. Approved the Company's 2021 Statement of Internal Control System 5.Approvedthe proposal for the Company's 2021 earnings distribution 6.Approved amendments to the Company's "Procedures for Acquisition or Disposal of Assets" 7.Approvedthe amendments tothe Company's Articles of Incorporation 8.Approved amendments to the Company's"Rules of Procedure for Stakeholders Meetings" 9.Approvednewly drafted "Procedures for Handling Internal Material Information of the Company" 10.Approved newly drafted the Company's"Procedures for the Prevention of Insider Trading" 11. Approved the convening of the 2022 annual shareholders' meeting 12. Approvedthe acceptance of shareholders' right to submit proposals at the 2022 annual shareholders' meeting 13. Approved theproposed change of CPAs and CPA independence assessment 14. Approvedthe proposal of Swiss sub-subsidiary for loaning to the UK sub-subsidiary 15.Approved the establishment of Australian sales office 16. Approvedthe proposal for changing the Company's audit manager

(3) The Audit Committee

Date	Major resolutions of meetings
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.
April 28, 2021	1. Adopted the proposal for appointing the CPAs for 2021
August 6, 2021	1. Passed the proposal for the Company's consolidated financial report of the first half of 2021. 2. Approved the appointment of the audit manager. 3. Approved the proposal of Swiss sub-subsidiary for loaning to the Belgian sub-subsidiary
November 9, 2021	1. Approval of the proposal for an increase of the Company's investment in a subsidiary in Japan 2. Approved the proposal for extending the Company's investment time limit with regard to sub-subsidiaries in Europe
December 27, 2021	1. Approved to amend the Company's written internal control and internal audit regulations. 2. Approval of the 2022 audit plan. 3. Approved the proposal for the loaning of funds among invested companies of the group. 4. Approval of the proposal of the Company's guarantee and endorsement to the group's sub-subsidiaries.
March 24, 2022	1. Approval of the Company's 2021 financial statements and business report. 2. Approval of the Company's 2021 Statement of Internal Control System 3. Approval of the Company's 2021 surplus earnings distribution 4. Approved the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". 5. Approved the proposal for changing CPAs and independence assessment. 6.Approved the proposal of Swiss sub-subsidiary for loaning to the UK sub-subsidiary.

	7.Approved the proposal for changing the Company's audit manager.

(XII)Mostcontentsof 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 of dismissal of the Company's chairman, president, chief of accounting, chief of finance,chief of internal audit, chief of corporation governance and chief R&D: None.

April 30, 2022

TITLE	NAME	DATE OF APPOINTMENT	DATE OF DISMISSAL	REASONS FOR RESIGNATION OR DISMISSAL
Auditing Manager	Liao, Wei-Chang	February 13, 2008	August 10, 2021	Resignation
Auditing Manager	Lin, Yun-Tung	August 6, 2021	April 8, 2022	Resignation

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

V. Audit Fees for Independent Auditors

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

CPA Information Regarding Audit Fee

Unit: NT$ Thousand

Name of the Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Ernst & Young	Ma, Chun-Ting	January 1, 2021 - December 31, 2021	3,480	250	3,730	Tax verification
	Huang, Chien-Tse	January 1, 2021 - December 31, 2021				

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

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

1. When the Company has changed 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.

2. When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 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 and reviews of financial forecasts.

VI. Change of Independent Auditors

(I) Information on the succeeding CPA

<table>
<tr><td>Replacement Date</td><td colspan="3">March 24, 2022</td></tr>
<tr><td>Reason of replacement and explanation</td><td colspan="3">Due to the internal CPA adjustments of Ernst & Young, the board of directors resolved to engage CPA Ma, Chun-Ting and CPA Hsu, Jung-Huang of Ernst & Young to handle the audit of financial statements starting from the first quarter of 2022.</td></tr>
<tr><td rowspan="3">Description of whether the appointee or the CPA terminated or discontinued the engagement</td><td>Status of the Principal</td><td>CPA</td><td>The appointee</td></tr>
<tr><td>Proactive termination of appointment</td><td>✓</td><td></td></tr>
<tr><td>Did not accept further (continuing) appointment</td><td></td><td></td></tr>
<tr><td>Opinion and reason for the issuance of Review reports containing opinions other than unqualified opinions in the most recent two years</td><td colspan="3">Unqualified opinions were issued in both 2020 and 2021</td></tr>
<tr><td rowspan="6">Any disagreements with the issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Financial report disclosure</td></tr>
<tr><td></td><td>Audit scope or steps</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>None</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">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="3">None</td></tr>
</table>

(II) Information on the succeeding CPA

Name of the accounting firm	Ernst & Young
Name of CPA	CPA Ma, Chun-Ting and CPA Hsu, Jung-Huang
Date of appointment	March 242022
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

(II) The matters specified inArticle 10(6)-1 and the previous item (3)shall besubmitted to the former CPAs for reply,andadvise of them to raise objections withinten daysif any: Not applicable.

VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None. 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 equity interest by Directors, Supervisors, managerial offices, and major shareholders

Date: April 23, 2022 (book closure date); Unit: Share

Title	Name	2021				As of April 22, 2022				Remarks
		Common stocks		Preferred stocks		Common stocks		Preferred stocks		
		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	260,441	0	0	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	0	0	0	0	0	0	0	0	
Director	Ng Chor Wah Patrick	37,000	0	0	0	0	0	0	0	
Director	Lin, Te-Chien	89,000	0	0	0	0	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	
Vice President	Liau, Jiann-Jong	32,720	0	0	0	0	0	0	0	
Vice President	Peng, Yu-Hsing	32,720	0	0	0	0	0	0	0	
Director, Research and Development Center	Ho, Fang-Yuan	16,360	0	0	0	0	0	0	0	
Director, Operations Center	Chou, Chin-Lung	16,360	0	0	0	0	0	0	0	
Director of Business Center	Huang, Wen-Hsuan	0	0	0	0	0	0	0	0	
Director of Department of Finance and Accounting	Deng, Yuan-Chang	16,360	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) Equity transfer information: 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 pledged: 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 (Note1)	Oneself Shares Held		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	%	Name (or name)	Relationship	
Lin, Yan-Shen	2,771,441	3.55%	584,000	0.75%	0	0%	Lin, Chun-Sheng	Brother	
							Lin, Te-Chien	father and son	
Lin, Chun-Sheng	1,905,743	2.43%	15,000	0.02%	0	0%	Lin, Yan-Shen	Brother	
E. Sun Bank was commissioned to manage the investor account of Ng Chor Wah Patrick	1,470,139	1.88%	0	0%	0	0%	None	None	
Investment Account at CTBC Bank Trusteeship of SF Finance SA	1,372,000	1.76%	0	0%	0	0%	None	None	
Lin, Te-Chien	1,052,461	1.35%	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	1.14%	0	0%	0	0%	None	None	
Huang, Hua-Shan	865,162	1.11%	0	0%	0	0%	None	None	
Wong, Chi-Yin	776,000	1.00%	0	0%	0	0%	None	None	
YI-DE Co., Ltd.	717,000	0.92%	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.
Note2: 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 31,2021
Unit: Share

Invested companies (Note 1)	The Company's investments		Supervisors, Managers in directly or indirectly controlled businesses		Combined investments	
	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)
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.	56,658(Note 6)	92	0	0	56,658	92
A-Spine Asia Co., Ltd.	10,089,696 (note 7)	74.9	0	0	10,089,696	74.9

Note 1: The investmentswere 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 3,017
Note 7: The face value of each share is TWD 10.

Chapter 4. Capital Overview

I. Capital and shares

(I) Sources of capital

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
February 1993	10	11,000,000	110,000,000	2,750,000	27,500,000	Founding capital 25,000,000	Technology stocks 2,500,000	None
August 1994	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
March 1997	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
March 1997	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
February 1998	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
December 1998	20	30,000,000	300,000,000	22,612,500	226,125,000	Capital increase 40,000,000	None	(87) Official Letter No. 029827
September 2004	13	30,000,000	300,000,000	25,462,500	254,625,000	Capital increase 28,500,000	None	Financial-Supervisory-Securities-I No. 0930136711
August 2006	11.50	40,000,000	400,000,000	33,962,500	339,625,000	Capital increase 85,000,000	None	Financial-Supervisory-Securities-I No. 0950111098
January 2007	45	60,000,000	600,000,000	38,562,500	385,625,000	Capital increase 46,000,000	None	Financial-Supervisory-Securities-I No. 0960042265
December 2008	9.60	60,000,000	600,000,000	42,362,500	423,625,000	Capital increase through private placement 38,000,000	None	None
June 2009	20.60	60,000,000	600,000,000	46,362,500	463,625,000	Capital increase through private placement 40,000,000	None	None
April 2012 August 2012	-	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
January 2013	30	60,000,000	600,000,000	53,362,500	533,625,000	Capital increase 70,000,000	None	FSC Official Letter No. 1010057730
December 2014	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
July 2015	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

July 2015	-	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
November 2015	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
November 2015	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
December 2015	-	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
February 2016	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
August 2017	-	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
January 2017	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
November 2017	-	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
April 2018	-	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
July 2018	-	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
May 2019	-	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
August 2019	-	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
November 2019	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
November 2019	-	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
July 2020	-	150,000,000	1,500,000,000	88,407,847	884,078,470	Cancellation of treasury stock(2,013,000)	None	None
November 2020	-	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
April 2021	-	150,000,000	1,500,000,000	88,389,847	881,181,440	Cancellation of new restricted employee shares(271,703)	None	FSC Official Letter No. 1070323957
August 2021	-	150,000,000	1,500,000,000	88,389,847	881,116,000	Cancellation of new restricted employee shares(6,544)	None	FSC Official Letter No. 1070323957

<table>
<tr><th rowspan="2">Type of Stock</th><th colspan="3">Authorized Capital</th><th rowspan="2">Remarks</th></tr>
<tr><th>Outstanding Shares(Note)</th><th>Unissued Shares</th><th>Total</th></tr>
<tr><td>Common stocks</td><td>78,111,600</td><td rowspan="2">61,888,400</td><td rowspan="2">150,000,000</td><td rowspan="2">TPEx-listed Stock</td></tr>
<tr><td>Preferred stocks</td><td>10,000,000</td></tr>
</table>

Information on Shelf Registration: Not applicable.

(II)Shareholder composition

1.Ordinary shares

Status of Shareholders	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Natural Persons	Total
Number of Shareholders	0	0	141	51	20,520	20,712
Number of Shares Held	0	0	4,539,889	6,436,752	67,134,959	78,111,600
Shareholding Percentage (%)	0.00%	0.00%	5.81%	8.24%	85.95%	100.00%

2.Preferred shares

Status of Shareholders	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Foreign Persons	Natural Persons	Total
Number of Shareholders	0	0	15	1	1,422	1,438
Number of Shares Held	0	0	1,837,485	130,286	8,032,229	10,000,000
Shareholding Percentage (%)	0.00%	0.00%	18.37%	1.30%	80.33%	100.00%

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

1. Ordinary shares

Record date: April 23, 2022

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1-999	13,619	353,968	0.45%
1,000-5,000	5,246	10,501,645	13.45%
5,001-10,000	833	6,403,527	8.20%
10,001-15,000	300	3,719,188	4.76%
15,001-20,000	181	3,237,040	4.14%
20,001-30,000	164	4,102,714	5.25%
30,001-40,000	88	3,081,999	3.95%
40,001-50,000	66	3,048,833	3.90%

50,001-100,000	106	7,566,350	9.69%
100,001-200,000	57	7,735,537	9.90%
200,001-400,000	27	7,328,253	9.38%
400,001-600,000	11	5,616,715	7.19%
600,001-800,000	6	4,151,481	5.31%
800,001-1,000,000	3	2,691,566	3.45%
1,000,001or over	5	8,572,784	10.98%
Total	20,712	78,111,600	100.00%

2. Preferred shares

Record date: April 23, 2022

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1-999	442	87,769	0.88%
1,000-5,000	708	1,273,393	12.73%
5,001-10,000	135	1,068,664	10.69%
10,001-15,000	46	602,689	6.03%
15,001-20,000	21	383,000	3.83%
20,001-30,000	25	637,171	6.37%
30,001-40,000	13	464,000	4.64%
40,001-50,000	8	373,189	3.73%
50,001-100,000	22	1,609,051	16.09%
100,001-200,000	14	1,812,902	18.13%
200,001-400,000	2	531,172	5.31%
400,001-600,000	2	1,157,000	11.57%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
1,000,001or over	0	0	0.00%
Total	1,438	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.

1.Ordinary shares

Shareholder's Name	Number of Shares Held	Shareholding Percentage (%)
Lin, Yan-Shen	2,772,441	3.55%
Lin, Chun-Sheng	1,905,743	2.44%
E. Sun Bank was commissioned to manage the investor account of Ng Chor Wah Patrick	1,470,139	1.88%
Investment Account at CTBC Bank Trusteeship of SF Finance SA	1,372,000	1.76%
Lin, Te-Chien	1,052,461	1.35%
Standard Chartered as custodian of LGT Bank (Singapore) Ltd.	937,461	1.20%
Li, Chen-He	888,943	1.14%
Huang, Hua-Shan	865,162	1.11%
Wong, Chi-Yin	776,000	1.00%
YI-DE Co., Ltd.	717,000	0.92%

2.Preferred shares

Shareholder's Name	Number of Shares Held	Shareholding Percentage (%)
TSEN-SHIN Investment Co., Ltd.	581,000	5.81%
Universal Microwave Technology, Inc.	576,000	5.76%
Chen, Po-Yen	321,000	3.21%
Liu, Chi-Lin	210,172	2.10%
Zero One Technology, Inc.	200,000	2.00%
Chen, Ming-Fu	156,000	1.56%
CERES Investment Co. Ltd.	150,000	1.50%
Lin, Yu-Hsin	147,000	1.47%
Cheng, Tsung-Hui	134,000	1.34%
E. Sun Bank was commissioned to manage the investor account of Ng Chor Wah Patrick	130,286	1.30%

(V) Market price, net worth, earning, and dividends in the past two years

Item / Year			2020	2021	As of March 31 of the Current Year (Note 8)
Market Price per Share (Note 1)	Highest		44.60	38.50	32.70
	Lowest		25.50	29.00	28.60
	Average		35.39	33.02	30.31
Net Worth per Share (Note 2)	Before distribution		34.70	35.98	35.74
	After distribution		33.57	To be resolved at the shareholders' meeting	--
Earnings per Share	Weighted average shares		78,340,241	77,853,530	78,111,600
	Earnings per share (Note 3)		1.00	0.37	0.46
Dividends per Share	Cash dividends		0.83391139	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)		35.39	89.24	--
	Price-to-dividends ratio (Note 6)		42.44	To be resolved at the shareholders' meeting	--
	Cash dividend yield (Note 7)		2.36%	To be resolved at the shareholders' meeting	--

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

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

Note 2: Please fill the information based on the number shares issued by the end of the year and the distribution resolved by the board or directors orshareholders' 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 implementations

(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: The Company's net profit after tax in 2021 was settled to be NT$52,271,431. After deducting other comprehensive profits and losses of NT $3,389,545 in 2021, changes in ownership interests of subsidiaries of NT$148,368, provision of 10% statutory surplus reserve of NT$4,873,352 and provision of special surplus reserve of NT$43,860,166, the amount of distributable surplus at the end of the period was NT$0. No dividend will be distributed this year.Adopted by the board on March 24, 2022, the proposal will be implemented after adopted by the Shareholders' Meeting on June 21, 2022.

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

(VII) Effect of free allotment of shares proposed at this shareholders' meeting on the Corporation's business performance and earnings per share: Not applicable.

(VIII) Compensation to employees, Directors and Supervisors

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

Article 20 of the Articles of Association: In case the Company makes a profit in the current year (profit refers to income before tax and before distribution of remuneration to employees and Directors), 12% shall be allocated as the employee remuneration and no more than 3% as remuneration to Directors. However, when the Company has accumulated losses (including adjustment on 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 estimation of the amount of remuneration to employee, directors, and supervisors, respectively, is based on the calculation of the number of shares paid to employees as 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 Incorporation, it is based on the profit made in 2021(profit refers to income before tax and before distribution of remuneration to employees, Directors and Supervisors).

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 2022.

Discrepancy between the Distributed Compensation of Employees, Directors and Supervisors and the Recognized Compensation for 2021, Reasons Thereof, and Treatment

Unit: NTD

	Recognized Compensation	Distributed Compensation	Discrepancy	Reasons and Treatment
Employee Remuneration	11,355,207	11,355,207	0	Upon the board resolution on April 29, 2022, no remuneration is distributed to directors andsupervisors. The difference is recorded into other income in 2022.
Remuneration to Directors and Supervisors	2,838,802	0	2,838,802	
Total	14,194,009	11,355,207	2,838,802	

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 DirectorsandSupervisors through cash or stock: The Board resolved to distribute dividendsin cash NT11,355 thousand to employees from earnings of 2021, and no remuneration is paid to directors and supervisors.
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 2021.

(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 (2020).

Unit: NTD

Distribution	Distribution Resolved by the Shareholders' Meeting and the Board of Directors	Actual Distribution	Discrepancy
Employee Remuneration	14,742,912	14,742,912	0
Remuneration to Directors and Supervisors	3,685,728	3,685,728	0
Total	18,428,640	18,428,640	0

(IX) Share repurchases: Not applicable.

II. Corporate Bonds:

(I)Issuance of Corporate Bonds

The Company applies for issuing the third unsecured convertible bonds. Upon the Notice of Financial Supervisory Committee issued on August 26, 2019, No.: FSC10803259241, the application goes into effect fromAugust 26, 2019, with a total amount of NT$500 million. Upon the notice of TPEx on September 6, 2019No.: TPEx10800104051, the issued bonds will be tradedon TPEx on September 10, 2019.

Type of Corporate Bonds	3rd issuance of domestic unsecured convertible bonds
Issue Date	September 10, 2019
Face Value	NT$100,000
Issuance and Trading Place	R.O.C.
Par Value	100.5% of face value
Equity	NT$500,000,000
Interest Rate	Coupon rate 0%
Term	5 years, maturity date: September 10, 2024
Guarantee Agency	None
Consignee	KGIBank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.
Certified Lawyer	Chiu, Ya-Wen, Attorney at law
CPA	Ernst & Young Global Limited CPA Ma, Chun-Ting and CPA Huang, Chien-Che
Repayment Method	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$500,000,000
Terms of Redemption or Advance Repayment	See the Regulations Governing the 3rd Issuance and Conversion of Domestic Unsecured Convertible Bonds
Restrictive Clause	None
Name of Credit Rating Agency, Rating Date, and Rating Results	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 of the Annual Report	0
Other Rights Attached: Issuance and conversion (exchange or subscription) regulations	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$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	Not applicable

(II)Convertible Bonds

Type of corporate bonds(Note1)	3rd issuance of domestic unsecured convertible bonds		
Item / Year	2020	2021	Current year as of March31,2022(Note 4)

Market Value for Conversion of Bonds(Note 2)	Highest	100.50	100.95	99.30
	Lowest	95.00	97.30	98.25
	Average	98.04	98.66	98.75
Conversion Price		51.50	51.50	51.50
Issuance(Handling)Date and Conversion Price Issuance		August11, 2019 NT$51.50	August11, 2019 NT$51.50	August11, 2019 NT$51.50
Conversion Method(Note3)		Issuance of new stocks	Issuance of new stocks	Issuance of new stocks

Note 1: The number of column is adjusted depending on the actual number of issuance.

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

III. Preferred Shares:

Item / Date of Issuance (Note 2)		Preferred stock A on November 29, 2019
Face Value		NT$10
Par Value		NT$52
Shares		10,000,000 shares
Equity		NT$520,000,000
Rights and Obligations	Distribution of dividends and bonuses	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.
	Distribution of remaining assets	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.
	Execution of voting rights	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.

	Others		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. 1) 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.
Outstanding Preferred Stocks	Amount of preferred stocks redeemed or converted		NT$0
	Balance of preferred stocks not redeemed or converted		NT$520,000,000
	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	2019	Highest	53.70
		Lowest	52.60
		Average	52.99
	2020	Highest	53.00
		Lowest	41.00
		Average	48.42
	2021	Highest	50.00
		Lowest	45.60
		Average	47.74
	Current year as of March 31, 2022 (Note 4)	Highest	47.00
		Lowest	43.85
		Average	45.83
Other Rights Attached	Amount of stock conversion or subscription as of the publication date of the Annual Report		0元
	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, 2022

<table>
<tr><td>Type of New Restricted Employee Shares
(Note 1)</td><td>Second time(period)
New restricted employee shares</td></tr>
<tr><td>Effective Date</td><td>July3,2018</td></tr>
<tr><td>Issue Date(Note2)</td><td>August7, 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>Number of New Restricted Employee Shares Issued to total issued shares</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 in Aandabove.
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>Evaluation Item</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>
</table>
</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td colspan="2">Lowest Standard Value</td><td>12%</td><td>16%</td></tr>
<tr><td rowspan="3">Assessment Year</td><td>2018</td><td>● If yoy <12% ,thenx1 = 0
● Ifyoy >=12%,thenx1=yoy/15%</td><td>● If yoy <16%,,thenx2=0
●Ifyoy >=16%, thenx2=yoy/20%</td></tr>
<tr><td>2019</td><td>● If yoy <12%,thenx3 = 0
● Ifyoy >=12%, thenx3=yoy/15%</td><td>● If yoy <16%,thenx4=0
●Ifyoy >=16%,thenx4=yoy/20%</td></tr>
<tr><td>2020</td><td>● If yoy <12% ,thenx5= 0
● Ifyoy >=12%,thenx5=yoy/15%</td><td>● If yoy <16% ,thenx6=0
●Ifyoy >=16%,thenx6=yoy/20%</td></tr>
<tr><td>Vested share ratio (z)</td><td colspan="3">z =Σxi / 6 ,(i=1~6,ifz>=100%,it is calculated as100%)</td></tr>
</table>
Note 1: Vested share ratio is rounded to the2decimal place.
Note2: 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 rightof 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>326,247(Note 3)</td>
</tr>
<tr>
<td>Number of New Shares with Restricted Rights Lifted</td>
<td>423,753</td>
</tr>
<tr>
<td>Number of New Shares with Restricted Rights Not Yet Lifted</td>
<td>0</td>
</tr>
<tr>
<td>The ratio of shares that the restricted rights of new restricted employee shares have not been lifted
Ratio of total issued shares(%)</td>
<td>0%</td>
</tr>
</table>

Impact on Shareholders' Equity	A total of 423,753newrestricted 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 is 0.48%, which restrictions have been lifted without any material impact on the existing shareholders' equity on November 6, 2021.

Note 1:The number of column is adjusted depending on the actual number of issuance.

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 326,247 new restricted employee shares issued for cancellation upon the Board's resolutions on May 2, 2019, August 6, 2019, November 7, 2019, November 11, 2020 and August 6, 2021, 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 312022

	Title (Note 1)	Name	Number of New Restricted Employee Shares Acquired	Percentage of New Restricted Employee Shares Acquired to Total Shares Issued	Restricted Rights Lifted (Note 2)				Restricted Rights Not Yet Lifted (Note2)			
					Number of Shares with Restricted Rights Lifted	Par Value	Issued Amount	Percentage of Shares with Restricted Rights Lifted to Total Shares Issued	Number of Shares with Restricted Rights Not Yet Lifted	Par Value	Issued Amount	Percentage of Shares with Restricted Rights Not Yet Lifted to Total Shares Issued
Managerial Officers	President	Lin, Yan-Shen	179,961	0.20%	179,961	10	1,799,610	0.20%	0	10	0	0%
	Vice President and Director of Operations Center	Liau, Jiann-Jong										
	Vice President and Director of Operations Center	Peng, Yu-Hsing										
	Director, Research and Development Center	Ho, Fang-Yuan										
	Director, Operations Center	Chou, Chin-Lung										
	Director of Department of Finance and Accounting	Deng, Yuan-Chang										
Employees(Note 3)	Manager, Department of Finance and Accounting	Pan, Yun-Han	85,072	0.10%	85,072	10	870,720	0.10%	0	10	0	0%
	Manager, Department of Information Management	Kuo, Yao-Chong										
	Manager, Department of Production Management at Hsinchu	Lin, Hsiu-Chun										
	Manager, Department of Manufacturing Development at Kaohsiung	Lin, Ching-Chi										
	Project Manager, R&D Department	Lu, Cheng-Kuang										
	Manager, Mechanical Development Department	Pao, Shou-Heng										
	Audit Manager, President's Office	Liao, Wei-Chang										
	Manager, Department of Administration	Chuang, Ya-Yen										
	Manager, Department of Customer Service	Wang, Yi-Yung										

	Department of Product Development	Liu, Yu-Liang										

Note 1: 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: Thetop ten employees who hold the new restricted employee shares refer to employees who are not managerial officers.

Note4: 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 2022, 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 thousand 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 thousand.

3.Source of Capital:

(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: Not applicable.

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) Implementation:

Unit: NT$1,000

Project Plan	Implementation Status		As ofthe FourthQuarter 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. Scope of 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) Operating ratio

Unit: NT$1,000

Products	Total Sales in 2021	(%) of Total Sales
Artificial joints	2,178,784	84.8%
Spinal products	275,625	10.7%
Other Products	7,416	0.3%
OEM products	109,041	4.2%
Total	2,570,866	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	Non-cement fixed femoral end tibial implants and patella element	2	U-Motion II EXPE Liner expansion
3	Modular stems and tools	4	Artificial shoulder joint system and tools
5	Metal module double movement acetabula system and tool	6	Guide tool for hip surgery
7	Cellbrick Cement Spacer-Knee(Cellbrick Cement Spacer-Knee)		

(II) Overview of the Industry:

(1) Current status and development of the industry:

According to the "Orthopaedic Industry Annual Report" published by ORTHOWORLD in 2021, the global artificial knee joint is estimated to have an output value of US$9.9 billion in 2022, and the expected growth rate is 3.3% in 2022. The artificial hip joint has an output value of US$8.2 billion and the expected growth rate is 2.8% 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)Correlation between upstream, midstream and downstream of theindustry

The Company has continuously invested in Kaohsiung plant in recent years, with artificial joint manufacturing technology adopted. Now, the Company has the manufacturing process vertically integrated with the upstream, middle stream and downstream. Except for the most upstream raw materials, the Company could complete all processes internally 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. United also cooperates with Italian precision navigation system company to develop knee navigation robot surgery system through European branch. The prototype will be launched in 3Q of this year. The machine will be certified by the European laboratory and apply for use in accordance with European regulations, to occupy a share in the precision robotic surgery market in the future.

(4)Competition Situation

According to THE ORTHOPAEDIC INDUSTRY ANNUAL REPORTreleased by ORTHOWORLD in 2021, the largest market is still in North America, knee joints accounted for 64.5% and hip joints of 59.2%. So, top 4 manufacturers are based in the USA, which account for 80.70% shares of knee joint market and 71.6% of hip joint market. 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.

(III) Overview of Technologies and Recent R&D Efforts:

(1) Research and Development Expenses and Its Percentageto Revenuein the Past Two Years and the Current Year as of March 31, 2022, the publication date of the Annual Report:

Unit: NT$1,000

Year	Total Expenses	Total Expenses To Revenue(%)
2020	155,087	6.6%
2021	143,675	5.6%
As of March 31, 2022	37,194	5.0%

(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- and short-term business development plans

(1)Short-termdevelopment plan:

1.Marketing strategy

(A) In the Chinese market, Xinhua-United artificial knee system independently produced by Shandong Xinhua United, re-invested by the Company, has obtained the certification from regulators in Q3 2021. Other hip joint systems and other products are also obtaining the certification. The Chinese team also introduces these independently produced products to the market and turns these products into the centralized procurement for hospitals. In July 2021, to reduce the price of high-grade medical devices, the Chinese government also began to include artificial joints into the national collective bidding procurement policy. Only products that win the bid would be purchased by most of hospitals. The industrial development must adapt to policy changes. Upon the efforts of Chinese colleagues and Taiwan suppliers, the products have to reduce price. Despite undesired prices, four United products are successfully selected into the bidding scope, which prices are similar to those of leading manufacturers. Chinese governments reduce the prices of these products by around 70%. If we disagree with such prices, we have to quit from the Chinese market. Under this all-or-none law, to make a profit, Xinhua-United products have to rely on a large sales volume and other joint products unlisted, such as revision joint and half hip joint despite with some acceptable margin profits. The Chinese market implies great potential. The market reshuffle is predictable as the national purchase significantly reduces the profits of manufacturers. After the new prices implemented from the second quarter of 2022, only manufacturers with effective management experience, long-term operating strategy could win over the market shares and survive from the turbulent market in the next one or two years. After several years of layout, United could flexibly operate its import and domestic brands to achieve the largest comprehensive benefits.

(B) European subsidiaries achieved around 5% of revenue growth in 2021 compared to 2020 despite the pandemic. In particular, United products performed well in French, increasingly recognized by physicians. Other markets such as Switzerland, Belgium and the UK have also made progress. The European market will perform excellently in the future.

(C)Based on the information disclosed in Orthoknow 2021, the four major U.S. artificial joint manufacturers all seen a decline in revenue as a result of COVID-19. The United Orthopedic Corp. U.S. branch was also affected by the pandemic, but its overall sales figure still reported double-digit growth. Such good results were mainly attributable to the launch of a new femoral stem product, the Conformity stem, which was co-developed by the experts at the Hospital for Special Surgery (HSS) in the U.S. Also, the USTAR II System, a product that helps retain the joint system between the tumor and limb, has been receiving appraisals since it was released in 2020. From the accumulated success gathered from clinical trials and actual doctors' approval of the product, all brought favorable responses and benefited the Company's brand image. On this basis, it is believed that the U.S. branch will continue to prove its strengths and become a powerful driving force in the industry.

(D) Japanese branch also organized the marketing and sales activities in 2021. However, it is still in an exploration market and investment stage. More resources are required to occupy the Japanese market.

(E) In addition to the directly operated branches in major countries, we have worked with agents in nearly 30 countries in the world. However, they only contribute about 15% of joint sales. Of course, the Company still focuses on continuous development and promotion. We will explore more markets and put more agent resources on the market.

(F) The domestic market was also affected by the pandemic in 2021 and sales kept unchanged from the previous year. The Company actively improves the business team's professional capacity,increases interaction with the physicians and clients and increase clients' product knowledge.The Companyalso exchanges with domestically large medical centers on product research and development, and user education,to develop loyal customer groups. Through increasing customer services, the Company aims to jump its market share to top from the second position.

2.Production policy and direction of product development

(A) Hsinchu and Kaohsiung plant stably adjust various production lines,to improve the efficiency and yield of production lines,so as to continuously improve process, reduce costs and stably supply products in line with market needs.

3.Operation scale and financial cooperation

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

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

(2)Long-term development:

1.Marketing strategy

Although the COVID case surge worldwide in recent two years and the purchase policy change in Chinese market, the Company mitigates operation risks through global deployment,avoiding all eggs from putting in one basket. Sales centers are set up in major strategic markets, such as USA, Europe, Mainland and Japan. The performance is balanced in different areas. Local managers and business teams explore the market to achieve the growth of the Company.

2.Production policy and direction of product development

The product R&D expands from Taiwan to the rest of the world. The Company jointly develops products with the cutting-edge medical teams worldwide, in addition to Taiwanese experts. Five new products are developed with American physicians. Two projects are implemented in Europe and make products better align with the market needs. The cooperation with consultant physicians is strengthened to bring positive effect.

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. Analysis of Market and Production and Marketing Situation

(I) Market Analysis

(1) Regions where main products (services) are sold (provided)

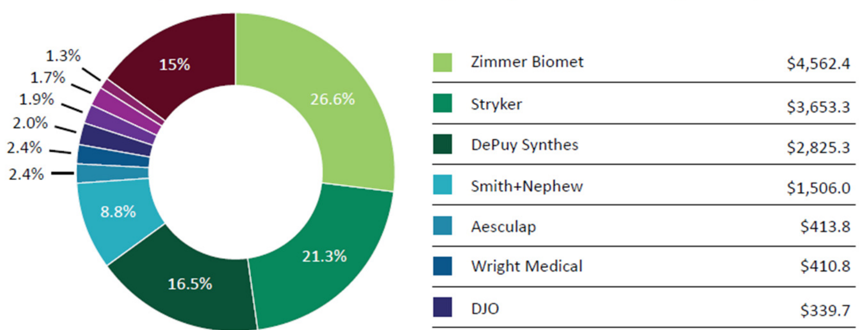
Unit: NT$1,000

Year / Region	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
Taiwan	967,904	39.7%	943,812	40.3%	917,106	35.7%
Asia	463,846	19.0%	486,381	20.8%	433,144	16.8%
America	432,553	17.8%	403,675	17.2%	522,650	20.3%
Europe	486,778	20.0%	422,829	18.1%	623,870	24.3%
Africa	30,605	1.2%	42,545	1.8%	46,214	1.8%
Australia	55,014	2.3%	42,984	1.8%	27,882	1.1%
Total	2,436,700	100.0%	2,342,226	100.0%	2,570,866	100.0%

(2) Market shares

According to the latest "The 2019 Orthopaedic Industry Annual Report" published by the ORTHOWORLD in 2020, the total output of artificial joint market is up to US$17.1 billion. The market share of the Company was approximately 0.4% to 0.5%.

Exhibit 28: Joint Replacement Market Share – Ten Largest Players and All Others ($Millions)



(3) The future supply and demand situation and growth of the market

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 73.2% of the industrial output by value while the rest is divided among other smaller plants. United products could meet the market standards. Although a small market share, United will become an important supplier by its continuously stable operation.

C. Market growth

Now, the global artificial joint industry has a value of around US$17.1 billion, declined by 12.3% compared to the previous year due to the pandemic. However, United achieves a 14% growth in joint products, better performed than global data. Global aging population will keep around 4% of annual growth. According to the UN report, by 2050, the population aged 60 years or over will be around 21% of total world's population. This figure will increase from 20% to 33% in the developed regions. Such trend will drive the growth of artificial joint market. So, the industry keeps promising in the next 20 and 30 years.

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

A.Competitive niches

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 enables the Company to stand toe to toe with global manufacturers. The Company's R&D and innovation are also heading towards the "Me Better" direction. Worked with industry experts worldwide, the Company could launch better products, conducive for market development with the world-class experts to guarantee R&D results.

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. The professional employees of directly operating branches could help to increase the market acceptance. With the marketing activities and monitored clinical products, more and more clients trust United products and United accumulates some reputation in worldwide artificial joint market.

C. Unfavorable factors

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

D. Countermeasures for unfavorable factors

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

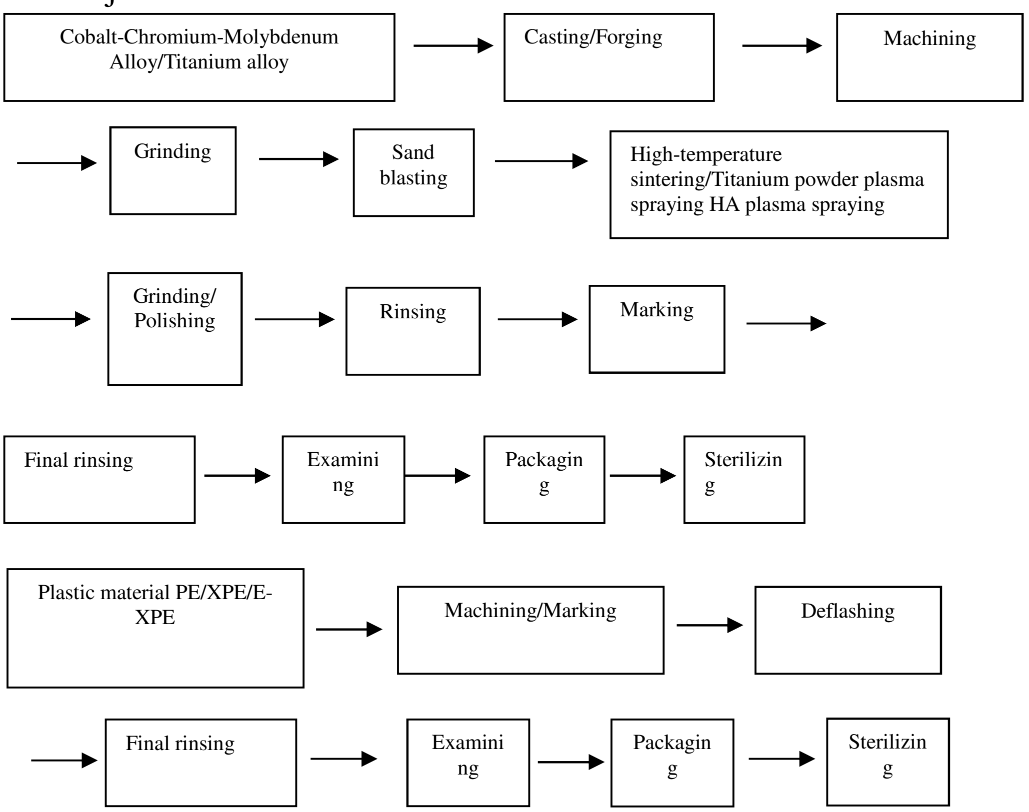
(II) Major Applications and Manufacturing Processes of Main Products

(1) Major applications of the main products:

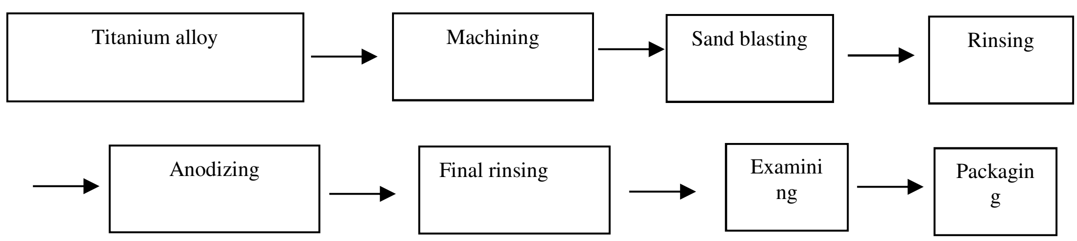
Main products	Main uses
Artificial hip joints	Joint replacement for patients suffering from rheumatic or degenerative hip problems
Artificial knee joints	Joint replacement for patients suffering from rheumatic or degenerative knee problems
Spinal products	To fix the spine for patients suffering from 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:

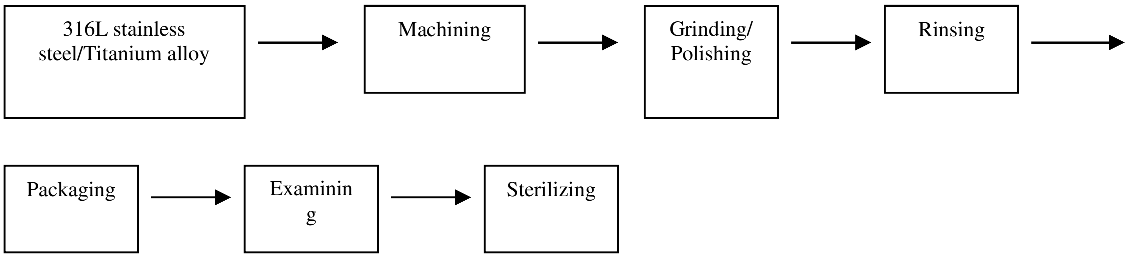
A.Artificial joints



B. Spine products:



C.Trauma products



(III) Supply of key raw materials:

Domestic Procurement:

(1) Titanium alloy bars: Mainly provided by President Co., Ltd., TITANIUM INDUSTRIES ASIA, INC. Taiwan Branch and Xitron Innovation Co., Ltd.

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) CoCrMo bar: CoCrMo bar mainly imported from the United States.
(4) Plastic bar: Mainly imported from the United States and Europe.
(5)Ti bead: Ti beadmainly imported from the United States.
(6)Ti /HA powder: Mainly imported from Europe.
(7)F75 Ingot: Ingot casting 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
CoCrMo 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

	2020				2021				As of March 31, 2022(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	77,683	20.57	None	CeramTec AG	87,052	20.57	None	CeramTec AG	36,990	23.52	None
2	UMC	52,085	13.79	Associate	UMC	75,259	13.79	Associate	UMC	15,926	10.13	Associate
3	CM	25,650	6.79	None	CM	33,774	6.79	None	EVOLUTIS	7,583	4.82	None
	Others	222,316	58.85		Others	316,904	58.85		Others	96,783	61.53	
	Net Total Procurement	377,734	100.00		Net Total Procurement	512,989	100.00		Net Total Procurement	157,282	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.

Note2: 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: The Company increased procurement in 2021, mainly due to the supplier delayed to deliver goods in 2020impacted by the pandemic. Therefore, the changes in the major suppliers in the most recent two years are reasonable in general.

(2) Information on major scales customers for the most recent two fiscal years:

Unit: NT$1,000

	2020				2021				As of March 31, 2022(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	Shinva United Orthopedic Corporation	274,328	11.71	Associate	Shinva United Orthopedic Corporation	178,236	6.93	Associate	Shanghai Lianxin	60,112	8.12	Associate
2	Linkou Chang Gung Memorial Hospital	106,062	4.52	None	Linkou Chang Gung Memorial Hospital	102,905	4.00	None	Linkou Chang Gung Memorial Hospital	29,305	3.96	None
3	PSL Presbyterian St.Lukes Medical Cente	47,309	2.03	None	Centennial Hills Hospital	55,109	2.15	None	Cirugía Alemana Insumos Médicos S.A.	19,433	2.63	None
	Others	1,914,528	81.74		Others	2,234,616	86.92		Others	630,901	85.29	
	Net Sales	2,342,227	100.00		Net Sales	2,570,866	100.00		Net Sales	739,751	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.

Note2: 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'srevenue increased in 2021 compared to the last year in various areas and subsidiaries,except for Mainland and A-SPINE affected by the national collective purchase policy and pademic. Therefore, the changes in sales are reasonable in general.

(V) Production Volume for the Most Recent Two Fiscal Years

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

Year / Production value / Main products	2020			2021		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Artificial joints	348,000pcs	230,570pcs	604,142	348,000pcs	295,600pcs	676,295
OEM products	67,448pcs	35,982pcs	21,453	80,712pcs	43,958pcs	20,659
Spinal products	192,796pcs	102,407pcs	68,295	182,935pcs	99,421pcs	61,172
Other Products	4,089pcs	2,172pcs	628	558pcs	303pcs	1,039
Total	612,333pcs	371,131pcs	694,518	612,205pcs	439,282pcs	759,165

(VI) Sales Volume for the Most Recent Two Fiscal Years

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

Year / Sales Volume & Value / Main products	2020				2021			
	Local		Export		Local		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Artificial joints	60,637pcs	635,213	185,342pcs	1,272,977	61,324pcs	659,925	175,045pcs	1,518,859
Spinal products	69,905pcs	246,466	65,065pcs	86,870	61,613pcs	207,794	55,691pcs	67,831
OEM products	363pcs	4,731	0	0	587pcs	4,229	0	0
Other Products	0	57,402	0	38,567	0	45,159	0	67,069
Total	130,905pcs	943,812	250,407pcs	1,398,414	130,905pcs	917,107	250,407pcs	1,653,759

III. Information of employees in the most recent two years and during the current fiscal year up to the date of publication of the Annual Report

March 31, 2022

	Year	2020	2021	As of March 31 2022
Number of employees	Sales personnel	91	94	96
	Technical personnel	321	318	315
	Administrative personnel	119	120	120
	R&D personnel	159	154	158
	Total	690	686	689
Average age		38.9	38.9	39.4
Average Years of Service		6.2	6.2	6.7
Educational distribution	PhD	1%	1%	1%
	Masters	16%	16%	16%
	Bachelor's Degree	59%	60%	61%
	Senior High School	22%	20%	20%
	Below Senior High School	3%	3%	2%

IV. Information on 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)When the Company has a surplus at the end of the year, performance bonuses and employee bonuses will be provided for outstanding performance employees.

(2)The employee benefit committee is established through distributing the employee benefit and all kinds of employee benefit activities are held, for example, May Day, Dragon Boat Festival, Mid-Autumn Festival gifts, birthday gifts, birthday celebrations, dinner group activities, community activities, employee travel, wedding and funeral subsidies

(3)Increase employee cohesion by hosting family day activities, and inviting the employees' families to participate.

(4)Give senior staff seniority awards as a token of appreciation for their long-term support and contribution.

(5)Providefreehealth 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:

①New 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.

②Professional 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.

③General 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 2021is as follows:

General training hours	Professional training hours	Orientation training hours	Total hours	General training hours
4,619 hours	18,161 hours	1,002 hours	23,782 hours	4,619 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 full functional internal website (Portal): All important internal information is available through the Portal.

6.Protection measures for work environment and 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 the occupational hazard prevention plan, hired full-time health management personnel, conducted regular environment inspections, and implemented automated inspection guidelines to effectively prevent the occurrence of occupational diseases and occupational hazards. The Company has 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.Information and Communication Security Management

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

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

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

VII.Important Contract

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	June19, 2018 to September 20, 2031	Loans	None
Financing	Mega International Commercial Bank - Neihu	December 7, 2017 to December 7, 2032	Loans	None
Emergency technology application program of Southern Taiwan Science Park	Southern Taiwan Science Park Bureau, MOST	July 1, 2021 to June 30, 2022	Development of power sintering technology with high porosity to promote the growth of artificial joint bone	None

Chapter 6. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement of 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, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Current assets		1,991,021	2,381,014	2,314,600	2,619,590	2,419,573	2,518,373
Property, plant and equipment		1,360,136	1,491,953	1,488,791	1,429,199	1,373,902	1,386,425
Intangible assets		434,988	471,893	500,251	526,189	518,898	534,882
Other assets		509,266	504,972	940,962	1,012,224	932,455	938,996
Total assets		4,295,411	4,849,832	5,244,604	5,587,202	5,244,828	5,378,676
Current liabilities	Before distribution	1,319,631	1,600,383	1,262,533	1,679,211	1,929,327	1,994,359
	After distribution	1,420,034	1,761,285	1,331,677	1,767,981	(Note 1)	Not applicable
Non-current liabilities		757,656	999,091	1,048,143	982,961	494,860	493,785
Total liabilities	Before distribution	2,077,287	2,599,474	2,310,676	2,662,172	2,424,187	2,488,144
	After distribution	2,177,690	2,760,376	2,379,820	2,750,942	(Note 1)	Not applicable
Equity attributable to owners of parent company		2,204,915	2,331,818	2,826,726	2,818,759	2,722,336	2,791,534
Capital		797,129	804,509	904,209	883,898	881,116	881,116
Additional paid-in capital		1,243,611	1,280,536	1,827,683	1,756,071	1,743,438	1,743,438
Reserved earnings	Before distribution	216,990	242,255	217,357	274,976	234,940	270,763
	After distribution	116,587	81,353	148,213	186,206	(Note 1)	Not applicable
Other equity		-52,815	-95,482	-122,523	-96,186	-137,158	-103,783
Treasury stock		0	0	0	0	0	0
Non-controlling equity		13,209	18,540	107,202	106,271	98,305	98,998
Total Equity	Before distribution	2,218,124	2,250,358	2,933,928	2,925,030	2,820,641	2,890,532
	After distribution	2,117,721	2,089,456	2,864,784	2,836,260	(Note 1)	Not applicable

＊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 fiveyears shall compile additional and accounting guidelines enforced domestically. For details, please refer to date 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 2022 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, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating revenue	1,972,592	2,332,247	2,436,700	2,342,226	2,570,866	739,751
Gross profit	1,422,431	1,601,486	1,736,541	1,646,797	1,843,250	542,889
Operating profit and loss	161,936	84,800	81,435	89,878	161,425	60,922
Non-operating income and expenses	3,726	22,649	9,306	19,277	-86,831	-10,746
Net profit before tax	165,662	107,449	90,741	109,155	74,594	50,176
Continuing operations net income Current Period Net Profit	110,939	102,492	71,786	101,312	52,877	36,355
Loss from suspended operations	0	0	0	0	0	0
Net profit (loss) in this period	110,939	102,492	71,786	101,312	52,877	36,355
Other comprehensive income or loss in this period (net value after tax)	-17,224	-13,412	-39,094	14,224	-54,055	33,536
Total amount of comprehensive income (loss) for this period	93,715	89,080	32,692	115,536	-1,178	69,891
Net profit attributable to parent company owner	130,264	127,554	88,584	101,828	52,271	35,823
Net income attributable to non-controlling interests	-19,325	-25,062	-16,798	-516	606	532
Comprehensive income (loss) attributable to owners of parent company	113,429	113,818	48,135	115,677	174	69,198
Comprehensive income (loss) attributable to non-controlling interests	-19,714	-24,738	-15,433	-141	-1,352	693
Earnings per Share	1.75	1.61	1.05	1.00	0.37	0.46

＊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 fiveyears shall compile additional and accounting guidelines enforced domestically. For details, please refer to date of table (2)below.

Note 1: Financial information as of 2022 has been reviewed and verified by accountants, adopting IFRS.

(II) Condensed Balance Sheet-IFRS-based Parent Company Only Financial Statement

Unit: NT$1,000

Item / Year		Financial Information for the Most Recent Five Years				
		2017	2018	2019	2020	2021
Current assets		1,520,576	1,873,328	1,707,132	1,919,484	1,881,928
Property, plant and equipment		1,008,602	1,027,850	1,013,441	928,922	869,164
Intangible assets		37,583	76,478	109,440	146,574	147,586
Other assets		1,239,084	1,290,864	1,725,424	1,839,915	1,662,337
Total assets		3,805,845	4,268,520	4,555,437	4,834,895	4,561,015
Current liabilities	Before distribution	949,086	1,143,067	808,161	1,172,814	1,525,830
	After distribution	1,049,489	1,303,969	877,305	1,261,584	(Note 1)
Non-current liabilities		651,844	893,635	920,550	843,322	312,849
Total liabilities	Before distribution	1,600,930	2,036,702	1,728,711	2,016,136	1,838,679
	After distribution	1,701,333	2,197,604	1,797,855	2,104,906	(Note 1)
Equity attributable to owners of parent company		2,204,915	2,231,818	2,826,726	2,818,759	2,722,336
Capital		797,129	804,509	904,209	883,898	881,116
Additional paid-in capital		1,243,611	1,280,536	1,827,683	1,756,071	1,743,438
Reserved earnings	Before distribution	216,990	242,255	217,357	274,976	234,940
	After distribution	116,587	81,353	148,213	186,206	(Note 1)
Other equity		-52,815	-95,482	-122,523	-96,186	-137,158
Treasury stock		0	0	0	0	0
Non-controlling equity		0	0	0	0	0
Total Equity	Before distribution	2,204,915	2,231,818	2,826,726	2,818,759	2,722,336
	After distribution	2,104,512	2,070,916	2,757,582	2,729,989	(Note 1)

＊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 fiveyears shall compile additional and accounting guidelines enforced domestically. For details, please refer to date 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-based Parent Company Only Financial Statement

Unit: NT$1,000

Item \ Year	Financial Information for the Most Recent Five Years				
	2017	2018	2019	2020	2021
Operating revenue	1,581,054	1,789,376	1,576,184	1,576,014	1,682,232
Gross profit	840,992	914,694	887,981	758,067	835,172
Operating profit and loss	190,185	216,377	174,871	140,498	199,967
Non-operating income and expenses	-16,316	-95,785	-87,270	-36,069	-119,536
Net profit before tax	173,869	120,592	87,601	104,429	80,431
Continuing operations net income in this period	130,264	127,554	88,584	101,828	52,271
Loss from suspended operations	0	0	0	0	0
Net profit (loss) in this period	130,264	127,554	88,584	101,828	52,271
Other comprehensive income or loss in this period (net value after tax)	-16,835	-13,736	-40,449	13,849	-52,097
Total amount of comprehensive income (loss) for this period	113,429	113,818	48,135	115,677	174
Earnings per Share	1.78	1.61	1.05	1.00	0.37

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

＊Companies having adopted IFRS for financial reporting for less than 5years shall compile additional and accounting guidelines enforced domestically. For details, please refer to date of date (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 Enterprise Accounting Standards

Unit: NT$1,000

Item \ Year		Financial information for the most recent five years				
		2017	2018	2019	2020	2021
Current assets		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
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	Before distribution					
Equity	After distribution					

Condensed Statement of Income-Consolidated Financial Report Based on ROC Enterprise Accounting Standards

Unit: NT$1,000

Item \ Year	Financial information for the most recent five years				
	2017	2018	2019	2020	2021
Operating revenue	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Gross profit					
Operating profit and loss					
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					

(IV) Condensed Balance Sheet -ROC Enterprise Accounting Standard

Unit: NT$1,000

Item \ Year		Financial information for the most recent five years				
		2017	2018	2019	2020	2021
Current assets		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
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	Before distribution					
Equity	After distribution					

Condensed Statement of Income-ROC Enterprise Accounting Standard

Unit: NT$1,000

Item \ Year	Financial information for the most recent five years				
	2017	2018	2019	2020	2021
Operating revenue	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Gross profit					
Operating profit and loss					
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					

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

Audit year	Name of Accounting Firm	Name of CPA	Audit 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
2021	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 for the Most Recent Five Years					As of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Liability to assets ratio	48.36	53.59	44.05	47.64	46.22	46.25
	Ratio of long-term capital to property, plant, and equipment	218.78	217.79	267.49	273.43	241.32	244.10
Solvency (%)	Current ratio	150.87	148.77	183.33	156.00	125.41	126.27
	Quick ratio	79.75	77.09	89.25	86.69	67.00	67.16
	Interest coverage ratio	13.51	5.00	3.71	4.47	5.22	12.50
Operation performance	Receivables turnover rate (times)	5.02	4.05	4.00	4.18	4.43	4.90
	Average days of collection	72	90	91	87	82	74
	Inventory turnover rate (times)	0.73	0.70	0.62	0.61	0.65	0.67
	Accounts payable turnover rate (times)	6.09	6.43	6.25	5.92	6.60	6.75
	Average days of sale	497	515	581	595	558	544
	Property, plant and equipment turnover rate (times)	1.72	1.65	1.64	1.60	1.83	2.13
	Total assets turnover rate (times)	0.54	0.51	0.48	0.43	0.47	0.55
Profitability	Return on assets (%)	3.36	2.72	1.95	2.33	1.23	2.96
	Return on equity (%)	5.52	4.58	2.76	3.45	1.84	5.02
	Ratio of profit before income tax to paid-in capital (%)	7.46	4.77	3.21	3.87	2.74	7.19
	Net income ratio (%)	5.62	4.39	2.94	4.32	2.05	4.91
	Earnings per share (NT$)	1.78	1.61	1.05	1.00	0.37	0.46
Cash flows	Cash flow ratio (%)	1.63	1.14	41.11	29.80	17.73	4.16
	Cash flow adequacy ratio (%)	24.07	22.03	36.79	47.00	59.32	29.42
	Cash re-investment ratio (%)	-2.71	-2.52	9.24	11.08	7.21	2.29
Leverage	Degree of operating leverage	6.12	12.84	13.51	12.25	7.38	5.81
	Financial leverage	1.08	1.46	1.69	1.53	1.12	1.07

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) Quick ratio: Mainly due to cash and short-term borrowings in the current period decreased compared with the previous period, and the corporate bonds payable for the previous period converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.</g>

(2) Return on assets: Mainly due to the interest expense of the current period reduced compared to the previous period;the increase in promotional fees,exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(3) Return on equity: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(4) Net income before tax to paid-up capital ratio: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(5) Net profit margin: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(6) Earnings per share: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period, leading to decrease in earnings per share compared to the previous period.

(7) Cash flow ratio: Mainly due to decrease in net profit before tax and other payables from current business activities, increase in accounts receivable and share of losses from affiliated enterprises and joint ventures recognized by the equity method, leading to decrease in net inflow from operating activities.

(8) Cash flow 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, inventories and cash dividends decrease comparing with those of the previous period.

(9) Cash reinvestment ratio: Mainly due to decreasing in net inflow from operating activities in the current period compared with the previous period, and the corporate bonds payable for the previous period converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

(10) Degree of operating leverage (DOL): Due to increase in sales income,sales marginal profit for this current period leading to operating income increase compared to the previous period.

(11) Financial leverage: Due to the operating income increase compared to the previous period,decrease in the interest expenditure for the current period compared to the previous period.

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

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

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.

Parent company onlyfinancial analysis -IFRS

Items	Year (Note 1)	Financial Analysis for the Most Recent Five Years					As of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Liability to assets ratio	42.06	47.71	37.94	41.70	40.31	Not applicable
	Ratio of long-term capital to property, plant, and equipment	283.23	304.07	369.75	394.22	349.20	
Solvency (%)	Current ratio	160.21	163.88	211.23	163.66	123.33	
	Quick ratio	93.31	100.00	121.62	110.40	83.08	
	Interest coverage ratio	17.16	8.60	5.20	5.19	6.89	
Operation performance	Receivables turnover rate (times)	3.11	2.45	2.06	2.28	2.27	
	Average days of collection	117	148	176	159	160	
	Inventory turnover rate (times)	1.23	1.24	1.03	1.20	1.31	

	Accounts payable turnover rate (times)	8.76	10.67	10.49	8.92	8.81	
	Average days of sale	296	292	352	304	276	
	Property, plant and equipment turnover rate (times)	1.73	1.75	1.55	1.62	1.87	
	Total assets turnover rate (times)	0.47	0.44	0.35	0.33	0.35	
Profitability	Return on assets (%)	4.20	3.48	2.38	2.59	1.3	
	Return on equity (%)	6.54	5.75	3.50	3.60	1.88	
	Ratio of profit before income tax to paid-in capital (%)	7.88	5.40	3.09	3.70	2.95	
	Net income ratio (%)	8.23	7.12	5.62	6.46	3.10	
	Earnings per share (NT$)	1.78	1.61	1.05	1.00	0.37	
Cash flows	Cash flow ratio (%)	11.96	1.14	68.54	42.49	18.29	
	Cash flow adequacy ratio (%)	44.03	36.85	63.02	84.44	111.63	
	Cash re-investment ratio (%)	0.45	-2.60	10.27	11.48	5.93	
Leverage	Degree of operating leverage	4.37	4.32	4.37	3.04	2.55	
	Financial leverage	1.05	1.07	1.13	1.21	1.07	

Description of causes for changes to various financial ratios in the two most recent years. (Analysis would not be required if the change is within20%).

(1) Current ratio: Mainly due to the corporate bonds payable for current year converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

(2) Quick ratio:Mainly due to the corporate bonds payable for current year converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

(3) Interest coverage ratio: Mainly due to the interest expense of the current period reduced compared to the previous period;the increase in promotional fees,exchange loss and investment loss recognized by the equity method resulted in the decrease of profits and income tax increases in the current period.

(4) Return on assets: Mainly due to the interest expense of the current period reduced compared to the previous period;the increase in promotional fees,exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(5) Return on equity: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(6) Net income before tax to paid-up capital ratio:Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(7) Net profit margin: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period.

(8) Earnings per share: Mainly due to the increase in promotional fees, exchange loss and investment loss recognized by the equity method resulted in the decrease of profits in the current period, leading to decrease in earnings per share compared to the previous period.

(9) Cash flow ratio:Mainly due to decrease in net profit before tax,inventory and accounts payable from the current business activities compared to the last period, increase in accounts receivablecompared to the previous period,leading todecrease in net flow from operating activities.

(10) Cash flow 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, inventories and cash dividends decrease comparing with those of the previous period.

(11) Cash reinvestment ratio: Mainly due to decreasing in net inflow from operating activities in the current period compared with the previous period, increase in cash dividends for this period and the corporate bonds payable for the previous period converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

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

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

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 parent company only financial statement.

■Calculation formulas for financial analysis are as follows:

1.Financial structure

(1)Liability to assets ratio＝Total liabilities/total assets.

(2)Ratio of long-term capital to property, plant and equipment＝(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)Accounts receivable (including accounts receivable and notes receivable resulting from operation)turnover rate＝ net operating revenue/average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2)Days sales outstanding ＝365/Average collection turnover.

(3)Inventory turnover ratio = cost of goods sold/average amount of inventory.

(4)Payables (including accounts payable and notes payable due to the business operation)turnover＝ Cost of goods sold/balance of average payables (including accounts payable and notes payable due to business operations).

(5)Average inventory turnover days＝365/Inventory turnover.

(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 (ROE)＝Net income (loss)/Average total equity.

(3)Net 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). (Note5)

6.Degree of leverage:

(1)Operating leverage ＝(Net revenue－Variable operating costs and expenses) / Operating income(Note6).

(2)Degree of Financial Leverage (DFL) ＝Operating profit / (Operating profit －Interest expenditures).

Note4: 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.

Note5: 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.

Note6: 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.

Note7: Where company shares have no par value or where the par value per share is not NT$10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owner of the parent company in the asset balance sheet.

(II)Financial analysis -R.O.C. Enterprise Accounting Standards

Analysis Item (Year)			2017	2018	2019	2020	2021
			Financial information for the most recent five years				
Financial structure(%)	Liability to assets ratio		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Ratio of long-term capital to property,plant and equipment						
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						
	Property, plant and equipment turnover rate (times)						
	Total assets turnover rate (times)						
Profitability	Return on assets (%)						
	Return on shareholders' equity (%)						
	Percentage of paid-in capital (%)	Operating income					
		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%): Not applicable.

Consolidated financial analysis -ROC Enterprise Accounting Standards

Analysis Item (Year)			Financial information for the most recent five years				
			2017	2018	2019	2020	2021
Financial structure(%)	Liability to assets ratio		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Ratio of long-term capital to property,plant and equipment						
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						
	Property, plant and equipment turnover rate (times)						
	Total assets turnover rate (times)						
Profitability	Return on assets (%)						
	Return on shareholders' equity (%)						
	Percentage of paid-in capital (%)	Operating income					
		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%): Not applicable.							

■Calculation formulas for financial analysis are as follows:

1.Financial structure

(1)Liability to assets 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)Accounts receivable (including accounts receivable and notes receivable resulting from operation)turnover rate＝ net operating revenue/average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2)Days sales outstanding ＝365/Average collection turnover.

(3)Inventory turnover ratio = cost of goods sold/average amount of inventory.

(4)Payables (including accounts payable and notes payable due to the business operation)turnover＝ Cost of goods sold/balance of average payables (including accounts payable and notes payable due to business operations).

(5)Average inventory turnover days＝365/Inventory turnover.

(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 shareholders' equity (ROE) = Profit or loss after tax / Average net shareholders' equity.

(3)Net margin＝Net income/Net sales.

(4)Earnings per share ＝ (net income - dividend to preferred stock)/weighted average of shares issued (Note 4). (Note4)

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). (Note5)

6.Degree of leverage:

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(2)Degree of Financial Leverage (DFL) ＝Operating profit / (Operating profit －Interest expenditures).

Note 3: 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.

Note4: 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.

Note5: 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 2021 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 2022

United Orthopedic Corporation

Convener of the Audit Committee: Wu, Meng-Ta

March 24, 2022,

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 2021 (from January 1 to December 31, 2021), 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

Principal: Lin, Yan-Shen

March 24, 2022, R.O.C.

INDEPENDENT AUDITORS' REPORT

To United Orthopedic Corporation:

Audit opinion

The consolidated balance sheets of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as of December 31, 2021 and December 31, 2020, and the consolidated statements of profit and loss, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements as of January 1 to December 31, 2021 and January 1 to December 31, 2020 (including the summary of significant accounting policies) have been audited and verified by the Company's accountants.

In the opinion of our accountants, the above consolidated financial statements are, in all material respects, prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved and promulgated by the Financial Supervisory Commission, and are sufficient to fairly represent the combined financial position of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as at 31 December 2021 and 31 December 2020, and the combined financial performance and consolidated cash flows as at 1 January to 31 December, 2021 and 2020.

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. The Certified Public Accountant believes that sufficient and appropriate evidences for the audit have been obtained as the basis for expressing opinion.

Key Audit Matters

The key audit matters refer to the most important matters regarding the audit of the consolidated financial statements of United Orthopaedic Equipment Co., Ltd. and its subsidiaries for 2021 according to the professional judgment of our accountant. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinions; hence, the CPA shall not express separate opinions on these items.

<u>Inventory valuation</u>

The net inventory of United Orthopedic Equipment Co., Ltd. and its subsidiaries on December 31, 2021 was NT $1,102,576 (thousand), accounting for 21% of the total consolidated assets, which is significant for the consolidated financial statements. Because of the innovation of orthopedic equipment production technology, the inventory might be outdated or the selling price might fall. It is estimated that net realizable value and loss for obsolete and slow-moving inventories have involved significant management judgment. We believe that the inventory valuation is important for the audit of the consolidated financial statements, so the inventory valuation is determined as key audit matters. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Key audit matters (Continued)

Revenue recognition

United Orthopaedic Equipment Co., Ltd. and its subsidiaries mainly sell products such as orthopaedic equipment - artificial knee joint, artificial knee joint, wound and substitute work products. In 2021, the revenue of NT$2,570,866 (thousand) was recognized, which is significant for the consolidated financial statements. Because of the characteristics of the industry, it is necessary to wait for the clients to obtain control of the product so as to satisfy the obligation of fulfilling contracts. We believe that the recognition of contract revenue of the Company is important for the audit of the consolidated financial statements, so it is determined as a key audit matter. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of intangible assets arising from internal development

United Orthopaedic Equipment Co., Ltd. and its subsidiaries' net carrying amount of intangible assets was NT $52,873 (thousand) on December 31, 2021, which is significant for the consolidated financial statements. United Orthopedic Corporation and its subsidiaries invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation and its subsidiaries needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

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

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

Responsibilities of Management and the Governing Body for the Consolidated Financial Statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance 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. The accountant will also perform the following duties:

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. The risk of not being able to detect a misstatement that is caused by fraud is higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.

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

3. 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.

The Certified Public Accountant' Responsibilities in the Audit of the Consolidated Financial Statements (Continued)

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

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 communication with the governance unit, the accountant decided on the key items for the audit of the consolidated financial statements of United Orthopaedic Equipment Co., Ltd. and its subsidiaries in 2021. 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 2021 and 2020, 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 24, 2022

United Orthopedic Equipment Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and December 31, 2020

Unit: NT$ 1,000

Assets			December 31, 2021		December 31, 2020	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and Cash Equivalents	IV and VI.1	$638,683	12	$838,930	15
1110	Financial assets measured at fair value through profit or loss-current	IV and VI.2	-	-	28,453	1
1150	Notes receivable (net)	IV, VI.5 and VI.20	2,377	-	1,593	-
1170	Net accounts receivable	IV, VI.6 and VI.20	546,882	10	483,632	9
1180	Notes receivable - related parties, net	IV, VI.6, VI.20 and VII	46,719	1	79,488	1
1200	Other receivables	4 & 7	29,230	1	7,304	-
1220	Income tax assets in the current period	IV and VI.25	2,582	-	2,808	-
130x	Inventory	IV and VI.7	1,102,576	21	1,128,781	20
1410	Prepayments		32,251	1	43,029	1
1470	Other current assets		18,273	-	5,572	-
11xx	Total current assets		2,419,573	46	2,619,590	47
	Non-current Assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	IV and VI.3	52,872	1	53,167	1
1535	Financial assets at amortized cost - non-current	IV, VI.4, VI.20 and VIII	9,820	-	15,853	-
1550	Investments accounted for using equity method	IV and VI.8	517,580	10	569,487	10
1600	Property, plant and equipment	IV, VI. 9 and VIII	1,373,902	26	1,429,199	26
1755	Right-of-use Assets	IV. VI. 21	208,093	4	215,314	4
1780	Intangible assets	IV, VI.10 and VI.11	518,898	10	526,189	9
1840	Deferred income tax assets	IV and VI.25	97,935	2	104,407	2
1900	Other non-current assets	7	46,155	1	53,996	1
15xx	Total non-current assets		2,825,255	54	2,967,612	53
1xxx	Total assets		$5,244,828	100	$5,587,202	100

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

Chairman: Lin Yansheng Manager: Lin Yansheng Accounting Supervisor: Yuan Yuanchang

United Orthopedic Equipment Co., Ltd. and Subsidiaries

Consolidated Balance Sheet (continued)

December 31, 2021 and December 31, 2020

Unit: NT$ 1,000

Liabilities and equity			December 31, 2021		December 31, 2020	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.12	$785,946	15	$979,837	18
2120	Financial Liabilities at Fair Value through Profit or Loss - Current	IV, VI.13 and VI.14	6,250	-	-	-
2130	Contract liabilities - current	IV and VI.19	8,631	-	3,843	-
2150	Notes payable	4	427	-	1,466	-
2170	Accounts payable	4	82,041	2	83,874	2
2180	Accounts payable - related parties	4 & 7	28,754	1	24,378	-
2200	Other payables	4	409,001	8	451,191	8
2220	Other payables - related parties	4 & 7	13	-	55	-
2230	Income tax liabilities for the current period	IV and VI.25	45,979	1	37,473	1
2280	Lease liabilities - current	IV and VI.21	24,774	-	21,864	-
2300	Other current liabilities	7	31,864	1	36,291	1
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	IV and VI.14	484,555	9	-	-
2322	Long-term loan due within one year or one operating cycle	IV, VI.15 and VIII	21,092	-	38,939	1
21xx	Total current liabilities		1,929,327	37	1,679,211	31
	Non-current liabilities					
2500	Financial liabilities measured at fair value through profit or loss - non-current	IV, VI.13 and VI.14	-	-	1,850	-
2530	Corporate bonds payable	IV and VI.14	-	-	478,829	9
2540	Long-term loans	IV, VI.15 and VIII	216,974	4	206,879	4
2570	Deferred income tax liabilities	IV and VI.25	12,618	-	24,126	-
2580	Lease liabilities - non-current	IV and VI.21	188,160	4	196,289	3
2600	Other non-current liabilities		1,446	-	1,500	-
2630	Long-term deferred income	VI.8	72,239	1	73,424	1
2640	Net defined benefit liabilities - non-current	IV and VI.16	3,423	-	64	-
25xx	Total non-current liabilities		494,860	9	982,961	17
2xxx	Total liabilities		2,424,187	46	2,662,172	48
31xx	Equity attributable to owners of parent company	IV, VI.14, VI.17 and VI.27				
3100	Share capital					
3110	Capital - common stock		781,116	15	783,898	13
3120	Capital - preferred stock		100,000	2	100,000	2
	Total capital		881,116	17	883,898	15
3200	Additional paid-in capital		1,743,438	33	1,756,071	31
3300	Retained earnings					
3310	Legal reserve		97,755	2	89,304	2
3320	Special reserve		88,451	2	101,160	2
3350	Undistributed surplus		48,734	1	84,512	2
	Total retained earnings		234,940	5	274,976	6
3400	Other equity					
3410	Exchange differences on translation of foreign financial statements		(133,265)	(3)	(84,818)	(2)

3420	Unrealized gain or loss of financial assets measured at fair value through other comprehensive income		(3,893)	-	(3,632)	-
3491	Employees' unearned remuneration	IV and VI.18	-	-	(7,736)	-
	Total other equity		(137,158)	(3)	(96,186)	(2)
36xx	Non-controlling Interests		98,305	2	106,271	2
3xxx	Total equity		2,820,641	54	2,925,030	52
	Total liabilities and equity		$5,244,828	100	$5,587,202	100

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

Chairman: Lin Yansheng Manager: Lin Yansheng Accounting Supervisor: Yuan Yuanchang

United Orthopedic Equipment Co., Ltd. and Subsidiaries

Statement of Comprehensive Income

January 1 to December 31, 2021 and 2020

Unit: NT$ 1,000

Code	Accounting Items	Notes	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	IV, VI.19 and VII	$2,570,866	100	$2,342,226	100
5000	Operating costs	IV, VI.7, VI.21, VI.22 and VII	729,522	28	700,189	30
5900	Gross profit		1,841,344	72	1,642,037	70
5920	Realized sales gain		1,906	-	4,760	-
5950	Net gross profit		1,843,250	72	1,646,797	70
6000	Operating expenses	IV, VI.20, VI.21 and VI.22				
6100	Marketing expenses		1,315,437	51	1,171,965	50
6200	Management expense		222,316	9	225,149	10
6300	R&D expenses		143,675	6	155,087	6
6450	Expected credit impairment loss		397	-	4,718	-
	Total Operating Expenses		1,681,825	66	1,556,919	66
6900	Operating profit		161,425	6	89,878	4
7000	Non-operating income and expenses	IV, VI.8, VI.23 and VII				
7100	Interest income		2,010	-	4,133	-
7010	Other incomes		26,317	1	57,746	2
7020	Other profit and loss		(48,020)	(2)	3,052	-
7050	Financial cost		(17,641)	(1)	(31,386)	(1)
7060	Share of the loss of associates and joint ventures accounted for using the equity method		(49,497)	(2)	(14,268)	-
	Total Non-operating Income and Expenses		(86,831)	(4)	19,277	1
7900	Net profit before tax		74,594	2	109,155	3
7950	Income tax expense	IV and VI.25	(21,717)	(1)	(7,843)	-
8200	Net profit for the current period		52,877	1	101,312	3
8300	Other comprehensive income (loss)	IV and VI.24				
8310	Items not to be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		(3,389)	-	1,139	-
8316	Investments in equity instruments measured at fair value through other comprehensive income					
	Unrealized valuation losses		(295)	-	32	-
8360	Items that may be subsequently reclassified into profit or loss					
8361	Exchange differences on translation of foreign financial statements		(46,055)	(2)	3,111	-
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		(4,316)	-	9,942	-
	Other Comprehensive Income (Net After Tax) of Current Period		(54,055)	(2)	14,224	-
8500	Total Comprehensive Income of Current Period		$(1,178)	(1)	$115,536	3
8600	Net profit (loss) attributable to:					
8610	Owners of parent company		$52,271		$101,828	
8620	Non-controlling Interests		606		(516)	
	Total		$52,877		$101,312	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		$174		$115,677	
8720	Non-controlling Interests		(1,352)		(141)	
	Total		$(1,178)		$115,536	
	Earnings per share (NT$)	IV and VI.26				

9750	Basic earnings per share		$0.37		$1.00		
9850	Diluted earnings per share		$0.37		$0.94		

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

Chairman: Lin Yansheng Manager: Lin Yansheng Accounting Supervisor: Yuan Yuanchang

United Orthopedic Equipment Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31, 2021 and 2020

Unit: NT$ 1,000

Code	Item	Equity attributable to owners of parent company												
		Capital stock			Retained earnings			Other equity						
		Capital - common stock	Capital - preferred stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed surplus	Foreign Operation Translation of the Financial Statements of Exchange Difference	Unrealized valuation (loss) gain on financial assets measured at fair value through other comprehensive income	Employees' unearned remuneration	Treasury stock	Attributable to the parent company Owners' equity	Non-controlling Interests	Total equity
		3100	3120	3200	3310	3320	3350	3410	3420	3491	3500	31XX	36XX	3XXX
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	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 for year 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 Comprehensive Income of Current 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
A1	Balance as of January 1, 2021	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$-	$2,818,759	$106,271	$2,925,030

	Earnings distribution in 2020													
B1	Legal reserve	-	-	-	8,451	-	(8,451)	-	-	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(65,370)	-	-	-	-	(65,370)	-	(65,370)
B7	Cash dividend of extraordinary stock	-	-	-	-	-	(23,400)	-	-	-	-	(23,400)	-	(23,400)
B17	Special reserve reversal	-	-	-	-	(12,709)	12,709	-	-	-	-	-	-	-
D1	Net profit for year 2021	-	-	-	-	-	52,271	-	-	-	-	52,271	606	52,877
D3	Other comprehensive income in 2021	-	-	-	-	-	(3,389)	(48,447)	(261)	-	-	(52,097)	(1,958)	(54,055)
D5	Total Comprehensive Income of Current Period	-	-	-	-	-	48,882	(48,447)	(261)	-	-	174	(1,352)	(1,178)
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(148)	-	-	-	-	(148)	148	-
N2	Share-based payment transaction - new restricted employee shares	(2,782)	-	(12,633)	-	-	-	-	-	7,736	-	(7,679)	-	(7,679)
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,762)	(6,762)
Z1	Balance as of December 31, 2021	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$-	$2,722,336	$98,305	$2,820,641

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

Chairman: Lin Yansheng Manager: Lin Yansheng Accounting Supervisor: Yuan Yuanchang

United Orthopedic Equipment Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

January 1 to December 31, 2021 and 2020

Unit: NT$ 1,000

Code	Item	2021 Amount	2020 Amount	Code	Item	2021 Amount	2020 Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investment activities:		
A10000	Net profit before tax for the current period	$74,594	$109,155	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	-	(50,000)
A20000	Adjustment items:			B00040	Acquisition of financial assets measured at amortized cost	6,033	(2,149)
A20010	Income and expenses items:			B00100	Acquisition of financial assets at fair value through profit or loss	-	(27,575)
A20100	Depreciation expenses	275,766	262,375	B00200	Disposal of financial assets at fair value through profit or loss	28,321	-
A20200	Amortization expenses	33,967	24,424	B02700	Acquisition of property, plant and equipment	(192,521)	(147,115)
A20300	Expected credit impairment loss	397	4,718	B02800	Disposal of property, plant and equipment	9,771	9,809
A20400	Net loss (gain) on financial assets measured at fair value through profit or loss	4,532	(2,278)	B03700	(Increase) decrease in refundable deposits	(3,670)	2,165
A20900	Interest Expenses	17,641	31,386	B04500	Acquisition of intangible assets	(27,712)	(48,763)
A21200	Interest revenue	(2,010)	(4,133)	B04600	Disposal of intangible assets	30	-
A21900	Share-based payment remuneration cost	(7,679)	12,630	B07100	Increase in prepayments for business facilities	(6,973)	(35,914)
A22300	Share of the loss of associates and joint ventures accounted for using the equity method	49,497	14,268	BBBB	Net cash outflow from investing activities	(186,721)	(299,542)
A22500	Loss on disposal of property, plant and equipment	(2,913)	1,886				
A22800	Loss on disposal of intangible assets	1,730	-	CCCC	Cash from financing activities:		
A24000	Realized sales gain	(1,906)	(4,760)				
A29900	Other income	(1,170)	(351)	C00100	(Decrease) increase in short-term debt	(185,842)	786,560
A30000	Changes in assets/liabilities related to operating activities:			C01300	Repayments of bonds	-	(400,000)
A31130	(Increase) decrease in notes receivable	(784)	1,448	C01600	Long-term loans raised	76,851	460,000
A31150	(Increase) decrease in accounts receivable	(63,647)	7,874	C01700	Repayment of long-term loans	(81,016)	(553,291)
A31160	Accounts receivable - decrease (increase) in related parties	32,769	(22,784)	C03000	(Decrease) increase in guarantee deposit received	(54)	29
A31180	Decrease (increase) in other accounts receivable	(22,368)	854	C04020	Repayment of lease principal	(27,919)	(29,477)
A31190	Decrease in other receivables from related parties	-	5,409	C04500	Cash dividends paid	(88,770)	(69,144)
A31200	(Increase) decrease in inventories	2,153	16,633	C04900	Repurchase cost of treasury stock	-	(65,567)
A31230	Decrease (increase) in prepayments	10,778	(5,825)	C05400	Acquisition of equity of subsidiaries	-	(1,151)
A31240	(Increase) decrease in other current assets	(12,701)	3,054	C05600	Interest paid	(8,472)	(19,651)
A32125	Increase (decrease) in contractual liabilities	4,788	(577)	C05800	Changes in non-controlling equity	(6,762)	(1,202)
A32130	Decrease in notes payable	(1,039)	(770)	CCCC	Net cash flow (outflow) from financing activities	(321,984)	107,106
A32150	Increase (decrease) in accounts payable	(1,833)	14,124				
A32160	Increase (decrease) in accounts payable - related parties	4,376	(30,098)				
A32180	Increase (decrease) in other payables	(32,864)	31,238				
A32190	Decrease in other payables - related parties	(42)	(2,879)				
A32230	(Decrease) increase in other current liabilities	(4,427)	24,258				
A32240	Decreases in net defined benefit liability	(31)	(1,363)				
A33000	Cash inflow generated from operations	357,574	489,916	DDDD	Effects from changes in exchange rates on cash and cash equivalents	(33,611)	(7,290)
A33100	Interest received	2,457	3,733	EEEE	Increase (Decrease) in Cash and Cash Equivalents	(200,247)	300,808
A33500	(Payment) refunded income tax	(17,962)	6,885	E00100	Beginning balance of cash and cash equivalents	838,930	538,122
AAAA	Net cash inflow from operating activities	342,069	500,534	E00200	Cash and cash equivalents at end of the period	$638,683	$838,930

(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 Equipment Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2021

January 1 to December 31, 2020

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

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

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

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

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the Group) for January 1 to December 31, 2021 and 2020 were issued by the Board of Directors on March 24, 2022.

III. Application of New and Amended Standards and Interpretations

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

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by Financial Supervisory Commission (FSC) and applicable since January 1, 2021. First-time application of new standards and amendments has no significant impact on the Group.

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

No.	New, Revised and Amended Standards or Interpretations	International Accounting Standards Board Effective Date of Issuance
1	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

(1) 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)

This amendment prohibit an enterprise from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, 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.

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and have been approved by HKFAS for fiscal years beginning on or after January 1, 2022. The Group assesses that the newly issued or amended standards or interpretations 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	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
6	Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)	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 model for the comprehensiveness of insurance contracts, including all accounting-related components (recognition, measurement, expression and disclosure principles), with the general model at the core of the Standard, under which the insurance contract group is originally recognized by the sum of the cash flows from performance and the margin of contractual services; the carrying amount at the end of each reporting period is the sum of the residual safeguard liability and the incurred physiological liability.

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

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

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

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

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

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

(5) 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.

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

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

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

IV. Summary of Significant Accounting Policies

1. Compliance declaration

The Group's consolidated financial statements from January 1 to December 31, 2021 and 2020, were prepared in accordance with the Standards for the Preparation of Financial Statements by Issuers of Securities and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved by the FSC.

2. Preparation basis

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

3. Basis of Consolidation

Preparation principle of consolidated financial statements

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

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

(3) The ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

(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 2021.12.31	Percentage of Ownership 2020.12.31	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	92.00%	88.00%	
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	-	-	Note 1

Note 1. 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 recognises and measures impairment losses on expected credit losses on financial assets measured at amortized cost.

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

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

B. Time value of money; and

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

Loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.

B. At an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

C. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

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

A. The contractual rights to the cash flows from the financial asset have expired.

B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

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

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting Financial Assets and Liabilities

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

9. Derivative

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

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

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

10. Fair value measurement

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

(1) The primary market for the asset or liability; or

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

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

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

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

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

11. Inventory

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

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

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

14. Lease

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

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

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

The Group as a lessee

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

At the start date, the Group measures the lease liability at the present value of the unpaid lease payments on that date. If the 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 intangible asset will generate highly likely economic benefits in the future. In addition, the Company can prove that the output of the intangible asset or the intangible asset itself already exists in the market, or if the intangible asset is for internal use, the Company can prove the usefulness of the asset.
(5) The Company has sufficient technological, financial, and other resources to complete this development, and is able to use or sell the intangible asset.
(6) Expenditures during the development stage of the intangible asset can be reliably measured.

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

Specialized technology

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

Trademark and licensing rights

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

Brand

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

Computer software

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

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

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

16. Impairment of non-financial assets

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

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

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

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

17. 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:

Sales of goods

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

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

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

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-retirement Benefit Plan

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

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

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

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

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

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 recognizedin correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessedand recognized at eachreporting 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. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

1. Judgment

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

Judgment on whether development expenditures are eligible for capitalization

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

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

2. Estimates and assumptions

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

(1) Inventory valuation

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

(2) Income Tax

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

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

VI. Details of Significant Accounts

1. Cash and Cash Equivalents

	2021.12.31	2020.12.31
Cash in treasury	$138	$144
Checks and demand deposits	149,019	421,650
Time deposits	489,526	417,136
Total	$638,683	$838,930

2. Financial assets measured at FVTPL

	2021.12.31	2020.12.31
Mandatorily measured at FVTPL:		
Funds	$-	$20,403
Bonds	-	8,050
Total	$-	$28,453
Current	$-	$28,453
Non-current	-	-
Total	$-	$28,453

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

3. Financial assets measured at FVTOCI

	2021.12.31	2020.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$50,750	$49,800
Unlisted stocks		
Changgu Biotech Corporation	1,633	2,744
Taiwan Main Orthopaedic Biotechnology Co., Ltd.	489	623
Total	$52,872	$53,167

(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, 2021 and December 31, 2020, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2021 and 2020, the fair values of the stock investments were NT$50,750,000 and NT$49,800,000, respectively, and the differences between the initial investment amount and the fair value were NT$750,000 and NT$(200),000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2021 and December 31, 2020, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 16.09% and 19.26%. On December 31, 2021 and 2020, the fair values of the aforementioned stock investments were NT$1,633,000 and NT$2,744,000, respectively, and the differences between the initial investment amount and the fair value were NT$3,143,000 and NT$2,032,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(4) As of December 31, 2021 and December 31, 2020, the investment in Taiwan Main Orthopaedic Biotechnology Co., Ltd. by the subsidiary A-Spine Asia Co., Ltd. was both NT$2,350,000, with 235,040 shares acquired, and the shareholding ratio was 2.99% and 3.15%, respectively. On December 31, 2021 and 2020, the fair values of the aforementioned stock investments were NT$489,000 and NT$623,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,861,000 and NT$1,727,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets measured at amortized cost:

	2021.12.31	2020.12.31
Time deposits	$9,820	$15,853
Less: Loss allowance	-	-
Total	$9,820	$15,853
Non-current	$9,820	$15,853

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

	2021.12.31	2020.12.31
Notes receivable - arising from operation	$2,377	$1,593
Less: Loss allowance	-	-
Total	$2,377	$1,593

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

	2021.12.31	2020.12.31
Accounts receivable	$556,470	$495,635
Less: Loss allowance	(9,588)	(12,003)
Subtotal	$546,882	483,632
Accounts receivable - related parties	46,719	79,488
Less: Loss allowance	-	-
Total	$593,601	$563,120

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, 2021 and 2020 were NT$603,189,000 and NT$575,123,000, respectively. Please refer to Note 6.20 for detailed information on loss allowance for 2021 and 2020; please see Note 12 for information on credit risk.

7. Inventory

	2021.12.31	2020.12.31
Merchandise	$72,063	$53,242
Finished goods	736,313	747,143
Work-in-progress	220,515	234,567
Raw materials	73,685	93,357
Materials and supplies in transit	-	472
Total	$1,102,576	$1,128,781

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

Item	2021	2020
Cost of sales	$709,271	$694,783
Allowance for inventory valuation and obsolescence loss	20,251	5,406
Total	$729,522	$700,189

(2) No inventories aforementioned were pledged.

8. Investments accounted for using equity method

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

	2021.12.31		2020.12.31	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in associates:				
Shinva United Orthopedic Corporation	$517,580	49%	$569,487	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.

rimary 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:

	2021.12.31	2020.12.31
Current assets	$321,666	$585,651
Non-current Assets	1,030,110	806,602
Current liabilities	(242,698)	(173,354)
Non-current liabilities	-	-
Equity	1,109,078	1,218,899
Shareholding ratio of the Group	49%	49%
Subtotal	543,448	597,260
Elimination and adjustment due to inter-company transactions	(25,868)	(27,773)
Carrying amount of investments	$517,580	$569,487

	2021	2020
Operating revenue	$412,870	$403,971
Net (loss) profit of continuing business units for this period	(101,014)	(29,118)
Other comprehensive profit or loss	-	-
Comprehensive profit or loss for this period	(101,014)	(29,118)

The Group invests in affiliated enterprises on a technical basis of RMB 30,000,000, equivalent to NT$149,844,000 in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2021 and December 31, 2020, accumulated amortization of NT$77,605,000 and NT$76,420,000, respectively.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2021 and 2020, nor was there guarantee provided.

9. Property, plant and equipment

	2021.12.31	2020.12.31
Property, plant and equipment for own use	$1,169,672	$1,211,175
Property, plant and equipment for operating leases	204,230	218,024
Total	$1,373,902	$1,429,199

(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:								
January 1, 2021	$174,589	$486,916	$561,084	$105,488	$29,325	$21,904	$568,104	$1,947,410
Addition	-	-	2,268	6,053	2,677	-	96,769	107,767
Disposal	-	-	-	-	(28)	-	(44,694)	(44,722)
Re-classification	-	-	17,296	(8,310)	-	-	24,214	33,200
Effect of exchange rate changes	-	-	-	-	(83)	(188)	(15,088)	(15,359)
December 31, 2021	$174,589	$486,916	$580,648	$103,231	$31,891	$21,716	$629,305	$2,028,296
January 1, 2020	$174,589	$486,916	$559,334	$109,735	$22,868	$15,281	$527,671	$1,896,394
Addition	-	-	539	4,777	4,697	2,304	53,101	65,418
Disposal	-	-	(538)	(4,186)	(117)	(4,903)	(28,114)	(37,858)
Re-classification	-	-	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
Depreciation and impairment:								
January 1, 2021	$-	$77,018	$269,757	$39,911	$14,432	$9,112	$326,005	$736,235
Depreciation	-	16,161	43,625	13,771	5,659	3,120	87,900	170,236
Disposal	-	-	-	-	(31)	-	(40,721)	(40,752)
Re-classification	-	-	-	317	-	-	14,413	14,730

Effect of exchange rate changes	-	-	-	-	(65)	(91)	(21,669)	(21,825)
December 31, 2021	$-	$93,179	$313,382	$53,999	$19,995	$12,141	$365,928	$858,624
January 1, 2020	$-	$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
Disposal	-	-	(538)	(3,730)	(116)	(4,903)	(27,556)	(36,843)
Re-classification	-	-	-	-	-	-	(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
Net carrying amount:								
December 31, 2021	$174,589	$393,737	$267,266	$49,232	$11,896	$9,575	$263,377	$1,169,672
2020.12.31	$174,589	$409,898	$291,327	$65,577	$14,893	$12,792	$242,099	$1,211,175

(2) Property, plant and equipment for operating leases

	Other equipment
Cost:	
January 1, 2021	$381,480
Addition	84,754
Disposal	(6,591)
Effect of exchange rate changes	(30,988)
December 31, 2021	$428,655
January 1, 2020	$306,276
Addition	81,697
Disposal	(19,364)
Effect of exchange rate changes	12,871
2020.12.31	$381,480
Depreciation and impairment	
January 1, 2021	$163,456
Depreciation	79,228
Disposal	(3,703)
Effect of exchange rate changes	(14,556)
December 31, 2021	$224,425
January 1, 2020	$101,615

Depreciation	65,243
Disposal	(8,684)
Effect of exchange rate changes	5,282
2020.12.31	$163,456
Net carrying amount:	
December 31, 2021	$204,230
2020.12.31	$218,024

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

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

10. Intangible assets

	Computers Software cost	Specialized technology	Development expenditure	Trademarks and franchise	Goodwill	Brand	Total
Cost:							
January 1, 2021	$25,971	$70,447	$101,721	$1,996	$292,891	$107,940	$600,966
Additions - development by internal units	-	-	25,079	-	-	-	25,079
Additions - separate acquisition	2,533	-	-	-	-	-	2,533
Re-classification	-	48,954	(47,854)	-	-	-	1,100
Disposal	-	-	(1,739)	(1,866)	-	-	(3,605)
Effect of exchange rate changes	(774)	-	-	(130)	-	-	(904)
December 31, 2021	$27,730	$119,401	$77,207	$-	$292,891	$107,940	$625,169
January 1, 2020	$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
Re-classification	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

Amortization and impairment:							
January 1, 2021	$17,430	$7,332	$21,301	$1,729	$-	$26,985	$74,777
Amortization	3,850	19,660	3,033	228	-	7,196	33,967
Disposal	-	-	-	(1,845)	-	-	(1,845)
Re-classification	-	-	-	-	-	-	-
Effect of exchange rate changes	(516)	-	-	(112)	-	-	(628)
December 31, 2021	$20,764	$26,992	$24,334	$-	$-	$34,181	$106,271
January 1, 2020	$9,269	$798	$18,962	$1,329	$-	$19,789	$50,147
Amortization	7,956	6,534	2,339	399	-	7,196	24,424
Re-classification	-	-	-	-	-	-	-
Effect of exchange rate changes	205	-	-	1	-	-	206
2020.12.31	$17,430	$7,332	$21,301	$1,729	$-	$26,985	$74,777
Net carrying amount:							
December 31, 2021	$6,966	$92,409	$52,873	$-	$292,891	$73,759	$518,898
2020.12.31	$8,541	$63,115	$80,420	$267	$292,891	$80,955	$526,189

Amortization for recognition of intangible assets is as follows:

	2021	2020
Operating costs	$19,114	$6,008
Operating expenses	14,853	18,416
Total	$33,967	$24,424

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

	2021.12.31	2020.12.31
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, 2021 and 2020. 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, 2021 and 2020.

12. Short-term loans

	2021.12.31	2020.12.31
Bank credit loans	$785,946	$979,837
Interest rate range (%)	0.4400-0.9500	0.4899-1.0100

As of December 31, 2021 and 2020, the Group's unused short-term loan facilities were NT$1,278,694,000 and US$4,500,000, and NT$877,000,000 and US$3,000,000, respectively; the unused short-term notes and bills payable were NT$0 and NT$50,000,000, respectively, while the unused long-term loan facilities were NT$84,240,000 and NT$375,000,000, respectively.

13. Financial liabilities measured at FVTPL

	2021.12.31	2020.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$6,250	$1,850
Current	$6,250	$-
Non-current	-	1,850
Total	$6,250	$1,850

14. Corporate bonds payable

	2021.12.31	2020.12.31
Domestic unsecured bonds payable	$484,555	$478,829
Less: Liabilities due within one year	484,555	-
Long-term domestic convertible bonds payable	$-	$478,829

Domestic convertible bonds payable

	2021.12.31	2020.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$500,000
Converted amount	-	-
Discount on domestic convertible bonds payable	(15,445)	(21,171)
Subtotal	484,555	478,829
Less: Liabilities due within one year	484,555	-
Net Amount	$-	$478,829
Embedded derivative - assets	$-	$-
Embedded derivative - liabilities	$6,250	$1,850
Equity elements	$26,300	$26,300

(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 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.

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

Critical clauses for redemption:

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

Conversion methods:

A. Converted target: Common stock of the Company.

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

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021 and 2020, 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, 2021.

15. Long-term loans

Details of long-term loans for the years ended December 31, 2021 and 2020 are as follows:

Creditor	2021.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$114,691	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	55,912	1.2300	1. From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments 2. In September 2021, the principal amortization was extended by one year, and the principal was temporarily not repaid from October 2021 to September 2022 (the 46th to 57th installment). The principal was repaid in the 58th to 180th installmenton average according to the remaining period, and interest was paid monthly.

Creditor	2021.12.31	Interest rate (%)	Repayment period and method
UBS Switzerland AG	15,088	-	From April 2021 to March 2025, repayment at maturity.
CIC AGENCE ENTREPRISE NANCY	35,368	0.7000	From April 20, 2021 to April 20, 2016, repayment of the first installment from May 20, 2021 for a total of 60 installments.
〃	805	0.9000	From May 18, 2021 to May 15, 2025, repayment of first installment from June 15, 2021 for a total of 48 installments.
〃	767	1.2000	From May 25, 2021 to May 25, 2026, repayment of first installment from June 25, 2021 for a total of 60 installments.
INFIMED SASU	15,435	0.7000	From December 15, 2021 to November 14, 2026, repayment of first installment from June 25, 2021 for a total of 60 installments.
Total	$238,066		
Less: long-term loans due within one year	(21,092)		
Net Amount	$216,974		

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 Amount	$206,879		

The secured loans with 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.

The Group entered into a finance loan for the sale and leaseback of other equipment with INFIMED SASU, which is guaranteed by other equipment. The lease term is 5 years. The related other equipment is owned by the Group upon maturity. The loan amount is EUR 501 thousand. Please refer to Note 8 for the guarantee situation.

16. Post-retirement Benefit Plan

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, 2021 and 2020 are NT$45,539,000 and NT$31,138,000, respectively.

Defined benefits plan

The Group's expenses under the defined benefit plan of from January 1 to December 31, 2021 and 2020 was NT$185,000 and NT$205,000, respectively.

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

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2021, the Company's defined benefits plan has been estimated to contribute NT$215,000 in the following year.

For the years ended on December 31, 2021 and December 31, 2020, the Company's defined benefits plans are expected to due in 2032 and 2031.

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

	2021	2020
Current service cost	$184	$186
Net interest of net defined benefit liability	1	19
Total	$185	$205

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

	2021.12.31	2020.12.31	2020.1.1
Present value of defined benefit obligations	$52,693	$50,010	$50,991
Fair value of plan assets	(49,270)	(49,946)	(48,425)
Net defined benefit liabilities on the book	$3,423	$64	$2,566

Reconciliation of net defined benefit liabilities:

	Defined benefits Present value of obligations	Plan Assets Fair value	Net defined benefit liabilities
January 1, 2020	$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
Current service cost	184	-	184
Interest expense (income)	175	(174)	1
Previous service cost and settlement gains or losses	-	-	-
Subtotal	50,369	(50,120)	249
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	3,361	-	3,361
Experience adjustment	777	-	777
Remeasurements of defined benefit assets	-	(749)	(749)
Subtotal	54,507	(50,869)	3,638
Benefits paid	(1,814)	1,814	-
Employer contributions	-	(215)	(215)
December 31, 2021	$52,693	$(49,270)	$3,423

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

	2021.12.31	2020.12.31
Discount rate	0.70%	0.35%
Expected salary increase rate	4.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2021		2020	
	Defined benefits Increase in obligations	Defined benefits Decrease in obligations	Defined benefits Increase in obligations	Defined benefits Decrease in obligations
Discount rate increases by 0.5%	$-	$2,715	$-	$2,725
Discount rate decreases by 0.5%	2,916	-	2,932	-
Expected salary increases by 0.5%	2,806	-	2,840	-
Expected salary decreases by 0.5%	-	2,644	-	2,669

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) Capital

As of December 31, 2021 and 2020, 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. Preferred shares were issued at a par value of NT$10, dividing into 10,000,000 shares and 10,000,000 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 272,000 shares on March 23, 2021 with the base date of capital reduction set on April 19, 2021, and the registration of the changes were completed on April 29, 2021.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 6,000 shares on August 6, 2021 with the base date of capital reduction set on August 16, 2021, and the registration of the changes were completed on August 24, 2021.

Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 418,000 shares and 6,000 shares on August 9, 2021 and November 8, 2021, respectively.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated 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. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company’s shareholders’ meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voting nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

J. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.

As of December 31, 2021 and 2020, the Company's authorized share capital was both NT$1,500,000,000 , and had issued share capital of common stock in the amount of NT$781,116,000 and NT$783,898,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,112,000 shares and 78,390,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

(2) Additional paid-in capital

	2021.12.31	2020.12.31
Issuance premium	$1,535,085	$1,515,847
Stock options – convertible corporate bonds	26,300	26,300
Issuance of restricted employee shares	-	31,871
Actual acquisition or disposal of equity of subsidiary		
Difference between price and book value	163,986	163,986
Others	18,067	18,067
Total	$1,743,438	$1,756,071

According to the laws, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

Please refer to Note 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, 2021 and 2020 were both NT$0 thousand, and the number of the shares held were both 0 thousand.

The Company's repurchasing of treasury stock in 2021 were implemented as follows:

No such occurrences.

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. Deficit compensation.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.
E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals the paid-in capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

When the Company distributes distributable earnings, it is required by law to supplement the provision for special earnings reserves with the difference between the balance of the provision for special earnings reserves and the net decrease in other equity at the time of first-time adoption of IFRS. Where the net amount of other equity deductions is reversed subsequently, the reversal part of the net amount of other equity deductions may be reversed and distributed to the special surplus reserve.

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-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 special earnings reserves. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2021 and 2020, there is no reversal of special capital reserve to undistributed earnings.

Details of the 2021 and 2020 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 24, 2022 and July 29, 2021, respectively, are as follows:

	Earnings appropriation proposal		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	$4,874	$8,451		
Special Reserve				
Withdrawal				
(Reversal)	43,860	(12,709)		
Cash dividend of common stock	-	65,370	$-	$0.834
Cash dividend of extraordinary stock	-	23,400	-	2.340

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

	2021	2020
Beginning balance	$106,271	$107,202
Net profit (loss) attributable to non-controlling interests in the current period	606	(516)
Other comprehensive income, attributable to non-controlling interests:		
Exchange differences on translation of foreign financial statements	(1,925)	483
Unrealized valuation loss on investments in an equity		

instrument measured at FVTOCI	(33)	(108)
Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	-	(805)
Changes in ownership interest in subsidiaries	148	1,217
Capital increase of subsidiaries	-	7,252
Cash dividends distributed by subsidiaries	(6,762)	(8,454)
Ending balance	$98,305	$106,271

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 6,000 shares, 272,000 shares, 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on August 8, 2021, March 23, 2021, November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 6,000 shares and 418,000 shares on November 8, 2021 and August 6, 2021, respectively. As of December 31, 2021 and December 31, 2020, the Company has issued 0,000 shares and 702,000 shares, respectively.

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:

	2021	2020
Plan of restricted employee shares	$(7,679)	$12,630

19. Operating revenue

	2021	2020
Income from sales of goods	$2,570,866	$2,342,226

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2021.12.31	2020.12.31
Sales of goods	$8,631	$3,843

The significant changes in the balance of contract liabilities of the Group from January 1 to December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning balance recognized as revenue in the current period	$(768)	$(3,848)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	5,556	3,271

20. Expected credit impairment loss

	2021	2020
Operating expenses - expected credit loss (gain)		
Notes receivable	$-	$-
Accounts receivable	397	4,718
Total	$397	$4,718

For information on credit risk, please refer to Note 12.

The Group's financial assets measured at amortization cost were assessed on December 31, 2021 and 2020 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, 2021 and 2020 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:

December 31, 2021

	Not overdue	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$550,900	$46,978	$2,357	$6	$5,325	$605,566
Loss Ratio	0%~1%	0%~43%	4%~65%	55~90%	66%~100%	
Lifetime expected credit losses	1,271	3,450	531	5	4,331	9,588
Total	$549,629	$43,528	$1,826	$1	$994	$595,978
Carrying amount						$595,978

December 31, 2020

	Not overdue	Number of days overdue				
	(Note)	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

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 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable
January 1, 2021	$-	$12,003
Increase in this period	-	397
Write off due to inability to recover	-	(2,466)
Exchange differences	-	(346)
December 31, 2021	$-	$9,588
January 1, 2020	$-	$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

21. Lease

(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

	2021.12.31	2020.12.31
Land	$143,811	$151,991
Buildings and constructions	55,174	54,212
Transportation equipment	8,436	8,435
Office equipment	672	676
Total	$208,093	$215,314

The Group added NT$19,609,000 and NT$47,319,000 to the right-of-use assets in 2021 and 2020, respectively.

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities	$212,934	$218,153
Current	$24,774	$21,864
Non-current	$188,160	$196,289

Please refer to Note 6.23(3) for the interest expenses of the Group's 2021 and 2020 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, 2021 and 2020.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2021	2020
Land	$8,180	$8,180

Buildings and constructions	13,582	16,166
Transportation equipment	4,357	3,817
Office equipment	183	187
Total	$26,302	$28,350

C. Revenues and expenses related to the lessee and lease activities

	2021	2020
Short-term lease expense	$3,372	$289
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	3,097	1,406
Revenue from sublease of right-of-use asset	1,460	1,406

As of December 31, 2021 and 2020, 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 2021 and 2020 was in the amount of NT$34,388,000 and NT$31,172,000, 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.

	2021	2020
Lease revenue recognized from operating lease		
Fixed lease payment and relevant income from variable lease payments dependent on index or rate changes	$3,237	$1,981

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

By function / Type of nature	2021			2020		
	Attributable to Operating Cost Owner	Attributable to Operating Expense Owner	Total	Attributable to Operating Cost Owner	Attributable to Operating Expense Owner	Total
Employee benefit expense						
Salary expense	$203,162	$397,549	$600,711	$222,886	$376,406	$599,292
Labor and health insurance premiums	24,223	28,511	52,734	23,978	38,022	62,000
Retirement fund expense	10,998	34,726	45,724	11,564	19,779	31,343
Other employee benefits expenses	9,299	6,173	15,472	8,984	5,867	14,851
Depreciation expenses	79,501	196,265	275,766	79,808	182,567	262,375
Amortization expenses	19,114	14,853	33,967	6,008	18,416	24,424

The Group’s Articles of Association provide that if there is profit in the year, 12 percent of profit shall be allocated for employee remuneration, and no more than 3 percent shall be allocated for compensations of the directors and members of the supervisory board. However, the Company's accumulated losses shall first be offset. The aforementioned employees' compensation shall be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such distribution shall be submitted to the shareholders' meeting. Information relating to employees' and directors' remunerations approved by the Board of Directors can be inquired at the Market Observation Post System, TWSE.

Due to the profit situation of the Company in the current year in 2021, the listed employee remuneration and director supervisor remuneration were respectively estimated at 12% and 3%. From January 1 to December 31, 2021, the amount of employee remuneration and director supervisor remuneration were respectively NT$11,355,000 and NT$2,838,000, which were recorded under salary expenses.

According to the profit situation of the Company in the current year in 2020, the listed employee remuneration and directors' and supervisors' remuneration were respectively estimated at 12% and 3%. The amount of employee remuneration and directors' and supervisors' remuneration recognized from January 1 to December 31, 2020 was NT$14,743,000 and NT$3,686,000, respectively, which were recorded under salary expenses.

On March 23, 2021, the Board of Directors of the Company resolved to cash out the remuneration of employees in 2020 and the remuneration of directors and supervisors of the Company in the amount of NT$14,743,000 and NT$3,686,000, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2020.

23. Non-operating income and expenses

(1) Other incomes

	2021	2020
Subsidy income	$15,219	$45,301
Other income - others	11,098	12,445
Total	$26,317	$57,746

(2) Other profit and loss

	2021	2020
Profit (loss) from disposal of property, plant and equipment	$2,913	$(1,886)
Loss on disposal of intangible assets	(1,730)	-
Foreign exchange gain (loss), net	(44,176)	3,562
Gain (loss) on financial assets and financial liabilities measured at FVTPL (Note)	(4,982)	1,749
Other profits	6	351
Miscellaneous Disbursements	(51)	(724)
Total	$(48,020)	$3,052

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

(3) Financial cost

	2021	2020
Interest on bank loans	$(8,214)	$(13,129)
Interest on bonds payable	(5,726)	(14,875)
Interest on lease liabilities	(3,701)	(3,382)
Total financial costs	$(17,641)	$(31,386)

24. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2021 are as follows:

	Arising during the period	Current period Reclassification adjustment	Others Comprehensive income	Income Tax Profit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$(3,389)	$-	$(3,389)	$-	$(3,389)
Unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI	(295)	-	(295)	-	(295)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign financial statements	(46,055)	-	(46,055)	-	(46,055)
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	(4,316)	-	(4,316)	-	(4,316)
Total	$(54,055)	$-	$(54,055)	$-	$(54,055)

Components of other comprehensive income (loss) for the year ended December 31, 2020 are as follows:

	Arising during the period	Current period Reclassification adjustment	Others Comprehensive income	Income Tax Profit (expense)	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

25. Income Tax

The major components of income tax expense (benefit) for the years ended December 31, 2021 and 2020 are as follows:

Income tax expense recognized in profit or loss

	2021	2020
Current income tax expense (benefit):		
Current income tax payable	$26,732	$7,746
Adjustments on current income tax of prior periods	(112)	(5,109)
Deferred income tax benefit:		
Deferred income tax expenses (gains) relating to its original generation from the temporary differences	(4,903)	5,206
Income tax expenses	$21,717	$7,843

Income tax recognized in other comprehensive income

	2021	2020
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:

	2021	2020
Profit before tax from continuing operations	$74,595	$137,911
Tax at the domestic tax rates applicable of profits in the country of main operation	$20,362	$27,582
Tax effect of revenues exempt from taxation	(3,352)	(4,723)
Tax effect of expenses not deductible for tax purposes	467	(6,392)
Tax effect of deferred income tax assets/liabilities	4,352	(4,028)
Income tax on unappropriated retained earnings	-	513
Adjustments on current income tax of prior periods	(112)	(5,109)
Total income tax expense recognized in profit and loss	$21,717	$7,843

Balance of deferred income tax assets (liabilities) related to the following items:

2021

	Beginning balance	Recognized in profit or loss	Recognized in others Comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$54,546	$10,292	$-	$-	$64,838
Unrealized exchange gain (loss) - parent company	(550)	7,613	-	-	7,063
Unrealized exchange gain (loss) -	149	(7)	-	-	142

subsidiaries					
Long-term deferred income	14,685	(237)	-	-	14,448
Valuation on financial assets measured at FVTPL	(286)	1,056	-	-	770
Provision for inventory valuation loss	10,384	59	-	-	10,443
Unrealized bonus for unused compensated absences	364	(192)	-	-	172
Tax differentials in depreciation expenses	(9,455)	9,322	-	133	-
Fair value adjustment resulting from business combination	(13,763)	1,223	-	-	(12,540)
Remeasurements of the net defined benefit plan	(72)	(6)	-	-	(78)
Loss carryforwards	24,242	(24,242)	-	-	-
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	37	22	-	-	59
Deferred income tax (expense)/benefit		$4,903	$-	$133	
Deferred income tax assets/(liabilities), net	$80,281				$85,317
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$104,407				$97,935
Deferred income tax liabilities	$(24,126)				$(12,618)

2020

	Beginning balance	Recognized in profit or loss	Recognized in others 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)

Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets accounted for NT$61,180,000 and NT$48,041,000 for the year ended December 31, 2021 and 2020, respectively.

The table below shows the business income tax approval status of entities within the Group:

	2021.12.31	
	Business income tax approval status	Remark
United Orthopedic Corporation (the Company)	Approved up to 2019	-
A-Spine Asia Co., Ltd. (subsidiary)	Approved up to 2019	-

26. 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.

	2021	2020
(1) Basic earnings per share		
Net income attributable to common stock holders of the parent company (NT$ thousand)	$52,271	$101,828
Dividend of preferred stock	(23,400)	(23,400)
Net profit used in calculating basic earnings per share (NT$ thousand)	$28,871	$78,428
Weighted average number of common stocks for basic earnings per share (thousand shares)	77,854	78,340
Basic earnings per share (NT$)	$0.37	$1.00
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$28,871	$78,428
Interest of convertible bond (NT$ thousand)	(Note)	4,526
Common shareholders of the parent company after dilution effect adjustment		
Net profit (thousand dollars)	$28,871	$82,954
Weighted average number of common stocks for basic earnings per share (thousand shares)	77,854	78,340
Dilution effect:		
Convertible bonds (thousand shares)	(Note)	9,709
New restricted employees shares (thousand shares)	268	447
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	78,122	88,496
Diluted earnings per share (NT$)	$0.37	$0.94

Note: Convertible corporate bonds have an anti-dilution effect and are not intended to be included in the calculation of diluted earnings per share.

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

27. 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."

New shares of subsidiaries not subscribed in proportion of shares held

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

United Orthopedic Japan Inc. issued new shares on April 15, 2021. As a result, the Company's ownership increased to 92%. Cash acquired by the Company from capital increase was JPY 80,000,000 (NT$20,792,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 146,972,000 (NT$37,875,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2021
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	148
Difference in retained earnings recognized in equity	$148

VII. Related party transaction

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
Shanghai Lianyi biotechnology co., ltd.	Associate of the Group
Changgu Biotech Corporation	The Group is a shareholder of the company
Paonan Biotech Co., Ltd.	The Company's subsidiary is its associate
Kazuya Oribe	The Company's subsidiary is its associate

Major transactions with related parties

1. Sales

	2021	2020
Associate of the Group		
Shinva United Orthopedic Corporation	$178,236	$274,328
United Medical Co., Ltd.	3,261	6,966
United Medical Instrument Co., Ltd.	-	24,388
United Medical Technology (Shanghai) Co.,Ltd.	-	9,507
Shanghai Lianyi biotechnology co., ltd.	43,200	-
The Group is a shareholder of the company		
Changgu Biotech Corporation	4,447	4,731
Total	$229,144	$319,920

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)

	2021	2020
Associate of the Group		
United Medical Co., Ltd.	$75,259	$52,085
United Medical Instrument Co., Ltd.	-	9,841
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	10,413	(24,714)
Total	$85,672	$37,212

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

	2021.12.31	2020.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$1,592	$78,025
United Medical Co., Ltd.	538	1,463
Shanghai Lianyi biotechnology co., ltd.	43,293	-
The Group is a shareholder of the company		
Changgu Biotech Corporation	1,296	-
Total	$46,719	$79,488

4. Accounts payable - related parties

	December 31, 2021	2020.12.31
Associate of the Group		
United Medical Co., Ltd.	$19,394	$10,732
United Medical Instrument Co., Ltd.	-	9,906
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	9,360	3,740
Total	$28,754	$24,378

5. Other receivables - related parties

	2021.12.31	2020.12.31
Associate of the Group		
United Medical Co., Ltd.	$5	$-

6. Other payables - related parties

	2021.12.31	2020.12.31
Associate of the Group		
United Medical Co., Ltd.	$13	$55

7. Other current liabilities

	20	20
Associate of the Group		
Shinva United Orthopedic Corporation	$4	$3

A-Spine Asia Co., Ltd., a subsidiary of the Company, sold part of its existing lumbar cage and cervical cage products to Shinva United Orthopedic Corporation, an associate of the Company, by way of technology transfer in accordance with an agreement signed on August 20, 2020. The content of the technology transfer included transfer of registration information, provision of clinical trial results of registered products, and assistance to Shinva United Orthopedic Corporation in obtaining the relevant product registration certificates, with an amount of CNY 1,030,000 as the fee for technology transfer. As of December 31, 2021 and 2020, the amount of technology transfer received by the Company was NT$3,430,000 (RMB 785,000) and NT$3,302,000 (RMB 750,000), respectively, and was recorded as other current liabilities - advance receipts.

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2021, the Company has collected NT$1,566,000 (RMB 360,000) and recorded other current liabilities - receipts in advance.

8. Loan

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

9. for Mainland China Entities

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

	2021	2020
Short-term employee benefits	$29,871	$21,332
Share-based payments	1,441	4,440
Total	$31,312	$25,772

11. Other incomes

	2021	2020
Associate of the Group		
Shinva United Orthopedic Corporation	$1,185	$4,247
United Medical Co., Ltd.	26	-
Total	$1,211	$4,247

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, 2021 and 2020, 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) was deducted, respectively, the amount recognized under other revenues is NT$0 thousand (CNY 0) and NT$4,247,000 (CNY 987,000).

The Group's other revenues to United Medical Co., Ltd. relate to sales of associated product slides.

12. Property transaction

Acquisition of equity from subsidiaries

(1) January 1 to December 31, 2021

None.

(2) For the Year Ended December 31, 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

VIII. Pledged Assets

The following table lists assets of the Group pledged as collaterals:

Item	Carrying amount 2021.12.31	Carrying amount 2020.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$9,820	$15,853	Performance bond and Import tariff guarantee
Property, plant and equipment - land and building	423,595	431,208	Comprehensive credit line
Property, plant and equipment - machinery and equipment	-	103,176	Comprehensive credit line
Property, plant and equipment - other equipment	15,675	-	Asset mortgage loan
Total	$449,090	$550,237	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

None.

XII. Others

1. Category of financial instruments

Financial assets

	2021.12.31	2020.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at FVTPL	$-	$28,453
Financial assets measured at FVTOCI	52,872	53,167
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	638,545	838,786
Financial assets measured at amortized cost:	9,820	15,853
Notes receivable	2,377	1,593
Accounts receivable (including related parties)	593,601	563,120
Other receivables (including related parties)	29,230	7,304
Refundable deposit	38,067	34,397
Subtotal	1,311,640	1,461,053
Total	$1,364,512	$1,542,673

Financial liabilities

	2021.12.31	2020.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at FVTPL	$6,250	$1,850
Financial liabilities measured at amortized cost:		
Short-term loans	785,946	979,837
Receivables (including related parties)	520,236	560,964
Bonds payable (including bonds due within one year)	484,555	478,829
Long-term loans (including loans due within one year)	238,066	245,818
Lease liabilities	212,934	218,153

Guarantee deposit received	669	723
Subtotal	2,242,406	2,484,324
Total	$2,248,656	$2,486,174

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, 2021 and 2020 will decrease/increase by NT$1,056,000 and NT$1,148,000, 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.

Sensitivity analysis of interest rate risk mainly for the end of the financial reporting period

The risk exposure items, including floating rate investments, floating rate borrowings and interest rate exchange contract, are assumed to be held for one fiscal year. When the interest rate rises/falls by ten basis points, the profit or loss of the Group for the years from January 1 to December 31, 2021 and 2020 will decrease/increase by NT$380,000 and NT$374,000, respectively.

Equity price risk

The fair value of unlisted equity securities held by the Group are susceptible to equity price risk arising from uncertainties about future values of the investment securities. Unlisted counterparty equity securities held by the Group are included in the category measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Corporation's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests from January 1 to December 31, 2021 and 2020.

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, 2021 and 2020, the Group's top ten contract assets and receivables from clients accounted for 21% and 25% 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
2021.12 31					
Loans	$807,848	$52,089	$60,988	$106,873	$1,027,798
Payables	520,236	-	-	-	520,236
Convertible bonds	500,000	-	-	-	500,000
Lease liabilities	28,144	49,237	36,009	142,802	256,192
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

6. Reconciliation of liabilities from financing activities

Reconciliation information of liabilities in the year 2021:

	Short-term loans	Long-term loans	payable Corporate Bonds	received guarantee deposit	Lease liabilities	Total liabilities from financing activities
2021.1.1	$979,837	$245,818	$478,829	$723	$218,153	$1,923,360
Cash flows	(185,842)	(4,165)	-	(54)	(27,919)	(217,980)
Non-cash changes	-	-	5,726	-	27,698	33,424
Changes in exchange rates	(8,049)	(3,587)	-	-	(4,998)	(16,634)
2021.12.31	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170

Reconciliation information of liabilities in 2020:

	Short-term loans	Long-term loans	payable Corporate Bonds	received guarantee deposit	Lease liabilities	Total liabilities from financing activities
2021.1.1	$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

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	
	2021.12.31	2020.12.31	2021.12.31	2020.12.31
Financial assets				
Financial assets measured at amortized cost:	$9,820	$15,853	$9,820	$15,853
Financial liabilities				
Corporate bonds payable	484,555	478,829	484,555	478,829

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Group.

8. Derivative

As of December 31, 2021 and 2020, the Group's derivative financial instruments (including forward exchange agreement and embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

<u>Embedded derivatives</u>

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.

The aforementioned derivatives are traded with well-known domestic and foreign banks, whose credit is good and therefore the credit risk is not high.

For forward exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

9. Fair value level

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1:	Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date
Level 2:	The observable input of the asset or liability, directly or indirectly, except for the quotation included in Level 1.
Level 3:	non-observable input of the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investments in equity instruments measured				
Equity instruments measured at fair value through other comprehensive income	$50,750	$-	$2,122	$52,872
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	6,250	-	6,250

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
Investments in equity instruments measured				
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

Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2021 and 2020, 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:

	Investments in equity instruments measured
	Stock
2021.1.1	$3,367
Total profit (loss) recognized for 2021:	
Recognized in other comprehensive income	
(listed under unrealized valuation gain (loss) on investments in	
equity instruments measured at FVTOCI)	(1,245)
2021.12.31	$2,122

	Investments in equity instruments measured
	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

<u>Information on material unobservable input of Level 3 fair value hierarchy</u>

For the Group's assets measured at repetitive fair value and categorized as Level 3 fair value hierarchy, the material unobservable input used toward fair value measurement is as follows:

December 31, 2021:

	Reviews Technology	Significant unobservable input	Quantitative Info	Input and Fair Value relationship	Input and Fair Value sensitivity analysis value relationships
Financial assets:					
Investments in equity instruments measured					
Equity	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$303,000 (increase by NT$303,000)

December 31, 2020:

	Reviews Technology	Significant unobservable input	Quantitative Info	Input and Fair Value relationship	Input and Fair Value sensitivity analysis value relationships
Financial assets:					
Investments in equity instruments measured					
Equity	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the	When the percentage of lack of liquidity increases (decreases) by

	lower the fair value estimate	10%, the equity in the Company will decrease by NT$387,000 (increase by NT$387,000)

(3) Fair value hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value shall be disclosed

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$484,555	$-	$484,555

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

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

	2021.12.31			2020.12.31		
	Foreign currency	Exchange rates	NT$	Foreign currency	Exchange rates	NT$
Financial assets						
Monetary items:						

USD	4,765	27.6300	131,655	$4,853	28.4300	$137,957
EUR	1,465	31.1200	45,594	2,342	34.8200	81,550
JPY	959	0.2385	229	2,868	0.2743	787
CNY	10,485	4.3190	45,285	23,071	4.3520	100,406
GBP	898	37.1000	33,320	768	38.7000	29,735

Financial liabilities						
Monetary items:						
USD	938	27.7300	26,013	$811	28.5300	$23,141
EUR	3,404	31.5200	107,305	860	35.2200	30,286
JPY	4,460	0.2425	1,082	3,525	0.2783	981
CHF	23	30.3000	687	31	32.4300	994
CNY	5,432	4.3690	23,733	5,539	4.4020	24,384
NZD	13	18.9900	253	-	-	-
GBP	275	37.5000	10,308	286	39.1000	11,199

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, 2021 and 2020 was NT$(44,176,000) and NT$3,562,000, respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. Capital Management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Supplementary Disclosures

1. Information on Significant Transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.2, Note 6.14 and Note 12 to the consolidated financial statements.

(10) Others: Business relations and significant transactions between parent and subsidiary companies: Please refer to Table 6.

2. Information on investees: Please refer to Table 7.

3. Information on investments in Mainland China: Please refer to Table 8.

4. Information on major shareholders: Please refer to Table 9.

XIV. Segment Information

1. The Group's primary income comes from sales of hip/knee replacements, artificial spine, trauma-treatment products, and OEM products. According to the management's judgment, the Group belongs to a single operating segment.

2. Geographical Information

   Revenue from external customers:

	2021	2020
Taiwan	$917,106	$943,812
Asia	433,144	486,381
Americas	522,650	403,675
Europe	623,870	422,829
Africa	46,214	42,545
Australia	27,882	42,984
Total	$2,570,866	$2,342,226

Non-current Assets:

	2021.12.31	2020.12.31
Taiwan	$2,396,162	$2,554,962
United States	119,162	122,579
Europe	259,189	241,810
Japan	50,742	48,261
Total	$2,825,255	$2,967,612

3. Information of Major Customers

	2021.12.31	2020.12.31
Shinva United Orthopedic Corporation	$178,236	$274,328

Notes to the Consolidated Financial Statements of United Orthopaedic Equipment Co., Ltd. and its Subsidiaries (continued)

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

Table 1. Capital financing to others as December 31, 2021:

Unit: NT$ 1,000

				Whether the recipient is a	Current Period	Ending balance	Actual Expenditure	Interest Rate			Reason for	Recognition of allowance	Collateral security		For individual objects	Loan
S/N	Lending company	Participants	Account item	related party	Maximum Amount	(Approved by the Board of Directors)	Amount	Range	Nature of capital financing	Business transaction amount	Short-term Financing	Lost amount	Name	Value	Loan limit	Total limit
0	United Orthopedic Corporation Co., Ltd.	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	$156,910	$156,910	$80,601	1.03590%	Business nature	$293,892	None	$-	None	-	$264,335	$264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	45,263	45,263	-	1.03590%	Business nature	241,242	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Long-Term Receivables - related party	Yes	30,175	30,175	4,956	1.03590%	Business nature	5,011	None	-	None	-	5,011	132,167

Note 1: The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.

Note 2: Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.

Note 3: The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

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

Table 2. Endorsements/Guarantees for others as of December 31, 2021:

Unit: NT$ 1,000

S/N	Endorsement Guarantor Company name	Recipient of endorsements/ guarantees Company name	Recipient of endorsements/ guarantees Relation	Limit of Endorsements/guarantees for a Single Entity	Maximum endorsement/guarantee amount for the current period	The endorsements/guarantees balance at the end of period	Actual Expenditure Amount	Property-secured endorsement/guarantee amount	Accumulated endorsement/guarantee amount to net worth in the financial statements	for Mainland China Entities endorsements/guarantees	Guarantee Provided to the Parent Company	Subsidiary endorsement guarantee to the Parent Company	Endorsement guarantee for Mainland China Entities
0	United Orthopedic Corporation	UOC USA, Inc.	100% shareholding	$264,335	$221,440	$221,440	$96,880	$-	7.92%	$440,558	Y	N	N
	Corp.		sub-subsidiary										

Note 1: The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

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

Table 3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2021

Unit: NT$ 1,000

Company holding shares	Marketable securities Type and name (Note 1)	Relationship with Issuer of Securities (Note 2)	Accounting item	End of period				Remark (Note 4)
				Number of shares/units	Carrying amount (Note 3)	Shareholding ratio	Fair value	
	Equity							
United Orthopedic Equipment Co., Ltd.	Changgu Biotech Corporation	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	477,568	$1,633	16.090%	$1,633	None
United Orthopedic Equipment Co., Ltd.	Chailease Finance Co., Ltd.	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	500,000	50,750	0.031%	50,750	〃
A-Spine Asia Co., Ltd.	Taiwan Main Orthopedics Biotechnology Co., Ltd.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	235,040	489	2.990%	489	〃

* 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.

Notes to the Consolidated Financial Statements of United Orthopaedic Equipment Co., Ltd. and its Subsidiaries (continued)

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

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) Companies	Transacting party	Relationships	Transaction Details				Situation and reason of why trading conditions are different from general trading		Bills and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to Total Purchase (Sales)	Credit granting period	Unit Price	Credit granting period	balance	Ratio to total receivables (payable) Purchase (Sales)	
United Orthopedic Equipment Co., Ltd.	UOC USA, Inc.	Parent/Sub-subsidiary	Sales	$(100,194)	5.96%	90 days	Note	Note	$34,376	4.47%	
United Orthopedic Equipment Co., Ltd.	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(288,353)	17.14%	120 days	Note	Note	$348,944	45.34%	
United Orthopedic Equipment Co., Ltd.	Shinva United Orthopedic Corporation .	Associate	Sales	$(171,893)	10.22%	90 days	Note	Note	$1,152	0.15%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub Subsidiaries	Sales	$(234,421)	(85.34%)	90 days	Note	Note	$150,110	78.07%	

Note: The payment term in principle has no significant differences from general clients; however, the Company shall offer a longer credit period in consideration of the related parties' funding conditions.

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

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as of December 31, 2021:

Unit: NT$ 1,000

The companies that record such transactions as receivables	Name of transacting party	Relationship	Receivable related party Payment balance	Turnover	Overdue accounts receivable from related party		Accounts receivable from related party Recovered amount after the period	Recognition of allowance Lost amount
					Amount	Handling method		
United Orthopedic Equipment Co., Ltd.	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	$348,944 (Note 1)	0.96	-	-	$58,855	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub Subsidiaries	150,110 (Note 1)	2.22	-	-	51,859	-

Note 1: Should be related parties of receivables

Notes to the Consolidated Financial Statements of United Orthopaedic Equipment Co., Ltd. and its Subsidiaries (continued)

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

Table 6. Business relations and significant transactions between parent and subsidiary companies:

No. (Note 1)	Name of transacting party	Transacting party	Relationship with counterparty (Note 2)	Transaction terms			
				Subjects	Amount	Transaction terms	Proportion in total combined revenues or Ratio of total assets (Note 3)
2021							
0	United Orthopedic Equipment Co., Ltd.	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	$288,353	Note 4	10.96%
0	United Orthopedic Equipment Co., Ltd.	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	348,944	-	6.65%
0	United Orthopedic Equipment Co., Ltd.	United Orthopedic Japan Inc.	1	Sales revenue	66,654	Note 4	2.53%
0	United Orthopedic Equipment Co., Ltd.	United Orthopedic Japan Inc.	1	Accounts receivable	77,594	-	1.48%
0	United Orthopedic Equipment Co., Ltd.	UOC USA, Inc.	4	Sales revenue	100,194	Note 4	3.81%
0	United Orthopedic Equipment Co., Ltd.	UOC USA, Inc.	4	Accounts receivable	34,376	-	0.66%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	234,421	Note 4	8.91%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	150,110	-	2.86%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	3	Sales return	(8,098)	Note 4	-0.31%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	11,267	-	0.21%
2	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	5,276	Note 4	0.20%
3	UOC USA, Inc.	United Orthopedic Equipment Co., Ltd.	7	Sales revenue	3,526	Note 4	0.13%
4	A-Spine Asia Co., Ltd.	United Orthopedic Japan Inc.	3	Sales return	(19)	Note 4	0.00%

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. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Six types of relations with transaction parties are applicable; simply marking the type:

1. Parent company to subsidiary.

2. Subsidiary to parent company.

3. Subsidiary to subsidiary.

4. Parent company to sub subsidiary.

5. Subsidiary to sub subsidiary

6. Sub subsidiary to Sub subsidiary

7. Sub subsidiary to parent company.

Note 3: The transaction amount is calculated as the combined total operating revenue or the total asset ratio. If it is an asset-liability account, the ending balance is calculated as the combined total assets;

In the case of the profit and loss account, the accumulated amount is calculated as the combined total revenue.

Note 4: The aforementioned operating income conditions and collection period have no significant differences with that of general exporting customers.

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

Table 7. Information on investees:

Unit: NTD 1,000/USD 1,000/CHF 1,000/EUR 1,000/JPY 1,000

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of period			Investee Company	Recognized for this period	Remarks
				End of the current period	End of previous year	Number of shares	Ratio	Carrying amount	Profit (loss) in the current period	Investment Profit (Loss)	
United Orthopedic Equipment Co., Ltd.	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$286,986	$286,986	9,380	100.00%	$134,474	$12,997	13,517	Subsidiary
				(USD 9,380)	(USD 9,380)	(Note 6)					
United Orthopedic Equipment Co., Ltd.	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96.00%	59,813	2,812	(20,363)	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note 2)					
United Orthopedic Equipment Co., Ltd.	United Orthopedic Japan Inc.	Japan	Trading, wholesale	85,994	65,202	56,658	92.00%	9,155	(15,850)	(14,351)	Subsidiary
				(JPY 259,724)	(JPY 179,724)	(Note 4)					

United Orthopedic Equipment Co., Ltd.	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	74.90%	555,338	17,741	8,814	Subsidiary
						(Note 5)					
UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905	283,905	13,861,016	100.00%	261,254	13,301	13,301	Sub-subsidiary
				(USD 9,360)	(USD 9,360)	(Note 1)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100.00%	15,578	6,334	6,334	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note 2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100.00%	249,903	9,288	9,288	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	100.00%	(6,309)	(9,619)	(9,619)	Sub-subsidiary
				(EUR 500)	(EUR 500)	(Note 3)					

Note 1: The face value per share is USD 0.68.

Note2: The face value per share is CHF 1,000.

Note3: The face value per share is EUR 1,000.

Note4: The face value per share is JPY 3,017.

Note 5: The face value per share is TWD 10.

Note6: The face value per share is USD 1,000.

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

Table 8: Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Invested companies in Mainland China				Cumulative investment remitted from Taiwan	Amount remitted or recollected in current period		Cumulative investment remitted from Taiwan	Profit (loss) of the investee	The company's direct or indirect investment		Carrying amount of	Accumulated repatriation of investment income
Company name	Main business items	Actual paid-in capital	Investment method	Cumulative investment amount	Export	Recovered	Cumulative investment amount	in the current period	shareholding ratio	Income (loss) for this period	investment at end of period	as of the end of the period
Shinva United Orthopedic Corporation .	Implants, artificial joints Production and sales	$1,436,694 (CNY 300,000 thousand)	(Note 1)	$704,464 (CNY 147,000 thousand)	$-	$-	$704,464 (CNY 147,000 thousand) (Note 2)	$(101,014)	49%	$(49,497)	$517,580	$-

Accumulated investment remitted from Taiwan to Mainland China Regional investment amount	Investment Review Committee of the Ministry of Economic Affairs Approved investment amount	According to the regulations of the Investment Review Committee of the Ministry of Economic Affairs Investment limit to Mainland China
$704,464 (CNY 147,000 thousand)	$704,464 (CNY 147,000 thousand)	$1,692,384

Note 1: Direct investment in Mainland China.

Note 2: Including technical value of CNY 30,000,000.

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

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 %
2021	United Orthopedic Equipment Co., Ltd.	United Medical Co., Ltd.	$75,225	18.76%	$19,394	22.51%
2021	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	34	0.10%	-	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 %
2021	United Orthopedic Equipment Co., Ltd.	Shanghai Lianyi biotechnology co., ltd.	$41,842	2.49%	$41,941	5.45%
2021	United Orthopedic Equipment Co., Ltd.	United Medical Co., Ltd.	3,261	0.19%	538	0.07%
2021	United Orthopedic Equipment Co., Ltd.	Shinva United Orthopedic Corporation	171,893	10.22%	1,152	0.15%
2021	A-Spine Asia Co., Ltd.	Shanghai Lianyi biotechnology co., ltd.	1,358	0.44%	1,352	2.28%
2021	A-Spine Asia Co., Ltd.	Shinva United Orthopedic Corporation	6,343	2.05%	440	0.74%

(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.

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.

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, 2021 and 2020, 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, 2021 and 2020, 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. The Certified Public Accountant believes that sufficient and appropriate evidences for the audit have been obtained as the basis for expressing 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, 2021 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$600,745,000, 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.

Key audit matters (Continued)

Revenue recognition

United Orthopedic Corporation's primary products are orthopedic implants - artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products, and their revenue is NT$1,682,232,000, which is significant to the parent company only financial statements. As the characteristics of the industry, it is necessary to judge and determine the performance obligations and the timing of meeting the performance obligations. We believe that the recognition of revenue from contracts with customers was of significance to the audit of parent company only financial statements; hence, we determine revenue recognition to be a key audit item. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of intangible assets arising from internal development

United Orthopedic Corporation's net carrying amount of internally generated intangible assets were NT$52,873,000 as of December 31, 2021, 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. The accountant will also perform the following duties:

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. The risk of not being able to detect a misstatement that is caused by fraud is higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.

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

The Certified Public Accountant' Responsibilities in the Audit of the Consolidated Financial Statements (Continued)

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, 2021. 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:

Approved Document: Jin-Guan-Zheng-Shen-Zi

No. 1060027042

Financial Supervisory Securities Official Letter No. VI-0970038990

Ma, Chun-Ting

CPA:

Huang, Chien-Che

March 24, 2022

United Orthopedic Corporation

Parent Company Only Balance Sheet

December 31, 2021 and December 31, 2020

Unit: NT$ 1,00

Assets			December 31, 2021		December 31, 2020	
Code	Accounting items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and Cash Equivalents	IV and VI.1	$484,385	11	$554,017	11
1110	Financial assets measured at fair value through profit or loss-current	IV and VI.2	-	-	28,453	1
1150	Notes receivable, net	IV, VI.5 and VI.19	2,377	-	1,593	-
1170	Net accounts receivable	IV, VI.6 and VI.19	260,423	6	233,245	5
1180	Notes receivable - related parties, net	IV, VI.6, VI.19 and VII	505,841	11	473,561	10
1200	Other receivables	IV	13,260	-	2,286	-
1210	Other accounts receivable - related parties (net)	IV and VII	528	-	667	-
1220	Current income tax assets	IV and VI.24	103	-	103	-
130x	Inventory	IV and VI.7	600,745	13	605,493	13
1410	Prepayments		14,195	1	20,005	-
1470	Other current assets		71	-	61	-
11xx	Total current assets		1,881,928	42	1,919,484	40
	Non-current Assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	IV and VI.3	52,383	1	52,544	1
1535	Financial assets at amortized cost - non-current	IV, VI.4 and VIII	8,820	-	14,853	-
1550	Investment accounted for using equity method	IV and VI.8	1,276,360	28	1,437,783	30
1600	Property, plant and equipment	IV, VI. 9 and VIII	869,164	19	928,922	19
1755	Right-of-use assets	IV and VI.20	132,936	3	138,467	3
1780	Intangible assets	IV and VI.10	147,586	3	146,574	3
1840	Deferred income tax assets	IV and VI.24	87,119	2	93,473	2
1900	Other non-current assets	7	104,719	2	102,795	2
15xx	Total non-current assets		2,679,087	58	2,915,411	60
1xxx	Total assets		$4,561,015	100	$4,834,895	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, 2021 and December 31, 2020

Unit: NT$ 1,000

Liability and Shareholder's Equity			December 31, 2021		December 31, 2020	
Code	Accounting items	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	$639,066	14	$740,000	15
2110	Financial Liabilities at Fair Value through Profit or Loss - Current	IV, VI.12 and VI.13	6,250	-	-	-
2130	Contract liabilities - current	IV and VI.18	6,859	-	2,482	-
2150	Notes payable	4	186	-	1,196	-
2170	Accounts payable	4	66,560	2	72,531	3
2180	Accounts payable - related parties	4 & 7	19,394	-	20,638	-
2200	Other payables	4	242,489	6	263,485	5
2230	Income tax liabilities for this period	IV and VI.24	35,993	1	23,673	-
2280	Lease liabilities - current	IV and VI.20	5,646	-	5,197	-
2300	Other current liabilities		10,491	-	10,171	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	IV and VI.13	484,555	11	-	-
2322	Long-term loan due within one year or one operating cycle	IV and VI.14	8,341	-	33,441	1
21xx	Total current liabilities		1,525,830	34	1,172,814	24
	Non-current liabilities					
2500	Financial liabilities measured at fair value through profit or loss - non-current	IV, VI.12 and VI.13	-	-	1,850	-
2530	Corporate bonds payable	IV and VI.13	-	-	478,829	10
2540	Long-term loans	IV and VI.14	106,350	2	152,341	3
2570	Deferred income tax liabilities	IV and VI.24	78	-	908	-
2580	Lease liabilities - non-current	IV and VI.20	130,090	3	135,183	3
2600	Other non-current liabilities		669	-	723	-
2630	Long-term deferred income	IV and VI.8	72,239	2	73,424	2
2640	Net defined benefit liabilities - non-current	IV and VI.15	3,423	-	64	-
25xx	Total non-current liabilities		312,849	7	843,322	18
2xxx	Total liabilities		1,838,679	41	2,016,136	42
	Equity	IV, VI.13, VI.16 and VI.26				
3100	Capital					
3110	Capital - common stock		781,116	17	783,898	16
3120	Capital - preferred stock		100,000	2	100,000	2
	Total capital		881,116	19	883,898	18
3200	Additional paid-in capital		1,743,438	38	1,756,071	36
3300	Retained earnings					
3310	Legal reserve		97,755	2	89,304	2
3320	Special reserve		88,451	2	101,160	2
3350	Undistributed surplus		48,734	1	84,512	2
	Total retained earnings		234,940	5	274,976	6
3400	Other equity					
3410	Differences on translation of foreign financial statements		(133,265)	(3)	(84,818)	(2)
3420	Unrealized gain or loss of financial assets measured at fair value through other comprehensive income		(3,893)	-	(3,632)	-
3491	Employees' unearned remuneration	IV and VI.17	-	-	(7,736)	-

	Total other equity		(137,158)	(3)	(96,186)	(2)
3xxx	Total equity		2,722,336	59	2,818,759	58
	Total liabilities and equity		$4,561,015	100	$4,834,895	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, 2021 and 2020

Unit: NT$ 1,000

Code	Accounting items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	IV, VI. 18 and VII	$1,682,232	100	$1,576,014	100
5000	Operating costs	IV, VI.7, VI.20, VI.21 and VII	795,599	47	788,029	50
5900	Gross profit		886,633	53	787,985	50
5920	Unrealized sales profit		(51,461)	(3)	(29,918)	(2)
5950	Net gross profit		835,172	50	758,067	48
6000	Operating expenses	IV, VI.19, VI.20, VI.21 and VII				
6100	Marketing expenses		391,967	23	358,225	23
6200	Management expense		134,187	8	136,311	9
6300	R&D expenses		114,249	7	121,904	8
6450	Expected credit impairment (benefits) gain/loss		(5,198)	-	1,129	-
	Total Operating Expenses		635,205	38	617,569	40
6900	Operating profit		199,967	12	140,498	8
7000	Non-operating income and expenses	IV, VI.8, VI.22 and VII				
7100	Interest income		2,733	-	3,910	-
7010	Other incomes		7,860	-	46,363	3
7020	Other profit and loss		(54,596)	(3)	9,596	1
7050	Financial cost		(13,653)	(1)	(24,885)	(2)
7775	Share of profits and losses of subsidiaries, associates and joint ventures recognized using the equity method		(61,880)	(3)	(71,053)	(5)
	Total Non-operating Income and Expenses		(119,536)	(7)	(36,069)	(3)
7900	Net profit before tax		80,431	5	104,429	5
7950	Income tax expense	IV and VI.24	(28,160)	(2)	(2,601)	-
8200	Net profit for the period		52,271	3	101,828	5
8300	Other comprehensive income (loss)	IV and VI.23				
8310	Items not to be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		(3,389)	-	1,139	-
8316	Unrealized profit or loss on equity instruments measured at fair value through other comprehensive income		(161)	-	461	-
8320	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - Items that will not be reclassified to profit or loss		(100)	-	(321)	-
8360	Items that may be subsequently reclassified into profit or loss					
8380	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - Items that may be reclassified to profit or loss		(48,447)	(3)	12,570	1
	Other Comprehensive Income (Net After Tax) of Current Period		(52,097)	(3)	13,849	1
8500	Total amount of comprehensive income (loss) for this period		$174	-	$115,677	6
	Earnings per share (NT$)	IV and VI.25				
9750	Basic earnings per share		$0.37		$1.00	
9850	Diluted earnings per share		$0.37		$0.94	

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation

Parent Company Only Statements of Changes in Equity

January 1 to December 31, 2021 and 2020

		Capital stock			Retained earnings			Other equity				
		Capital - common stock	Capital - preferred stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from translation of financial statements of foreign operating institutions	Unrealized (loss) gain on financial assets measured at FVTOCI	Employees' unearned remuneration	Treasury stock	Total equity
Code	Items	3100	3120	3200	3310	3320	3350	3410	3420	3491	3500	3XXX
A1	Balance on 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	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 for year 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 between the Price Received from Acquisition or Disposal of Interest in Subsidiaries and the Book Value	-	-	(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
A1	Balance as of January 1, 2021	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$-	$2,818,759
	Earnings appropriation and distribution in 2020											
B1	Legal reserve	-	-	-	8,451	-	(8,451)	-	-	-	-	-
B5	Cash dividend of common stock	-	-	-	-	-	(65,370)	-	-	-	-	(65,370)
B7	Cash dividend of extraordinary stock	-	-	-	-	-	(23,400)	-	-	-	-	(23,400)
B17	Special reserve reversal	-	-	-	-	(12,709)	12,709	-	-	-	-	-
D1	Net profit for year 2021	-	-	-	-	-	52,271	-	-	-	-	52,271
D3	Other comprehensive income in 2021	-	-	-	-	-	(3,389)	(48,447)	(261)	-	-	(52,097)

D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	48,882	(48,447)	(261)	-	-	174
M7	Changes in ownership interest in subsidiaries	-	-	-	-	-	(148)	-	-	-	-	(148)
N2	Share-based payment transaction - new restricted employee shares	(2,782)	-	(12,633)	-	-	-	-	-	7,736	-	(7,679)
Z1	Balance as of December 31, 2021	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$-	$2,722,336

(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, 2021 and 2020

Unit: NT$1,000

Code	Items	2021 Amount	2020 Amount
AAAA	Cash flow from operating activities:		
A10000	Current net income before tax	$80,431	$104,429
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	115,753	121,440
A20200	Amortization expenses	24,588	11,843
A20300	Expected credit impairment (benefits) gain/loss	(5,198)	1,129
A20400	Net loss (gain) on financial liabilities measured at fair value through profit or loss	4,982	(2,278)
A20900	Interest expenses	13,653	24,885
A21200	Interest revenue	-2,733	(3,910)
A21900	Share-based payment remuneration cost	-7,679	12,630
A22300	Share of the losses of subsidiaries, associates and joint ventures accounted for using the equity method	61,880	71,053
A22500	Loss on disposal of property, plant and equipment	18	433
A22800	Loss on disposal of intangible assets	1,739	-
A24000	Unrealized sales profit	51,461	29,918
A29900	Other income	-1,185	(321)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	(Profit) loss in notes receivable	-784	1,448
A31150	(Increase) decrease in accounts receivable	-21,980	28,225
A31160	Gain in accounts receivable - affiliated	-32,280	(67,784)
A31180	Increase in other receivables	-11,358	(140)
A31190	Decrease in other receivables from related parties	139	6,584
A31200	Decrease in inventories	4,748	98,334
A31230	Decrease (increase) in prepayments	5,810	(2,800)
A31240	(Increase) decrease in other current assets	-10	1,715
A32125	Increase in contractual liabilities	4,377	1,866
A32130	Decrease in notes payable	-1,010	(800)
A32150	Increase (decrease) in accounts payable	-5,971	13,443
A32160	Decrease in accounts payable - related parties	-1,244	(598)
A32180	Increase (decrease) in other payables	(12,331)	7,127
A32190	Decrease in other payables - related parties	-	(32)
A32230	Increase in other current liabilities	320	5,681
A32240	Decreases in net defined benefit liability	-31	(1,363)
A33000	Cash inflow generated from operations	266,105	462,157
A33100	Interest received	3,116	3,479
A33200	Dividends received	20,179	25,225
A33500	(Payment) refunded income tax	-10,317	7,475
AAAA	Net cash inflow from operating activities	279,083	498,336
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)
B00050	Proceeds from sale of financial assets at amortized cost	6,033	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	-	(27,575)
B00200	Disposal of financial assets at fair value through profit or loss	27,871	-
B01800	Acquisition of investments using equity method	-20,792	(149,659)
B02700	Acquisition of property, plant and equipment	-41,150	(29,723)
B02800	Disposal of property, plant and equipment	81	23
B03700	(Increase) decrease in refundable deposits	-7,085	1,891
B04500	Acquisition of intangible assets	-26,339	(47,977)
B06700	Increase in other non-current assets	-10,872	(30,545)
B07100	Increase in prepayments for business facilities	-2,263	(12,525)
BBBB	Net cash outflow from investing activities	(74,516)	(348,239)
CCCC	Cash from financing activities:		
C00100	(Decrease) increase in short-term debt	(99,053)	740,000
C01300	Repayments of bonds	-	(400,000)
C01600	Long-term loans raised	-	460,000
C01700	Repayment of long-term loans	-71,091	(537,327)
C03000	(Decrease) increase in guarantee deposit received	-54	30
C04020	Repayment of lease principal	-7,521	(9,952)
C04500	Cash dividends paid	-88,770	(69,144)
C04900	Repurchase cost of treasury stock	-	(65,567)
C05600	Interest paid	-5,829	(13,648)

CCCC	Net cash flow (outflow) from financing activities	(272,318)	104,392
DDDD	Effects from changes in exchange rates on cash and cash equivalents	(1,881)	-
EEEE	Increase (Decrease) in Cash and Cash Equivalents	(69,632)	254,489
E00100	Beginning balance of cash and cash equivalents	554,017	299,528
E00200	Cash and cash equivalents at end of the period	$484,385	$554,017

(Please refer to the notes to the parent company only financial statements)

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

United Orthopedic Corporation

Notes to Parent Company Only Financial Statements

○January 1 to December 31, 2012

○January 1 to December 31, 2017

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

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

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

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

The parent company only financial statements of the Company for 2021 and 2020 were authorized for issue by the Board of Directors on March 24, 2022.

III. Application of New and Amended Standards and Interpretations

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

   The company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by Financial Supervisory Commission (FSC) and applicable since January 1, 2021. First-time application of new standards and amendments has no significant impact on the company.

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:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	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

(1) 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)
This amendment prohibit an enterprise from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, 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.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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.

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and have been approved by HKFAS for fiscal years beginning on or after January 1, 2022. The company assesses that the newly issued or amended standards or interpretations 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	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
6	Deferred tax related to assets and liabilities arising from a single	January 1, 2023

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	transaction (amendment to IAS 12)	

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

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

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

(5) 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.

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

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

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

IV. Summary of Significant Accounting Policies

1. Compliance declaration

The parent company only financial statements for the years ended December 31, 2021 and 2020 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Preparation basis

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income of the period presented in parent company only financial reports shall be the same as the share of profit or loss and other comprehensive income attributable to owners of the parent presented in the consolidated financial statements, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Therefore, investments in subsidiaries are expressed as "investments accounted for using the equity method" in the parent company only financial statements with evaluation adjustments, if needed.

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

3. Foreign Currency Transactions

The parent company only financial statements of the Company are expressed in New Taiwan Dollars, which is the Company's functional currency.

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

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

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

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

4. Translation of foreign-currency financial statements

Each foreign operation in the Company may determine its functional currency, and use it to measure its financial statements In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The loss of control, significant influence or joint control over a foreign operation while retaining partial equity is accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted via "investments accounted for using the equity method" instead of being recognized in profit or loss. In partial disposal of an associate or a joint-controlled equity that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

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

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

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

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

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

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

6. Cash and Cash Equivalents

Cash and cash equivalents 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

Financial assets measured at amortized cost:

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

A. Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

B. Contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

These financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost [the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance]. 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 recognises and measures impairment losses on expected credit losses on financial assets measured at amortized cost.

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

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

Loss allowance is measured as follows:

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

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

(3) Derecognition of financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

<u>Financial liabilities at amortized cost</u>

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

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

<u>Derecognition of financial liabilities</u>

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

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

(5) Offsetting Financial Assets and Liabilities

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

8. Derivative

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

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

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

9. Fair value measurement

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

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

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

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

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

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

10. Inventory

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 - Cost of direct materials and labor and a proportion of manufacturing

work in progress	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 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. Lease

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.

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

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.

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

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

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

(5) The Company has sufficient technological, financial, and other resources to complete this development, and is able to use or sell the intangible asset.
(6) Expenditures during the development stage of the intangible asset can be reliably measured.

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

Specialized technology

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

Computer software

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

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

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

15. Impairment of non-financial assets

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

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

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

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

16. 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 grants

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

19. Post-retirement Benefit Plan

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

For the post-employment benefit plan regarding the defined contribution plan, the Company's monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period.

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

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

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

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

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

1. Judgment

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

Judgment on whether development expenditures are eligible for capitalization

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

Only when the research and development project 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, 2021 are disclosed in Note 6.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

VI. Details of Significant Accounts

1. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash in treasury	$9	$9
Checks and demand deposits	17,091	136,872
Time deposits	467,285	417,136
Total	$484,385	$554,017

2. Financial assets measured at FVTPL

	December 31, 2021	December 31, 2020
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 FVTOCI

	December 31, 2021	December 31, 2020
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$50,750	$49,800

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Unlisted stocks		
Changgu Biotech Corporation	1,633	2,744
Total	$52,383	$52,544

(1) The Company's financial assets measured at FVTPL are not pledged.

(2) September 10, 2020, the Company invested in Zhonglei Holdings Co., Ltd. in the amount of RMB 50,000 thousand and acquired 500,000 special shares. As of December 31, 2021 and December 31, 2020, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2021 and 2020, the fair values of the stock investments were NT$50,750,000 and NT$49,800,000, respectively, and the differences between the initial investment amount and the fair value were NT$750,000 and NT$(200),000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2021 and December 31, 2020, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 16.09% and 19.26%. On December 31, 2021 and 2020, the fair values of the aforementioned stock investments were NT$1,633,000 and NT$2,744,000, respectively, and the differences between the initial investment amount and the fair value were NT$3,143,000 and NT$2,032,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets measured at amortized cost:

	2021.12.31	2020.12.31
Time deposits	$8,820	$14,853
Less: Loss allowance	-	-
Total	$8,820	$14,853
Non-current	$8,820	$14,853

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

	2021.12.31	2020.12.31

Notes receivable - arising from operation	$2,377	$1,593
Less: Loss allowance	-	-
Total	$2,377	$1,593

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

	2021.12.31	2020.12.31
Accounts receivable	$261,337	$241,451
Less: Loss allowance	(914)	(8,206)
Subtotal	260,423	233,245
Accounts receivable - related parties	505,841	473,561
Less: Loss allowance	-	-
Total	$766,264	$706,806

The Company's accounts receivable were not pledged.

TheCompany's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2021 and 2020 were NT$767,178,000 and NT$715,012,000, respectively. Please refer to Note 6.19 for detailed information on loss allowance for 2021 and 2020; please see Note 12 for information on credit risk.

7. Inventory

	2021.12.31	2020.12.31
Merchandise	$3,298	$3,216
Finished goods	358,979	346,696
Work-in-progress	175,826	177,418
Raw materials	62,642	78,163
Total	$600,745	$605,493

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

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Items	2021	2020
Cost of sales	$795,599	$788,029
Allowance for inventory valuation and obsolescence loss	-	-
Total	$795,599	$788,029

(2) No inventories aforementioned were pledged.

8. Investments accounted for using equity method

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

	December 31, 2021		December 31, 2020	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in subsidiaries:				
UOC America Holding Corporation	$134,474	100%	$132,502	100%
UOC Europe Holding SA	59,813	96%	144,370	96%
United Orthopedic Japan Inc.	9,155	92%	24,621	88%
A-Spine Asia Co., Ltd.	555,338	75%	566,803	75%
Investments in associates:				
Shinva United Orthopedic Corporation	517,580	49%	569,487	49%
Subtotal of items under assets	1,276,360		1,437,783	
Total	$1,276,360		$1,437,783	

(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

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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:

	2021.12.31	2020.12.31
Current assets	$321,666	$585,651
Non-current Assets	1,030,110	806,602
Current liabilities	(242,698)	(173,354)
Non-current liabilities	-	-
Equity	1,109,078	1,218,899
Shareholding ratio of the Company	49%	49%
Subtotal	543,448	597,260
Elimination and adjustment due to inter-company transactions	(25,868)	(27,773)
Carrying amount of investments	$517,580	$569,487

	2021	2020
Operating revenue	$412,870	$403,971
Net loss of continuing business units for this period	(101,014)	(29,118)
Other comprehensive income or loss	-	-
Comprehensive income or loss for this period	(101,014)	(29,118)

The company invests in affiliated enterprises on a technical basis of RMB 30,000,000, equivalent to NT$149,844,000 in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2021 and December 31, 2020, accumulated amortization of NT$77,605,000 and NT$76,420,000, respectively.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2021 and 2020, nor was there guarantee provided.

9. Property, plant and equipment

	2021.12.31	2020.12.31
Property, plant and equipment for own use	$869,164	$928,922
Property, plant and equipment for operating leases	-	-
Total	$869,164	$928,922

(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:								
110.1.1	$87,763	$436,750	$556,045	$105,152	$14,495	$8,003	$243,119	$1,451,327
Addition	-	-	2,268	6,053	757	-	32,072	41,150
Disposal	-	-	-	-	(29)	-	(31,430)	(31,459)
Re-classification	-	-	17,296	(8,310)	-	-	-	8,986
December 31, 2021	$87,763	$436,750	$575,609	$102,895	$15,223	$8,003	$243,761	$1,470,004
109.1.1	$87,763	$436,750	$555,882	$109,399	$11,135	$7,937	$244,905	$1,453,771
Addition	-	-	163	4,777	3,360	66	21,357	29,723
Disposal	-	-	-	(4,186)	-	-	(26,681)	(30,867)
Re-classification	-	-	-	(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
Depreciation and impairment:								

110.1.1	$-	$71,421	$267,302	$39,575	$10,386	$5,887	$127,834	$522,405
Depreciation	-	14,045	42,943	13,771	1,856	898	35,965	109,478
Disposal	-	-	-	-	(29)	-	(31,331)	(31,360)
Re-classification	-	-	-	317	-	-	-	317
December 31, 2021	$-	$85,466	$310,245	$53,663	$12,213	$6,785	$132,468	$600,840
109.1.1	$-	$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
Disposal	-	-	-	(3,730)	-	-	(26,681)	(30,411)
Re-classification	-	-	-	-	-	-	-	-
2020.12.31	$-	$71,421	$267,302	$39,575	$10,386	$5,887	$127,834	$522,405
Net carrying amount:								
December 31, 2021	$87,763	$351,284	$265,364	$49,232	$3,010	$1,218	$111,293	$869,164
2020.12.31	$87,763	$365,329	$288,743	$65,577	$4,109	$2,116	$115,285	$928,922

(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:				
110.1.1	$10,631	$70,447	$101,721	$182,799

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Additions - development by internal units	-	-	25,079	25,079
Additions - separate acquisition	1,160	-	100	1,260
Disposal	-	-	(1,739)	(1,739)
Re-classification	-	48,954	(47,954)	(739)
December 31, 2021	$11,791	$119,401	$77,207	$208,399
109.1.1	$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
Re-classification	-	59,040	(58,040)	1,000
2020.12.31	$10,631	$70,447	$101,721	$182,799
Amortization and impairment:				
110.1.1	$7,592	$7,332	$21,301	$36,225
Amortization	1,895	19,660	3,033	24,588
December 31, 2021	$9,487	$26,992	$24,334	$60,813
109.1.1	$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
Net carrying amount:				
December 31, 2021	$2,304	$92,409	$52,873	$147,586
2020.12.31	$3,039	$63,115	$80,420	$146,574

Amortization of recognized intangible assets are as follows:

	2021	2020
Operating costs	$19,101	$6,001
Operating expenses	5,487	5,842

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Total	$24,588	$11,843

11. Short-term loans

	2021.12.31	2020.12.31
Credit loans	$639,066	$740,000
Interest rate range (%)	0.4400-0.8200	0.4899-0.8700

As of December 31, 2021 and 2020, the Company's unused short-term loan facilities were NT$1,203,694,000 and NT$802,000,000, respectively; the unused short-term notes and bills payable were NT$0 and NT$50,000,000, respectively, while the unused long-term loan facilities were NT$84,240,000 and NT$375,000,000, respectively.

12. Financial liabilities measured at FVTPL

	2021.12.31	2020.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$6,250	$1,850
Current	$6,250	$-
Non-current	$-	$1,850

13. Corporate bonds payable

	2021.12.31	2020.12.31
Domestic unsecured bonds payable	$484,555	$478,829
Less: Liabilities due within one year	484,555	-
Long-term domestic convertible bonds payable	$-	$478,829

<u>Domestic convertible bonds payable</u>

	2021.12.31	2020.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$500,000
Converted amount		-

Discount on domestic convertible bonds payable	(15,445)	(21,171)
Subtotal	484,555	478,829
Less: Liabilities due within one year	484,555	-
Net Amount	$-	$478,829
Embedded derivative - liabilities	$6,250	$1,850
Equity elements	$26,300	$26,300

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

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

Critical clauses for redemption:

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

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

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

Critical clauses for redemption:

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

Conversion methods:

A. Converted target: Common stock of the Company.

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

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021 and 2020, 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.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

In addition, the aforementioned bonds have not been converted as of December 31, 2021.

14. Long-term loans

Details of long-term loans for the years ended December 31, 2021 and 2020 are as follows:

Creditor	2021.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$114,691	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Less: long-term loans due within one year	(8,341)		
Net Amount	$106,350		

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;

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

		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 Amount	$152,341	

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

15. Post-retirement Benefit Plan

Defined contribution 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, 2021 and 2020 are NT$18,412,000 and NT$19,029,000, 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.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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, 2021, the Company's defined benefits plan has been estimated to contribute NT$215,000 in the following year.

For the years ended on December 31, 2021 and December 31, 2020, the Company's defined benefits plans are expected to due in 2032 and 2031.

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

	2021	2020
Current service cost	$184	$186
Net interest of net defined benefit liability	1	19
Total	$185	$205

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

	2021.12.31	2020.12.31	2020.1.1
Present value of defined benefit obligations	$52,693	$50,010	$50,991
Fair value of plan assets	(49,270)	(49,946)	(48,425)
Net defined benefit liabilities on the book	$3,423	$64	$2,566

Reconciliation of net defined benefit liabilities:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Defined benefits Present value of obligations	Planned Assets Fair value	Net defined benefits Liabilities
109.1.1	$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
Current service cost	184	-	184
Interest expense (income)	175	(174)	1
Previous service cost and settlement gains or losses	-	-	-
Subtotal	50,369	(50,120)	249
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	3,361	-	3,361
Experience adjustment	777	-	777
Remeasurements of defined benefit assets	-	(749)	(749)
Subtotal	54,507	(50,869)	3,638

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Benefits paid	(1,814)	1,814	-
Employer contributions	-	(215)	(215)
December 31, 2021	$52,693	$(49,270)	$3,423

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

	2021.12.31	2020.12.31
Discount rate	0.70%	0.35%
Expected salary increase rate	4.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2021		2020	
	Defined benefits Increase in obligations	Defined benefits Decrease in obligations	Defined benefits Increase in obligations	Defined benefits Decrease in obligations
Discount rate increases by 0.5%	$-	$2,715	$-	$2,725
Discount rate decreases by 0.5%	2,916	-	2,932	-
Expected salary increases by 0.5%	2,806	-	2,840	-
Expected salary decreases by 0.5%	-	2,644	-	2,669

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

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

16. Equity

(1) Capital

As of January 1, 2021 and 2020, 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. Preferred shares were issued at a par value of NT$10, dividing into 10,000,000 shares and 10,000,000 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 272,000 shares on March 23, 2021 with the base date of capital reduction set on April 19, 2021, and the registration of the changes were completed on April 29, 2021.

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 6,000 shares on August 6, 2021 with the base date of capital reduction set on August 16, 2021, and the registration of the changes were completed on August 24, 2021.

Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 418,000 shares and 6,000 shares on August 9, 2021 and November 8, 2021, respectively.

Preferred Stock

On September 17, 2019, the Board of Directors resolved that the Company launch a capital increase to issue type A preferred stock in a total amount of NT$520,000,000, with a par value of NT$10 per share and a total of 10,000,000 shares, and the issue price per share was NT$52. This cash capital increase case was reported and registered with FSC, which issued Financial Supervisory Commission Official Letter No. Zheng-Fa-1080325924 on August 26, 2019 as a confirmation, and the base date of capital increase was set at October 18, 2019. The relevant legal registration procedures have been completed and classified under equity. An excerpt of relevant rights and obligations is as follows:

A. The annual rate of preferred stocks is 4.5% (5-year interest rate swap (IRS) rate of 0.7162% + fixed rate of 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day after the fifth year from the issue date and every five years thereafter. The pricing base date of interest rate reset is two business days of Taipei Exchange prior to the date of interest rate reset, and the five-year IRS rate is the arithmetic mean of the prices of Reuter's "PYTWDFIX" and "COSMOS3" of the five-year IRS at 11:00 a.m. on the pricing base date of interest rate reset (also a business day of Taipei Exchange). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions.

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated 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. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

E. Shareholders of preferred shares shall not participate in the distribution of surplus and capital surplus in cash or for capitalization related to ordinary shares, except for receiving dividends as specified above.

F. Shareholders of preferred shares have no right to request the Company to redeem their preferred shares; however, preferred shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the option of the Company, provided the "Notice of Redemption of Preferred Shares" with a period of 30 days has been announced or sent to the shareholders of preferred shares. Unredeemed preferred shares shall continue to be subject to the rights and obligations of the aforesaid issuance terms. In the year of redeeming the preferred shares, if the Company’s shareholders’ meeting makes the resolution to distribute dividend, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

G. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.

H. The shareholders of this preferred stock have neither voting nor election rights. However, they may be elected as Directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preferred stocks in shareholders' meetings.

I. This preferred stock cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of this preferred stock may apply for conversion of part or all of the preferred shares held by them to ordinary shares with one preferred share in exchange for one ordinary share (the conversion ratio is 1: 1) during the conversion period. After the conversion of the preferred shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preferred stocks shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preferred shares in the current year but may participate in the distribution of common stocks surplus and capital surplus.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

J. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.

As of December 31, 2021 and 2020, the Company's authorized share capital was both NT$1,500,000,000 , and had issued share capital of common stock in the amount of NT$781,116,000 and NT$783,898,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,112,000 shares and 78,390,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

(2) Additional paid-in capital

	2021.12.31	2020.12.31
Issuance premium	$1,535,085	$1,515,847
Stock options – convertible corporate bonds	26,300	26,300
Issuance of restricted employee shares	-	31,872
Difference in the carrying amount of share price and its acquired or disposed value of equity of subsidiaries acquired	163,986	163,986
Others	18,067	18,066
Total	$1,743,438	$1,756,071

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.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Please refer to Note VI.26 for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

(3) Treasury stock

The amount of treasury stock held by the Company on December 31, 2021 and 2020 were both NT$0 thousand, and the number of the shares held were both 0 thousand.

The Company's repurchasing of treasury stock in 2021 were implemented as follows:

No such occurrences.

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 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. Deficit compensation.
C. Appropriate 10% to be the statutory surplus reserve.
D. Special earnings reserve is recognized or reversed in accordance with laws and regulations or regulatory authorities.
E. The Board of Directors shall draft an earning distribution proposal according to the dividend policy, and reported it to the shareholders' meeting.

The Company's dividend policy shall consider the Company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests and find a balance between dividends and the Company's long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. Dividends distributable to shareholders shall be 50%~100% of current year's distributable earnings, among which, at least 50% shall be in the form of cash.

According to the Company Act, statutory surplus reserve shall be appropriated until its balance equals total capital. The statutory surplus reserve may be used to offset deficit. When the Company has no deficit, statutory surplus reserve in excess of 25% of paid-in capital may be distributed in the form of stock or cash dividends to its shareholders in proportion to the number of shares being held by each of them.

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

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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, 2021 and 2020, there is no reversal of special capital reserve to undistributed earnings.

Details of the 2021 and 2020 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 24, 2022 and July 29, 2021, respectively, are as follows:

	Earnings appropriation proposal		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	$4,874	$8,451		
Provision (reversal) for special surplus reserve	43,860	(12,709)		
Cash dividend of common stock	-	65,370	$-	$0.834
Dividend of preferred stock	-	23,400	-	2.340

Please refer to Note VI.21 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

17. Share-based payment plans

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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 6,000 shares, 272,000 shares, 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on August 8, 2021, March 23, 2021, November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. Due to the fact that the Company's restricted employee shares met the vesting conditions, the Company lifted the restrictions on 6,000 shares and 418,000 shares on November 8, 2021 and August 6, 2021, respectively. As of December 31, 2021 and December 31, 2020, the Company has issued 0,000 shares and 702,000 shares, respectively.

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:

	2021	2020
Plan of restricted employee shares	$(7,679)	$12,630

18. Operating revenue

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2021	2020
Income from sales of goods	$1,682,232	$1,575,311
Other operating revenues	-	703
Total	$1,682,232	$1,576,014

Revenue from the sale of goods was generated by a single segment and recognized at a point of time.

Contract balance

Contract liabilities - current

	2021.12.31	2020.12.31
Sales of goods	$6,859	$2,482

The significant changes in the balance of contract liabilities of the Company from January 1 to December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning balance recognized as revenue in the current period	$(725)	$(603)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	5,102	2,469

19. Expected credit impairment loss

	2021	2020
Operating expenses - expected credit loss		
Notes receivable	$-	$-
Accounts receivable	(5,198)	1,129
Total	$(5,198)	$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, 2021 and 20209 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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, 2021 and 2020 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:

December 31, 2021

	Not overdue	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
Gross carrying amount	$724,982	$44,573	$-	$-	$-	$769,555
Loss Ratio	0%	4%-34%	54%	67%	67%	
Lifetime expected credit losses	325	589	-	-	-	914
Total	$724,567	$43,984	$-	$-	$-	$768,641
Carrying amount						$768,641

2020.12.31

	Not overdue	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

Note: None of the Company's notes receivable is past due.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

The changes in the Company's loss allowance for notes and accounts receivables in 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable
2021.1.1	$-	$8,206
Amount reversed in the current period	-	(5,198)
Write off due to inability to recover	-	(2,094)
December 31, 2021	$-	$914
109.1.1	$-	$7,077
Increase in this period	-	1,129
2020.12.31	$-	$8,206

20. Lease

(1) Where the Company is a lessee:

The Company leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Company's financial position, financial performance, and cash flow:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2021.12.31	2020.12.31
Land	$131,232	$136,510
Buildings and constructions	1,704	1,957
Total	$132,936	$138,467

In 2021 and 2020, the company added NT$744,000 and NT$8,637,000, respectively, to the category of right-of-use assets.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities	$135,736	$140,380
Current	$5,646	$5,197
Non-current	$130,090	$135,183

Please refer to Note VI.22(3) for the interest expenses of the Company's 2021 and 2020 lease liabilities; please refer to Note XII.5 Liquidity risk management for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2021 and 2020.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2021	2020
Land	$5,278	$5,278
Buildings and constructions	997	3,676
Total	$6,275	$8,954

C. Revenues and expenses related to the lessee and lease activities

	2021	2020
Short-term lease expense	$3,236	$211
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	778	988
Revenue from sublease of right-of-use asset	1,155	1,081

As of December 31, 2021 and 2020, the Company had no commitments to short-term lease portfolio.

D. Cash flow related to the lessee and lease activities

The Company's total cash outflow to leases in 2021 and 2020 was in the amount of NT$11,535,000 and NT$11,151,000, respectively.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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

By function / Type of nature	2021			2020		
	Attributable to Operating Cost Owner	Attributable to Operating Expense Owner	Total	Attributable to Operating Cost Owner	Attributable to Operating Expense Owner	Total
Employee benefit expense						
Salary expense	$188,623	$176,266	$364,889	$206,324	$170,555	$376,879
Labor and health insurance premiums	22,498	16,500	38,998	22,145	15,759	37,904
Retirement fund expense	10,179	8,417	18,596	10,661	8,573	19,234
Remuneration to directors	-	2,839	2,839	-	3,686	3,686
Other employee benefits expenses	8,586	4,934	13,520	8,197	4,660	12,857
Depreciation expenses	73,223	42,530	115,753	75,654	45,786	121,440
Amortization expenses	19,101	5,487	24,588	6,001	5,842	11,843

Note 1: The number of employees in the current year and the previous year was 560 and 590 respectively, of which the number of directors who were not concurrently employees was 7 and 6 in the current year and the previous year, respectively.

Note 2: The average employee benefits expense for the current year and the previous year was NT$788,000 and NT$765,000, respectively. The average salaries expense for the current year and the previous year was NT$660,000 and NT$645,000, respectively. The average salary adjustment was 2%.

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 2021, the Company allocated 12% and 3% of the profits as compensation to employees and remuneration to Directors and Supervisors in the amounts of NT$11,355,000 and NT$2,838,000 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 24, 2022, the Company's Board of Directors resolves to distribute compensation to employees and remuneration to Directors and Supervisors distributed in the amounts of NT$11,355,000 and NT$2,838,000, respectively.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

In 2020, the actual amounts of compensation to employees and remuneration to Directors and Supervisors distributed were NT$14,743,000 and NT$3,686,000, respectively. There was no material difference between the amount paid and the amount recognized as expenses in the 2020 financial reports.

22. Non-operating income and expenses

(1) Other incomes

	2021	2020
Subsidy income	$970	$37,538
Other income - others	6,890	8,825
Total	$7,860	$46,363

(2) Other profit and loss

	2021	2020
Loss on disposal of property, plant and equipment	$(18)	$(433)
Loss on disposal of intangible assets	(1,739)	-
Foreign exchange gain (loss), net	(47,857)	8,380
Gain (loss) on financial assets and financial liabilities measured at FVTPL (Note)	(4,982)	1,749
Other profits	-	322
Miscellaneous expenses	-	(422)
Total	$(54,596)	$9,596

Note: It was generated because financial assets and financial liabilities were mandatorily measured at FVTPL.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

(3) Financial cost

	2021	2020
Interest on bank loans	$(5,793)	$(7,775)
Interest on bonds payable	(5,726)	(14,875)
Interest on lease liabilities	(2,134)	(2,235)
Total	$(13,653)	$(24,885)

23. Components of other comprehensive income

Components of other comprehensive income for the year ended December 31, 2021 are as follows:

	Arising during the period	Current period Reclassification adjustment	Others Comprehensive income	Income Tax Profit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$(3,389)	$-	$(3,389)	$-	$(3,389)
Unrealized valuation loss (gain) on investments in an equity instrument measured at FVTOCI	(161)	-	(161)	-	(161)
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(100)	-	(100)	-	(100)
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(48,447)	-	(48,447)	-	(48,447)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Total	$(52,097)	$-	$(52,097)	$-	$(52,097)

Components of other comprehensive income (loss) for the year ended December 31, 2020 are as follows:

	Arising during the period	Current period Reclassification adjustment	Others Comprehensive income	Income Tax Profit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,139	$-	$1,139	$-	$1,139
Unrealized valuation loss (gain) on investments in an equity instrument 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

24. Income Tax

The major components of income tax expense (benefit) for the years ended December 31, 2021 and 2020 are as follows:

Income tax expense recognized in profit or loss

	2021	2020
Current income tax expense (benefit):		

Current income tax payable	$22,636	$-
Adjustments on current income tax of prior periods	-	(1,580)
Deferred income tax expense:		
Deferred income tax expenses relating to its original generation from the temporary differences	5,524	4,181
Income tax expenses	$28,160	$2,601

Income tax recognized in other comprehensive income

	2021	2020
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:

	2021	2020
Profit before tax from continuing operations	$80,432	$104,429
Tax at the domestic tax rates applicable of profits in the country of main operation	16,087	$20,886
Tax effect of revenues exempt from taxation	(2,823)	(4,552)
Tax effect of expenses not deductible for tax purposes	-	(6,948)
Tax effect of deferred income tax assets/liabilities	14,896	(5,205)
Deferred income tax relating to changes in tax rates or new taxes	-	-
Adjustments on current income tax of prior periods	-	(1,580)
Total income tax expense (benefit) recognized in profit or loss	$28,160	$2,601

Balance of deferred income tax assets (liabilities) related to the following items:

2021

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Beginning balance	Recognized in profit or loss	Recognized in others Comprehensive income	Ending balance
Temporary differences				
Unrealized transactions between Company entities	$54,546	$10,292	$-	$64,838
Unrealized exchange gain (loss)	(550)	7,613	-	7,063
Long-term deferred income	14,685	(237)	-	14,448
Valuation on financial assets measured at FVTPL	(286)	1,056	-	770
Remeasurements of the net defined benefit plan	(72)	(6)	-	(78)
Loss carryforwards	24,242	(24,242)	-	-
Deferred income tax benefits (expenses)		$(5,524)	$-	
Deferred income tax assets/(liabilities), net	$92,565			$87,041
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$93,473			$87,119
Deferred income tax liabilities	$(908)			$(78)

2020

	Beginning balance	Recognized in profit or loss	Recognized in others 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)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Unrecognized deferred income tax assets

As of December 31, 2021 and 2020, 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$62,180,000 and NT$48,041,000, respectively.

Business income tax approval status

As of December 31, 2021, the Company's business income tax settlement and declaration were approved by the tax authority as of 2019.

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.

	2021	2020
(1) Basic earnings per share		
Net income of the period (NT$ thousand)	$52,271	$101,828
Dividend of preferred stock	(23,400)	(23,400)
Net income used in calculating basic earnings per share	$28,871	$78,428
Weighted average number of common stocks for basic earnings per share (thousand shares)	77,854	78,340
Basic earnings per share (NT$)	$0.37	$1.00
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$28,871	$78,428
Interest of convertible bond (NT$ thousand)	(Note)	4,526
Net income of the period after dilution effect adjustment (NT$ thousand)	$28,871	$82,954
Weighted average number of common stocks for basic earnings per share (thousand shares)	77,854	78,340
Dilution effect:		
Convertible bonds (thousand shares)	(Note)	9,709

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

New restricted employees shares (thousand shares)	268	447
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	78,122	88,496
Diluted earnings per share (NT$)	$0.37	$0.94

Note: Convertible corporate bonds have an anti-dilution effect and are not intended to be included in the calculation of diluted earnings per share.

After the reporting period and before the publication of the financial statements, there are no other transactions which would make significant changes to the numbers of common stocks outstanding or potential common stocks at the end of period.

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."

New shares of subsidiaries not subscribed in proportion of shares held

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:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2020
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	451
Difference in retained earnings recognized in equity	$451

United Orthopedic Japan Inc. issued new shares on April 15, 2021. As a result, the Company's ownership increased to 92%. Cash acquired by the Company from capital increase was JPY 80,000,000 (NT$20,792,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 146,972,000 (NT$37,875,000). Adjustments relevant to the decrease of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2021
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	148
Difference in retained earnings recognized in equity	$148

VII. Related party transaction

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
Shanghai Lianyi Biotechnology 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

	2021	2020
Subsidiary of the Company		
UOC America Holding Corporation	$-	$133,514
UOC USA Inc.	100,194	29,791
United Orthopedic Corporation (Suisse) SA	288,353	167,696
United Orthopedic Japan Inc.	66,654	33,769
A-Spine Asia Co., Ltd.	-	712
Associate of the Company		
Shinva United Orthopedic Corporation	171,893	264,595
United Medical Co., Ltd.	3,261	6,966
United Medical Instrument Co., Ltd.	-	23,871
United Medical Technology (Shanghai) Co.,Ltd.	-	9,507
Shanghai Lianyi Biotechnology Co., Ltd.	41,842	-
The Company is a shareholder of the company		
Changgu Biotech Corporation	4,447	4,731
Total	$676,644	$675,152

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

	2021	2020
Subsidiary of the Company		
UOC America Holding Corporation	$-	$399
UOC USA Inc.	3,526	-
Associate of the Company		
United Medical Co., Ltd.	75,225	50,927
United Medical Instrument Co., Ltd.	-	9,841
Total	$78,751	$61,167

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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

	2021	2020
Subsidiary of the Company		
A-Spine Asia Co., Ltd.	$80	$96

4. Accounts receivable - related parties

	December 31, 2021	2020.12.31
Subsidiary of the Company		
UOC America Holding Corporation	$-	$64,381
UOC USA Inc.	34,376	29,614
United Orthopedic Corporation (Suisse) SA	348,944	254,744
United Orthopedic Japan Inc.	77,594	52,446
Associate of the Company		
Shinva United Orthopedic Corporation	1,152	70,913
United Medical Co., Ltd.	538	1,463
Shanghai Lianyi Biotechnology Co., Ltd.	41,941	-
The Company is a shareholder of the company		
Changgu Biotech Corporation	1,296	-
Total	$505,841	$473,561

5. Accounts payable - related parties

	2021.12.31	2020.12.31
Associate of the Company		
United Medical Co., Ltd.	$19,394	$10,732
United Medical Instrument Co., Ltd.	-	9,906
Total	$19,394	$20,638

6. Other receivables - related parties

	2021.12..31	2020.12.31
Subsidiary of the Company		

UOC America Holding Corporation	$-	$11
United Orthopedic Corporation (Suisse) SA	41	240
United Orthopedic Japan Inc.	206	-
A-Spine Asia Co., Ltd.	276	416
Associate of the Company		
United Medical Co., Ltd.	5	-
Total	$528	$667

7. Capital loans

For details on loans provided by the Company to subsidiaries, please refer to Table 1.

8. The maximum limit for

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

9. Remuneration for the Company's key management

	2021	2020
Short-term employee benefits	$29,871	$21,332
Share-based payments	1,441	4,440
Total	$31,312	$25,772

10. Other incomes

	2021	2020
Associate of the Company		
Shinva United Orthopedic Corporation	$1,185	$4,247
United Medical Co., Ltd.	26	-
Total	$1,211	$4,247

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, 2021 and 2020, 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) was deducted, respectively, the amount recognized under other revenues is NT$0 thousand (CNY 0) and NT$4,247,000 (CNY 987,000).

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

11. Property transaction

Acquisition of equity from subsidiaries

(1) 2021

None.

(2) 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

VIII. Pledged Assets

The following table lists assets of the Company pledged as collaterals:

	Carrying amount		
Item	December 31, 2021	2020.12.31	Secured liabilities
Financial assets measured at amortized cost: - Non-current	$8,820	$14,853	Performance bond and import tariff guarantee
Property, plant and equipment - land and building	303,473	310,361	Comprehensive credit line
Property, plant and equipment - machinery and equipment	-	103,176	Comprehensive credit line
Total	$312,293	$428,390	

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

None.

XII. Others

1. Category of financial instruments

Financial assets

	2021.12.31	2020.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at FVTPL	$-	$28,453
Financial assets measured at FVTOCI	52,383	52,544
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	484,376	554,008
Financial assets measured at amortized cost:	8,820	14,853
Notes receivable	2,377	1,593
Accounts receivable (including related parties)	766,264	706,806
Other receivables (including related parties)	13,788	2,953
Refundable deposit	23,785	16,700
Subtotal	1,299,410	1,296,913
Total	$1,351,793	$1,377,910

Financial liabilities

	2021.12.31	2020.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at FVTPL	$6,250	$1,850
Financial liabilities measured at amortized cost:		
Short-term loans	639,066	740,000

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Receivables (including related parties)	328,629	357,850
Bonds payable (including bonds due within one year)	484,555	478,829
Long-term loans (including loans due within one year)	114,691	185,782
Lease liabilities	135,736	140,380
Guarantee deposit received	669	723
Subtotal	1,703,346	1,903,564
Total	$1,709,596	$1,905,414

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.

<u>Foreign exchange risk</u>

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, 2021 and 2020 will increase/decrease by NT$1,079,000 and NT$1,703,000, respectively.

When NT dollar appreciates/depreciates against EUR by 1%, the Company's profit or loss for the years ended December 31, 2021 and 2020 will increase/decrease by NT$3,403,000 and NT$3,330,000, 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 2021 and 2020 would increase/decrease by NT$261,000 and decrease/increase by NT$357,000, 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, 2021 and 2020.

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, 2021 and 2020, the Company's top ten receivables from clients accounted for 73% of the Company's total receivables. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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
2021.12.31					
Loans	$647,494	$16,855	$16,855	$73,741	$754,945
Payables	328,629	-	-	-	328,629
Convertible bonds	500,000	-	-	-	500,000
Lease liabilities	7,699	13,625	13,034	141,270	175,628
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

6. Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term loans	Long-term loans	PayableCorporate Bonds	DepositGuarantee deposit	Lease liabilities	Total liabilities from financing activities

109.1.1	$-	$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, 2020:

	Short-term loans	Long-term loans	Payable Corporate Bonds	DepositGu arantee deposit	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

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:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Carrying amount		Fair value	
	2021.12.31	2020.12.31	2021.12.31	2020.12.31
Financial assets				
Financial assetsat amortized cost	$8,820	$14,853	$8,820	$14,853
Financial liabilities				
Corporate bonds payable	484,555	478,829	484,555	478,829

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for the fair value measurement hierarchy for financial instruments of the Company.

8. Derivative

As of December 31, 2021 and 2020, the Company's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

<u>Embedded derivatives</u>

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 level

(1) Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date

Level 2: The observable input of the asset or liability, directly or indirectly, except for the quotation included in Level 1.

Level 3: Non-observable input of the asset or liability.

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

(2) Hierarchy of fair value measurement

The Company does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis is disclosed as follows:

December 31, 2021:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	$50,750	$-	$1,633	$52,383
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	6,250	-	6,250

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
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	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

Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2021 and 2020, 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

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

For those of the Company's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Investments in equity instruments measured
	Stock
2021.1.1	$2,744
Total profit (loss) recognized for 2021:	
Recognized in other comprehensive income(listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	(1,111)
2021.12.31	$1,633

	Investments in equity instruments measured
	Stock
2020.1.1	$2,083
Total profits (loss) recognized for 2020:	
Recognized in other comprehensive incom(listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	661
2020.12.31	$2,744

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:

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

December 31, 2021:

	Valuation technique	Significant unobservable Input Value	Quantitative information	Relationship between input and fair values	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$233,000 (increase by NT$233,000)

December 31, 2020:

	Valuation technique	Significant unobservable Input Value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$298,000 (increase by NT$298,000)

Valuation of Level 3 fair value measurement

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

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, 2021:

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$484,555	$-	$484,555

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

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

	2021.12.31		
	Foreign currency	Exchange rates	NT$

Financial assets			
Monetary items:			
USD	$4,602	27.6300	$127,164
EUR	14,240	31.1200	443,157
JPY	327,162	0.2385	78,028
CNY	10,413	4.3190	44,972
GBP	235	37.1000	8,713
Financial liabilities			
Monetary items:			
USD	$693	27.7300	$19,217
EUR	3,263	31.5200	102,851
JPY	4,460	0.2425	1,082
CHF	8	30.3000	252
CNY	4,631	4.3690	20,232
GBP	4	37.5000	148

	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
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	-

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, 2021 and 2020 was NT$(47,857,000) and NT$8,380,000, respectively.

The above information is disclosed based on the carrying amount of foreign currency (already converted to the functional currency).

11. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. Supplementary Disclosures

1. Information on Significant Transactions

(1) Capital financing to others: Please refer to Table 1.

(2) Endorsements/Guarantees for others: Please refer to Table 2.

(3) Marketable securities held at the end of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

(4) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(5) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the period: None.

(6) Disposal of real estate at price of at least NT$300 million or 20% of the paid-in capital: None.

(7) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the period: Please refer to Table 4.

(8) Accounts receivable from related parties of at least NT$100 million or 20 percent of the paid-in capital at the end of the period: Please refer to Table 5.

(9) Engage in trading of derivative products: Please refer to Note 6.13 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, 2021:

Unit: NT$ 1,000

S/N	Lending company	Participants	Account item	related party	Current Period Maximum Amount	Ending balance (Approved by the Board of Directors)	Actual Expenditure Amount	Interest Rate Range	Nature of capital financing	Business transaction amount	Reason for Short-term Financing	Recognition of allowance Lost amount	Collateral security Name	Collateral security Value	For Individual Objects Capital lending limit	Capital loans Total limit
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	$156,910	$156,910	$80,601	1.03590%	Business nature	$293,892	None	$-	None	$-	$264,335	$264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	45,263	45,263	-	1.03590%	Business nature	241,242	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Long-Term Receivables - related party	Yes	30,175	30,175	4,956	1.03590%	Business nature	5,011	None	-	None	-	5,011	132,167

Note 1: The Company's cap of financing and borrowings shall not exceed 30% of the Company's paid-in capital.

Note 2: Financing to an individual party shall be limited with the bilateral business transaction amount over the past fiscal year.

Note 3: The subsidiary's cap on financing and borrowings shall not exceed 15% of the company's paid-in capital.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 2. Endorsements/Guarantees for others as of December 31, 2021:

Unit: NT$ 1,000

S/N	Endorsement Guarantor Company name	Recipient of endorsements/guarantees		Limit of Endorsements/ guarantees for a Single Entity	Maximum endorsement/guarantee amount for the current period	The endorsements/guarantees balance at the end of period	Actual Expenditure Amount	Property-secured endorsement/ guarantee amount	Accumulated endorsement/guarantee amount to net worth in the financial statements	The maximum limit for endorsements/guarantees	Guarantee Provided by the Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relation										
0	United Orthopedic Corporation	UOC USA, Inc.	Wholly owned sub-subsidiary	$264,335	$221,440	$221,440	$96,880	$-	7.92%	$440,558	Y	N	N

Note 1: The Company's total sum of endorsements/guarantees shall not exceed 50% of the Company's paid-in capital; to an individual enterprise, the endorsement or guarantee shall not exceed 30% of the company's paid-in capital.

(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, 2021.

Unit: NT$ 1,000

Company holding shares	Marketable securities Type and name (Note 1)	Relationship with Issuer of Securities (Note 2)	Accounting item	Period End				Remarks (Note 4)
				No. of shares/Unit	Carrying amount (Note 3)	Shareholding ratio	Fair value	
	Equity							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	477,568	$1,633	16.09%	$1,633	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	500,000	50,750	0.03%	50,750	〃

* 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.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

Purchase (sales) Companies	Transacting party	Relationship	Transaction Details				Situation and reason of why trading conditions are different from general trading		Bills and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to Total (%)	Credit granting period	Unit Price	Credit granting period	Balance	Ratio to total receivables (payable) (%)	
United Orthopedic Corporation	UOC USA, Inc.	Parent/Sub-subsidiary	Sales	$(100,194)	5.96%	90 days	Note	Note	$34,376	4.47%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(288,353)	17.14%	120 days	Note	Note	$348,944	45.34%	
United Orthopedic Corporation	Shinva United Orthopedic Corporation .	Associate	Sales	$(171,893)	10.22%	90 days	Note	Note	$1,152	0.15%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	$(234,421)	(85.34%)	90 days	Note	Note	$150,110	78.07%	

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.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 5. Accounts receivable from related parties of at least NT$100 million or 20% of the paid-in capital as of December 31, 2021:

Unit: NT$ 1,000

The companies that record such transactions as receivables	Name of transacting party	Relationship	Receivable related party		Overdue accounts receivable from related party		Accounts receivable from related party	Recognition of allowance
			Payment balance	Turnover	Amount	Handling method	Recovered amount after the period	Amount of bad debts
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	$348,944 (Note 1)	0.96	$-	-	$58,855	$-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Associate	150,110 (Note 1)	2.22	-	-	51,859	-

Note 1: Should be related parties of receivables

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(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		Holding at the end of period			Profit (loss) of the investee in the current period	Investment Profit (Loss) Recognized	Remarks
				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 (USD 9,380)	$286,986 (USD 9,380)	9,380 (Note 6)	100%	$134,474	$12,997	13,517	Subsidiary
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	420,142 (CHF 13,500)	420,142 (CHF 13,500)	13,500 (Note 2)	96%	59,813	2,812	(20,363)	Subsidiary
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	85,994 (JPY 259,724)	65,202 (JPY 179,724)	56,658 (Note 4)	92%	9,155	(15,850)	(14,351)	Subsidiary
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696 (Note 5)	75%	555,338	17,741	8,814	Subsidiary

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

UOC America Holding Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905 (USD 9,360)	283,905 (USD 9,360)	13,861,016 (Note 1)	100%	261,254	13,301	13,301	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987 (CHF 1,550)	49,987 (CHF 1,550)	1,550 (Note 2)	100%	15,578	6,334	6,334	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304 (EUR 8,782)	310,304 (EUR 8,782)	8,782 (Note 3)	100%	249,903	9,288	9,288	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	17,194 (EUR 500)	17,194 (EUR 500)	500 (Note 3)	100%	(6,309)	(9,619)	(9,619)	Sub-subsidiary

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 3,017.

Note 5: The face value per share is TWD 10.

Note 6: The face value per share is USD 1,000.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(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

Invested companies in Mainland China				Cumulative investment remitted from Taiwan	Amount remitted or recollected in current period		Cumulative investment remitted from Taiwan	Profit (loss) of the investee	Shareholding percentage directly or indirectly		Carrying amount of	Accumulated repatriation of investment income
Company name	Main business items	Actual paid-in capital	Investment method	at the beginning of the period	Remitted from Taiwan	Recovered	at the beginning of the period	in the current period	invested by the Company	Income (loss) for this period	investment at end of period	as of the end of the period
Shinva United Orthopedic Corporation.	Production and sales of implants, 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)	$(101,014)	49%	$(49,497)	$517,580	$-

Accumulated investment remitted from Taiwan to Mainland China at the end of the current period	Investment Review Committee of the Ministry of Economic Affairs Approved investment amount	Ceiling of investment in Mainland China imposed by the Investment Commission, MOEA
$704,464 (CNY 147,000,000)	$704,464 (CNY 147,000,000)	$1,692,384

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 %
2021	United Orthopedic Corporation	United Medical Co., Ltd.	$75,225	18.76%	$19,394	22.47%

(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 %
2021	United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	$41,842	2.49%	$41,941	5.45%
2021	United Orthopedic Corporation	United Medical Co., Ltd.	3,261	0.19%	$538	0.07%
2021	United Orthopedic Corporation	Shinva United Orthopedic Corporation	171,893	10.22%	1,152	0.15%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:

None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:

None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:

None.

Notes to Parent Company Only Financial Statements of United Orthopedic Corporation (continued)

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8. 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.

Chapter 7. Review and Analysis of Financial Statusand 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	2021	2020	Increases (decreases)	Increase/decrease ratio (%)
Current assets	2,419,573	2,619,590	(200,017)	-7.64
Investments accounted for using equity method	517,580	569,487	(51,907)	-9.11
Property, plant and equipment	1,373,902	1,429,199	(55,297)	-3.87
Intangible assets	518,898	526,189	(7,291)	-1.39
Other assets (Note 1)	414,875	442,737	(27,862)	-6.29
Total assets	5,244,828	5,587,202	(342,374)	-6.13
Current liabilities	1,929,327	1,679,211	250,116	14.89
Non-current liabilities	494,860	982,961	(488,101)	-49.66
Total liabilities	2,424,187	2,662,172	(237,985)	-8.94
Capital	881,116	883,898	(2,782)	-0.31
Additional paid-in capital	1,743,438	1,756,071	(12,633)	-0.72
Retained earnings	234,940	274,976	(40,036)	-14.56
Other equity	(137,158)	(96,186)	(40,972)	42.60
Non-controlling equity	98,305	106,271	(7,966)	-7.50
Total equity	2,820,641	2,925,030	(104,389)	-3.57

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 non-current liabilities: Mainly due to the corporate bonds payable for current year converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.
  Increase in other equity: Mainly due to Taiwan dollar appreciation for the current period leading to decrease in exchange differences on translation.
- 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	2021	2020	Increases (decreases)	Increase/decrease ratio (%)
Current assets	1,881,928	1,919,484	(37,556)	-1.96
Investment accounted for using equity method	1,276,360	1,437,783	(161,423)	-11.23
Property, plant and equipment	869,164	928,922	(84,519)	-8.34
Intangible assets	147,586	146,574	1,012	0.69
Other assets (Note 1)	385,977	402,132	(16,155)	-4.02
Total assets	4,561,015	4,834,895	(273,880)	-5.66
Current liabilities	1,525,830	1,172,814	353,016	30.10
Non-current liabilities	312,849	843,322	(530,473)	-62.90
Total liabilities	1,838,679	2,016,136	(177,457)	-8.80
Capital	881,116	883,898	(2,782)	-0.31
Additional paid-in capital	1,743,438	1,756,071	(12,633)	-0.72
Retained earnings	234,940	274,976	(40,036)	-14.56
Other equity	(137,158)	(96,186)	(40,972)	42.60
Total equity	2,722,336	2,818,759	(96,423)	-3.42

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 current liabilities: Mainly due to the corporate bonds payable for current year converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

  Decrease in non-current liabilities: Mainly due to the corporate bonds payable for current year converted to corporate bonds that will mature or be due to exercise the put options within one year or one operating cycle.

  Increase in other equity: Mainly due to Taiwan dollar appreciation for the current period leading to decrease in exchange differences on translation.
- 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 tablefor financial performance

Unit: NT$1,000

Item \ Year	2021	2020	Increases (decreases)	Ratio of changes (%)
Net revenue	2,570,866	2,342,226	228,640	9.76
Operating costs	729,522	700,189	29,333	4.19
Gross profit before adjustment	1,841,344	1,642,037	199,307	12.14
Realized (unrealized) sales profit and loss	1,906	4,760	(2,854)	-59.96
Gross profit	1,843,250	1,646,797	196,453	11.93
Operating expenses	1,681,825	1,556,919	124,906	8.02
Operating income	161,425	89,878	71,547	79.60
Non-operating income and expenses	(86,831)	19,277	(106,108)	-550.44
Net profit before tax	74,594	109,155	(34,561)	-31.66
Income tax expenses	(21,717)	(7,843)	(13,874)	176.90
Current Period Net Profit	52,877	101,312	(48,435)	-47.81
Other comprehensive income or loss (net value after tax) in this period	(54,055)	14,224	(68,279)	-480.03
Total amount of comprehensive income (loss) for this period	(1,178)	115,536	(116,714)	-101.02
Net profit attributable to parent company in this period	52,271	101,828	(49,557)	-48.67
Total net profits and losses attributable to parent company in this period	174	115,677	(115,503)	-99.85

● Change analysis for the increase/decrease ratio that is more than 20% for the most recent two years

Decrease in realized sales profit and loss: Mainly due to the decrease in realized sales profit in Mainland China.

Increase in operating income: Mainly due to increase in operating revenues and operating margin profits of the current year compared to the last year.

Increase in non-operating expenditure: Mainly due to the decrease of interest expense and other income in the current year. This year, due to the appreciation of the Taiwan dollar, the exchange loss and the increase of investment loss recognized by the equity method, the non-operating expenditure in the current year increased compared with last year.

Decrease in net profit before tax: This is mainly due to the increase of non-operating expenses compared with last year due to the exchange loss
caused by the appreciation of the Taiwan dollar and the increase of investment loss recognized by the equity method.

Increase 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.

Decrease in net profit before tax: Mainly due to the increase of non-operating expenses and income tax expenses compared with last year.

Decrease in other comprehensive income (net value after tax) in this period: Mainly due tonon-operating expenses and income tax expenses increased compared with last year;Due tothe appreciation of Taiwan dollar resulted in an increase in the loss of exchange differences on translation.

Decrease in total comprehensive income for the current period: Mainly due to increase in non-operating expenses and income tax expenses leading to net profit decrease for the current period; due tothe appreciation of Taiwan dollar resulted in an increase of exchange differences on translation, and decrease in other comprehensive profit and loss for the current period.

Decrease in net profit attributable to parent company in this period: Mainly due to the increase of non-operating expenses and income tax expenses compared with last year.

Decrease in total net profits and losses attributable to parent company in this period: Mainly due to increase in non-operating expenses and income tax expenses leading to net profit decrease for the current period; due tothe appreciation of Taiwan dollar resulted in an increase of exchange differences on translation, and decrease in other comprehensive profit and loss for the current period.

- 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: As the artificial joint surgery is non-urgent of nature, the global artificial joint market is affected by the pandemic in recent years.However,the Company performs well in high-end European and American market.Thus the Company will continuously expand the market by its independent brands, launch high-end new product R&D schemes, to keep a 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 tablefor financial performance

Unit: NT$1,000

Item / Year	2021	2020	Increases (decreases)	Ratio of changes (%)
Net revenue	1,682,232	1,576,014	106,218	6.74
Operating costs	795,599	788,029	7,570	0.96
Gross profit before adjustment	886,633	787,985	98,648	12.52
Realized(unrealized)sales gain	(51,461)	(29,918)	(21,543)	72.01
Gross profit	835,172	758,067	77,105	10.17
Operating expenses	635,205	617,569	17,636	2.86
Operating income	199,967	140,498	59,469	42.33
Non-operating income and expenses	(119,536)	(36,069)	(83,467)	231.41
Net profit before tax	80,431	104,429	(23,998)	-22.98
Income tax expenses	(28,160)	(2,601)	(25,559)	982.66
Current Period Net Profit	52,271	101,828	(49,557)	-48.67

Other comprehensive income or loss (net value after tax) in this period	(52,097)	13,849	(65,946)	-476.18
Total amount of comprehensive income (loss) for this period	174	115,677	(115,503)	-99.85

- Change analysis for the increase/decrease ratio that is more than 20% for the most recent two years

  Increase in 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 operating income: Mainly due to increase in operating revenues and operating margin profits of the current year compared to the last year.

  Increase in non-operating expenditure: Mainly due to the decrease of interest expense and other income in the current year. This year, due to the appreciation of the Taiwan dollar, the exchange loss and the increase of investment loss recognized by the equity method, the non-operating expenditure in the current year increased compared with last year.

  Increase 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.

  Decrease in other comprehensive income (net value after tax) in this period: Mainly due to the loss generated from appreciation of Taiwan dollars for subsidiaries and associates that are accounted for using equity method.

  Decrease in total comprehensive income for the current period: Mainly due to increase in non-operating expenditure compared to the last year and the loss generated from appreciation of Taiwan dollars 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: As the artificial joint surgery is non-urgent of nature, the global artificial joint market is affected by the pandemic in recent years.However,the Company performs well in high-end European and American market.Thus the Company will continuously expand the market by its independent brands, launch high-end new product R&D schemes, to keep a 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
838,930	342,069	(542,316)	638,683	None	None

● Analysis of the changes in cash flow this year:
Cash inflow from operating activities mainly due to decrease in net profits before tax, and other accounts payable ;increase in the loss proportion of affiliated enterprises and joint ventures recognized by the equity method,accounts receivableand other accounts receivable.
Cash outflow from investing activities mainly due to expenditures for purchasing equipment,surgical equipment and intangible assets.
Cashoutflow from financing activities mainly due to repayment of short-term borrowings,cash dividends from long-term loans.

● Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.

● Analysis of cash liquidity for the following year: Not applicable.

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
554,017	279,083	(348,715)	484,385	None	None

● Analysis of the changes in cash flow this year:
The cash inflow from operating activities is mainly the decrease of net profit before tax in the current period;increase in accounts receivable,accounts receivable -related party,other receivable,the share of losses from affiliated enterprises and joint ventures recognized by the equity method and the increase of unrealized benefits from sales.
Cash outflow from investing activities mainly due to expenditures for purchasing equipment,surgical equipment and intangible assets.
Cashoutflow from financing activities mainly due to repayment of short-term borrowings,cash dividends from long-term loans.

● Improvement plans for insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.

● Analysis of cash liquidity for the following year: Not applicable.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improvement, and investment plans for the coming 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(Note 1)	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	92%	Market proximity	Actively explore the marketand sales activities.	None	None
A-Spine Asia Co., Ltd.	74.9%	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 government's Made in China policy.	It has built a comprehensive marketing system and domestic products to expand market shares.	None	None
UOC USA,Inc.(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 (Suisse) SA(Note 3)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to	None	None

			actively expand the market share.		
United Orthopedic Corporation (France)(Note 3)	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 3)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None
United Orthopedic Limited (Note 3)	100%	Market proximity	Adopt dealer or direct selling model due to regional characteristics to actively expand the market share.	None	None

Note 1: UOC America Holding Corporationis a subsidiary of the Company, liquidated on March 21, 2022.
Note 2: It is a reinvestment of UOC America Holding Corporation, a subsidiary of the Company.
Note 3: It is a reinvestment of UOC Europe Holding SA, a subsidiary of the Company.

VI. Risk assessments shall evaluate the following items for the most recent year and up to the publication date of the Annual Report

(I)The Impacts of interest rates, exchange rate fluctuation and inflation situation on the company's profit and loss, and the future countermeasures:

(1) Impact from interest rate changes

The Company has loans with banks in Taiwan dollars and other foreign currencies. The fluctuation in future interest rates will impact the Company's profits and losses. The Company will monitor interest rate changes and continuously keep long-term stable transactions with banks. Various financing tools will be adopted to hedge against the risk of interest rates in line with market conditions.

(2) Impact from interest rate changes

The Company sells its products mainly in US dollars,Euro,RMB and Japanese Yen. Thus, if the exchange rate of New Taiwan Dollars against the above currencies fluctuated, the Company's revenue and profits will be affected, accordingly. On the whole, the Company relies on the response principle of natural hedging and continuously monitors the fluctuation of the market exchange rate, and tries to minimize the possible risks that changes in the exchange rate might do to the Company.

(A) The effect of changes in exchange rates on the Company's revenue for the last three years, as follows:

Unit: NT$1,000; %

Year / Items	2021	2020	2019
Net currency exchange gain (loss)	(44,176)	3,562	(3,195)
Net revenue	2,570,866	2,342,226	2,436,700
Operating (loss) gain	161,425	89,878	81,435
Net foreign exchange profits (losses)/Net operating income profits (losses)	-1.72	0.15%	-0.13%
Net foreign exchange profits (losses)/Operating profits (losses)	-27.37%	3.96%	-3.92%

(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 a 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 be 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

If inflation keeps up, the interest rate and costs will keep growing. In the future, the Company will monitor the market price changes, keep good interaction with suppliers and clients to reduce the impact of inflation to the Company's profits and losses.

(II) Policies on high risk, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

(1) The Company is not engaged in high risk or highly leveraged investments for the most recent year.

(2) As of March 31, 2022, 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 2,743,000.

(3) According to the operating procedures for endorsements/guarantees, as of March 312022,the Company has taken out a loan from the bank that is worth US$3.5 million with joint liability forUOC USA,Inc.,areinvested sub-subsidiary.

(4)The Companyengages in the trading of derivatives products. As of March 31, 2022, there are no future transactions of derivative products that has not beensettled.

(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
Guide tool for hip surgery	Regulatory application in progress	0	2022/6/30	None
U-Motion II EXPE Liner expansion	Regulatory application in progress	1,911,870	2022/8/31	1. Strength design of metal acetabulum cup 2. Wear-resistant thinning lining
Non-cement fixed femoral end tibial implants and patella element	Under manufacturing development	12,137,558	2022/9/30	1. Asymmetric surface sintering process of small-sized cobalt chromium molybdenum beads 2. DCM(Direct Compression Molding) process
Cellbrick Cement Spacer-Knee	Regulatory application in progress	265,000	2023/4/30	Effect of antibiotic release
Modular stems and tools	In design and development	7,123,573	2023/10/31	Combine mechanism and the corresponding corrosion phenomenon
Artificial shoulder joint system and tools	In design and research	19,814,868	2024/1/30	Development of elipsoid mirror surface manufacturing process combined with mechanism design
Metal module double movement acetabula system and tool	In design and development	14,830,941	2024/6/30	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)Impact of changes in technology(including information and communication security risks)and industry on the Company's financial operations, and response measures thereof: 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) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken:

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) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures being or to be Taken: Not applicable.

(XII) Litigious and Non-litigious Matters:

(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, President, 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) Other significant risks and response measures: None.

VII. Other Significant Matters: None.

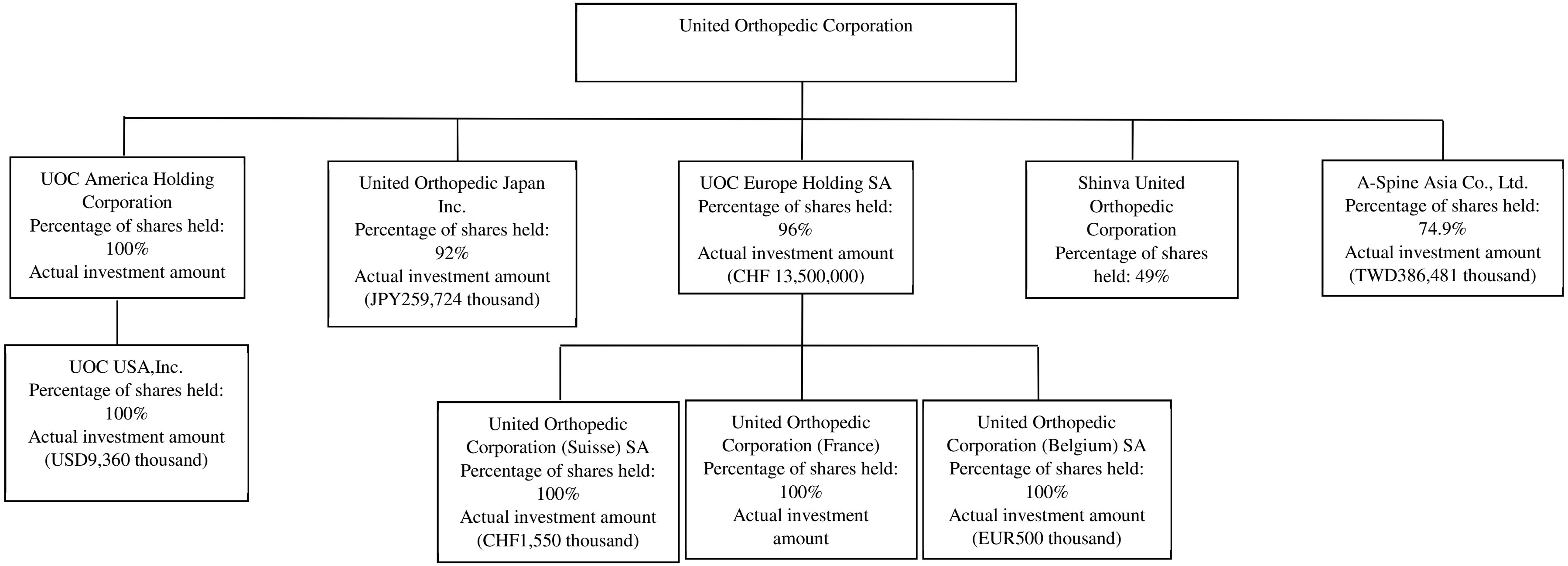
Chapter 8 Special Disclosures

I. Relevant Information on Affiliated Companies

(I)Consolidated operation report of affiliates

1.Organizational structure of affiliates

December 31,2021



2. Basic information of affiliates

Unit: NT$1,000

Name of company	Date of Incorporation	Address	Actual paid-in capital	Main business items
UOC America Holding Corporation	May 10, 2022	Note 4(1)	USD9,380	Investment and trading business
UOC USA,Inc.	2012.07.19	Note 4(2)	USD9,360	Sales of medical equipment
UOC Europe Holding SA	2016.05.23	Note 4(3)	CHF14,000	Investment and trading business
United Orthopedic Corporation (Suisse) SA	2016.06.29	Note 4(4)	CHF1,550	Sales of medical equipment
United Orthopedic Corporation (France)	2016.07.05	Note 4(5)	EUR8,782	Sales of medical equipment
United Orthopedic Corporation (Belgium) SA	2019.07.11	Note 4(6)	EUR500	Sales of medical equipment
United Orthopedic Japan Inc.	2016.08.05	Note 4(7)	JPY185,740	Sales of medical equipment
Shinva United Orthopedic Corporation	2016.01.13	Note 4(8)	CNY300,000	Manufacture and sales of orthopedic equipment
A-Spine Asia Co., Ltd.	2001.06.15	Note 4(9	TWD134,710	Manufacturing and 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).

Note4: (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)Y Parc, Avenue des sciences 15, 1400 Yverdon, Switzerland
(5)7 Allée des Peupliers, 54180 Houdemont, France
(6)Avenue Thomas Edison, 131, 1402 Nivelles (Thines), Belgium
(7)2−9−40Kitayuki 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

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 on directors, supervisors, and presidents of affiliates:

Name of company	Title (Note 1)	Name or representative	Shares Held	
			Shares	Shareholding ratio
UOC America Holding Corporation(Note2)	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	President	Bopp François	1,550	100%
United Orthopedic Corporation (France)	President	Bopp François	8,782	100%
United Orthopedic Corporation (Belgium) SA	President	Bopp François	500	100%
United Orthopedic Japan Inc.	Chairman	Tetsuhiko Niwa	56,658	92%
Shinva United Orthopedic Corporation	Chairman	Cui Hongtao	147,000,000	49%
A-Spine Asia Co., Ltd.	Chairman	Lin, Yan-Shen	10,089,696	74.9%

Note 1: If the affiliated company is a foreign company, list those whose job position is equivalent.

Note 2: UOC America Holding Corporation liquidated on March 21, 2022.

Note 3: If the invested company is a joint-stock company, please list the amount of stocks and shareholding ratio. For others, please list the capital contribution and contribution ratio and make a note on that.

6. Operating status of affiliated companies:

Unit: NT$1,000

Name of company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Current profit and loss (after tax)	Earnings per share (after tax/NT$)
UOC America Holding Corporation	286,986	261,665	0	261,665	0	(1)	12,997	–
UOC USA,Inc.	283,905	460,573	199,319	261,254	410,033	(4 ,448)	13,301	–
UOC Europe Holding SA	436,770	294,818	132	294,686	1,436	(3,697)	2,812	–
United Orthopedic Corporation (Suisse) SA	49,987	485,282	469,704	15,578	274,699	(8,810)	6,334	–
United Orthopedic Corporation (France)	310,304	524,402	274,499	249,903	474,761	1,664	9,288	–
United Orthopedic Corporation (Belgium) SA	17,194	19,697	26,006	(6,309)	21,226	(9,551)	(9,619)	–
United Orthopedic Japan Inc.	51,367	150,031	104,994	45,037	85,028	(15,848)	(15,850)	–
Shinva United Orthopedic Corporation	1,436,694	1,311,485	202,407	1,109,078	412,870	(102,761)	(101,014)	–
A-Spine Asia Co., Ltd.	134,710	499,613	210,438	289,175	309,669	20,894	17,741	1.32

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=27.680 NTD, 1 CNY)=4.344 NTD,
1 EUR=31.320 NTD, 1 CHF =30.175 NTD,
1 EUR=1.0379 CHF, 1 CHF=0.9634 EUR
1 JPY =0.2405 NTD
The exchange rates for the income statement are as follows: 1 USD =28.080 NTD, 1 CNY =4.3605 NTD,
1 EUR =33.170 NTD, 1 CHF =31.240 NTD,
1 EUR=1.061 CHF, 1 CHF=0.943 ERU
1 JPY =0.2584 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 Matters that Require Additional Description: 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-Shen