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United Orthopedic Corporation

2023 Annual Report

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   Not Applicable

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   http://tw.unitedorthopedic.com (Chinese)

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I. Letter to Shareholders

Dear Shareholders,

Thank you for attending the 2024 Annual General Meeting of the United Orthopedic Corporation. I would like to welcome everyone on behalf of the Company.

1. 2023 Operating Results

(1) Implementation results of business plan

The Company’s net operating revenue for 2023 was NT$2,540,604 thousand, an increase of 18.2% compared to NT$2,149,743 thousand in 2022. The consolidated net operating revenue for 2023 was NT$3,929,887 thousand, an increase of 24% compared to NT$3,168,680 thousand in 2022. In terms of profitability, the net profit after tax for 2023 was NT$388,309 thousand, an increase of NT$164,728 thousand compared to the net profit after tax of NT$223,581 thousand in 2022.

(2) Budget execution

The Company’s undisclosed budget amount and overall operating conditions were roughly the same with the original operating plan for 2023 in accordance with the current laws.

(3) Consolidated income and expenses and profitability analysis

1. Consolidated income and expenses

Unit: NT$ Thousands

Item	2023	2022
Net profit for the period	388,309	223,581
Cash Inflow from Operating Activities	433,729	356,840
Cash outflow from investing activities	(469,713)	(380,353)
Cash inflow from financing activities	109,408	(231,079)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(22,461)	13,966
Increase (Decrease) in Cash and Cash Equivalents	50,963	(240,626)
Opening balance of cash and cash equivalents	398,057	638,683
Ending balance of cash and cash equivalents	449,020	398,057

2. Consolidated profitability analysis

In 2023, the Group's annual revenue was NT$3,929,887 thousand, an increase from the previous year's revenue of NT$3,168,680 thousand. After-tax net profit was NT$388,309 thousand, an increase of NT$164,728 thousand from the previous year's after-tax net profit of NT$223,581 thousand. Earnings per share were NT$4.50, an increase from the previous year's earnings per share of NT$2.84, mainly due to the growth in revenue, gross profit, realized gross profit on sales, and operating profit.

(4) R&D status

In 2023, the Group's research and development expenses, including the expenditure on research and development costs under development, amounted to NT$214,917 thousand, an increase of NT$13,326 thousand from fiscal year 111, accounting for 5.5% of the revenue in 2022. Various new product development plans are also underway.

2. Business Plan Summary for Fiscal Year 113

(1) Operating objectives

1. In 2023, revenue grew 24% compared to the previous year. This is a 24% growth again after 2022, indicating that the Company has entered a higher growth period. It is expected that 2024 will also have good growth due to the global market deployment of various business units.

2. For the high-end market, such as Revita modular femoral stems, shoulder joint systems, United Motion acetabular systems, and revision knee spacer implants, these are advanced new products that have entered the late research and development stage. Applications will be submitted to the US FDA in 2024. If the applications are successful, sales are expected to start in late 2024 and 2025, contributing to future US market revenue.

3. Continuous in-depth involvement and operation in various markets is a necessary strategy for the Company's growth. Based on the Company's excellent and diverse product portfolio, our unremitting goal is to make more physicians understand and trust United.

(2) Estimated Sales Volume and Supporting Information

Unit: Pieces

Main products	Projected sales targets for 2024
	Quantity
Artificial joints	386,494pcs
	103,638pcs

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

The sales targets for 2024 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.

(3) Significant Sales and Production Policies

The demand for products and surgical tools has expanded in tandem with the Company's recent rapid growth. In addition, the corporation has expanded its planning for raw material supply and output. In addition to the Company's internal manufacturing capacity, suitable outsourcing vendors are sought ahead of time in order to meet considerable market demand.

3. Future Corporate Development Strategy

With a history of over 28 years, it has been exactly 30 years since the 2023. In this challenging high-end medical device market, Taiwan-designed and developed artificial joint implants have established directly-operated subsidiaries in high-income global markets, gaining recognition from physicians and customers on the front lines, and establishing a self-controlled marketing channel, which is no easy feat. Beyond its direct operations in Europe, America, Asia, and Australia, the Company's production chain is vertically integrated from design to manufacturing, and it also offers marketing and services in sales. In light of this, the corporation is in control of its future development and will undoubtedly go in the direction of the ensuing 30 years.

4. Impact of the Competitive Environment, Regulatory Environment, and Overall Business Environment

As medical research progresses, laws in various nations become more severe, raising the entry barrier for the artificial joint business, resulting in a situation in which the big get bigger and new or small companies find it difficult to enter. Due to its thirty years of experience and skill in compliance and regulations, United Orthopedic is able to appropriately react to and handle changes in the regulatory landscape.

II. Company Profile

1. Date of Incorporation

The Company was founded in March 5th, 1993

2. Company History

1993	•The Company was founded. The registered capital is NT$27,500,000.
1994	•The registered capital is 112,250,000 NTD. •"UNITED Artificial Hip Joints" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000587 •First clinical use of "UNITED Artificial Hip Joints."
1995	•"The Sintering Technology of Porous Coating on CoCrMo Alloy" has been awarded innovative technology subsidy award of Science-Based Industrial Park, which was awarded 1,900,000 NTD. •Obtained international quality assurance certification ISO 9001.
1996	• "UNITED Bone Nails" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000659.
1997	•The Actual paid-in capital is NT$116,125,000. • "UNITED Bone Suture Anchor" has been approved for market by the Department of Health, with the permit number: MOHW Medical Device License No. 000659. •"UNITED Artificial Knee Joints" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000663. •Science-Based Industrial Park has awarded the Company the innovative technology subsidy of NT$2,190,000 for "The design, develop, and production of Tumor UKNEE Total Knee System and surgery tool". •"UNITED Bone Screws" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000691.
1998	•"UNITED Artificial Knee Joints" awarded the 1997 Hsinchu Science Park Innovation Product Award. •Carrying out a cash capital increase of NT$70 million, after the capital increase, the paid-in capital will be NT$186,125,000. •Permitted to launch supplemental public offering. •"Tumor-all Artificial Knee Joints" won the 1998 Hsinchu Science Park Innovation Product Award. •"UNITED Artificial Knee Joints" won the Taiwan Excellent Award from the Ministry of Economic Affairs. •"UNITED Moore Hip Prosthesis" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000716. •"UNITED Hip System" approved for market by the Department of Health, approval number: MOHW Medical Device License No.000717.
1999	•Carrying out a cash capital increase of NT$40,000,000, after the capital increase, the paid-in capital will be NT$226,125,000. •"UNITED Knee Artificial Knee Joints" were awarded the "Taiwan SMEs Innovative Award" by the Ministry of Economic Affairs.

	●Obtained the international quality assurance certification ISO 9001/EN46001. ●Obtained the GMP's Well-manufactured medical equipment specification certification. ●"Bipolar Artificial Hip Joints and Surgical Tools Design, Development and Manufacturing" won the Hsinchu Science Park Innovation Technology Research and Development Project Award, with a grant of NT$2.5 million. ●"UNITED Knee Artificial Knee Joints" were awarded the "National Quality Award" ●"Stabilized Full Artificial Knee Joints" won the 1999 Hsinchu Science Park Innovation Product Award.
2000	●"UNITED Artificial Knee Joints" obtained Conformité Européenne(CE) from the European Union. ●"UNITED U2 Artificial Hip Joints" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000884 ●"UNITED Artificial hip joints" is verified by the FDA registration.
2001	●"UNITED U2 Artificial hip joint femoral stems (HA/Cemented) is verified by the FDA registration. ●"UNITED U-HUABONE Intramedullary Nail System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 000897. ●"UNITED U2 Artificial hip joint femoral stems (HA/Cemented)" have obtained Conformité Européenne(CE) from the European Union. ●"UNITED U2 Artificial hip joint femoral stems (Cemented)" have received EU CE certification.
2002	●"UNITED U2 Artificial hip joint femoral stem HA type" won the 2001 Bronze Award for Medical Devices Pharmaceutical and Technology Research and Development Award. ●"UNITED No. 2 Artificial Hip Joints" received the Taiwan Quality Award from the Ministry of Economic Affairs. ●"UNITED 22mm/28mm Femoral Heads" have received EU CE certification. ●"UNITED U2 Acetabular Outer Shell and Liner" have received EU CE certification. ●"U2 Artificial Hip Joints" won the 2002 Hsinchu Science Park Innovation Product Award.
2003	●Passed the international quality assurance certification ISO 13485: 1996 edition. ●"UNITED Rotatable Artificial Knee Joints" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001038. ●"United Orthopedic Unify Femur Plate System" approved for market by the Department of Health, approval number: MOHW Medical Device License No.001064. ●The United States Patent and Trademark Office has approved the patent rights (US patent no. 6663636 B1) of "A structural improved femur rasp fastener".
2004	●"UNITED U2 Acetabula Component" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001071. ●"UNITED Osta Tumor/Reconstruction Artificial Knee Joint System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001119. ●"United Orthopedic Osta Tumor/Reconstruction Artificial Joint System - Hip Joint" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001144. ●Increased the registered capital by NT$28,500,000 to NT$254,625,000. ●The Company has been listed on Sept. 29. ●Established Subsidiary United Medical (B.V.I) Corp.
2005	●Made indirect investment in Medical Instrument Ltd. in China.

	•Made indirect investment in Lianmao Medical Treatment Utensils Technology (Shanghai) Limited Company in China. •"UNITED" U2 Total Knee System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001396. •"United Orthopedic Ceramic Femoral Head" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 001397. •The Ministry of Economic Affairs has awarded "United Orthopedic U2 CUP (HA coating) & CUP LINER" under "Taiwan SMEs Innovative Award." •Increased the registered capital by NT$28,500,000 to NT$254,625,000.
2006	•"United Orthopedic External Fixator" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002092. •Increased the registered capital by NT$85,000,000 to NT$339,625,000.
2007	•"United Orthopedic Slimfit Anterior Cervical Plate System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002134. •"United Orthopedic Century Spinal System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002254. •China National Intellectual Property Administration of the People’s Republic of China has obtained the Utility Model Title Patent Rights of "Soft Tissue Fixation Structure of Proximal Tibial Component" under License No. ZL 200620007486.2. •"Surgical Instruments for Total Knee Arthroplasty" has been granted a utility model patent by the China National Intellectual Property Administration of the People’s Republic of China, with the Patent No. ZL 200620139229.4. •Increased the registered capital by NT$46,000,000 to NT$385,625,000. •"U2 Artificial Knee Joints" obtained the "National Healthcare Quality Award." •Founded United Orthopedic (U.S.A) Corp.. •Founded United Orthopedic Corp. U.S branch offices.
2008	•"United Orthopedic U-MOTION Total Hip Implants" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002396. •"United Orthopedic Round Mesh System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002498. •"United Orthopedic Rapid Lumbar Interbody Fusion System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002512. •"United Orthopedic Puster Anterior Cervical Plating System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002547. •"United Orthopedic Express Peek Cage System" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002559. •"Minimally Invasive Spinal Surgery Retraction Device (Invention)" has obtained a new utility model patent in Taiwan, Patent No. M298248. •Completed a private cash capital increase of NT$38 million, bringing the paid-in capital to NT$424,362,500 after the capital increase.
2009	•"UNITED" U2 Total Knee System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002662.

	●"United Orthopedic Unify Femur Plate System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002676. ●"United Orthopedic DePuy Tumor/Revision Arthroplasty System - Shoulder Arthroplasty" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 002706. ●Conducted a private cash capital increase of NT$40 million, with the paid-in capital after the capital increase amounting to NT$4,603,625,000. ●The Ministry of Economic Affairs has awarded Industrial Technology Advancement Award—Excellent Enterprise Innovation Award. ●Terminated United Orthopedic Corp. USA U.S. Branches.
2010	●"Improved Structure Of Orthopedic Implants" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 200920005650.X. ●"Thighbone Shaft" has been granted a patent rights by United States Patent and Trademark Office. Patent No. US 7753961 B2. ●"Expansion Mechanism for Minimally Invasive Lumbar Operation" has beengranted a patent rights by United States Patent and Trademark Office. Patent No. US 7811230 B2.
2011	●"United Orthopedic Hip System-U2 Bipolar Implant" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003187. ●"United Orthopedic Ceramic Femoral Head" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003331. ●"United Orthopedic Cuneiform Inscription" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003335. ●Established the Kaohsiung plant at Tainan Science-Based Industrial Park Luchu Base. ●"Support Mechanism for Operation Auxiliary Tools" has been granted a patent rights by United States Patent and Trademark Office. Patent No. US 8083196 B2.
2012	●"United Orthopedic Compression Intramedullary Pinning" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003619. ●"United Orthopedic Osta Tumor/Reconstruction Artificial Joint System - Hip Joint" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003713. ●Founded Subsidiary UOC USA Inc. ●Artificial Joint Fixation Mechanism has been granted a patent rights by United States Patent and Trademark Office. Patent No. US 8172906 B2. ●Awarded the Hsinchu Science Park "Innovative Product Award" and "International Exchange and Corporation Promotion Award". ●The Institute for Biotechnology and Medicine Industry(IBMI) has awarded "UNITED" U2 Total Knee System" under "SNQ Award" ●"UNITED" U2 Total Knee System" has been the Silver Winner under "SNQ Award"
2013	●"United Orthopedic Century Spinal System II" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003969. ●"United Orthopedic U-MOTION Acetabular Component II" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 003977. ●"United Orthopedic Large Coarse Long Stem Femoral Implant" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004220.

	●"United Orthopedic BIOLOX OPTION Ceramic Femoral Head" approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004236. ●Conducted capital increase by NT$70,000,000, the registered capital after capital increase is NT$533,625,000. ●Issuing the first unsecured convertible corporate bonds in Taiwan, amounting to NT$200 million. ●"U-MOTION Acetabular Component II" has been awarded "Taiwan Excellence Award". ●"U-MOTION Artificial Hip Joints System" won the "2013 National Innovation Award"
2014	●"UNITED" U2 Total Knee System product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004248. ●"United Orthopedic FENCE Anterior Staple Fixation System" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004512. ●"United Orthopedic E-XPE Cemented Cup" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004678. ●"United Orthopedic Slimfit Anterior Cervical Plate System II" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004697. ●"United Orthopedic E-XPE Cemented Hip Stem" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 004825. ●"Plate Components and their Auxiliary Positioning Pieces" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 2013 2 0483547.2. ●"Stacked Tibial Insert" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 2014 2 0085015.8. ●"Stacked Tibial Tray Specimens" has obtained a new utility model patent in Taiwan, Patent No. M479734 ●"Connecting Device of Joint Prosthesis" has been obtained patent rights by United States Patent and Trademark Office. Patent No. US 8721729 B1 ●"Femoral Resection Guide and Method Thereof" has obtained a new utility model patent in Taiwan, Patent No. M495826.
2015	●"United Orthopedic Polyethylene Tibial Component" product approved for market by the Department of Health, approval number: MOHW Medical Device License No. 005246. ●"Femoral Resection Guide and Method Thereof" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 2014 2 0579814.0. ●"Acetabular Cup Inserter" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 2012 1 0353196.3. ●"Acetabular Cup Inserter" has been granted 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 beengranted patent rights by United States Patent and Trademark Office. Patent No. US 9044327 B2. ●"Femoral Resection Guide and Method Thereof" has been granted patent rights by United States Patent and Trademark Office. Patent No. US 9974547 B2. ●"Stack-up Assembly for Tibial Insert Trial" has been granted patent rights by United States Patent and Trademark Office. Patent No. US 9144495 B2.

	●"Femoral Resection Guide and Method Thereof" has obtained a new utility model patent in Taiwan, Patent No. M495826. ●"Acetabular Cup Inserter" has obtained a new utility model patent in Taiwan, Patent No. I508698. ●Conducted capital increase by NT$128,000,000, the registered capital after capital increase is NT$712,128,680. ●Signed cooperation agreements with Shinva Medical Instrument Co.,Ltd and New China Life Health Co., Ltd at China.
2016	●Disposed of the equities of three affiliates - United Medical Instrument Co., Ltd., Sinopharm United Medical Device Co., Ltd, and United Medical Technology (Shanghai) Co., Ltd. ●Invested and jointly founded Shinva United Orthopedic Corporation with Shinva Medical Instrument Co.,Ltd and New China Life Health Co., Ltd. ●"United Orthopedic Artificial Joints" has obtained a new utility model patent in Taiwan, Patent No. M521999. ●"United Orthopedic Artificial Joints" has been granted a utility model patent by the China National Intellectual Property Administration of the People's Republic of China, with the Patent No. ZL 2016 2 0133047.X. ●The patent right for Keeled Glenoid has been purchased. Patent No.: US D760900 S. ●Founded the subsidiary UOC Europe Holding SA. ●Founded European subsidiaries United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) SAS in Switzerland and France. ●Founded Japanese subsidiary United Biomech Inc. ●Awarded "Golden Quality Medal" of 2016 Outstanding biotechnology industry. ●The multifunctional femur measurement and osteotomy tool of U2Artificial UKNEE Total Knee System has been awarded the 13th National Innovation Award.
2017	●Acquired the total shares of A-Spine Asia Co., Ltd. ●Awarded the "Gold Medal" under "Go-Global Award" of 2017 "Taipei Biotech Awards." ●Capital increased by NT$80,000,000 to NT$797,248,470. ●Issued the second domestic unsecured convertible corporate bonds of NT$400 million.
2018	●The Bipolar Hip System passed the certification application in Japan. ●The patent right for "Instruments And Techniques For Orienting Prosthesis Components For Joint Prostheses" has been purchased. Patent No. US 9956083 B2. ●The patent right for "Arthroplasty Components(Elliptical Head Arrays I)"has been purchased. Patent No. US 9962266 B2. ●"Femoral Resection Guide and Method Thereof" has been granted patent rights by United States Patent and Trademark Office. Patent No. US 9974547 B2. ●"Artificial Joint" has been granted patent rights by United States Patent and Trademark Office. Patent No. US 10064732. ●The patent right for Keeled Glenoid has been purchased. Patent No.: US D835276 S.
2019	●U2 Knee (AIOMDT) has been awarded a Bronze medal in the 21st Annual Medical Design Excellence Awards (MDEA). ●Certified by ISO14001 Environmental Management System. ●Certified by ISO45001 Occupational Safety and Health Management System.

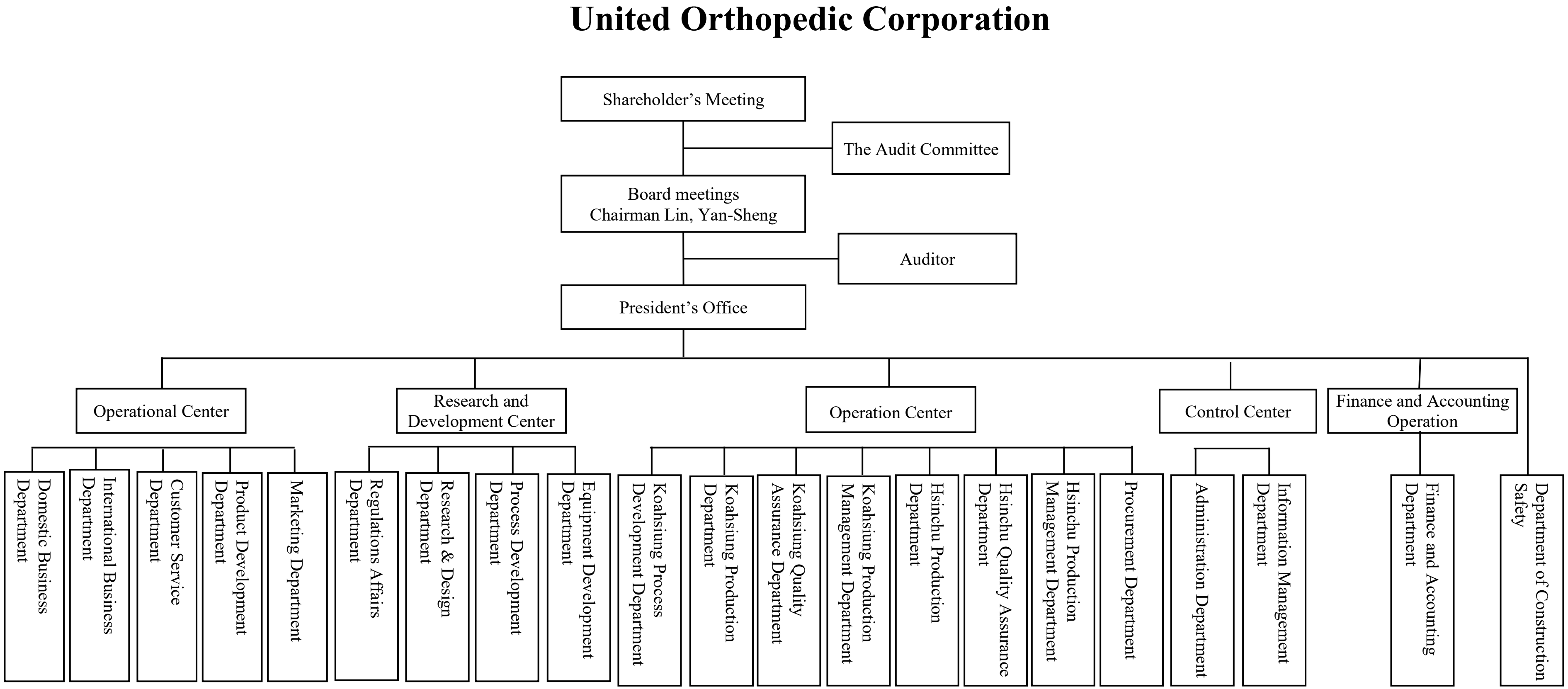
	●Founded sub-subsidiary United Orthopedics Ltd. ●Capital increased by NT$100,000,000 to NT$904,208,470 through issuance of preferred shares A. ●Issuing the third unsecured convertible corporate bonds in Taiwan, amounting to NT$500 million. ●The patent right for Arthroplasty Implants and Methods for Orienting Joint Prosthesis has been purchased. Patent No. US 10433969 B2。
2020	●The "Arthroplasty Components" has been granted patent rights by United States Patent and Trademark Office. Patent No. US 10610367 B2. ●Instruments and Techniques for Orienting Prosthesis Components for Joint Prostheses has been purchased. Patent No.: US 10751190 B2. ●Bought back and canceled 2,013,000 shares of treasury stocks and reduced the capital to NT$884,078,470. ●"UNITED" U2 Total Knee System under Surgical Instruments AIO and MDT Awarded Silver Medal in Medical Device Category of the 19th National Biotechnology and Medical Care Award.
2021	●The Tibial Tray Component received the Taiwan Utility Model Patent, Patent No. M609442. ●Tibial Tray Component has obtained a new utility model patent in Taiwan, Patent No. ZL 2020 2 2596517.5. ●Ustar Gen-2 Reconstruction Joint Replacements for Oncology won Taiwan Excellence Awards Gold medal.
2022	●The Femoral Neck Cutting Guide Plate has obtained a new utility model patent in Taiwan, Patent No. M625620. ●The Bone Impaction Guide Tool has obtained a new utility model patent in Taiwan, Patent No. M625621. ●The Femoral Traction Hook Structure obtained a patent in Taiwan, patented invention No. I765716. ●The Keeled Glenoid (Design) obtained a patent, patent No. US D954951 S. ●Exercise the right to sell back NT$500 million of the third domestic unsecured convertible corporate bonds issued in 2019. ●Established the subsidiary United Orthopedic (Australia) PTY Ltd.
2023	●Implant Guiding System for Hip Bone Surgery obtained a patent in Taiwan, patented invention No. I 793767. ●Femoral Hook Device obtained a patent in Taiwan, patented invention No. I 808803. ●Femoral Retractor obtained a patent in Taiwan, patented invention No. I 815499. ●The United U2 Tumor Reconstruction Prosthesis System has been the Silver winner of "Taipei Biotech Award - Go-Global Award." ●The United U2 Tumor Reconstruction Prosthesis System won the "Hsinchu Science Park Outstanding Manufacturer Innovation Product Award." ●Issuing the third unsecured convertible corporate bonds in Taiwan, amounting to NT$500 million. ●Obtained ISO 9001 Quality Management System (QMS) certification. ●Invested in Redefine Surgery Inc. ●Founded U2 Ortho Ortopedik Ürünler Ticareti Anonim Şirketi as a subsidiary company.

III. Corporate Governance Report

1. Organization

(1) Organizational Structure

1. Organization Chart



(2) Responsibilities and functions of major departments

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

Department	Main Functions
	Test and verify plan of product development.
Operation Center	Execution, management, and control of production plans. Technology related to research and development of forging, casting, titanium bead sintering, titanium and HA plasma spraying, development of operational standards and production plans for management control. Production planning, scheduling development and maintenance. Production status control and feedback. Material requirements and procurement planning and maintenance. Raw materials and forgings, castings and surface titanium beads sintered products, titanium surface coating, surface titanium and HA composite spray control of the warehousing control, warehouse control and maintenance. The quality assurance, set up of inspection standards of raw materials 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 purchase of raw materials from international and domestic markets for the plants and export of the OEM products. Maintenance and management of plant's facility, integration of the project constructions, maintenance and cleaning of the machineries, and other management matter with regards to the plants.

2. Information on Directors, Supervisors, General Manager, Deputy General Managers, Assistant General Managers and Heads of Departments and Branches

(1) Directors and Supervisors

1. Information on directors and supervisors

April 20, 2024

Title	Nationality or Place of Registration	Name	Gender anf Age	Date Elected	Term	Date First Elected	Shares Held on Election: Number of Common Stocks / Number of Preference Shares	Shares Held on Election: Shareholding Ratio	Shares currently held: Number of Common Stocks / Number of Preference Shares	Shares currently held: Shareholding Ratio	Shares currently held by Spouse and Children: Number of Common Stocks / Number of Preference Shares	Shares currently held by Spouse and Children: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship: Title	Name	Relationship	Remark
Chairman and President	Republic of China	Lin, Yan-Sheng	Male 71-80 years old	2023.06.16	3 years	1993.03.05	2,752,441	3.33%	2,661,441	2.76%	549,000	0.27%	0	0.00%	Bachelor in Public Relations, Shih Hsin University Manager of 3M, USA President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc. Supervisor, Taiwan Home Care Co.,Ltd Chairman, UOC America Holding Corporation	General Manager, United Orthopedic Corporation UOC USA Inc. Chairman Director, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. United Orthopedic Japan Inc. Director Chairman, UOC Europe Holding SA Director of United Orthopedic (Australia) Pty Ltd.	Director	Chun-Sheng Lin	Brother	Note 1
							42,000	0.79%	0	0.00%	0	0.00%	0	0.00%			Director	LIN Deqiong	Father and son	
Director	Republic of China	Chun-Sheng Lin	Male 71-80 years old	2023.06.16	3 years	2008.06.13	1,905,743	2.30%	1,995,743	2.07%	0	0.00%	0	0.00%	Industrial Management, Aletheia University Director, Chuan-Yi Investment Inc. Vice-President, United Orthopedic Corporation Vice President, Sinopharm United Medical Device Co., Ltd. United Orthopedic Japan Inc. Director	None.	Chairman	Lin, Yan-Sheng	Brother	-
							90,000	1.68%	0	0.00%	0	0.00%	0	0.00%						
Director		Hau,	Male	2023.06.16		1997.05.15	698,646	0.84%	763,646	0.79%	0	0.00%	0	0.00%			None.	None.	None.	-

Title	Nationality or Place of Registration	Name	Gender anf Age	Date Elected	Term	Date First Elected	Shares Held on Election		Shares currently held		Shares currently held by Spouse and Children		Shares Held in the Name of Other Persons		Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
							Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio			Title	Name	Relationship	
	Republic of China	Hai-Yen	61-70 years old		3 years		65,000	1.22%	0	0.00%	0	0.00%	0	0.00%	Doctor of Philosophy in Electrical Engineering, Purdue University Associate Professor of Electrical Engineering, National Taiwan University Vice President, Financial Business Group of the Institute for Information Industry President, Integrate Information System Co. Ltd.	Independent director, Walton Advanced Engineering, Inc.				
Director	United Kingdom	Ng Chor Wah Patrick	Male 61-70 years old	2023.06.16	3 years	2005.06.16	1,470,139	1.78%	1,670,425	1.74%	0	0.00%	0	0.00%	The Hong Kong Polytechnic University ROLM (IBM) HK LIMITED Managing Director MEDTRONIC SOFAMOR DANEK CHINA-Country Manager STRYKER PACIFIC LTD Vice president Director, Only care Medical Company Ltd.	Person-in-Charge, United Medical Instrument Co., Ltd. Person In Charge, Shanghai Lian-Yun Biology Co., Ltd. Director of World Vision China Foundation Limited Director, Onlycare Medical Company Ltd Director, Shinva United Orthopedic Corporation Person in charge: Sin Lian Medical Supplies Inc.	None.	None.	None.	-
							130,286	2.44%	0	0.00%	0	0.00%	0	0.00%						
Director	Republic of China	Lee, Chi-Fung	Female 61-70 years old	2010.06.16	3 years	2010.06.16	450,000	0.56%	700,000	0.73%	0	0.00%	0	0.00%	Education for librarianship, National Taiwan University Project Manager, China Management Consultant Inc.	Person-in-Charge, Chi-Yi Investment Co. Ltd.	None.	None.	None.	Note 2
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Director	Republic of China	LIN Deqiong	Male 41-50 years old	2023.06.16	3 years	2010.06.16	1,052,461	1.27%	1,213,461	1.26%	0	0.00%	0	0.00%	Bachelor in Engineering, National Taiwan University Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. MSI Computer SARL Managing Director MSI Iberia Managing Director	Deputy General Manager, United Orthopedic Corporation UOC USA Inc. President Director of United Orthopedic (Australia) Pty Ltd.	Chairman	Lin, Yan-Sheng	Father and son	-
							88,000	1.65%	0	0.00%	0	0.00%	0	0.00%						

Title	Nationality or Place of Registration	Name	Gender anf Age	Date Elected	Term	Date First Elected	Shares Held on Election		Shares currently held		Shares currently held by Spouse and Children		Shares Held in the Name of Other Persons		Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
							Number of Common Stocks / Number of Preference Shares	Shareholding Ratio	Number of Common Stocks / Number of Preference Shares	Shareholding Ratio	Number of Common Stocks / Number of Preference Shares	Shareholding Ratio	Number of Common Stocks / Number of Preference Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Republic of China	Liu, Chien-Lin	Male 71-80 years old	2023.06.16	3 years	2010.06.16	80,482	0.10%	187,987	0.20%	0	0.00%	0	0.00%	Medical Studies, National Defense Medical Center Director of Orthopedics Department and Deputy Dean of Medical Care, Taipei Veterans General Hospital Professor and Director of Orthopedics, National Yang-Ming University Dean, Lotung Poh-Ai Hospital Chairman, Taiwan Spine Society Chairman, Taiwan Orthopaedic Association	Consultant doctor, Taipei Veterans General Hospital Consultant doctor, Cheng Hsin General Hospital Professor, College of Medicine, National Yang Ming Chiao Tung University Professor, National Defense Medical Center Chairman, Chinese Orthopaedic Promotion Society Member of Spine and Spinal Cord Professional Committee, Chinese Association of Rehabilitation Medicine Member of Orthopaedic Section of Cross-straits Medicine Exchange Association	None.	None.	None.	-
							107,505	2.01%	0	0.00%	0	0.00%	0	0.00%						
Independent Director	Republic of China	Lee, Kuen-Chang	Male 51-60 years old	2023.06.16	3 years	2010.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor in Management (Accounting and Financial Management Division), National Central University Master in Accounting, Soochow University Committee Member of Taiwan Corporate Governance Association CEO, Premier Think Tank Co., Ltd. CEO, Fintech Development Center of Business School, Soochow University	Professor of Accounting, Soochow University Professor, Graduate Institute of Law, Soochow University Independent Director, Eastern Media International Corporation Independent Director, Tatung Fine Chemicals Co. Independent Director, Onano Industrial Corp.	None.	None.	None.	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						
Independent Director	Republic of China	Wu, Meng-Da	Male 51-60 years old	2023.06.16	3 years	2010.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master, Graduate Institute of Accounting, National Taiwan University Accounting, National Chengchi University. Director, Taipei City CPA Association Director of PwC Taiwan Team Leader, Deloitte & Touche	Partnership CPA, Crowe (TW) CPAs Adjunct Associate Professor, Department of Accounting, National Taipei University of Business Independent Director, FunYours Technology Co., Ltd. Independent Director, Gourmet-KY	None.	None.	None.	-
							0	0.00%	0	0.00%	0	0.00%	0	0.00%						

Title	Nationality or Place of Registration	Name	Gender anf Age	Date Elected	Term	Date First Elected	Shares Held on Election		Shares currently held		Shares currently held by Spouse and Children		Shares Held in the Name of Other Persons		Main education and work experience	Positions currently held in the Company and other companies	Any executive officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
							Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio	Number of Common Stocks Number of Preference Shares	Shareholding Ratio			Title	Name	Relationship	
															Member of Audit Committee, Accounting Research and Development Foundation Independent Director, Gourmet Master Co., Ltd.	Independent Director, Kuan's International Co. Ltd. Member of Valuation and Forensic Accounting Committee, National Federation of CPA Associations of the R.O.C.				
Independent Director	Republic of China	Chen, Li-Ju	Female 51-60 years old	2023.06.16	3 years	2023.06.16	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Accounting, National Chengchi University. Master of Business Administration from the College of Commerce, National Chengchi University. Audit Team Leader, Chung Hsin Certified Public Accountants Firm. Audit Team Leader, Micro-Star International Co., Ltd. Finance manager, Mycenax Biotech Inc. Chairman, Pinnan Cable TV Co., Ltd. Supervisor, Eastern Multimedia Group. Project Finance and Accounting Consultant, Carlyle Asia Investment Ltd. Operations Manager, Comtrend Corp. Administration and Finance General Manager, Melchers Trading Gmbh Taiwan Branch (Germany.)	Principle, CHEN LI JU Certified Public Accountants Office. Management Consultant, Advanced Chen International Co., Ltd.	None.	None.	None.	Note 3

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

Note 2: Resigned following the reelection of all directors at the shareholders' meeting on June 16, 2023.

Note 3: Re-elected at the shareholders' Meeting on June 16, 2023.

2. Major shareholders of institutional shareholders:

(1) Major shareholders of institutional shareholders: None

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

3. Diversification and Independence of the Board of Directors:

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

Condition / Name	Professional Qualifications and Experiences(Note 1)	Independence Status	Currently serving as an independent director of other public companies.
Lin, Yan-Sheng	Having more than thirty years of experience in international marketing of proprietary brands in the orthopedic medical device field. Previously served as: Manager of 3M Company, Chairman of Universal Instrument Investment Co., Ltd. Serve as a professional manager on the board of directors for strategic communication and advice on business management, put forward and exchange on the relevant management advice. Has the practical skills in industry-related business planning, operation and management. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Chun-Sheng Lin	Possess professional work experience in industry business and commerce area. Previously served as: Director, Chuan-Yi Investment Inc., Vice-Chairman of United Orthopedic, Vice-Chairman of United Medical Device Co., Ltd., and Director of United Orthopedic Japan Inc. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Hau, Hai-Yen	Possess professional work experience in commerce, marketing and business. Director, Sincere Medical Imaging Co. Ltd., Independent Director, Walton Advanced Engineering, Inc. Previously served as: Associate Professor in the Department of Electrical Engineering at National Taiwan University, Deputy General Manager at the Financial Business Group of the Institute for Information Industry, and the chairman of Integrity Information Systems Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	1
Ng Chor	Possess professional work experience in	Non-independent-director, not applied.	None.

Condition / Name	Professional Qualifications and Experiences(Note 1)	Independence Status	Currently serving as an independent director of other public companies.
Wah Patrick	commerce, marketing and industrial business. Person In Charge, Unted Medical Instrument Co., Ltd. Previously served as: Vice President, Stryker Pacific Ltd., Director, Onlycare Medical (Shanghai) Company Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.		
Lee, Chi-Fung	Possess professional work experience in commerce and business. Person In Charge, Chi-Yi Investment Co. Ltd. Previously served as: Project Manager, China Management Consultant Inc. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
LIN Deqiong	Possess professional work experience in commerce, marketing and industrial business. Deputy General Manager of United Orthopedic Corporation and General Manager UOC USA Inc. Previously served as: Senior Assistant Vice President of Overseas Business Department, Micro-Star International Co., Ltd. Not under any of the circumstances stated in Article 30 of the Company Act.	Non-independent-director, not applied.	None.
Liu, Chien-Lin	Have expertise in orthopedic scoliosis treatment, corrective surgery, spinal fracture and trauma surgery. Consultant doctor, Taipei Veterans General Hospital. Previously served as: President of Lotung Poh-Ai Hospital, Deputy Dean of Administration, Taipei Veterans General Hospital, President of Taiwan Orthopaedic Association. Have professional experience and expertise in related areas and be able to provide professional opinions on the Company's technology research and development. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	
Lee, Kuen-Chang	Possess insights into governance, financial analysis, industrial development and technology application. Dean of Academic Affairs, Soochow University. Previously served as: 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	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	3

Condition / Name	Professional Qualifications and Experiences(Note 1)	Independence Status	Currently serving as an independent director of other public companies.
	Company Act.		
Wu, Meng-Da	Have experience in accounting, and have passed the national examination required for CPAs with the Certificate of Professional and Technician. CPA, Crowe (TW) CPAs Previously served as: Lecturer of Ming Chuan University, Association Director of Taipei Certified Public Accountants, Deputy Executive Commissioner of National Federation of Certified Public Accountant Associations of the Republic of China. Expert in financial accounting can enhance the quality of corporate governance management in the board of directors and the supervisory function of the audit committee. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	2
Chen, Li-Ju	Have experience in accounting, and have passed the national examination required for CPAs with the Certificate of Professional and Technician. Currently serve as Certified Public Accountant at CHEN LI JU Certified Public Accountants Office. Previously served as: Audit Team Leader of Chung Hsin Certified Public Accountants Firm, Audit Team Leader of Micro-Star International Co., Ltd., Finance manager of Mycenax Biotech, Chairman of Pinnan Cable TV Co., Ltd., Supervisor of Eastern Multimedia Group., Finance and Accounting Consultant, Carlyle Asia Investment Ltd., Operations Manager of Comtrend Corp., Administration and Finance General Manager of Melchers Trading Gmbh Taiwan Branch (Germany.), Principle of CHEN LI JU Certified Public Accountants Office, and Management Consultant of Advanced Chen International Co., Ltd. Expert in financial accounting can enhance the quality of corporate governance management in the board of directors and the supervisory function of the audit committee. Not under any of the circumstances stated in Article 30 of the Company Act.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Corporation or its affiliates; Does not hold shares of the Corporation; Not being a director, supervisor or employee of a company having a particular relationship with the Corporation; No remuneration obtained from providing business, legal, financial, accounting and other services to the Corporation or its affiliates in the recent 2 years.	0

(2) Diversity and independence of the Board of Directors:

Diversity of the Board of Directors:

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

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

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

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

1. The nine members of our company’s Board of Directors (including four independent directors) jointly possess the talents of business judgment, leadership decision-making, operational management, international market perspective, and crisis management. Additionally, they possess professional skills and industrial experience. Director Ng Chor Wah Patrick, Independent Director Lee, Kuen-Chang, Independent Director Wu, Meng-Da, and Independent Director Chen, Li-Ju have expertise in finance and the financial industry. Chairman Lin, Yan-Shen, Director Chun-Sheng Lin, and Director LIN Deqiong are all marketing professionals. Director Ng Chor Wah Patrick excels at legal affairs. In addition to having practical experience in operation, administration, or teaching, Independent Directors Liu, Chien-Lin, Lee, Kuen-Chang, Wu, Meng-Da, and Chen, Li-Ju each have professional training in medicine, accounting, or finance.
2. The average tenure of directors is 3~6 years, of them, 1 independent directors have a tenure less than 3 years. Except for director Ng Chor Wah Patrick, other directors are R.O.C. citizens; the composition is 4 independent directors 44%; 2 director as an employee 22%.

The age breakdown of directors is 1 director aged at 41-50 years, 3 directors at 51-60 years, 2 directors at 61-70 years and 3 directors at 71-80 years. Apart from mentioned above, the Company pays attention to gender equality in board structure. This board has 1 female members, accounting for 11%. In the future, the Company will increase the proportion of female directors.

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

Independence of the Board of Directors:

The Company believes that the independence of directors shall be decided by the actual situation and clearly stated in The Diversification Policy of Board Members. As part of its ongoing commitment to evaluate the directors' independence, the Board will consider all pertinent issues, such as:

Whether the relevant Director is able to voice opinions independently of management and other Directors, ask insightful questions of them, and determine whether their behavior both within and outside of board meetings is appropriate. The Company's directors meet the expectation and show the above competences under appropriate circumstances.

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

Please refer to page 11-15 for information about all directors and their resume, including their relationship (if any).

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

April 20, 2024

Title (Note 1)	Nationality	Name	Gender	Date Elected	shares held: Number of Common Stocks / Number of Preference Shares	shares held: Shareholding Ratio	Shares held under spouse or minor children's names: Number of Common Stocks / Number of Preference Shares	Shares held under spouse or minor children's names: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Main (Education) Working Experiences	Positions currently held in other companies	Managers who have spousal or second-degree kinship within the Company: Title	Managers who have spousal or second-degree kinship within the Company: Name	Managers who have spousal or second-degree kinship within the Company: Relationship	Remark (Note 3)
President	Republic of China	Lin, Yan-Sheng	Male	2008.06.30	2,661,441	2.76%	549,000	0.27%	0	0.00%	Bachelor in Public Relations, Shih Hsin University Manager of 3M, USA President, Chuan-Yi Investment Inc. Director, Chuan-Yi Investment Inc. Supervisor, Taiwan Home Care Co.,Ltd Chairman of UOC America Holding Corporation	General Manager, United Orthopedic Corporation UOC USA Inc. Chairman Director, Shinva United Orthopedic Corporation President, A-Spine Asia Co., Ltd. United Orthopedic Japan Inc. Director Chairman, UOC Europe Holding SA Director of United Orthopedic (Australia) Pty Ltd.	Vice President	LIN Deqiong	Father and son	Note 4
					0	0.00%	0	0.00%	0	0.00%						
Vice President	Republic of China	Liao, Chien-Chong	Male	2016.07.01	10,214	0.01%	0	0.00%	0	0.00%	Graduate School of Engineering, School of Technology and Engineering of National Yang Ming University Project Manager, United Orthopedic Corporation Assistant Professor, National Taiwan University United Orthopedic Japan Inc. Director	Director, President, A-Spine Asia Co., Ltd. Director, Shinva United Orthopedic Corporation	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Vice President and Director of Operations Center	Republic of China	Peng, Yu-Hsing	Female	2016.10.01	109,653	0.11%	0	0.00%	0	0.00%	Statistics, Tamkang University Financial Manager, Chuan-Yi Investment Inc. President, Taiwan Home Care Co.,Ltd	United Orthopedic Japan Inc. Director	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Vice President	Republic of China	LIN Deqiong	Male	2023.01.01	1,213,461	1.26%	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.	UOC USA Inc. President Director of United Orthopedic (Australia) Pty Ltd.	President	Lin, Yan-Sheng	Father and son	-
					0	0.00%	0	0.00%	0	0.00%						

Title (Note 1)	Nationality	Name	Gender	Date Elected	shares held: Number of Common Stocks / Number of Preference Shares	shares held: Shareholding Ratio	Shares held under spouse or minor children's names: Number of Common Stocks / Number of Preference Shares	Shares held under spouse or minor children's names: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Main (Education) Working Experiences	Positions currently held in other companies	Managers who have spousal or second-degree kinship within the Company: Title	Managers who have spousal or second-degree kinship within the Company: Name	Managers who have spousal or second-degree kinship within the Company: Relationship	Remark (Note 3)
											MSI Computer SARL Managing Director MSI Iberia Managing Director					
Research and Development Center Director, Operating Center	Republic of China	Ho, Fang-Yuan	Female	2016.07.01	58,586	0.06%	0	0.00%	0	0.00%	Graduate Institute of Materials Science & Engineering, National Taiwan University Assistant Researcher, Mackay Memorial Hospital	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Operation Center Director, Operating Center	Republic of China	Chou, Ching-Long	Male	2016.07.01	26,000	0.03%	0	0.00%	0	0.00%	Mechanical Engineering Ph.D., National Cheng Kung University Metal Industries Research & Development Center—Vice Director of Department of Medical Equipment and Optoelectronic Equipment Secretary-general, Taiwan Forging Association Secretary-General, Taiwan Titanium Metal Association	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Operational Center Director, Operating Center	Republic of China	Huang, Wen-Hsuan	Female	2021.02.01	0	0.00%	0	0.00%	0	0.00%	Master in Biotechnology Advanced Management (In-service) of College of Management, Taipei Medical University Director of Domestic Business Department, United Orthopedic Corporation Manager of Spinal Products Business, Taiwan Syndesis Medical Device (Co.) Ltd. Manager of Spinal Products Business, Zhuang Sheng Medical Equipment (Co.) 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%						

Title (Note 1)	Nationality	Name	Gender	Date Elected	shares held: Number of Common Stocks / Number of Preference Shares	shares held: Shareholding Ratio	Shares held under spouse or minor children's names: Number of Common Stocks / Number of Preference Shares	Shares held under spouse or minor children's names: Shareholding Ratio	Shares Held in the Name of Other Persons: Number of Common Stocks / Number of Preference Shares	Shares Held in the Name of Other Persons: Shareholding Ratio	Main (Education) Working Experiences	Positions currently held in other companies	Managers who have spousal or second-degree kinship within the Company: Title	Managers who have spousal or second-degree kinship within the Company: Name	Managers who have spousal or second-degree kinship within the Company: Relationship	Remark (Note 3)
Finance and Accounting Operation Director, Operating Center	Republic of China	Teng, Yuan-Chang	Male	2016.10.03	16,360	0.02%	0	0.00%	0	0.00%	Business Administration, Tamkang University Department of Administration, University of Illinois Finance Department, Visera Technologies Co., Ltd. Pihsiang Machinery MFG. Co., Ltd. Supervisor, A-SPINE Asia Co., Ltd. United Orthopedic Japan Inc. Director	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						
Information Management Department Director, Operating Center	Republic of China	Cheng, Chih Chieh	Male	2024.03.01	0	0.00%	0	0.00%	0	0.00%	Department of Public Administration, National Chung Hsing University Information Manager, Lee Chang Yung(LCY) Chemical Industrial Co., Ltd. Sales Manager, SAP Taiwan Co., Ltd. Senior Engineer, IBM Taiwan Corp.	None.	None.	None.	None.	-
					0	0.00%	0	0.00%	0	0.00%						

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

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

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

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

3. Remuneration of Directors, Supervisors, the General Manager and Deputy General Managers for the Most Recent Year

(1) The corporation has the flexibility to publish names through aggregated compensation level disclosure or individual disclosure of names and compensation.

The Company adopts the method of individual disclosure of names and compensation.

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

Unit: NT$ Thousands; 2023

Title	Name	Remuneration paid to directors								Ration of Total Amount of A,B, C and D to Net Income (%) (Note 10)		Remuneration Paid to Concurrent Employees								Ratio of Total Amount of A, B, C, D, E, F, and G to Net Income (Note 10)		Compensation from investees other than United's subsidiaries or Parent Company (Note 11)
		Remuneration(A) (Note 2)		Retirement Pension (B)		Remuneration of Directors (C) (Note 3)		Business operating expenses(D) (Note 4)				Salaries, bonuses, and special allowances, etc. (E) (Note 5)		Retirement pension (F)		Employees' salary (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 in the Consolidated Financial Statements	The Company	Companies in the 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	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Lin, Yan-Sheng	0	0	0	0	3,948	3,948	0	0	3,948 1.03%	3,948 1.03%	8,138	8,138	0	0	2,826	0	2,826	0	14,912 3.88%	14,912 3.88%	None.
Director	Chun-Sheng Lin	0	0	0	0	1,974	1,974	0	0	1,974 0.51%	1,974 0.51%	0	0	0	0	0	0	0	0	1,974 0.51%	1,974 0.51%	None.
Director	Hau, Hai-Yen	0	0	0	0	1,974	1,974	0	0	1,974 0.51%	1,974 0.51%	0	0	0	0	0	0	0	0	1,974 0.51%	1,974 0.51%	None.
Director	Ng Chor Wah Patrick	0	0	0	0	3,948	3,948	0	0	3,948 1.03%	3,948 1.03%	0	0	0	0	0	0	0	0	3,948 1.03%	3,948 1.03%	None.
Director	Lee, Chi-Fung	0	0	0	0	929	929	0	0	929 0.24%	929 0.24%	0	0	0	0	0	0	0	0	929 0.24%	929 0.24%	None.
Director	LIN Deqiong	0	0	0	0	3,948	3,948	0	0	3,948 1.03%	3,948 1.03%	2,155	17,586	0	0	2,826	0	2,826	0	8,929 2.32%	24,360 6.34%	None.
Independent Director	Lee, Kuen-Chang	0	0	0	0	1,050	1,050	0	0	1,050 0.27%	1,050 0.27%	0	0	0	0	0	0	0	0	1,050 0.27%	1,050 0.27%	None.
Independent Director	Wu, Meng-Da	0	0	0	0	570	570	0	0	570 0.15%	570 0.15%	0	0	0	0	0	0	0	0	570 0.15%	570 0.15%	None.
Independent Director	Liu, Chien-Lin	0	0	0	0	570	570	0	0	570 0.15%	570 0.15%	0	0	0	0	0	0	0	0	570 0.15%	570 0.15%	None.
Independent Director	Chen, Li-Ju	0	0	0	0	325	325	0	0	325 0.08%	325 0.08%	0	0	0	0	0	0	0	0	325 0.08%	325 0.08%	None.

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

Executive Compensations by Level

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

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

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

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

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

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

Note 6: It refers to directors who also work as employees (including concurrent general managers, deputy general managers, and other managers and employees) and received employee remuneration (including stocks and cash) in the most recent year. The amount of employee remuneration that was authorized for distribution by the board of directors in the most recent year should be made public by the business. If it cannot be estimated, the proposed amount for distribution this year should be determined using the actual distribution ratio from the previous year, and Table 1-3 should also be completed.

Note 7: It should disclose the total amount of remuneration paid by all companies (including the Company itself) in the consolidated financial statements to the Company's directors.

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

Note 9: The consolidated financial statements should disclose the total remuneration paid to each director of the Company (including the Company itself) by all companies, with the names of the directors disclosed within their respective remuneration ranges.

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

Note 11: A. This column should clearly list the amount of compensation that company directors receive from invested businesses other than subsidiaries or the parent company (if none, please fill in "none").

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

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

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

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

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

Unit: NT$ Thousands; 2023

Title	Name	Salary(A) (Note 2)		Retirement Pension(B)		Bonuses and special allowances, etc. (C) (Note 3)		Employee compensation amount (D) (Note 4)				Total of A, B, C and D and the percentage of net income after tax (%) (Note 8)		The parent company and all invested companies (Note 9)
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	Companies in the Consolidated Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lin, Yan-Sheng	5,849	5,849	0	0	2,290	2,290	2,826	0	2,826	0	10,965 2.85%	10,965 2.85%	None.
Vice President	Liao, Chien-Chong	4,033	4,033	0	0	1,588	1,588	2,826	0	2,826	0	8,447 2.20%	8,447 2.20%	None.
Vice President	Peng, Yu-Hsing	3,481	3,481	0	0	1,367	1,367	2,826	0	2,826	0	7,674 2.00%	7,674 2.00%	None.
Vice President	LIN Deqiong	585	12,929	0	0	1,570	4,656	2,826	0	2,826	0	4,981 1.30%	20,411 5.31%	None.

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

Executive Compensations by Level

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

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

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

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

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

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

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

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

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

Note 9: A. This column should clearly list the amount of compensation received by the Company's president and vice president(s) from subsidiaries other than the invested companies or the parent company (if none, please fill in "None").

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

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

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

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

2023

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock Amount</th><th>Cash Amount</th><th>Total</th><th>The ratio (%) of total amount to the NIAT</th></tr>
<tr><td rowspan="8">Managers</td><td>Chairman</td><td>Lin, Yan-Sheng</td><td rowspan="8">0</td><td rowspan="8">19,419</td><td rowspan="8">19,419</td><td rowspan="8">5.1%</td></tr>
<tr><td>Vice President</td><td>LIN Deqiong</td></tr>
<tr><td>Vice President</td><td>Liao, Chien-Chong</td></tr>
<tr><td>Vice President</td><td>Peng, Yu-Hsing</td></tr>
<tr><td>Director, Operating Center</td><td>Chou, Ching-Long</td></tr>
<tr><td>Director, Research and Developing Center</td><td>Ho, Fang-Yuan</td></tr>
<tr><td>Director, Department of Finance and Accounting</td><td>Teng, Yuan-Chang</td></tr>
<tr><td>Director of Business Center</td><td>Huang, Wen-Hsuan</td></tr>
</table>

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

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

Note 3: The term "managerial officers" refers to the positions listed below, as provided in the Financial Supervisory Commission Memorandum No. 0920001301 of March 27, 2013:
(1) General Manager and its equivalent
(2) Deputy General Manager and its equivalent
(3) Assistant General Manager and its equivalent
(4) Chief of Finance
(5) Chief of Accounting
(6) Other personnel with the authority to manage company affairs and signing authority.

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

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

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

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

3. For Directors and Supervisors who have pledged more than 50% of their shares in any of the three months of the past year, and the remuneration of the Directors and Supervisors who have pledged more than 50% in any particular month their details be disclosed: 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. Companies listed on the Taiwan Stock Exchange or Over-the-Counter market that were ranked in the bottom two tiers in the most recent corporate governance evaluation, or were subject to changes in trading methods, trading halts, delisting, or other circumstances deemed unqualified for evaluation by the

Corporate Governance Evaluation Committee as of the most recent fiscal year-end or up until the printing date of the annual report:

Our company was ranked in the bottom tier in the corporate governance evaluation, so we disclose the following table (3) showing the remuneration of the top five highest-paid managers.

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

7. For a publicly listed company whose after-tax net profit has increased by more than 10% in the most recent year, but the average annual salary of full-time employees who are not in managerial positions has not increased compared to the previous year.

8. For a publicly listed company whose after-tax profit or loss has declined by more than 10% and more than NT$5 million in the most recent year, and the average remuneration for each director (excluding remuneration as an employee) has increased by more than 10% and more than NT$100,000.

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

Unit: NT$ Thousands; 2023

Title	Name	Salary(A) (Note 2)		Retirement Pension (B)		Bonuses and special allowances, etc. (C) (Note 3)		Employee compensation amount(D) (Note 4)				Ration of Total Amount of A,B, C and D to Net Income (%) (Note 6)		Compensation from investees other than United's subsidiaries or Parent Company (Note 7)
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company		Companies in the Consolidated Financial Statements(Note 5)		The Company	Companies in the Consolidated Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lin, Yan-Sheng	5,849	5,849	0	0	2,290	2,290	2,826	0	2,826	0	10,965 2.85%	10,965 2.85%	None.
Vice President	Liao, Chien-Chong	4,033	4,033	0	0	1,588	1,588	2,826	0	2,826	0	8,477 2.20%	8,477 2.20%	None.
Vice President	Peng, Yu-Hsing	3,481	3,481	0	0	1,367	1,367	2,826	0	2,826	0	7,674 2.00%	7,674 2.00%	None.
Vice President	LIN Deqiong	585	12,929	0	0	1,570	4,656	2,826	0	2,826	0	4,981 1.30%	20,411 5.31%	None.
Director, Operating Center	Chou, Ching-Long	3,320	3,320	0	0	1,302	1,302	2,323	0	2,323	0	6,945 1.81%	6,945 1.81%	None.

Note 1: The so-called "five highest-paid executives" refer to the Company's managers, and the criteria for determining these managers shall be handled in accordance with the scope of application of "managers" as stipulated in the Order No. 0920001301 issued by the former Securities and Futures Commission of the Ministry of Finance on March 27, 2003. As for the principles for identifying the "top five highest-paid" individuals, it is based on the total amount of salaries, retirement pensions, bonuses, special allowances, and employee compensation received by the Company's managers from all companies within the consolidated financial statements (i.e., the sum of A+B+C+D), which are then ranked with the top five highest-paid individuals being identified. If the director is also the former head of office, he/she should complete this table and table (1-1) above.

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

Note 3: The amount of bonuses, incentives, car and travel expenses, special expenses, various allowances, dormitories, vehicles and other remuneration provided in-kind for the top five highest paid executives in the most recent year are included. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. Where a driver is provided, record the remuneration paid to such driver. However, such remuneration should not be included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

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

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

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

Note 7: A. This column should state the remuneration received by the top 5 highest-paid managers from invested businesses other than subsidiaries or the parent company (if none, please fill in "none").

B. Remuneration refers to pay, bonuses (including bonuses to employees, directors, or supervisors) or expenses paid in the execution of business to the top 5 highest-paid 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) Compare and analyze the total remuneration as a percentage of net income stated in the parent company only financial statements or individual financial reports, paid by the Company and by all consolidated entities for the most recent two years to the Company's directors, supervisors, president and vice presidents, and describe the policies, standards, and packages for payment of remuneration, procedures for determining remuneration and its linkage to business performance and future risk exposure.

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

Title		Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by the Company for 2022 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by All Consolidated Entities for 2022 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports.	Ratio of Total Remuneration to Directors, Supervisors, President, and Vice Presidents Paid by the Company for 2023to 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 2023 to Net Income Stated in the Parent Company Only Financial Statements or Individual Financial Reports.
Director	First 4 items	5.4%	5.4%	5.0%	5.0%
	First 7 items	9.6%	14.8%	9.2%	13.2%
Supervisors		0%	0%	0%	0%
President and Vice-Presidents		9.5%	14.7%	8.4%	12.4%

2. Policies, standards and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

(1) With regard to the remuneration for directors and supervisors, the Company does not pay the directors and supervisors except for the independent directors/supervisors. In case where the directors hold a separate position in the Company, the remuneration will be paid in accordance with the remuneration policy of the Company.

(2) The remuneration for the general manager and deputy general managers is paid in accordance with the remuneration level in the industry, the functionality of their position and their contribution. made to the Company’s operating objectives.

(3) Procedures of evaluating compensation in the firm:

The corporation compares its salaries to those of its industry peers and awards performance bonuses based on the Company’s annual operating performance and individual contributions.

(4) Future risks:

The Company has obtained liability insurance for the Directors, Supervisors and managerial officers. The financial operation of the Company are conducted under the conservative principle. There are no high risks and high leveraged investments in the two recent years, and there are no issuance of loans. Therefore, there are no risks arising from the situation.

4. Operations of Corporate Governance

(1) Operations of the Board of Directors

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

Title	Name(Note 1)	Actual attendance in person B	Attendance by proxy	Actual attendance rate (%)[B/A] (Note 2)	Remark
Chairman	Lin, Yan-Sheng	7	0	100%	Re-election Reelected on 2023.06.16
Director	Chun-Sheng Lin	7	0	100%	Same as above
Director	Hau, Hai-Yen	7	0	100%	Same as above
Director	Ng Chor Wah Patrick	6	0	85.7%	Same as above
Director	Lee, Chi-Fung	2	0	100%	Previous term Reelected on 2023.06.16
Director	LIN Deqiong	7	0	100%	Re-election

					Reelected on 2023.06.16
Independent Director	Liu, Chien-Lin	7	0	100%	Same as above
Independent Director	Lee, Kuen-Chang	7	0	100%	Same as above
Independent Director	Wu, Meng-Da	7	0	100%	Same as above
Independent Director	Chen, Li-Ju	5	0	100%	New appointee Reelected on 2023.06.16

Other required disclosures:

1. Should any of the following takes place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions, and the Company's response to the said opinions shall be specified:
2.
   (1) 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.
   (2) Other than the matters mentioned above, other resolutions that are objected and reserved by the Independent Directors and are documented or stated.
   Independent directors did not oppose or have reservations on the material resolutions passed by the board of directors in 2023. For details as date, session, content of the resolutions of the board meetings in 2023, please refer to page 39-41 of the Annual Report.
3. When Directors abstain themselves for being a stakeholder in certain proposals, the names of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts shall be stated.
No Director is required to abstain from voting due to conflicts of interest in material resolutions that were passed by the board of directors in 2023.

No.	Meeting date	Director required to abstain	Proposal content	Reasons for abstaining due to conflict of interest	Participation in voting
1	2023.3.21	Lin, Yan-Sheng	Remuneration of Directors and Employees	Due to conflict of interest, did not participate in the vote.	
2	2023.3.21	Liu Chien-Lin, Lee Kuen-Chang, Wu Meng-Da	Proposal on adjusting the remuneration of independent directors	Due to conflict of interest, did not participate in the vote.	
3	2023.3.21	Lin, Yan-Sheng	Proposal on adjusting remuneration of managerial officer	Due to conflict of interest, did not participate in the vote.	
4	2023.8.10	Lin Yan-Sheng, Chun-Sheng Lin, Ng Chor Wah Patrick, Hau Hai-Yen, LIN Deqiong	Compensation Allocation Plan of Directors and Employees	Due to conflict of interest, did not participate in the vote.	
5	2023.8.10	Lee, Kuen-Chang	Invite independent directors to assist in promoting corporate sustainability development projects.	Due to conflict of interest, did not participate in the vote.	

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

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1, to December 31, 2023	1. The board of directors 2. Individual directors	Internal evaluation (self-evaluation)	1. The measurement items for the performance evaluation of the board of directors include the following five aspects: 2. (1) Engagement in company operations (2) Improvement the board's decision quality (3) Board composition and structure (4) Election and continual education of directors (5) Internal control 3. The measurement items for the performance evaluation of individual directors include the following six aspects: 4. (1) Mastery of the Company's goals and tasks (2) Awareness of directors' responsibilities (3) Engagement in company operations (4) Internal relationship management and communication (5) Director's expertise and continual education (6) Internal control

5. 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:
   (1) On March 19, 2020, the board of directors approved the establishment of the Company's "Audit Committee Charter" in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and each of Liu, Chien-Lin, Li, Kun-Chang and Wu, Meng-Ta, was elected and appointed as independent directors and audit committee members at the regular shareholders' meeting held on June 16, 2023. Independent director Wu, Meng-Ta was elected by all members as the convener of the audit committee and chairman of the meeting.
   (2) In response to the newly revised "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" announced by Financial Supervisory Commission on August 05, 2021, the Company approved the amendments to "Procedures for Board of Directors Meetings" on March 21, 2023.
   (3) Since the establishment of the audit committee on June 16, 2020 and up to March 21, 2024, 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.
   (4) To strengthen corporate governance and promote the "ESG Corporate Sustainability Project", the Company passed a resolution at the Board of Directors meeting on June 26, 2023, to establish a Sustainability Development Committee under the Board of Directors and form the United Biomedical ESG Promotion Team responsible for promoting relevant work. To ensure the smooth and efficient implementation of the project, the Company has invited Lee, Kuen-Chang, an independent director with expertise and extensive experience in this matter, to assist with the project's progress. Additionally, the Company has invited directors Liu, Chien-Lin and LIN Deqiong to join the Sustainability Development Committee, providing guidance to the ESG Promotion Team as they work together to fulfill United Biomedical's social responsibility, environmental protection, and governance efficiency, striving towards sustainable development and enhancing international competitiveness.

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

Note 2: (1) Before the end of the year, if there are any directors or supervisors who have resigned, the date of resignation should be noted in the remarks column. The actual attendance rate (%) shall be calculated based on the number of board meetings held during their tenure and their actual attendance.

(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 actual attendance rate (%) is then calculated based on the number of board meetings held during their term of office and the actual number of times they attended (or were present).

(2) Operations of the Audit Committee:

1. The audit committee aims to assist the board of directors in performing its supervisory duties and is responsible for the tasks required by Company Act, Securities and Exchange Act, and other related laws and regulations. The Company established an audit committee on June 16, 2020 comprising all the four independent directors. The audit committee holds at least one regular meeting per year, and the seven meetings were held in 2023. The matters deliberated by the audit committee include loans to other parties, guarantees/endorsements, financial reports in the first half of the year, annual audit plan and so on.

2. The audit committee convened 7 meetings in the most recent year, and the attendance is detailed below:

Title	Name	Numbers of actual attendance (B)	Attendance by proxy	The actual attendance rate (%) (B/A)(Note 1、Note 2)	Remark
Independent Director	Wu, Meng-Da	7	0	100%	Re-election Reelected on 2023.06.16
Independent Director	Liu, Chien-Lin	7	0	100%	Same as above
Independent Director	Lee, Kuen-Chang	7	0	100%	Same as above
Independent Director	Chen, Li-Ju	5	0	100%	New appointee Reelected on 2023.06.16

Other required disclosures:

1. 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:
   (1) Matters listed in Article 14-5 of the Securities and Exchange Act.
   Please refer to pages 39-41 for important resolutions from the shareholders' meeting, board of directors, and audit committee; all proposals were agreed upon by the attending members of the audit committee and approved by the board of directors.
   (2) Save as mentioned above, other matters that were not passed by the audit committee but approved by more than two-thirds of the entire board: None.When directors abstain from voting for being interested in certain resolutions, names of the directors, content of the resolutions, reasons for abstentions and voting results shall be stated: None.
2. 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.
3. Communications between independent directors and internal audit supervisors and accountants

(should include major events, methods and results of communication on the Company's financial and business conditions): (1) The Company's internal audit supervisor provides audit reports to each independent director on a regular basis, and attends the board of directors and audit committee meetings to communicate the audit results. For all audit tasks in 2023, none of the independent directors expressed any opinions. (2) 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 2023.

Note 1: If an independent director resigns before the end of the year, the resignation date should be noted in the remarks column. The actual attendance rate (%) is calculated based on the number of audit committee meetings held during the director's tenure and their actual attendance.

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.

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

Assessed items	Operating conditions(Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
1. Has the Company established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclose those principles?	V		The Company has formulated the "Corporate Governance Code" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and announced it on the Market Observation Post System. The purpose is to establish an effective corporate governance structure and to keep abreast of the development of domestic and international corporate governance systems, so as to review and improve the corporate governance system established by the Company, thereby enhancing the effectiveness of corporate governance.	No gaps
2. Shareholding structure & shareholders' rights (1) Has the Company established internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement them according to the procedure? (2) Has the Company possessed a list of its major shareholders as well as the ultimate owners of those shares? (3) Has the Company established and implement risk control and firewall mechanism with its	 V V V		(1) 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. (2) Maintained contact with the major shareholders at any time, and disclosed a list contained the top 10 shareholders onto the official website. (3) The Company has formulated financial and business operational regulations as the basis for mutual compliance in financial	No gaps

Assessed items	Operating conditions(Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
affiliates? (4) Has the Company established internal rules to prevent its employees to trade marketable securities on undisclosed information in the market?	 V		and business dealings with related parties, group enterprises, and specific companies. (4) 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".	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors formulated a diversification policy, substantial management objectives and implemented accordingly? (2) In addition to the establishment of the remuneration committee and audit committee as required by law, has the Company voluntarily established committees with other functions? (3) 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? (4) Has the Company regularly evaluate the independence of CPAs?	V V V V		(1) The Company has established the "Procedure for Election of Directors". The directors are elected through a nomination system based on the required knowledge, skills, and qualifications for the Company's operations. Currently, two-thirds of the directors are not spouses or relatives within the second degree of kinship, and four independent directors are legally elected to form the Audit Committee. The composition of the Board of Directors complies with the diversity policy. (2) The Company has set up a remuneration committee, an audit committee, and Sustainability Committee. Other functional committees will be set up according to the status of the Company's operating scale. (3) The Company has conducted board performance evaluation since 2020 and has declared the evaluation results by the end of first quarter of the following year. (4) In accordance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company regularly assesses the independence and suitability of the certified public accountant (CPA). Additionally, the Company also refers to the Audit Quality Indicators (AQIs) and submits the assessment to the Audit	No gaps

Assessed items	Operating conditions(Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			Committee and the Board of Directors for discussion and approval. The assessment criteria are based on the independence assessment items stipulated in the Accountant Act and Statements on Professional Ethics No. 10, including reviewing the Company's shareholder registry, confirming that the auditors are not interested parties of the Company, and obtaining independence statements from the certified public accountants.	
4. Has the TWSE/TPEx listed company have in place an appropriate number of qualified corporate governance officers, and a designated chief corporate governance manager to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with the information required to conduct business, assisting directors and supervisors in legal compliance, handling matters related to board meetings and shareholders' meetings in accordance with the law, and producing minutes of the board and shareholders' meetings)?	V		The Company has appointed a corporate governance officer responsible for handling corporate governance-related affairs, providing the directors and independent directors with the necessary information for carrying out their duties, assisting directors and supervisors in complying with regulations, handling board of directors and shareholders' meetings in accordance with the law, preparing minutes of board of directors and shareholders' meetings, etc.	No gaps
5. Has the Company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and adequately responded to the issues which are of concern to the stakeholders in terms of corporate social responsibilities?	V		Currently, the Company spokesperson acts as the liaison for stakeholders, and a stakeholder section is set up on the Company website. For issues and suggestions raised by shareholders, employees, customers, and suppliers, timely responses are provided. Various communication channels are established to actively communicate and reduce conflicts and misunderstandings.	No gaps
6. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	V		The Company's stock affairs are handled by the Stock Affairs Agency Department of Fubon Financial Securities Co., Ltd.	No gaps
7. Information Disclosure (1) Has the Company established a website to disclose financial, operational, and corporate governance information?	V V		The Company has set up websites that contain the introduction to the Company. Its business operations and financial information. The Company has also disclosed information related	

Assessed items	Operating conditions(Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(2) Has the Company adopted other methods of information disclosure (e.g. setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)? (3) 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	to governance of company on the MOPS. The Company has set up a link on the Company's website and the shareholders and investors may make enquiries on the website by themselves.	Considering numerous overseas operations, the Company will promptly disclose such information upon issue of audited financial statements by the CPAs.
8. Has the Corporation disclosed other information to facilitate a better understanding of its corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, status of directors' training, risk management policies and risk measurement standards as well as the implementation of customer policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		(1) The Company treats the employees with honesty and builds positive relationship with employees through various benefits and education trainings. (2) Status of directors' training: The Company's directors have participated in a six-hour training on corporate governance in 2023. In addition, they are also informed about the updates of relevant laws and regulations on corporate governance from time to time. (3) The risk management policy and implementation of risk measurement: N/A (applicable to securities firms). (4) Implementation of policies to protect consumers or customers: N/A (applicable to securities firms). (5) The liability insurances that the Company have purchased for the Directors and Supervisors: The Company has purchased liability insurances for the Directors, Supervisors, and managerial officers since January 2010.	No gaps
9. Please explain improvements that have been made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center, and provide the priority enhancement items and measures. (Leave blank if your company was not evaluated.) The Company was not evaluated.				

Assessed items	Operating conditions(Note)			Variances from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
On June 26, 2023, the Company’s Board of Directors approved the development of a Sustainability Committee and the formation of the United Orthopedic Group ESG Promotion Team to strengthen corporate governance and promote the "ESG Corporate Sustainability Project". In addition to creating short-, medium-, and long-term improvement targets, the team is in charge of promoting relevant activities and analyzing the results of the corporate governance evaluation every year. Priority will be given to improving information transparency and supporting sustainable development, two areas where present indicators are insufficient. Measures include providing information in annual reports and on business websites, promoting greenhouse gas inventory and verification, and other relevant activities.				

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

2023 the Training Status of Directors

Title	Name	Date	Organizer	Course Name	Training hours	Whether it is in line with the "Guidelines for Training Courses of Directors and Supervisors of Listed Companies"
Chairman and President	Lin, Yan-Sheng	2023.10.04	Securities and Futures Institute	How Non-Accounting Directors and Supervisors Should Review Financial Reports	3 hours	Yes
				2024 Economic Forecast and Industry Trends	3 hours	Yes
Director	Chun-Sheng Lin	2023.03.27	Chinese National Association of Industry and Commerce	Corporate Resilience and the Competitiveness of Taiwan	3 hours	Yes
		2023.04.11	Securities and Futures Institute	Trends in Global Economic and Industry Technology Development.	3 hours	Yes
Director	Hau, Hai-Yen	2023.11.06	Securities and Futures Institute	Listed Company Directors and Senior Executives’ Comprehension of Current Regulatory Oversight	3 hours	Yes
		2023.11.06		Thriving in the New Normal: Embrace Change, Unlock Opportunities.	1.5 hours	Yes
		2023.11.06		ChatGPT: Technological Advancement and Potential Uses	1.5 hours	Yes
Director	Ng Chor Wah Patrick	2023.02.12	HPICPA	China taxation conference 2023(archived session)	3 hours	Yes
		2023.10.08	Udemy	Supply Chain : Inventory Control & Safety Stock Calculation)	1.5 hours	Yes
		2023.12.01		Supply Chain : Demand Planning (Sales Forecasting and S&OP)	2 hours	Yes
Director	LIN Deqiong	2023.04.18	Taiwan Corporate Governance Association	Corporate Growth Strategies and External Innovation	3 hours	Yes
		2023.06.30		Future Global Threats and Opportunities for Sustainable Transformation	3 hours	Yes
		2023.10.04	Securities and Futures Institute	2024 Economic Forecast and Industry Trends	3 hours	Yes
		2023.11.30	Accounting Research and Development Foundation	Action Plans for Sustainable Development and Net Zero Emissions’ Effect on Financial Reporting	6 hours	Yes

Title	Name	Date	Organizer	Course Name	Training hours	Whether it is in line with the "Guidelines for Training Courses of Directors and Supervisors of Listed Companies"
Independent Director	Liu, Chien-Lin	2023.11.06	Accounting Research and Development Foundation	How to Analyze Key Financial Information to Improve Crisis Warning Capabilities	6 hours	Yes
Independent Director	Lee, Kuen-Chang	2023.08.09	Taiwan Corporate Governance Association	Corporate Governance Course: ESG Internalization	3 hours	Yes
		2023.11.16		Principles and Advancements in Corporate Governance Assessment	3 hours	Yes
		2023.01.11	Accounting Research and Development Foundation	Greenhouse Gas Inventory and Disclosure: ESG Introductory Seminar	2 hours	Yes
		2023.10.20	Securities and Futures Institute	Insider Trading Prevention Promotion Session in 2023	3 hours	Yes
Independent Director	Wu, Meng-Da	2023.07.27	Taiwan CPA Association, ROC	Case Study on Tax Issues Related to Sale of Equity Interests (Including Residential and Land Transaction Income Tax).	3 hours	Yes
		2023.10.30		Corporate Mergers and Acquisitions: Practice and Due Diligence	3 hours	Yes
		2023.12.05		Regulations on Corporate Fund Review, Corporate Mergers and Split Registration Practices	3 hours	Yes
		2023.12.11		Derivative Financial Instruments: Practice and Accounting Treatment	3 hours	Yes
		2023.12.12		Discussion on Corporations for Long-Term Care Facilities	3 hours	Yes
Independent Director	Chen, Li-Ju	2023.08.16	Taiwan CPA Association, ROC	Case Studies: Money Laundering and Insider Trading	3 hours	Yes
		2023.10.04		2024 Economic Forecast and Industry Trends	3 hours	Yes
		2023.11.20		Overview of ISAE3410 and the Greenhouse Gas Inventory	3 hours	Yes
		2023.12.21		Accountant's Duties and Reactions to Company Shareholder Conflicts	3 hours	Yes

(4) 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 20, 2024

Identity (Note 1)	Condition / Name	Professional Qualifications and Experiences(Note 2)	Independence Status(Note 3)	Number of other public companies where he/she is a member of the remuneration committee
Lead Independent Director	Lee, Kuen-Chang	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	3

Independent Director	Wu, Meng-Da	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	3
Independent Director	Liu, Chien-Lin	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	For descriptions, please refer to pages 11-15, Table 1 Information on Directors and Supervisors (1). Relevant content	0

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).
Relevant content For roles, please specify independent directors or others (please note in case of conveners).

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

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

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

2. Operation of the Company's Remuneration Committee:

(1) The Company's remuneration committee has a total of 3 members.

(2) The term of the current Committee members:

From June 16, 2023, to June 15, 2026. The Remuneration Committee convened two meetings for the most recent year (A), the qualification and attendance of committee members are detailed below:

Title	Name	Numbers of actual attendance (B)	Attendance by proxy	The actual attendance rate (%)(B/A)(Note)	Remark
Convener	Lee, Kuen-Chang	2	0	100%	Re-election, elected on 2023.06.16.
Members	Wu, Meng-Da	2	0	100%	Re-election, elected on 2023.06.16.
Members	Liu, Chien-Lin	2	0	100%	Re-election, elected on 2023.06.16.

Other required disclosures:

1. If the Board of Directors choose not to adopt or revise suggestions proposed by the Remuneration Committee, the date of the Directors' meeting, session, contents discussed, results of meeting resolutions, and the Company's response to the opinions provided by the Remuneration Committee shall be specified (e.g., where the salary and remuneration approved by the Board of Directors is better than that suggested by the Remuneration Committee, the differences and the reason for the said differences shall be specified):

	All the recommendations of the remuneration committee in 2023 have been passed by the board of directors.
2.	Regarding the resolutions to be voted on by the Remuneration Committee, if there are objections or reservations among the members, and there are records or written statements, the date, number, content of the proposal, all members' opinions, and response to dissenting opinions shall be specified: There were no opposition or reservation on the resolutions passed by the remuneration committee in 2023.

Note:

(1) For members of the Remuneration Committee who have resigned before the end of the year, the date of resignation should be noted in the remarks column. The actual attendance rate (%) should be calculated based on the number of Remuneration Committee meetings held during their tenure and their actual attendance.

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

(3) Information on members and operation of the nomination committee:

The Company has not set up the nomination committee.

(5) Implementation of sustainable development promotion and discrepancies and reasons for discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies; companies meeting certain conditions shall disclose climate-related information:

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

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Has the Company established exclusively (or concurrently) dedicated units to implement sustainable development, and the Board of Directors appointed the senior management with responsibility for sustainable development, and to report the status of the supervision to the Board of Directors?	V		In line with our vision and mission for the ESG policy, the Company established the "Sustainable Development Committee" on June 26, 2023 as the highest-level decision-making center for sustainable development within the Company. The committee is chaired by Independent Director Lee Kun-Chang, and includes senior executives from various fields who jointly review the Company’s core operational capabilities and formulate medium and long-term sustainable development plans. The "Sustainable Development Committee" serves as a cross-departmental communication platform for vertical integration and horizontal coordination. It identifies sustainability issues that are relevant to the Company’s operations and of concern to stakeholders, formulates corresponding strategies and work guidelines, allocates budgets related to sustainable development for various organizations, plans and implements annual programs, and tracks implementation effectiveness to ensure that sustainable development strategies are fully implemented in the Company’s daily operations.	No gaps
2. Has the Company, based on the materiality principle, conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations and formulate relevant risk management policies or strategies?(Note 2)	V		The Company has stipulated regulations regarding the risk assessments on environmental, social, and governance (ESG) issues in the work guidelines and SOP regulations, respectively. The Company intends to study and formulate a risk management policy for the entire Company after submission to the audit committee.	No gaps

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
3. Environmental issues (1) Has the Company established proper environmental management systems based on its industrial characteristics?	V		This company adheres to the relevant public safety building regulations, fire regulations, occupational health and safety regulations, waste disposal laws, energy conservation and carbon reduction management regulations established by the Science Industrial Park Administration for environmental maintenance and natural environment protection. We conduct inspections and reporting in accordance with regulations, and have established an environmental management system based on ISO 14001 and continuously passed third-party certification, with the aim of reducing waste and effectively utilizing resources. Additionally, we conduct greenhouse gas inventories according to ISO 14064-1 standards and publicly disclose them in our sustainability report.	No gaps
(2) 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. To reduce energy consumption for the Company and products, the corporation chooses equipment with high energy efficiency and energy-saving designs, hence optimizing energy usage efficiency.	No gaps
(3) 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		As the top organization in charge of climate change management, the corporation maintains a Sustainable Development Committee. The group assesses the Company’s climate change strategy and goals on an annual basis, manages climate change risks and opportunities, evaluates implementation progress, and discusses future plans. It simultaneously creates and executes action plans, reports to the board of directors, and consistently implements energy conservation and carbon reduction measures.	No gaps
(4) 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 prepare and issue a sustainability report, takes inventory of and monitors its energy consumption and greenhouse gas emissions, of which major energy consumption comes from purchased power and natural gas. Currently, we are pushing greenhouse gas inventory and	No gaps

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			verification in accordance with ISO 14064-1. To comply with our corporate social responsibilities to the environment, we will continue to develop policies that reduce greenhouse gas emissions, water consumption, and other waste management, as well as set energy-saving goals and implement strategies.	
4. Social Issues (1) Has the Company formulated appropriate management policies and procedures according to relevant laws and the International Bill of Human Rights?	V		The Company recognizes and voluntarily complies with internationally recognized human rights standards such as the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "United Nations Guiding Principles on Business and Human Rights," and "International Labour Organization of the United Nations." We respect the safeguards outlined in human rights conventions. In addition, 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.	No gaps
(2) 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’s year-end bonus system is based on after-tax earnings per share, taking into account seniority and annual performance evaluations, and allocated to all employees as an incentive for all employees to work together towards the Company’s goals. Employee compensation is calculated based on 12% of the Company’s annual profit in accordance with the Company’s articles of incorporation. The Company has stipulated performance evaluation methods in combination with various remuneration policies to share the operating results of the Company with the employees.	No gaps
(3) Has the Company provided employees with a safe and healthy work environment and regularly implemented health and safety education programs for its employees?	V		To create a healthy and pleasant workplace, our company adheres to the Occupational Safety and Health Act and related organization regulations when developing policies, and we respect the occupational safety and health needs of key stakeholders. Disaster prevention and avoidance are essential concepts for our firm. We employ relevant management tools, mature technology, and available resources to integrate occupational safety and health issues within the plant area, offer effective remedies, and constantly	No gaps

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			develop and promote occupational safety culture. To achieve a zero-accident environment, we also improve operator protection management and invest in occupational disease prevention. Furthermore, our organization has implemented quantitative measurements, broadened occupational safety and health operations to include products and related services, improved overall occupational safety and health performance, and effectively managed risks. Our organization provides periodic health assessments for its personnel as needed. Each plant has a safety department reporting directly to the general manager, and the Labor Safety and Health Committee meets on a regular basis to examine the employees' working conditions. We have currently implemented the international ISO 45001 Occupational Safety and Health Management System, which includes annual fire drills as well as safety education and training to develop employees' emergency response and self-safety management capabilities, resulting in a safe and healthy working environment.	
(4) Has the Company established an effective career skill development training program for employees?	V		The Company plans comprehensive competency training for managers and employees at all levels, including new employee training, professional advanced training, and management training. This helps employees continuously learn and grow through diverse learning methods. We also introduce the belief of corporate ethics to develop relevant training courses and cultivate employees' key competencies. Supervisors and employees collaborate to discuss and establish individual annual competency development plans during the annual performance review. By providing frequent evaluations and input, we help staff members create the most effective personal development plans. In addition, each department of the Company has devised annual education and training plan for its staff with monthly tracking on the implementation status in order to meet the competency and skills required of the position.	No gaps

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(5) With regard to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant laws and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	V		The Company's products are artificial joints for implantation to human bodies. The products are required to go through stringent regulatory certification procedures before launching for sale. Related operating procedures have SOP and kept records. The products are clearly marked with consumer complaint channels and the Company keeps a good communication relationship with customers. The stakeholder section is set on the Company's website for providing opinions and feedback. The Company sets up the appeal procedure internally and respond to consumers and clients.	No gaps
(6) Has the Company implemented supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		The suppliers of the Company should go through standard certification procedures prior to becoming eligible suppliers. For the materials that are implanted to human bodies, relevant data of product examining 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 examining before keeping as inventories. Materials that fail the inspection will be returned. The Company will regularly perform assessment and field audit on suppliers and terminate the relationship if the suppliers are found to be unscrupulous.	No gaps
5. 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 aforementioned report obtained any assurance or opinion from a third-party verification body?	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.	No gaps
6. 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				

Implementation Item	Implementation(Note 1)			Deviations from the Corporate Governance Best Sustainable Development Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
and asks the sustainability development committee to formulate the sustainable development principles and regulations.				
7. Other important information to facilitate a better understanding of the Company's sustainable development practices: (1) Environmental protection: The plant has set up production waste recovery devices, including dust collection equipment, gas collection equipment, sewage, waste water, and waste oil treatment equipment, to reduce the impact on employees and social environment. The Company has introduced ISO14001 Environmental Management System in hopes of reducing waste and utilize resources effectively. (2) Social contributions: Provision of high quality artificial joints with more reasonable price, breaking of the long time monopoly of large international manufacturers in orthopedic market, reduction of medical expense for patients, improvement of the mobility inconvenience of the elders, and addition of investment in Taiwan year by year, keeping the root of technology in the region and creation of more job opportunities and business opportunities. (3) Consumer rights: In addition to strict control over the quality of products during the production process, all of the Company's products have been insured with product 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.

Climate-related information for listed companies

(1) Implementation of Climate-related information:

Item	Implementation:
1. Describe the oversight and governance of the board of directors and management regarding climate-related risks and opportunities. 2. Describe how the identified climate risks and opportunities affect the Company's business, strategy, and finances (short-term, medium-term, and long-term). 3. Describe the financial impact of extreme climate events and transition actions. 4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system. 5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors, and key financial impacts used. 6. If a transition strategy is in place to manage risks associated with climate change, please describe it along with the indicators and goals that will be employed to recognize and control both physical and transition hazards. 7. If an internal carbon price is used as a planning tool, explain the basis for setting the price. 8. Provide details about the covered activities, scopes of greenhouse gas emissions, planning period, and annual progress if climate-related targets have been set. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the targets, describe their source and quantity. 9. Greenhouse gas inventory and assurance status, reduction goals, strategies, and concrete action plans (to be filled in 1-1 and 1-2).	As the top organization in charge of climate change management, the corporation maintains a Sustainable Development Committee. The group assesses the Company's climate change strategy and goals on an annual basis, manages climate change risks and opportunities, evaluates implementation progress, and discusses future plans. It simultaneously creates and executes action plans, reports to the board of directors, and consistently implements energy conservation and carbon reduction measures. The Company follows the TCFD (Task Force on Climate-related Financial Disclosures) recommendations published by the Financial Stability Board to assess the risks and opportunities of climate change to the Company. Through cross-departmental discussions, we have simultaneously identified feasible opportunities and formulated countermeasures. In terms of climate change mitigation, we are developing projects such as green operations, energy management, carbon information disclosure, and green buildings.

(2) Company's greenhouse gas inventory and assurance status in the last two years

① Greenhouse Gas Inventory Information:

Explain the greenhouse gas emissions (tons of CO_2e), intensity (tons of CO_2e/million), and data coverage scope for the last two years.
The total greenhouse gas emissions in 2021 and 2022 were approximately 3,488 tCO_2e and 3,767 tCO_2e, with intensities of 1.356741 and 1.188823 (tons of CO_2e/million), respectively.

Note 1: Direct emissions (Scope 1, directly from emission sources owned or controlled by the Company), indirect energy emissions (Scope 2, indirect greenhouse gas emissions from the generation of purchased electricity, steam, heating, or cooling), and other indirect emissions (Scope 3, emissions resulting from the Company's activities, but not from sources owned or controlled by the Company).

Note 2: The scope of direct greenhouse gas emissions and energy indirect emissions data should be addressed following the schedule prescribed in Article 10, Paragraph 2 of these Regulations. Information on other indirect emissions may be disclosed voluntarily.

Note 3: Greenhouse Gas Inventory Standards: The Greenhouse Gas Protocol (GHG Protocol) or the ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or operating revenue, but at least the data calculated based on operating revenue (NT$ million) should be stated.

② Greenhouse Gas Assurance Information:

Explain the greenhouse gas emissions (tons of CO_2e), intensity (tons of CO_2e/million), and data coverage scope for the last two years.
Complete assurance information will be disclosed in the sustainability report.

Note 1: Should be addressed following the schedule prescribed in Article 10, Paragraph 2 of these Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing the annual report, it should state "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it should state "Complete assurance information will be disclosed on the Market Observation Post System," and disclose the complete assurance information in the annual report of the following year.

Note 2: The assurance institution should comply with the relevant regulations on sustainability report assurance institutions established by the Taiwan Stock Exchange Corporation and the Taipei Exchange.

Note 3: For disclosure content, refer to the best practice examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

③ Greenhouse Gas Reduction Targets, Strategies and Specific Action Plans:

Describe the baseline year and data for greenhouse gas reduction, reduction targets, strategies and specific action plans, and the progress towards achieving the reduction targets.

In compliance with ISO 14064-1, the Company will periodically inventory greenhouse gas emissions in order to assess the effects on the Business. Based on the results of the carbon inventory, we will continue to implement carbon reduction measures to effectively reduce direct emission risks and indirect greenhouse gas emissions from electricity use.

Note 1: The inventory should be conducted in accordance with the schedule stipulated in Article 10, Paragraph 2 of the Regulations.

Note 2: The baseline year should be the year in which the consolidated financial report boundary is inventoried. For example, according to the regulations stipulated in Article 10, Paragraph 2, companies with capital of NT$10 billion or more should complete the inventory of the 2024 Consolidated Financial Report in 2025. Therefore, the baseline year is 2024. If a company has completed the inventory of the Consolidated Financial Report earlier, it may use the earlier year as the baseline year. The data for the baseline year may be calculated as a single year or an average of several years.

Note 3: For reference on the disclosure content, please refer to the best practice examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

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

Assessed items	Operating conditions(Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
1. Formulating policies and plans for ethical corporate management (1) 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? (2) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (3) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention, and has implemented said program while regularly reviewing and revising it?	V V V		(1) 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. (2) 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. (3) the Company has established SOPs and regulations for daily business transaction process and provided clear guidelines on unethical behaviors.	No gaps
2. Implementation of Ethical Corporate Management (1) Has the Company evaluated business partners' ethical records and include ethics-related clauses in business contracts? (2) Has the Company set up a unit	V	V	(1) 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. (2) the Company currently does	No gaps

Assessed items	Operating conditions(Note)			Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
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?			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.	
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication channels and implemented it?	V		(3) the Company has established appropriate regulations in relevant management regulations and has set up opinions reporting channels to prevent transactions containing conflicts of interest.	
(4) 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		(4) 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.	
(5) Has the Company regularly held internal and external educational trainings on ethical corporate behavior?	V		(5) the Company arranges internal and external training on a regular basis to incubate employees' the required skills set out in the internal regulations to fulfill the belief of ethical corporate management.	
3. Operations of the Company's reporting mechanism (1) Has the Company established a concrete	V		(1) the Company has set up a	No gaps

<table>
<tr><td rowspan="2">Assessed items</td><td colspan="3">Operating conditions(Note)</td><td rowspan="2">Variances from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td>reporting and reward system, set up convenient reporting channels and appointed suitable personnel to handle these cases?
(2) Has the Company established the standard operating procedures for investigating received reports, the follow-up measures to be taken after completion of the investigation, and the relevant confidentiality mechanism?
(3) Has the Company taken measures to protect individuals from possible mistreatment arising from their reporting of violations?</td><td>
V
V</td><td></td><td>mailbox for employee feedback. The administrative management unit is responsible for handling relevant feedback in accordance with relevant management regulations.
(2) the Company has set up methods of managing the mailbox covering the acceptance and handling procedures.
(3) the Company has stipulated confidentiality provisions for the opinions provided, which will be handled in accordance with regulations that are stipulated by the Company.</td><td></td></tr>
<tr><td>4. Strengthening information disclosure
Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</td><td>V</td><td></td><td>The Company’s corporate governance best practice principles have been disclosed at the public information observatory, and the core values of the company’s ethical management have been stated in the company profile.</td><td>No gaps</td></tr>
<tr><td colspan="5">5. 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.</td></tr>
<tr><td colspan="5">6. Other important information that helps understand theCompany’s operations of integrity management: (Such as the Company’s review and amendment of its Code of Integrity Management): None</td></tr>
</table>

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

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

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

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

1. Statement of Internal Controls

United Orthopedic Corporation

Statement of Internal Control System

Date: March 13, 2024

The Company states the following with regard to its internal control system during 2023 based on the self-evaluation results:

1. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of the board of directors and managerial officers of the Company. The Company has established such a system. The goal of the system is aimed at the operational efficiency and effectiveness (including profits, performance and assets safeguarding) and to provide reasonable assurance on producing reliable and transparent financial reports, compliance with relevant regulations and compliance with relevant acts.
2. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of the internal control system may change along with changes in environment or circumstances. Nevertheless, the Company's internal control system has self-monitoring mechanisms, and the Company takes immediate remedial measures in response to any identified deficiencies.
3. The Company makes judgments on the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as the"Regulations"). The criteria adopted by the Regulations are divided into give components in accordance with the procedures for management and control:
   (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to provisions in the Protocols for above-mentioned items.
4. The Company has conducted an effective evaluation on its internal control system by adopting the above mentioned internal control system judgement criteria.
5. Based on the preceding evaluation result, the Company believes that its internal control system (with subsidiaries supervision and management) on December 31, 2023 includes the awareness of operation effectiveness and target achievement efficiency, reliability and transparency of financial reports, compliance with relevant regulations and compliance with relevant acts. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.
6. This statement will become an integral part of the Company's annual report and the prospectus, which will be made public. If the aforementioned content contains illegal matters such as any fradaulent or hidden information, the Company will be in question of breaching Articles 23, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.
7. This statement has been approved by the board of directors on March 13, 2024, where none of the nine attending directors expressed dissenting opinions, and unanimously affirmed the content of this statement.

United Orthopedic Corporation

Chairman: Lin, Yan-Sheng

President: Lin, Yan-Sheng

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

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

(11) 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	Significant Resolutions at the Shareholders' Meeting
2023.06.15	1. Approval of the 2022 Annual Business Report and Financial Statements. 2. Approval of the 2022 Annual Surplus Distribution Proposal Implementation: Passed by the Board of Directors on June 26, 2023, the ex-dividend date is set for July 30, 2023, and the payment date is August 18, 2023. The actual special dividend distribution is $22,700,340, with a dividend of $2.34 per share. The common stock cash dividend distribution is $196,026,500, with a cash dividend of $2.27529346 per share. 3. Approval of amendments to the "Articles of Incorporation". 4. Approved the Re-election of the Company's directors. 5. Approved the release of the Company's directors from non-compete restrictions.

2. Board meetings

Date	**Significant Resolutions at the Shareholders' Meeting**
2023.03.21	1. Approval of the 2022 remuneration distribution to employees, and directors. 2. Approval of the proposal on adjusting the remuneration of independent directors. 3. Approval of the proposal on adjusting the remuneration of managerial officer 4. Approval of the 2022 Financial Statements and Business Report. 5. Approval of the 2022 Earnings Distribution. 6. Approval of amendments to the Company's 2021 Statement of Internal Control System. 7. Approval of the 2022 Statement of Internal Control System. 8. Approval of amendments to the "Procedures for Board of Directors' Meetings". 9. Approval of amendments to the "Procedures for Management of Subsidiaries". 10. Approval of amendments to the Company's 2023 Audit Plan. 11. Approval of amendments to the Company's written internal control and internal audit systems. 12. Approval of amendments to the "Articles of Incorporation". 13. Approval of the proposal on re-electing the Company's directors at the shareholders' meeting. 14. Approval of the proposal to release non-competition restriction on the newly appointed directors of the Company at the shareholders' meeting.

Date	Significant Resolutions at the Shareholders' Meeting
	15. Approval of the acceptance of shareholders' right to submit proposals at the 2023 annual shareholders' meeting. 16. Approval of the convening of the 2023 annual shareholders' meeting. 17. Approval of the list of non-confirming services expected to be provided by in 2023 by Ernst & Young and its affiliates and submission for discussion and approval. 18. Approval of the Company's regular assessment on independence of CPAs. 19. Approval of the Company's 4th issuance of domestic unsecured convertible bonds. 20. Approval of the report on the subsidiaries' greenhouse gas inventory schedules. 21. Approval of proposal on raising funds for reinvestment in Shinva United Orthopedic Corporation and waiving the subscription right by original shareholders.
2023.05.04	1. Approval of the nomination of directors to the Company's Board of Directors. 2. Approval of the review of the qualifications of independent directors nominated by the Company's Board of Directors. 3. Approval of the proposal to appoint the CPAs for 2023 4. Approval of the Company's consolidated financial statement for the first quarter of 2023. 5. Approval of the Company's application for credit lines and derivative financial product trading lines from financial institutions.
2023.06.15	1. Approval of the election of the Chairman of the Board of Directors.
2023.06.26	1. Approval of the ex-dividend date of July 30, 2023, for the cash dividends of preferred shares and the 2022 Distribution of Surplus Earnings to Common Shareholders of the Company. 2. Approval of the appointment of members of the Remuneration Committee. 3. Approval of the appointment of the Corporate Governance Officer. 4. Approval of the Company's application for credit lines and derivative financial product trading lines from financial institutions.
2023.08.10	1. Approval of the Company's consolidated financial statements for the first half of 2023. 2. Approval of the 2022 distribution plan for employee and director compensation. 3. Approval of the salary adjustment for the General Manager of the subsidiary in Switzerland. 4. Approval of the capital increase of AUD$500,000 for the subsidiary United Orthopedic (Australia) Pty Ltd. 5. Approval of the establishment of a sales and operation base in Turkey. 6. Approval of the proposal for the loaning of funds among invested companies of the Group. 7. Approval of the change of certified public accountant for the Company's financial statements. 8. Approval of the invitation to Independent Director Lee, Kuen-Chang to assist the Company in promoting the "ESG Corporate Sustainability Project." 9. Approval of the Company's application for a credit line from Taipei Fubon Bank and the provision of a guarantee for UOC USA INC.
2023.11.08	1. Approval of the Company's consolidated financial statement for the third quarter of 2023. 2. Approval of the amendment to the "Operational Regulations for Financial Affairs of Group Enterprises and Specific Companies". 3. Approval of amendments to the "Rules of Procedure for Shareholders' Meetings". 4. Approval of the amendment to the "Standard Operating Procedures for Handling Directors' Requests". 5. Approval of the amendment to the "Insider Trading Prevention Measures".

Date	Significant Resolutions at the Shareholders' Meeting
	6. Approval of the establishment of the "Corporate Governance Best Practice Principles". 7. Approval of the internal control system established by important subsidiaries. 8. Approval of the investment of USD 250,000 in Redefine surgery inc. 9. Approval of the announcement of the implementation of the "Information Security Management Project". 10. Approval of the list of non-assurance services to be provided by Ernst & Young and its affiliated companies. 11. Approval of the Company's application for financing, derivative financial transactions, and endorsement guarantees for UOC USA INC. to financial institutions.
2023.12.20	1. Approval of the 2024 audit plan. 2. Approval of the proposal for the loaning of funds among invested companies of the Group. 3. Approval of the proposal of the Company's guarantee and endorsement to the group's subsidiaries. 4. Approval for the proposed increase in investment in the US subsidiary by the Company. 5. Approvalfor the Company's proposed application for credit lines from financial institutions, derivative financial product transaction limits, and provision of endorsement guarantees for UOC USA INC. 6. Approval of the amendments of "Procedures for Ethical Management and Guidelines for Conduct ".
2024.03.13	1. Approval of the 2023 Financial Statements and Business Report. 2. Approval of the list of non-confirming services expected to be provided by in 2024 by Ernst & Young and its affiliates and submission for discussion and approval. 3. Approval of the Company's regular assessment on independence of CPAs. 4. Approval of the 2023 Statement of Internal Control System. 5. Approval of the 2023 remuneration distribution to employees and directors. 6. Approval of the proposal on adjusting the remuneration of managerial officer 7. Approval of the KPI achievement and bonus calculation for Group's regional sales managers in 2023. 8. Approval of the 2023 distribution of surplus. 9. Approval of the plan to distribute cash dividends from capital reserves. 10. Approval of the acceptance of shareholders' right to submit proposals at the 2024 annual shareholders' meeting. 11. Approval of the convening of the 2024 annual shareholders' meeting. 12. Approval of the proposal for the loaning of funds among invested companies of the Group. 13. Approval of the change in the list of Information Security Officers. 14. Approval of the record date for the conversion of convertible bonds into common shares from September 2023 to February 2024.

3. The Audit Committee

Date	Significant Resolutions at the Shareholders' Meeting
2023.03.21	1. Approval of the Company's 2022 financial statements and business report. 2. Approval of the Company's 2022 surplus earnings distribution 3. Approval of amendments to the Company's 2021 Statement of Internal Control System. 4. Approval of the Company's 2022 Statement of Internal Control System 5. Approval of amendments to the "Procedures for Board of Directors' Meetings". 6. Approval of amendments to the "Procedures for Management of Subsidiaries".

	7. Approval of amendments to the Company's 2023 Audit Plan. 8. Approval of amendments to the Company's written internal control and internal audit systems. 9. Approval of the list of non-confirming services expected to be provided by in 2023 by Ernst & Young and its affiliates and submission for discussion and approval. 10. Approval of the Company's regular assessment on independence of CPAs. 11. Approval of the Company's 4th issuance of domestic unsecured convertible bonds. 12. Approval of the report on the subsidiaries' greenhouse gas inventory schedules. 13. Approval of proposal on raising funds for reinvestment in Shinva United Orthopedic Corporation and waiving the subscription right by original shareholders.
2023.05.04	1. Approval of the proposal for appointing the CPAs for 2023. 2. Approval of the consolidated financial statement for the first quarter of 2023.
2023.06.15	1. Approval of the Election of the Lead of the Audit Committee
2023.06.26	1. Approval of the appointment of the Corporate Governance Officer.
2023.08.10	1. Approval of the Company's consolidated financial statements for the first half of 2023. 2. Approval of the capital increase of AUD$500,000 for the subsidiary United Orthopedic (Australia) Pty Ltd. 3. Approval of the establishment of a sales and operation base in Turkey. 4. Approval of the proposal for the loaning of funds among invested companies of the Group. 5. Approval of the change of certified public accountant for the Company's financial statements.
2023.11.08	1. Approval of the Company's consolidated financial statement for the third quarter of 2023. 2. Approval of the amendment to the "Operational Regulations for Financial Affairs of Group Enterprises and Specific Companies". 3. Approval of amendments to the "Rules of Procedure for Shareholders' Meetings". 4. Approval of the amendment to the "Standard Operating Procedures for Handling Directors' Requests". 5. Approval of the amendment to the "Insider Trading Prevention Measures". 6. Approval of the establishment of the "Corporate Governance Best Practice Principles". 7. Approval of the internal control system established by important subsidiaries. 8. Approval of the investment of USD 250,000 in Redefine surgery inc. 9. Approval of the announcement of the implementation of the "Information Security Management Project". 10. Approval of the list of non-assurance services to be provided by Ernst & Young and its affiliated companies.
2023.12.20	1. Approval of the 2024 audit plan. 2. Approval of the proposal for the loaning of funds among invested companies of the Group. 3. Approval of the proposal of the Company's guarantee and endorsement to the group's subsidiaries. 4. Approval for the proposed increase in investment in the US subsidiary by the Company. 5. Approval of the amendments of "Procedures for Ethical Management and Guidelines for Conduct ".
2024.03.13	1. Approval of the 2023 Financial Statements and Business Report.

	2. Approval of the list of non-confirming services expected to be provided by in 2024 by Ernst & Young and its affiliates and submission for discussion and approval. 3. Approval of the Company's regular assessment on independence of CPAs. 4. Approval of the 2023 Statement of Internal Control System. 5. Approval of the 2023 distribution of surplus. 6. Approval of the plan to distribute cash dividends from capital reserves. 7. Approval of the proposal for the loaning of funds among invested companies of the Group. 8. Approval of the change in the list of Information Security Officers.

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

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

March 31, 2024

TITLE	NAME	DATE OF ASSUMPTION OF DUTY	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
None.				

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

5. Audit Fees for Independent Auditors

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

CPA Information Regarding Audit Fee

Unit: NT$ 1,000

The Accountant Firm	Name of the accountants	Time of Audit	Audit Fees	Non-Audit Fees	Total	Note
Ernst & Young	Lin, Shih-Huan	20230101-20231231	4,075	275	4,350	Tax verification
	Hsu, Jung-Huang	20230101-20231231				

Please describe the non-audit public services' content as follows:

(Examples include assurance, tax attestation, or other financial consulting services)

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

1. When the Company has changed the accounting firm, and in that particular year, the audit fees paid are less than those of the fiscal year before that, the decreased amount and reason thereof shall be disclosed: None.

2. When the audit fees decreases by 10% or more than that of the last year, the Company must disclose the decreased amount, ratio, and reason: None.

(2) 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.

6. Information on Replacement of CPA

(1) Information on the Former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="4">August 10, 2023</td></tr>
<tr><td>Reason for replacement and explanation</td><td colspan="4">Due to the modification of the internal audit accountant by Ernst & Young, the Board of Directors has determined to assign Ernst & Young’s CPAs Lin, Shih-Huan and Hsu, Jung-Huang to be responsible for the certification of financial statements commencing from the third quarter of 2023.</td></tr>
<tr><td rowspan="3">Statement on whether the authorizing party or the accountant terminate or reject the authorization</td><td colspan="2">Circumstances of the parties concerned</td><td>CPAs</td><td>The authorizing party</td></tr>
<tr><td colspan="2">Voluntarily terminated the authorization</td><td>✓</td><td></td></tr>
<tr><td colspan="2">Rejected the (continuing) authorization</td><td></td><td></td></tr>
<tr><td>The reasons cited in the signed and issued audit reports which were not "no reservations" in the last two years</td><td colspan="4">Both 2022 and 2023 received unqualified opinions.</td></tr>
<tr><td rowspan="6">Different opinions from the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None.</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Explanation:
Not Applicable</td></tr>
<tr><td>Other items disclosed (for which disclosure is required under Article 10, Clause 6, items 1-4 through 1-7 of the Regulations)</td><td colspan="4">None.</td></tr>
</table>

(2) Regarding the successor CPA

Name of accounting firm	Ernst & Young
Name of the accountants	Lin, Shih-Huan and Hsu, Jung-Huang
Date of appointment	August 10, 2023
The accounting treatment of particular transactions before appointment or accounting principle and the consulting matters and their results for the possible opinions signed and issued in the financial report	None.
The successor accountant's written opinion of on the former accountant's different opinions	None.

(3) The former accountant shall, in accordance with the provisions of Subparagraph 1 of Paragraph 6 of Article 10 of these Regulations and the three preceding items, send a letter to the former accountant, and inform the former accountant that if there is any objection, a reply letter shall be sent within ten days: None

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

8. **Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers and/or Shareholders Holding More Than 10% of the Company's Shares in the Most Recent Year up to the Publication Date of the Annual Report Disclosure of the Counterparty's Name, Relationship to the Company, Directors, Supervisors, Managers, and Shareholders Holding More Than 10% of the Shares, as Well as the Number of Shares Bought or Pledged, Is Required if the Counterparty of a Share Transfer or Share Pledge Is a Related Party**

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

Date: April 20, 2024(record date) Unit: Share

Title	Name	2023				As of April 19, 2024				Remark
		Common Stocks		Preference Shares		Common Stocks		Preference Shares		
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	
Chairman	Lin, Yan-Sheng	(31,000)	(600,000)	(42,000)	0	(60,000)	0	0	0	
Director	Chun-Sheng Lin	90,000	0	(90,000)	0	0	0	0	0	
Director	Hau, Hai-Yen	65,000	0	(65,000)	0	0	0	0	0	
Director	Lee, Chi-Fung	0	0	0	0	0	0	0	0	
Director	Ng Chor Wah Patrick	200,286	0	(130,286)	0	0	0	0	0	

Title	Name	2023				As of April 19, 2024				Remark
		Common Stocks		Preference Shares		Common Stocks		Preference Shares		
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged	
Director	LIN Deqiong	161,000	0	(88,000)	0	0	0	0	0	
Independent Director	Liu, Chien-Lin	0	0	0	0	0	0	0	0	
Independent Director	Lee, Kuen-Chang	0	0	0	0	0	0	0	0	
Independent Director	Wu, Meng-Da	0	0	0	0	0	0	0	0	
Vice President	Liao, Chien-Chong	(123,799)	0	(14,201)	0	(9,000)	0	0	0	
Vice President	Peng, Yu-Hsing	0	0	0	0	0	0	0	0	
Vice President	LIN Deqiong	0	0	0	0	0	0	0	0	
Director, Research and Developing Center	Ho, Fang-Yuan	32,167	0	0	0	0	0	0	0	
Director, Operating Center	Chou, Ching-Long	(39,165)	0	(4,551)	0	0	0	0	0	
Director of Business Center	Huang, Wen-Hsuan	0	0	0	0	0	0	0	0	
Director, Department of Finance and Accounting	Teng, Yuan-Chang	0	0	0	0	0	0	0	0	
Director, Information Management Department	Cheng, Chih Chieh	0	0	0	0	0	0	0	0	

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

(2) Shares trading with related parties:

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

(3) Shares pledge with related parties:

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

9. Information on the Top Ten Shareholders who Are Identified as Related Parties, Spouse or Relative Within the Second Degree of Kinship

Name(Note 1)	Shares Held in Person		Shares held under spouse or minor children's names		Shares held in others' names		Top 10 Shareholders of the Company who Are Identified as a Related Party, Spouse, or Relative within the Second Degree of Kinship under No. 6 of the Statements of Auditing Standards (Note 3)		Remark
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Designation (or Name)	Relationship	
Ko Yao Inc. Representative: Lin, Yu-Yen	3,429,000	3.56%	Not Applicable	Not Applicable	0	0%	I Sheng Inc. I Te Inc.	The representative person is the same as the Company	
Cheng, Chun-Chung	2,965,000	3.08%	0	0%	0	0%	None.	None.	
I Sheng Inc. Representative: Lin, Yu-Yen	2,894,000	3.01%	Not Applicable	Not Applicable	0	0%	Ko Yao Inc. I Te Inc.	The representative person is the same as the Company	
I Te Inc. Representative: Lin, Yu-Yen	2,849,000	2.96%	Not Applicable	Not Applicable	0	0%	Ko Yao Inc. I Sheng Inc.	The representative person is the same as the Company	
Lin, Yan-Sheng	2,661,441	2.76%	549,000	0.27%	0	0%	Chun-Sheng Lin	Brother	
HSBC Bank in Custody for Morgan Stanley & Co. International PLC Account	2,528,010	2.63%	Not Applicable	Not Applicable	0	0%	None.	None.	
Hsu, Hsiu-Mei	2,434,000	2.53%	0	0%	0	0%	None.	None.	
Chun-Sheng Lin	1,995,743	2.07%	0	0%	0	0%	Lin, Yan-Sheng	Brother	
Cheng, Wei-Hung	1,995,000	2.07%	0	0%	0	0%	None.	None.	
Investor account of Wu Chuhua commissioned to manage by E.Sun Bank	1,670,425	1.74%	Not Applicable	Not Applicable	0	0%	None.	None.	

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

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

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

Note 4: This table discloses the top ten shareholders in terms of the shareholding ratio of ordinary shares.

10. 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, 2023 Unit: Share

Investment diversification	The Company's investments		Investments of Directors, Supervisors, Managers, and directly or indirectly controlled businesses		Combined investments	
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)
UOC USA, INC.	13,861,016(Note 2)	100	0	0	13,861,016	100
UOC Europe Holding SA	13,500(Note 3)	96	0	0	13,500	96
United Orthopedic Corporation (Suisse) SA	0	0	1,550(Note 3)	100	1,550	100
United Orthopedic Corporation (France)	0	0	8,782(Note 4)	100	8,782	100
United Orthopedic Corporation (Belgium)	0	0	900(Note 4)	100	900	100
United Orthopedic Japan InC.	125,022(Note 5)	96	0	0	125,022	96
A-Spine Asia Co., Ltd.	10,089,696(Note 6)	75	0	0	10,089,696	75
United Orthopedics Limited	0	0	540(Note 7)	100	540	100
UOC ORTHOPEDIC (AUSTRALIA) PTY LTD	800,001(Note 8)	100	0	0	800,001	100
Shinva United Orthopedic Corporation	147,000,00(Note 9)	44	0	0	147,000,000	44
U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	0	0	50(Note 10)	100	50	100

Note 1: The investments were made by the Company under the equity method.
Note 2: The face value of each share is USD 0.68
Note 3: The face value of each share is CHF 1,000.
Note 4: The face value of each share is EUR 1,000
Note 5: The face value of each share is JPY 2,045
Note 6: The face value of each share is TWD 10
Note 7: The face value of each share is GBP 1,000
Note 8: The face value of each share is AUD 1
Note 9: The face value of each share is CNY 1
Note 10: The face value of each share is TRY 1,000

IV. Funding Status

1. Capital and Shares

(1) Issued Shares

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Others
1993.02	10	11,000,000	110,000,000	2,750,000	27,500,000	Initial capital 25,000,000	Technology stock 2,500,000	None.
1994.08	10	11,225,000	112,250,000	11,225,000	112,250,000	Cash capital increase. 77,250,000	Technology stock 7,500,000	(83) Official Letter No. 12643
1997.03	10	11,225,000	112,250,000	5,612,500	56,125,000	Capital reduction to offset deficits (56,125,000)	None.	(86) Official Letter No. 05947
1997.03	15	11,612,500	116,125,000	11,612,500	116,125,000	Cash capital increase. 53,630,000	Using bonds as stocks 6,370,000	(86) Official Letter No. 05947
1998.02	10	18,612,500	186,125,000	18,612,500	186,125,000	Cash capital increase. 59,980,000	Using bonds as stocks 10,020,000	None.
1998.12	20	30,000,000	300,000,000	22,612,500	226,125,000	Cash capital increase. 40,000,000	None.	(87) Official Letter No. 029827
2004.09	13	30,000,000	300,000,000	25,462,500	254,625,000	Cash capital increase. 28,500,000	None.	Financial-Supervisory-Securities-I No.0930136711.
2006.08	11.50	40,000,000	400,000,000	33,962,500	339,625,000	Cash capital increase. 85,000,000	None.	Financial-Supervisory-Securities-I No.0950111098.
2007.10	45	60,000,000	600,000,000	38,562,500	385,625,000	Cash capital increase. 46,000,000	None.	Financial-Supervisory-Securities-I No.0960042265.
2008.12	9.60	60,000,000	600,000,000	42,362,500	423,625,000	Private placement capital raise 38,000,000	None.	None.
2009.06	20.60	60,000,000	600,000,000	46,362,500	463,625,000	Private placement capital raise 40,000,000	None.	None.
2012.04 2012.08	-	60,000,000	600,000,000	46,362,500	463,625,000	Supplemental public issuance of privately-placed ordinary shares. 38,000,000/ 40,000,000	None.	FSC Official Letter No. 1010012282/FSC Official Letter No. 1010037604.
2013.01	30	60,000,000	600,000,000	53,362,500	533,625,000	Cash capital increase. 70,000,000	None.	FSC Official Letter No. 1010057730.
2014.12	40.25	60,000,000	600,000,000	55,976,119	559,761,190	Unsecured convertible bonds. 26,136,190	None.	FSC Official Letter No. 10100577301.

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Others
2015.07	40.25	60,000,000	600,000,000	56,202,200	562,022,000	Unsecured convertible bonds. 2,260,810	None.	FSC Official Letter No. 10100577301.
2015.07	-	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.
2015.11	39.3	100,000,000	1,000,000,000	58,412,868	584,128,680	Unsecured convertible bonds. 16,386,680	None.	FSC Official Letter No. 10100577301.
2015.11	46	100,000,000	1,000,000,000	71,212,868	712,128,680	Cash capital increase. 128,000,000	None.	FSC Official Letter No. 1040035809.
2015.12	-	100,000,000	1,000,000,000	71,204,868	712,048,680	Cancellation of new restricted employee shares.(80,000)	None.	FSC Official Letter No. 1040025385.
2016.02	39.3	100,000,000	1,000,000,000	71,746,847	717,468,470	Unsecured convertible bonds. 5,419,790	None.	FSC Official Letter No. 10100577301.
2017.08	-	100,000,000	1,000,000,000	71,724,847	717,248,470	Cancellation of new restricted employee shares.(220,000)	None.	FSC Official Letter No. 1040025385.
2017.10	48	100,000,000	1,000,000,000	79,724,847	797,248,470	Cash capital increase. 80,000,000	None.	FSC Official Letter No. 1060025497.
2017.11	-	100,000,000	1,000,000,000	79,712,847	797,128,470	Cancellation of new restricted employee shares.(120,000)	None.	FSC Official Letter No. 1040025385.
2018.04	-	100,000,000	1,000,000,000	79,700,847	797,008,470	Cancellation of new restricted employee shares.(120,000)	None.	FSC Official Letter No. 1040025385.
2018.07	-	100,000,000	1,000,000,000	80,450,847	804,508,470	New restricted employee shares. 7,500,000	None.	FSC Official Letter No. 1070323957.
2019.05	-	100,000,000	1,000,000,000	80,432,847	804,328,470	Cancellation of new restricted employee shares.(180,000)	None.	FSC Official Letter No. 1070323957.
2019.08	-	150,000,000	1,500,000,000	80,426,847	804,268,470	Cancellation of new restricted employee shares.(60,000)	None.	FSC Official Letter No. 1070323957.
2019.11	52	150,000,000	1,500,000,000	90,426,847	904,268,470	Cash capital increase. Class A preference shares 100,000,000	None.	FSC Official Letter No. 1080325924.
2019.11	-	150,000,000	1,500,000,000	90,420,847	904,208,470	Cancellation of new restricted employee shares.(60,000)	None.	FSC Official Letter No. 1070323957.
2020.07	-	150,000,000	1,500,000,000	88,407,847	884,078,470	Cancellation of Treasury Stock (20,130,000)	None.	None.
2020.11	-	150,000,000	1,500,000,000	88,389,847	883,898,470	Cancellation of new restricted employee shares.(180,000)	None.	FSC Official Letter No. 1070323957.
2021.04	-	150,000,000	1,500,000,000	88,118,144	881,181,440	Cancellation of new restricted employee shares.(2,717,030)	None.	FSC Official Letter No. 1070323957.
2021.08	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Cancellation of new restricted employee shares.(65,440)	None.	FSC Official Letter No. 1070323957.

Month and Year	Issued Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Issued Shares	Capital Increased by Assets Other than Cash	Others
2023.01	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (200,000)	None.	FSC Official Letter No. 1080325924.
2023.04	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (21,515,160)	None.	FSC Official Letter No. 1080325924.
2023.07	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (57,184,030)	None.	FSC Official Letter No. 1080325924.
2023.10	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (14,796,740)	None.	FSC Official Letter No. 1080325924.
2024.01	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (2,567,330)	None.	FSC Official Letter No. 1080325924.
2024.04	-	150,000,000	1,500,000,000	88,111,600	881,116,000	Conversion of Class A preference shares into ordinary shares (1,440,350)	None.	FSC Official Letter No. 1080325924.
2024.04	-	150,000,000	1,500,000,000	96,486,740	964,867,400	Unsecured convertible bonds. 83,751,400	None.	FSC Official Letter No. 1120340147.

Type of Share	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stocks	96,257,201	53,513,260	150,000,000	TPEx listed stocks
Preference Shares	229,539			

Note: From April 1 to April 19, 2024, 100 preference shares have been converted into common shares, but the registration of changes has not been processed as of the declaration date.

Overall information with regards to reporting system: Not applicable.

(2) Shareholder Structure

1. Common Stocks

Shareholder Structure	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreign persons	Natural persons	Total
Number of People	0	3	230	100	30,149	30,482
Number of shares held	0	434,000	15,400,344	14,457,311	65,965,546	96,257,201
Percentage %	0.00%	0.45%	16.00%	15.02%	68.53%	100.00%

2. Preference shares

Shareholder Structure	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreign persons	Natural persons	Total
Number of People	0	0	2	0	424	426
Number of shares held	0	0	540	0	228,999	229,539
Percentage %	0.00%	0.00%	0.24%	0.00%	99.76%	100.00%

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

1. Common Stocks

Base date: April 20, 2024

Shareholder Ownership (Unit: share)	Number of Shareholders	Number of shares held	Shareholding percentage (%)
1-999	23,860	574,769	0.59%
1,000-5,000	5,130	9,501,616	9.87%
5,001-10,000	624	4,801,863	4.98%
10,001-15,000	239	3,040,852	3.15%
15,001-20,000	143	2,592,476	2.69%
20,001-30,000	139	3,540,289	3.67%
30,001-40,000	79	2,802,438	2.91%
40,001-50,000	48	2,167,330	2.25%
50,001-100,000	100	7,030,542	7.30%
100,001-200,000	52	7,529,688	7.82%
200,001-400,000	32	9,205,244	9.56%
400,001-600,000	11	5,731,706	5.95%
600,001-800,000	9	6,511,018	6.76%
800,001-1,000,000	5	4,592,290	4.77%
Level 1,000,001 and above.	11	26,635,080	27.67%
Total	30,482	96,257,201	100.00%

2. Preference Shares

Base date: April 20, 2024

Shareholder Ownership (Unit: share)	Number of Shareholders	Number of shares held	Shareholding percentage (%)
1-999	315	54,626	23.79%
1,000-5,000	108	135,766	59.14%
5,001-10,000	1	8,659	3.77%
10,001-15,000	1	14,488	6.97%
15,001-20,000	1	245,000	4.58%
20,001-30,000	0	0	0.00%
30,001-40,000	0	0	0.00%
40,001-50,000	0	0	0.00%
50,001-100,000	0	0	0.00%
100,001-200,000	0	0	0.00%
200,001-400,000	0	0	0.00%
400,001-600,000	0	0	0.00%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
Level 1,000,001 and above.	0	0	0.00%
Total	426	229,539	100.00%

(4) List of Major Shareholders:

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

1. Common Stocks

Name of major shareholders	Number of shares held	Shareholding percentage (%)
Ko Yao Inc.	3,429,000	3.56%
Cheng, Chun-Chung	2,965,000	3.08%
I Sheng Inc.	2,894,000	3.01%
I Te Inc.	2,849,000	2.96%
Lin, Yan-Sheng	2,661,441	2.76%
HSBC Bank in Custody for Morgan Stanley & Co. International PLC Account	2,528,010	2.63%
Hsu, Hsiu-Mei	2,434,000	2.53%
Chun-Sheng Lin	1,995,743	2.07%
Cheng, Wei-Hung	1.995,000	2.07%
Investor account of Wu Chuhua commissioned to manage by E. Sun Bank	1,670,425	1.74%

2. Class A Preference Shares

Name of major shareholders	Number of shares held	Shareholding percentage (%)
Huang, Chun-Yuan	16,000	6.97%
Wang, Shu-Mei	14,488	6.31%
Huang, Su-Chieh	8,659	3.77%
Chou, Ming-Kuo	5,000	2.18%
Tsai, Chun-Fang	4,585	2.00%
Yang, Shu-Min	3,679	1.60%
Weng, Sheng-Ying	3,147	1.37%
Chen, Cheng-Che	3,000	1.31%
Chang, Kuei-Hua	2,797	1.22%
Wang, Tai-Yuan	2,401	1.05%

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

Item		Year	2022	2023	As of March 31st of the current year (Note 8)
Price per Share (Note 1)	Highest Market Price		54.90	93.00	110.00
	Lowest Market Price		27.50	44.50	82.80
	Average Market Price		41.35	70.35	98.91
Net value per Share (Note 2)	Before Distribution		33.98	37.80	39.99
	After Distribution		31.51	Resolution Pending for shareholder's meeting	--
Earnings per Share	Weighted Average Shares		78,112,012	84,319,705	95,487,091
	Earnings per Share(Note 3)		2.84	4.50	0.98
Dividends per Share	Cash Dividend		0	Resolution Pending for shareholder's meeting	--
	Stock Dividends	Dividends from Retained Earnings	0	Resolution Pending for shareholder's meeting	--
		Distribution from Capital Surplus	0	Resolution Pending for shareholder's meeting	--
	Accumulated Unpaid Dividends (Note 4)		0	0	--
Return on Investment	Price-to-Earnings Ratios (Note 5)		11.14	14.74	--
	Price-to-Divends Ratio (Note 6)		13.91	Resolution Pending for shareholder's meeting	--
	Cash Dividend Ratio (Note 7)		7.19%	Resolution Pending for shareholder's meeting	--

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

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

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

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

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

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

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

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

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

(6) Dividend Policy and Implementation Status

1. Dividend Policy and Implementation Status:

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

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

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

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

2. The proposed dividend distribution for this shareholders' meeting is as follows:

It is suggested that the first $552,479 of the Company's surplus distribution for 2023 be set aside for Class A preferred share dividends, valued at $2.34 per share. A cash dividend of NT$3.99250144 per share will be given to the remaining amount, and NT$0.01157052 per share will come from the capital reserve. On March 13, 2024, the Board of Directors approved this plan. Before it may be implemented in compliance with applicable legislation, the shareholders' meeting on June 18, 2024, must approve it.

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

(7) Impact on the Company's Operating Performance and Earnings per Share of the Distribution of Stock Dividends Proposed at the Shareholders' Meeting: None

(8) Compensation to employees, Directors and Supervisors

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

   Article 20 of the Company's Articles of Incorporation:

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

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

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

   The basis for the Company's estimation of employee, director and supervisor compensation:

   It is estimated based on the Company's profit status in 2023 (the so-called profit refers to the profit before tax deducting the distribution of employee compensation and director/supervisor compensation) in accordance with Article 20 of the Company's Articles of Incorporation.

   The basis for calculating the number of shares for employee compensation distributed in the form of stock, and the accounting treatment if the actual amount distributed differs from the estimated amount:

   It will be recognized as profit or loss for the year 2024.

   Discrepancy between the Distributed Compensation of Employees, Directors and Supervisors and the Recognized Compensation for 2023, Reasons Thereof, and Treatment.

Unit: NTD

	Recognized compensation	actual distributed amount	Variances	Reasons for variance and its handling method
Employees' salary	66,926,922	66,891,875	35,047	Adjustments performed by the accountants are the reason for the estimated differences. The initially recorded accounting items will be reversed in 2024 in accordance with generally accepted accounting standards.
Remuneration of Directors and Supervisors'	16,731,731	16,722,969	8,762	
Total	83,658,653	83,614,844	43,809	

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

3. Distribution of compensation approved by the Board of Directors:

(1) Distribution of employee remuneration and remunerations to directors and supervisors through cash or stock: Regarding the Company's surplus for the year 2023, the Board of Directors resolved to distribute NT$66,892 thousand in cash bonuses to employees, and NT$16,723 thousand in compensation to directors and supervisors.

(2) The amount of employee compensation distributed in shares and its ratio to the current period's after-tax net income and total employee compensation in the individual or separate financial statements: The Company did not distribute any employee stock bonuses for the year 2023.

4. Actual distribution of compensation of employees, Directors, and Supervisors for the previous 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 (2022).

Unit: NTD

Distribution	Distribution resolved by the shareholders' meeting and the Board of Directors	Actual distribution	Difference
Employees' salary	42,224,235	42,224,235	No gaps
Remuneration of Directors and Supervisors'	10,556,059	10,556,059	
Total	52,780,294	52,780,294	

(9) Share Repurchases: Not applicable.

2. Issuance of Corporate Bonds (Including Overseas Corporate Bonds)

(1) Issuance of Corporate Bonds

Our company filed for the issuance of the 4th domestic unsecured convertible corporate bonds, and received notification from the Financial Supervisory Commission on May 29, 2023:
The FSC Official Letter No. 1120340147 was received, that the application became effective on May 9, 2023, with a total issuance amount of NT$500 million. We also received notification from the Taipei Exchange (TPEx) on May 25, 2023:

The Document No. 11200049612 was received, that the bonds will commence over-the-counter trading at securities firms on May 30, 2023.

<table>
<tr><td colspan="2">Corporate Bond Type:</td><td>4th Domestic Unsecured Convertible Corporate Bonds</td></tr>
<tr><td colspan="2">Issuance Date</td><td>May 30, 2023</td></tr>
<tr><td colspan="2">Face Value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuance and Trading Location:</td><td>Republic of China</td></tr>
<tr><td colspan="2">Issued Price</td><td>Issued at 106.57% of the face value</td></tr>
<tr><td colspan="2">Total</td><td>NT$500,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon rate 0%</td></tr>
<tr><td colspan="2">Term</td><td>Three-year term maturity date:
May 30, 2026</td></tr>
<tr><td colspan="2">Guarantor</td><td>None.</td></tr>
<tr><td colspan="2">Trustee</td><td>KGI Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified Attorney</td><td>Chiu, Ya-Wen</td></tr>
<tr><td colspan="2">CPAs</td><td>Ernst & Young
CPA Ma, Chun-Ting, CPA Hsu, Jung-Huang</td></tr>
<tr><td colspan="2">Repayment method</td><td>Issurance Date:
Three-year
Bondholders, in addition to converting the convertible bonds into common shares of the Company in accordance with Article 10 of the Issuance and Conversion Regulations for this issuance of convertible bonds, or if the Company redeems the bonds early pursuant to Article 18 of the Regulations, or if the bondholders exercise the put option pursuant to Article 19 of the Regulations, or if the Company repurchases and cancels the bonds through securities firms, the Company shall redeem the convertible bonds upon maturity in cash at face value.</td></tr>
<tr><td colspan="2">Outstanding principal amount as of the date of publication of the annual report:</td><td>NT$0 thousand</td></tr>
<tr><td colspan="2">Terms of redemption or early repayment:</td><td>Refer to the Issuance and Conversion Regulations for the Fourth Domestic Unsecured Convertible Corporate Bonds.</td></tr>
<tr><td colspan="2">Restrictive Clauses</td><td>None.</td></tr>
<tr><td colspan="2">Credit rating agency name, rating date, corporate bond rating result:</td><td>None.</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>The amount of ordinary shares, overseas depository receipts or other securities converted (exchanged or share subscription) as of the date of printing of the annual report.</td><td>NT$83,751,400</td></tr>
<tr><td>Issuance and Conversion (Exchange or</td><td>Refer to the Issuance and Conversion Regulations for the Fourth Domestic Unsecured Convertible Corporate Bonds.</td></tr>
</table>

	Subscription) Regulations	
Issuance, conversion, exchange or subscription methods, issuance conditions, possible dilution of equity, and impact on existing shareholders' equity		The total issuance amount of this convertible corporate bond is NT$500,000,000, which has been fully converted on 2024/02/19, so there should be no negative impact on shareholders' equity.
Name of the custodian institution for the exchange target.		Not Applicable

(2) Convert corporate bond data

Corporate Bond Type (Note 1)		4th Domestic Unsecured Convertible Corporate Bonds	
Item / Year		2023	As of Fabruary 19, 2024
Convert corporate bond market price (Note 2)	Highest Market Price	155.00	176.00
	Lowest Market Price	107.80	138.40
	Average Market Price	122.04	147.38
Conversion price		59.70	59.70
Issue (Processing) date and conversion price upon issue		May 30, 2023 NT$61.70	May 30, 2023 NT$61.70
Method of fulfilling conversion obligation (Note 3)		Issuance of new shares	Issuance of new shares

Note 1: The number of rows is adjusted in accordance with the actual entries.
Note 2: For overseas corporate bonds with multiple trading locations, list them separately by trading location.
Note 3: Delivery of issued shares or issuance of new shares.
Note 4: The company announced the exercise of bond redemption rights and the termination of over-the-counter trading on February 19, 2024.

3. Issuance of Preference Shares

Item / Date of Issuance (Note 2)		Class A preference shares as of November 29, 2019
Denomination		NT$10
Issued Price		NT$52
Shares		1,000,000 shares
Total		NT$520,000,000
Rights and Obligations	Distribution of dividends and bonuses	1. The annual percentage rate of preference shares is 4.5% (record date: September 17, 2019, 5-year interest rate swap (IRS) rate, 0.7162% + fixed rate, 3.7838%) and calculated at the issue price per share. The five-year IRS rate will be reset on the next business day five years after the issue date and every five years thereafter. The record date of the reset is two business days of financial institutions in Taipei prior to the reset date. The five-year IRS rate is the arithmetic mean of the offer prices of Reuter's PYTWDFIX and COSMOS3 at 11 a.m. on the record date of the reset (business day of financial institutions in Taipei). If the aforesaid offer prices are unavailable on the record date of the reset, the five-year IRS rate shall be determined by the Company based on the principle of good faith and reasonable market conditions. 2. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws

<table>
<tr><td></td><td colspan="2"></td><td>and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated undistributed earnings, the remaining earnings, if any, are allocated as preference share dividends for the year. The Company has discretion over the distribution of preference share dividends. If the Company does not generate any or sufficient profits during the year for the distribution of preference share dividends, it may resolve not to pay out the dividends and preference shareholders have no rights to object. The preference shares issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated. The preference share dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preference share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.</td></tr>
<tr><td></td><td colspan="2">Distribution of remaining assets</td><td>Preference shareholders have a higher claim to the Company's residual properties than common stockholders. Different types of preference shares issued by the Company grant holders the same rights to claims, and preference shareholders stay subordinate to general creditors. The amount preference shareholders are entitled to is capped at the product of number of outstanding preference shares at the time of distribution and issuance price.</td></tr>
<tr><td></td><td colspan="2">Execution of voting rights</td><td>Preference shareholders have neither voting nor election rights. However, they may be elected as Directors or Supervisors. They have voting rights in preference shareholders' meetings or with respect to agendas associated with the rights and obligations of preference shareholders in shareholders' meetings.</td></tr>
<tr><td></td><td colspan="2">Others</td><td>1. The preference shares shall not be converted within one year from the date of issue (October 18, 2019). From the day following the expiration of one year (October 19, 2020), the holders may apply for the conversion of part or all of their preference shares to common stocks (conversion ratio: 1:1) in the conversion period. The smallest unit of conversion is one share.
2. After conversion of the preference shares into common stocks, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preference shares shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the common stocks 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.
3. For cash offering of new shares, the preference shareholders have the same preemptive rights as the common stockholders.</td></tr>
<tr><td rowspan="3">Outstanding Preference Shares</td><td colspan="2">Amount of preference shares redeemed or converted</td><td>9,770,461 shares converted</td></tr>
<tr><td colspan="2">Nominal amount of shares not redeemed or converted as of April 19</td><td>NT$2,295,390</td></tr>
<tr><td colspan="2">Redemption or conversion terms</td><td>The Company may, at any time from the next day of the five-year expiration of the issue (October 19, 2024), redeem all or part of the preference shares based on the original issue price by making an announcement and sending a 30-day "Notice on the Redemption of Preference Shares" to the preferred shareholders. Preference shares not yet redeemed shall continue to be subject to the rights and obligations of issuance terms prescribed above. In the year of redeeming preferred the stocks, if the Company's shareholders' meeting makes the resolution to distribute dividends, the distributable dividends up to the date of redemption shall be calculated according to the actual issuance days of the current year.</td></tr>
<tr><td>Market Price</td><td>2021</td><td>Highest Market Price</td><td>50.00</td></tr>
</table>

per Share		Lowest Market Price	45.60
		Average Market Price	47.74
	2022	Highest Market Price	54.00
		Lowest Market Price	42.10
		Average Market Price	47.44
	2023	Highest Market Price	81.00
		Lowest Market Price	48.25
		Average Market Price	60.62
	As of March 31, 2024 (Note 4 and Note 6)	Highest Market Price	Not Applicable
		Lowest Market Price	
		Average Market Price	
Other rights attached	Nominal amount of shares converted or subscribed as of April 19		NT$97,704,610
	Issuance and conversion or subscription regulations		See the Regulations Governing the Issuance and Conversion of Preference Shares A in 2019.
Impact of conditions of issuance on the rights and interests of preferred shareholders and possible dilution of shareholders' equity and impact on existing shareholders' equity			Conditions of issuance have no impact on the rights and interests of preferred shareholders. In regard to any impact on existing shareholders' equity, although the issuance of preference share dividends before conversion reduces the distributable earnings to common shareholders (assuming that the original shareholders has not participated in the subscription for preference shares), preference share dividends to be distributed will decrease when preference shares are converted into common stocks. Although the holders may convert preference shares into common stocks, each holder's conversion request timing is different. Therefore, it should delay the dilution of earnings per share. The Company's increase in capital by issuing preference shares can immediately reduce the debt ratio and enhance the Company's competitiveness, further reducing operational risks.

Note 1: The issuance of preference shares includes the public offering and private placement of preference shares in progress. The public offering of preference shares in the progress refers to those going into effect upon the approval at the shareholders' meeting; the private offering of preference shares in the progress refers to those passed by the Board of Directors.
Note 2: The number of rows is adjusted in accordance with the actual entries.
Note 3: Private placement shall be highlighted.
Note 4: Information on the most current year up to the publication date of the Annual Report shall be filled.
Note 5: For preference shares issued with an embedded call option, please fill in the table below.
Note 6: This company's Class A preferred stock will be delisted from over-the-counter trading effective August 8, 2023, as the outstanding shares have fallen below 5 million shares on June 16, 2023, in accordance with Article 12-2, Paragraph 1, Subparagraph 13 of the Business Rules.

4. **Issuance of Overseas Depositary Receipts:** No such situation for the Company.

5. **Issuance of Employees' Stock Option Certificate and new Restricted Employee Shares:** No such situation for the Company.

6. **Issuance of New Shares in Connection with Mergers and Acquisitions or with Acquisitions of Shares of Other Companies:** No such situation for the Company.

7. **Implementation of Capital Application Plans:** No such situation for the Company.

V. Operational Highlights

1. Business Activities

(1) Business Scope:

1. Main Areas of Business Operations

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

(1.1) Orthopedic implants: Including artificial joints, artificial bone plates, bone nails, bone needles, etc.

(1.2) Orthopedic surgical equipment and its manufacturing equipment.

(1.3) Special metal and plastic materials.

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

2. Ratio

Unit: NT$ Thousands

Product category	Total Sales in 2023	Ratio
Artificial joints	3,508,246	89.3%
Spinal products	266,657	6.8%
Other Products	112,682	2.9%
OEM products	42,302	1.0%
Total	3,929,887	100.0%

3. Main Products of the Company

(1) Artificial hip joints: Artificial hip joints, hemiarthroplasty, large bone fracture joints, Moore's artificial femoral heads, and custom-made tumor artificial hip joints for individual patients.

(2) Artificial knee joints: Total artificial knee replacement, total artificial knee re-replacement, constrained artificial knee joints, patient-specific tumor artificial knee joints.

(3) Spinal products: Vertebral fixation devices.

(4) Trauma-treatment 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.

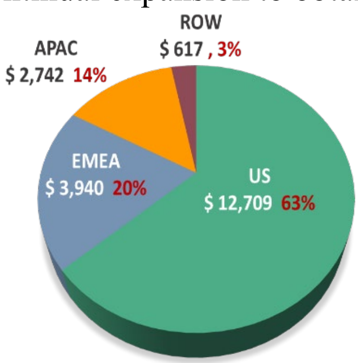
4. Planned New Products (Services) Development

1	"UNITED" U2 Total Knee System - Non-stemmed cemented patellar implant and instruments. (U2 PF+ patella)	2	Radifocus Modular Femoral Stem System (Resolve modular revision stem)
3	Uwin Artificial Shoulder Joint System (SYSTEM ONE shoulder system)	4	Cerapedic Knee Implant System (Cellbrick knee spacer)
5	United Motion Hip Arthroplasty System (Momentum cup)	6	"UNITED" U2 Total Knee System (PSA/hinge instrument integration)
7	StremOlive Femoral Stem Extensions and Instruments (Conformity stem extension line)	8	"UNITED" U2 Total Knee System (U2 knee PS box preparation improvement)
9	Anterior Approach Hip Arthroplasty Instruments (United DA power hook)	10	"UNITED" U2 Total Knee System (U2 PSA stem extension line)
11	GMRS Tumor Prosthesis Extensions and Instruments (USTAR II extension line)	12	Revision Knee Arthroplasty Compatible Inserts (Cones & Sleeves for revision TKA)
13	Interior Stable Knee Joint System (UMS knee)		

(2) Industry Overview:

1. Current status and development of the industry:

The global artificial joint industry had a revenue of $20.01 billion in 2022, according to The Orthopedic Industrial Annual Report published by ORTHOWORLD in 2023. The United States accounted for 63% ($12.7 billion), followed by Europe, the Middle East, and Africa (20%), Asia Pacific (including Australia and China) (14% ($2.74 billion), and the rest of the world (3%, or $1.62 billion). Overall, it grew by 3% compared to 2021. The revenue generated by artificial joints for the same comparable firm increased by 25.5% in 2022 and by 24.7% in 2023. The company has acquired market share from other manufacturers, showing an improvement in overall competitiveness, as this performance greatly outpaces the expansion of the industry. To maintain high growth, the company should pursue growth that exceeds the industry's natural growth rate and continual expansion to obtain market share.



The Orthopedic Industrial Annual Report

Published by Orthoworld in June, 2023

2. Relationships among the Industrial Upstream, Midstream, and Downstream.

The business still depends on raw material providers to meet its raw material needs even though it is well-versed in the essential technologies and capabilities of the upstream, midstream, and downstream industries. Interactions with overseas raw material suppliers, as well as numerous operational preparations, are critical for the business. Fortunately, it guarantees consistent supply and service by fostering long-term collaboration and positive connections with suppliers. The percentage of raw materials in the cost structure is not large, and the impact is negligible even when annual adjustments to international raw material prices occur at varying rates.

3. Product Development Trends

The company is working with an Italian precision navigation system company to build a robotic surgery system for knee joint navigation. It has the chance to enter the European market and get EU certification this year. This enables the company to enter the robotic surgery market even though the first quantity is restricted. Furthermore, we are partnering with National Taiwan University’s Department of Biomedical Engineering to use AI and precision medicine, with the goal of creating and establishing orthopedic precision medicine technologies in Taiwan. Additionally, the business is still concentrating on and making investments in the development of more precise procedures, faster recovery times, customized joint customization, and other initiatives.

4. Competition

The joint product is positioned to compete with premium producers in terms of both price and quality. Despite its current small market share, the company believes there are chances for growth everywhere in the world. The company’s strategy and direction have also been verified by the developments over the last two to three years.

(3) Research and Development

1. Research and Development Expenses and Its Percentage to Revenue n the Past Two Years and the Current Year as of March 31, 2024, the publication date of the Annual Report:

Unit: NT$ Thousands

Year	Research and development expenses	to Revenue (%)
2022	167,257	5.3%
2023	185,029	4.7%
As of March 31, 2024	48,805	4.6%

2. Overview of Technology or Product Achievement

1	Artificial Joint Machining Technology of Co-Cr-Mo Alloy	2	Porous Surface Bead Sintering Technology of Co-Cr-Mo Alloy
3	Mirror Machining Technology of Co-Cr-Mo Alloy	4	Artificial Joint Machining Technology of Titanium Alloy
5	Surface Treatment and Hardening Technology of Stainless Steel Alloy Surgical Tool	6	Knife - cutting of diamond - shaped surface processing technology
7	Robotic Arm Grinding Technology for Surface Processing of Femoral Stem Implants	8	Precision Forging Technology of Co - Cr - molybdenum Alloy Artificial Joint Products
9	Precision Forging Technology of Titanium Alloy Artificial Joint Products	10	16 The Precision Casting Technology of CoCrMo Alloy for Orthopedic Joint Replacements
11	Sintered Technology of Porous Titanium Beads on Titanium Alloy	12	Vacuum Plasma Spraying Technology of Titanium Powder on Titanium Alloy Surface
13	The Plasma Spray Coating Technology of Titanium and Hydroxyapatite on Titanium Alloy Surface	14	Vacuum Plasma Spraying Technology of Titanium Powder on The Surface of Alloy of Cobalt, Chromium and Molybdenum
15	The Titanium Alloy Surface High-Thickness HA Plasma Spray Coating Technology	16	Titanium Powder Plasma Sprayed Coating Composite Ha Plasma Sprayed Coating Technology on the Surface of Cobalt-Chromium-Molybdenum Alloy
17	Asymmetric Porous Surface Sintering Technology of Co-Cr-Mo Alloy	18	Asymmetric Porous Surface Sintering Technology of Titanium Alloy
19	Machine Arm-Assisted Casting Grinding Technology	20	Machine Arm-Assisted Shell Mold Coating System Technology

(4) Long-Term and Short-Term Development

1. Short-Term Development

(1) Marketing strategy

A. Since United has been in the Taiwanese market for thirty years, the majority of orthopedic doctors in Taiwan are aware of the company. A small number of surgeons have used United’s products, either directly or through their peers. United’s market share in Taiwan has been growing annually, and its domestic performance has also increased significantly. This can be attributed to a number of factors, including local services, more comprehensive product portfolios, clinical effectiveness and patient satisfaction following surgery that are on par with major foreign brands. Due to an aging population, United’s business revenue in Taiwan increased by 26% in 2023 compared to 2022 and by 9% in 2022 compared to the industry’s natural growth rate of 4-5%. The primary reason was that more orthopedic physicians in Taiwan were familiar with United's brand, even though the end of COVID had an impact. Using its home field advantage, it is anticipated that United will continue to go up from the second-largest market share toward the top spot in Taiwan.

B. In the Chinese market, the artificial knee joint system produced by the reinvested company Shinva United Orthopedic Corporation has successfully obtained Chinese regulatory certification in 2022 and is also being sold in the Chinese market. United was not pleased with the results of the Chinese government's initial two-year national procurement implementation phase. Fortunately, despite not being included in the previous round of domestic procurement, the domestically produced United Orthopedic Artificial Knee Joint System has demonstrated notable advancements in development and is still being used in many private hospitals in China that are not a part of the national procurement program. The United Orthopedic Artificial Joint System and United's products appear to have a chance of being included in the current second round of demestic procurement, and evaluations indicate that costs might go up as well. In general, national politics and business are closely intertwined in China. Maintaining a strong foundation for growth and establishing its own competitiveness remain the long-term operational goals. After years of planning, United Orthopedic Corporation has successfully operated two types of brands (imported and domestic brands), and it is believed that these brands can be used flexibly to achieve the greatest synergy. In the Chinese market, United has both domestically and internationally manufactured brands after years of strategic positioning; these are seen to be flexible enough to be used for the best overall impact. In 2022, it accounted for 7% of the company's total revenue, while in 2023, it dropped to 3%.

C. The European market revenue grew by 47.5% in 2021, followed by a 55% growth in 2022, and a further 38% growth in 2023, contributing nearly 30% of the company's overall revenue in 2023. The primary catalyst was the French market's continuous robust expansion, though the UK, Belgian, and Swiss subsidiaries all contributed positively. Furthermore, the management and development of distributors in other European and Middle Eastern countries, including Italy and Ukraine, was carried out by the Swiss subsidiary, indicating that the European region will continue to play a significant role in the company's overall revenue.

D. The US subsidiary's performance in 2023 grew by 49% compared to 2022. The main growth came from new products, several of which were developed in collaboration with renowned US medical professors. In 2023, the launch of the primary non-bone cement fixed Artificial knee joints, influenced and used by these consultant physicians, will gradually gain momentum. Furthermore, new products developed in the US will be launched in the market after obtaining FDA approval in 2024, indicating that the company still has significant growth potential in this largest global market.

E. International export market, the export market refers to sales not through direct subsidiaries, but through agents in different countries to promote in their respective markets. So far, the Company has sold to nearly 30 countries. Mainly some countries in Southeast Asia and South America. In 2022, it accounted for 16% of the Company's revenue, and 13% in 2023. Agents are known for wanting to have an excess each year and for not being willing to make long-term investments in brand and market development. Also, due to frequent exchange rate fluctuations in South America, agents have increased foreign exchange costs, often delaying payments to the Company. To avoid risks, the company strictly controls the accounts receivable from agents. Therefore, for the international export agent part, the Company will still take a cautious attitude to expand the market and seek agents with stronger capabilities and closer alignment with the Company's pace.

F. Japanese market, the Company has been cultivating in Japan for 6 years, but it was not until the last three years that its operations began to pick up. Although the current base is still low, the high annual growth will help the Company gain a foothold in this major Asian market. In 2022, it grew by 53% compared to the previous year, and in 2023 it grew by another 44%. The Company's team in Japan is gradually maturing, and since the market price is the highest in Asia, the Japanese market is also expected to be an important source of revenue growth in the future.

(2) Production policy and direction of product development

A. In recent years, the Company has been continuously improving and optimizing its processes at its two plants in Kaohsiung and Hsinchu to reduce costs and steadily expand various production lines to meet market demand. Currently, it can still meet short-term growth. However, the Company is also seeking and evaluating potential OEM partners to provide a stable supply for future market growth.

(3) Operation scale and financial cooperation

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

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

2. Long-term development:

(1) Marketing strategy

Regarding the Company's global deployment strategy, the top priority is to diversify operational risks and target advanced markets with high prices. The direct subsidiaries established in high-end market countries are gradually growing and will contribute to the Company's future development on an ongoing basis. It will seek stable growth based on the current foundation.

As for countries or regions with large populations but lower market prices, such as India, Indonesia, Russia, the Middle East, or Latin America, growth requires deep cultivation, establishing companies or local production cooperation is a necessary strategy. At present, the focus should be on high-income countries, and all possibilities should be carefully evaluated before making a decision.

(2) Production policy and direction of product development

A company's sustainable development depends on innovation and research and development. In order to jointly develop new products, the corporation needs to be close to important markets and work with opinion leaders and medical institutes in developed nations. The ongoing initiatives will also gradually schedule their market debut and submit certification applications. These experts include physicians from the United States, Europe, Japan, and Taiwan. Cooperating with the world's top orthopedic artificial joint experts in research on the latest cutting-edge developments is the only way for the Company to compete with and gain market share from the world's leading companies. Launching products at the forefront of technology and close to advanced markets is key to leading the Company's sustainable development.

(3) Operation Scale and Financial Cooperation

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

2. Market and Sales Overview

(1) Market Analysis

1. Sales (Service) Region

Unit: NT$ Thousands

Year / Area	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Taiwan	917,106	35.7%	982,441	31.0%	1,218,501	31.0%
Asia	433,144	16.8%	506,889	16.0%	512,032	13.0%
America	522,650	20.3%	657,987	20.8%	842,015	21.5%
Europe	623,870	24.3%	907,120	28.6%	1,254,225	31.9%
Africa	46,214	1.8%	95,460	3.0%	79,530	2.0%
Australia	27,882	1.1%	18,783	0.6%	23,584	0.6%
Total	2,570,866	100.0%	3,168,680	100.0%	3,929,887	100.0%

2. Market shares

According to the latest "The 2022 Orthopaedic Industry Annual Report" published by the ORTHOWORLD in 2023, the total output of artificial joint market is up to US$ 19.4 billion. The market share of the Company was approximately 0.5%.

3. Future market supply and demand and growth

A. Market demand

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

B. Market supply

Currently, the global market is still dominated by a few major companies. The four major companies represented by the United States account for nearly 70.9% of the total industry output value, the top ten account for 82%, and United is estimated to have only 0.5%, leaving significant room for growth.

C. Market growth

The artificial joint industry grew at an average rate of 2.2% from 2018 to 2022, which was certainly affected by COVID. However, United achieved a compound annual growth rate of 12% over the same 5-year period.

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

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

A. Competitive niches

United has been in operation for the past thirty years. It has grasped all aspects of innovation, R&D, manufacturing, legislation, and product performance. Additionally, market deployment has accelerated. More than 500,000 clinical implantations have been performed in the human body, and its clinical outcomes are comparable to those of more developed foreign rivals. Additionally, it has progressively becoming recognized as a superior product in the marketplace.

B. Favorable factors

Currently, the global market share of the alliance is only 0.5%, but its products and services can keep pace with world-class products. In recent years, there has been a significant growth in the high-end markets of the United States, Europe, and Japan, which proves that the products of the alliance are not inferior to those of major manufacturers in the market and are highly accepted. This is the biggest advantage of the alliance, representing an unlimited market space that can be pursued. Next, gradually building trust with and gaining acceptance from physicians will be the key to the future success of the alliance.

C. Unfavorable factors

In terms of overall market positioning, channels, services, brand recognition, and reputation, the top four businesses continue to command the highest rankings internationally. Even with their enormous resources controlling the market, smaller coalitions still struggle to be recognized by the many orthopedic doctors who have never heard of an alliance.

D. Countermeasures for unfavorable factors

Under the apparently disadvantaged situation of corporate brand awareness competition, we can only take it one step at a time, and do everything properly. Whether it is innovation, quality, sales or service, we need to learn from major companies, and strive to do better. We need to continue to strengthen our investment in sales channels. In terms of expanding sales markets, it is a war of talents and resources. With the company's scale, we need to invest steadily in various direct-operated branches, strengthen market marketing, provide more academic support, and introduce outstanding talents. Given time and with a strong and excellent product portfolio, coupled with quality market services, we will gain a certain position in the orthopedic artificial joint industry.

(2) Major Products, Their Main Uses and Processes

1. Main Uses of Major Products:

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

2. Production Process:

A. Artificial joints

Cobalt-Chromium-Molybdenum Alloy/ Titanium Alloy → Casting/Forging → Machining

→ Polishing → Sand blasting → High sintering/Titanium powder plasma spraying/HA plasma spraying

→ Grinding/ Polishing → Rinsing → Packaging →

Final rinsing → Examining → Packaging → Sterilizing

Plastic material PE/XPE/E-XPE → Machining/Marking → Deflashing

→ Final rinsing → Examining → Packaging → Sterilizing

B. Spinal products

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

C. Injury products

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

(3) Supply Status of Main Materials

Domestic Purchasing:

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

Foreign procurement parts:

1. Stainless steel bar: Mainly imported from France and Germany
2. Titanium alloy bar: Mainly imported from the United States, Europe and Russia.
3. CoCrMo bar: The main import region for cobalt chrome molybdenum bar is from the United States.
4. Plastic bar: The plastic bar is imported mainly from the United States and Europe.
5. Ti bead: Titanium beads The main import area is the United States.
6. Ti /HA powder: The main import area is Europe.
7. F75 Ingot: The main import area for the Ingot is the United States.

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

(4) 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$thousands

Year	2022				2023				As of March 31, 2024(Note 2)			
Item	Name	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
1	UMC	131,262	18.01	Associates	UMC	167,197	17.73	Associates	UMC	49,417	21.58	Associates
2	CeramTec AG	116,663	16.00	None.	CeramTec AG	167,050	17.71	None.	Hamagawa Industrial	19,944	8.71	None.
3	CM	47,355	6.50	None.	CM	60,024	6.36	None.	CeramTec AG	19,669	8.59	None.
	Others	433,605	59.49		Others	549,050	58.20		Others	139,981	61.12	
	Net Total Supplies	728,885	100.00		Net Total Supplies	943,321	100.00		Net Total Supplies	229,011	100.00	

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

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

Reasons for increase or decrease in inventory: In 2023, our company increased its inventory, primarily due to the growth in revenue, resulting in a relative increase in inventory. Overall, there has been no significant change in our company's major inventory suppliers in the past two years.

2. Major Clients in the Past Two Years:

Unit: NT$thousands

Year	2022				2023				As of March 31, 2024(Note 2)			
Item	Name	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion in total sales value for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion of net sales value for the first quarter of the current year (%)	Relationship with the issuer
1	Shanghai Lianxin	130,335	4.11	Associates	Linkou Chang Gung Memorial Hospital	140,093	3.57	None.	Linkou Chang Gung Memorial Hospital	41,881	3.93	None.
2	Linkou Chang Gung Memorial Hospital	121,023	3.82	None.	Surgical Alliance Inc.	121,190	3.08	None.	UMI	35,836	3.36	Associates
3	Cirugía Alemana Insumos Médicos S.A.	115,625	3.65	None.	UMI	116,869	2.97	Associates	Surgical Alliance Inc.	34,522	3.24	None.
	Others	2,801,697	88.42		Others	3,551,735	90.38		Others	953,626	89.47	
	Net Sales	3,168,680	100.00		Net Sales	3,929,887	100.00		Net Sales	1,065,865	100.00	

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

Note 2: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: In 2023, the revenue of our company’s Taiwan, international, and group subsidiaries all grew compared to last year, except for mainland China, which was affected by the country’s collective bidding procurement policy. Therefore, the changes in sales are reasonable in general.

(5) Production in the Past Two Years

Unit: Quantity: sets/pcs Units: Value: NT$Thousands

Year / Production value / Main products	2022			2023		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Artificial joints	360,000pcs	339,300pcs	748,833	432,000pcs	415,575pcs	1,005,746
OEM products	80,795pcs	34,458pcs	24,223	35,663pcs	24,346pcs	20,135
Spinal products	182,935pcs	71,809pcs	45,066	228,142pcs	93,686pcs	63,540
Other Products	558pcs	135pcs	149	558pcs	93pcs	99
Total	624,288pcs	445,702pcs	818,271	696,363pcs	533,700pcs	1,089,520

(6) Shipments and Sales in the Past Two Years

Unit: Quantity: sets/pcs Units: Value: NT$Thousands

Year / Sales Volume & Value / Main products	2022				2023			
	Internal sales		External sales		Internal sales		External sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Artificial joints	65,561pcs	718,012	237,013pcs	2,082,263	151,815pcs	906,761	244,420pcs	2,601,485
Spinal products	62,513pcs	254,595	35,225pcs	51,755	49,545pcs	209,604	32,535pcs	57,053
OEM products	287pcs	4,476	38,144pcs	35,111	362pcs	5,717	26,786pcs	36,585
Other Products	0	5,359	0	17,109	0	96,419	0	16,263
Total	128,361pcs	982,442	301,382pcs	2,186,238	201,722pcs	1,218,501	303,741pcs	2,711,386

3. Information of Employees for the two Most Recent Years and up to the Publication Date of the Annual Report

March 31, 2024

	Year	2022	2023	As of March 31,2023
Number of employees	Business personnel	101	108	109
	Technical personnel	350	392	396
	Administrative personnel	126	133	144
	R&D personnel	167	189	193
	Total	744	822	842
Average age		39.2	39.4	39.5
Average Year of Employment		6.4	6.4	6.4
Educational level distribution ratio	Ph.D.	1%	1%	1%
	Master	16%	17%	16%
	University	61%	60%	59%
	High school	20%	20%	22%
	Under high school	2%	2%	2%

4. Environmental Protection Expenditure

Any losses incurred from environmental pollution in the most recent fiscal year and up to the date the annual report is published should be disclosed (including compensation and infractions of environmental protection regulations found by environmental inspections, with specifics like the date of the penalty, the reference number, the provisions violated, the nature of the infraction, and the penalty imposed). Also, disclose the expected sums incurred now and in the future, as well as the appropriate response measures. If a reasonable estimate is not feasible, describe the circumstances that preclude it:

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

Relevant information in response to the EU Restriction of Hazardous Substances (RoHS): None

5. Labor Relations

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

1. Implementation of welfare measures:

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

(2) Distribute employee benefits to establish Employee Welfare Committee in accordance with the regulations to conduct various kinds of employee welfare activities. For example, Labor Day, Dragon Boat Festival, Mid-Autumn Festival bonus, birthday bonus, birthday party, gatherings, club activities, staff travel, subsidies for weddings and funeral, etc.

(3) Provide free health asssss 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 2023 Employees' Training Cost was NT$3.57 million.

(2) Training system:

Our training types are currently divided as:

1. Orientation Training: Help the new employees to get familiar with office administration procedures and relevant general training in the professional field in time.

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

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

(3) Implementation of Educational Training:

The Company has always been committed to strengthening personnel job skills and management skills of the management personnel to improve human resources quality. The Company regularly sets up and executes annual training plans to meet the requirement of work objectives, functionality, management, on-boarding, self-development, and regulations. The implementation statistics for educational training in 2023 is as follows:

General training hours	Professional training hours	Orientation training hours	Total hours
6,542 hours	25,819 hours	2,345 hours	34,706 hours

3. Retirement system implementation:

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

4. Code of Conduct:

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

5. Employee communication channels:

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

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

   (3) Comprehensive internal website (Portal): Content includes various important internal messages.

6. Working environment and protection for employees’ personal safety

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

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

   (3) Other than complying with the Occupational Safety and Health Act, the Company has set up occupational hazard prevention plan, hired full-time health management personnel, conducted regular environment inspections, and implemented automatic inspection guidelines to effectively prevent the occurrence of occupational diseases and occupational hazards. The Company has equally produced and posted labor safety and health slogans

on its premises so that the employees can learn about safety knowledge and establish good environmental safety and health concepts.

(2) Any losses incurred as a result of labor-management disputes should be reported for the most recent year and up until the date the annual report is printed (including Labor Standards Act violations found during labor inspections; include information about the specifics of the violation, such as the date of the ruling, the ruling reference number, the legal provisions broken, the type of violation, and the fine assessed). Additionally, make known the projected present and future levels as well as the appropriate preventative measures. If a reasonable estimate is not possible, state the following justifications:

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

6. Information and Communication Security Management

(1) State the risk management framework, policy and specific management plan of information and 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.

(2) 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 in the most recent year up to the publication date of this annual report.

7. Important Contracts

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

Nature of contract	Party	Term	Major contents	Restrictive Clauses
Financing	CTBC Bank	September 12, 2022 to September 10, 2027	Loans	Loan Financial

Nature of contract	Party	Term	Major contents	Restrictive Clauses
				Commitments: A. Current ratio ≥ 120% B. Liability ratio ≤ 120% C. Financial liability/EBITDA ≦ 5 times
Financing	E.SUN Bank	From Sept. 13, 2022 to Sept. 13 2027	Loans	None.
Financing	Bank of Taiwan	From Jun. 19, 2018 to Sept. 20, 2031	Loans	None.
Financing	Bank of Taiwan	From Sept. 13, 2022 to Sept. 13 2027	Loans	None.
Financing	MEGA Financial Holding Co., Ltd	From Dec. 07, 2017 to Dec. 07, 2032	Loans	None.
Financing	UBS Switzerland AG	From Apr. 17, 2020 to Sept. 30, 2027	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Apr. 20, 2021 to Apr. 20, 2026	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Dec. 15, 2021 to Dec. 15, 2026	Loans	None.
Financing	INFIMED SASU	From Dec. 14, 2021 to Nov. 14, 2026	Loans	None.
Financing	INFIMED SASU	From Apr. 28, 2022 to Apr. 27, 2027	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Oct. 15, 2022 to Oct. 15 2027	Loans	None.
Financing	INFIMED SASU	From Aug. 01, 2022 to Aug. 05, 2027	Loans	None.
Financing	INFIMED SASU	From Nov. 17, 2022 to Nov. 30, 2027	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Jun. 19, 2023 to Jun. 15, 2027	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Jul. 05, 2023 to Jul. 05, 2027	Loans	None.
Financing	CIC AGENCE ENTREPRISE NANCY	From Jul. 05, 2023 to Jul. 05, 2027	Loans	None.
National Taiwan University Cooperative Education Program	National Taiwan University	From Nov. 15, 2023 to Nov. 14, 2024	Developing a Surgical Navigation System for Total Artificial Knee Joint Replacement	None.

VI. Financial Conditions

1. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five Years

(1) Condensed Balance Sheet - IFRS

Unit: NT$ Thousands

Item \ Year		Financial data from the last five years				
		2019	2020	2021	2022	2023
Current Assets		2,314,600	2,619,590	2,419,573	2,641,465	3,383,788
Property, Plant and Equipment		1,488,791	1,429,199	1,373,902	1,454,499	1,580,581
Intangible Assets		500,251	526,189	518,898	573,128	571,465
Other Assets		940,962	1,012,224	932,455	946,431	881,036
Total Assets		5,244,604	5,587,202	5,244,828	5,615,523	6,416,870
Current Liabilities	Before Distribution	1,262,533	1,679,211	1,929,327	1,736,306	1,890,865
	After Distribution	1,340,131	1,774,744	1,934,399	1,940,294	(Note 1)
Non-Current Liabilities		1,048,143	982,961	494,860	789,341	931,932
Total Liabilities	Before Distribution	2,310,676	2,662,172	2,424,187	2,525,647	2,822,797
	After Distribution	2,388,274	2,757,705	2,429,259	2,729,635	(Note 1)
Equity attributable to owners of the parent company		2,826,726	2,818,759	2,722,336	2,994,703	3,497,673
Capital Stock		904,209	883,898	881,116	881,116	925,287
Capital Surplus		1,827,683	1,756,071	1,743,438	1,743,729	2,023,236
Retained Earnings	Before Distribution	217,357	274,976	234,940	468,235	651,195
	After Distribution	148,213	186,206	234,940	249,508	(Note 1)
Other Equity Interest		-122,523	-96,186	-137,158	-98,377	-102,045
Treasury Stock		0	0	0	0	0
Non-Controlling Interests		107,202	106,271	98,305	95,173	96,400
Equity Total	Before Distribution	2,933,928	2,925,030	2,820,641	3,089,876	3,594,073
	After Distribution	2,856,330	2,829,497	2,815,569	2,885,888	(Note 1)

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

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

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

Condensed statement of comprehensive income - IFRS

Unit: NT$ Thousands

Item \ Year	Financial data from the last five years				
	2019	2020	2021	2022	2023
Operating Revenue	2,436,700	2,342,226	2,570,866	3,168,680	3,929,887
Operating Gross Profit	1,736,541	1,646,797	1,843,250	2,355,716	3,051,375
Operating Profit and Loss	81,435	89,878	161,425	341,582	543,269
Non-Operating Revenues and Expenses	9,306	19,277	-86,831	-38,561	-34,043
Income before Tax	90,741	109,155	74,594	303,021	509,226
Continuing Operations Net Income in this period	71,786	101,312	52,877	223,581	388,309
Loss from Suspended Operations	0	0	0	0	0
Net Profit (Loss)	71,786	101,312	52,877	223,581	388,309
Other Comprehensive Income (Net After Tax) of Current Period	-39,094	14,224	-54,055	50,726	-3,875
Total Amount of Comprehensive Income for current period	32,692	115,536	-1,178	274,307	384,434
Net Income Attributable to Shareholders of the Parent	88,584	101,828	52,271	221,533	384,201
Net Income Attributable to Non-Controlling Interests	-16,798	-516	606	2,048	4,108
Comprehensive Income (Loss) Attributable to Owners of parent company	48,135	115,677	174	272,076	379,951
Comprehensive Income (Loss) Attributable to Non-Controlling Interests	-15,433	-141	-1,352	2,231	4,483
Earnings per Share	1.11	1.24	0.37	2.84	4.50

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

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

(2) Condensed balance sheet - IFRS individual financial report

Unit: NT$ Thousands

Item \ Year		Financial data from the last five years				
		2019	2020	2021	2022	2023
Current Assets		1,707,132	1,919,484	1,881,928	2,142,404	2,883,507
Property, Plant and Equipment		1,013,441	928,922	869,164	806,111	773,731
Intangible Assets		109,440	146,574	147,586	157,844	155,995
Other Assets		1,725,424	1,839,915	1,662,337	1,664,155	1,664,868
Total Assets		4,555,437	4,834,895	4,561,015	4,770,514	5,478,101
Current Liabilities	Before Distribution	808,161	1,172,814	1,525,830	1,173,815	1,198,188
	After Distribution	877,306	1,261,584	1,530,902	1,377,803	(Note 1)
Non-Current Liabilities		920,550	843,322	312,849	601,996	782,240
Total Liabilities	Before Distribution	1,728,711	2,016,136	1,838,679	1,775,811	1,980,428
	After Distribution	1,797,856	2,104,906	1,843,751	1,979,799	(Note 1)
Equity attributable to owners of the parent company		2,826,726	2,818,759	2,722,336	2,994,703	3,497,673
Capital Stock		904,209	883,898	881,116	881,116	925,287
Capital Surplus		1,827,683	1,756,071	1,743,438	1,743,729	2,023,236
Retained Earnings	Before Distribution	217,357	274,976	234,940	468,235	651,195
	After Distribution	148,213	186,206	234,940	249,508	(Note 1)
Other Equity Interest		-122,523	-96,186	-137,158	-98,377	-102,045
Treasury Stock		0	0	0	0	0
Non-Controlling Interests		0	0	0	0	0
Equity Total	Before Distribution	2,826,726	2,818,759	2,722,336	2,994,703	3,497,673
	After Distribution	2,757,581	2,729,989	2,717,264	2,790,715	(Note 1)

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

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

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

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

Condensed statement of comprehensive income - IFRS individual financial report

Unit: NT$ Thousands

Item \ Year	Financial data from the last five years				
	2019	2020	2021	2022	2023
Operating Revenue	1,576,184	1,576,014	1,682,232	2,149,743	2,540,604
Operating Gross Profit	887,981	758,067	835,172	1,073,133	1,301,403
Operating Profit and Loss	174,871	140,498	199,967	326,138	391,367
Non-Operating Revenues and Expenses	-87,270	-36,069	-119,536	-27,050	82,407
Income before Tax	87,601	104,429	80,431	299,088	473,774
Continuing Operations Net Income in this period	88,584	101,828	52,271	221,533	384,201
Loss from Suspended Operations	0	0	0	0	0
Net Profit (Loss)	88,584	101,828	52,271	221,533	384,201
Other Comprehensive Income (Net After Tax) of Current Period	-40,449	13,849	-52,097	50,543	-4,250
Total Amount of Comprehensive Income for current period	48,135	115,677	174	272,076	379,951
Earnings per Share	1.11	1.24	0.37	2.84	4.50

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

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

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

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

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

Audit year	Accounting firm	Name of the accountants	Audit Opinion
2019	Ernst & Young	Ma, Chun-Ting, Hunag Jian-Ze	Unqualified opinion
2020	Ernst & Young	Ma, Chun-Ting, Hunag Jian-Ze	Unqualified opinion
2021	Ernst & Young	Ma, Chun-Ting, Hunag Jian-Ze	Unqualified opinion
2022	Ernst & Young	Ma, Chun-Ting, Hsu, Jung-Huang	Unqualified opinion
2023	Ernst & Young	Lin Shih-Huan, Hsu, Jung-Huang	Unqualified opinion

2. Financial Analysis for the Most Five Recent Fiscal Years

(1) Financial analysis - IFRS

Items	Year	Financial analysis for the most 5 recent fiscal years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	44.05	47.64	46.22	44.98	43.99
	Long-term funds to Property, Plant and Equipment ratio	267.49	273.43	241.32	266.70	286.35
Solvency (%)	Current ratio	183.33	156.00	125.41	152.13	178.95
	Liquidity ratio	89.25	86.69	67.00	75.19	86.84
	Interest coverage ratio	3.71	4.47	5.22	13.57	12.53
Operation performance	Receivables turnover rate (times)	4.00	4.18	4.43	4.39	4.07
	Average days of collection	91	87	82	83	89
	Inventory turnover rate (times)	0.62	0.61	0.65	0.67	0.59
	Accounts payable turnover rate (times)	6.25	5.92	6.60	6.04	4.85
	Average days of sale	581	595	561	544	618
	Property, Plant and Equipment Turnover Ratio (times)	1.64	1.60	1.83	2.24	2.59
	Total assets turnover rate (times)	0.48	0.43	0.47	0.58	0.65
Profitability	Return on assets (%)	1.95	2.33	1.23	4.47	7.04
	Return on equity (%)	2.76	3.45	1.84	7.56	11.61
	Ratio of profit before income tax to paid-in capital (%)	3.21	3.87	2.74	10.11	14.55
	Net income ratio (%)	2.94	4.32	2.05	7.05	9.88
	Earnings per share (NT$)	1.11	1.24	0.37	2.84	4.50
Cash Flows	Cash flow ratio (%)	41.11	29.80	17.73	20.55	22.93
	Cash flow adequacy ratio (%)	36.68	46.71	58.74	85.59	86.75
	Cash re-investment ratio (%)	9.03	10.86	7.02	8.42	5.39
Leverage	Operating leverage	13.51	12.26	7.52	4.73	3.77
	Financial leverage	1.69	1.53	1.12	1.07	1.08

Description of causes for changes to various financial ratios in the most recent two years. (If the change is less than 20%, analysis may be exempted)

(1) Return on Assets:Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit and increased interest expense compared to the previous period.

(2) Return on Equity: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.

(3) The ratio of pre-tax net profit to paid-in capital: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.

(4) Net Profit Ratio: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.

(5) Earnings per Share: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.

(6) Net Cash Flow Adequacy Ratio: Due to increased capital expenditures, inventories, and cash dividends compared to the previous period.

(7) Cash Re-Investment Ratio (%): Mainly due to the increase in pretax net profit, inventories, and income tax paid in net cash flows from operating activities; and the increase in cash dividends.

(8) Operating leverage: Due to the growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher operating income compared to the previous period.

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

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

Individual financial analysis - IFRS

Items		Financial analysis for the most 5 recent fiscal years				
	Year	2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	37.94	41.70	40.31	37.22	36.15
	Long-term funds to Property, Plant and Equipment ratio	369.75	394.22	349.20	446.17	553.15
Solvency (%)	Current ratio	211.23	163.66	123.33	182.51	240.65
	Liquidity ratio	121.62	110.40	83.08	124.96	162.59
	Interest coverage ratio	5.20	5.19	6.89	20.19	22.19
Operation performance	Receivables turnover rate (times)	2.06	2.28	2.27	2.18	1.82
	Average days of collection	176	159	160	167	200
	Inventory turnover rate (times)	1.03	1.20	1.31	1.59	1.46
	Accounts payable turnover rate (times)	10.49	8.92	8.81	8.86	6.96
	Average days of sale	352	304	276	228	250
	Property, Plant and Equipment Turnover Ratio (times)	1.55	1.62	1.87	2.56	3.21
	Total assets turnover rate (times)	0.35	0.33	0.35	0.46	0.49
Profitability	Return on assets (%)	2.38	2.59	1.34	5.01	7.84
	Return on equity (%)	3.50	3.60	1.88	7.75	11.83
	Ratio of profit before income tax to paid-in capital (%)	3.09	3.70	2.95	9.98	13.54
	Net income ratio (%)	5.62	6.46	3.10	10.30	15.12
	Earnings per share (NT$)	1.11	1.24	0.37	2.84	4.50
Cash Flows	Cash flow ratio (%)	68.54	42.49	18.29	15.36	9.66
	Cash flow adequacy ratio (%)	63.02	84.44	111.63	166.70	142.96
	Cash re-investment ratio (%)	10.27	11.48	5.93	4.84	-1.90
Leverage	Operating leverage	4.37	5.50	4.28	3.47	3.46
	Financial leverage	1.13	1.21	1.07	1.05	1.06

Description of causes for changes to various financial ratios in the most recent two years. (If the change is less than 20%, analysis may be exempted).

(1) Long-Term Funds to Property, Plant and Equipment ratio: Mainly due to the increase in non-current liabilities from the issuance of corporate bonds this period; and the increase in capital stock and capital surplus due to the conversion of corporate bonds into common shares.
(2) Current ratio: Mainly due to the increase in accounts receivable, accounts receivable - related parties, and inventories this period.
(3) Liquidity ratio: Mainly due to the increase in accounts receivable, accounts receivable - related parties, inventories, and other prepaid expenses for AAOS booth fees this period.
(4) Accounts Payable Turnover ratio: Mainly due to the increase in accounts payable and other payables this period.
(5) Property, Plant and Equipment Turnover Ratio (times): Mainly due to the increase in the current period’s performance growth and revenue compared with the previous period.
(6) Return on Assets: Mainly due to the increase in profits this period resulting from the increase in sales revenue and gross profit; and the increase in accounts receivable, accounts receivable - related parties, inventories, and interest expenses this period compared to the previous period.
(7) Return on Equity: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.
(8) The ratio of pre-tax net profit to paid-in capital: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.
(9) Net Profit Ratio: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.
(10) Earnings per Share: Mainly due to growth in revenue from sales, increase in gross profit from sales during the period, resulting in higher profit.
(11) Cash Flow ratio: This is due to the increase in net profit before tax, inventories, share of profit (loss) of associates

and joint ventures accounted for using equity method, and income tax paid in the current operating activities compared to the previous period; and the increase in accounts receivable and accounts receivable-related parties was less than the previous period.
(12) Cash Re-Investment Ratio (%): This is because, in comparison to the prior period, there was a decrease in the amount of accounts receivable and parties related to accounts receivable, as well as an increase in net profit before taxes, inventories, the share of profit (loss) of associates and joint ventures accounted for using the equity method, and income tax paid in the current operating activities. as well as the rise in cash dividends.

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

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

Note 1: For the years that have not been audited and certified by an accountant, a note should be made.

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

Note 3: At the end of this table in the annual report, the following calculation formulas should be listed:

1. Financial Structure
   (1) Debt-to-asset ratio = total liabilities/total assets.
   (2) Long-term Fund to 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 arising from operations) turnover rate = Net sales / Average Accounts Receivable (including accounts receivable and notes receivable arising from operations) balance for each period.
   (2) Average days of collection = 365/receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold/average amount of inventory.
   (4) Accounts Payable (including accounts payable and notes payable arising from operations) turnover rate = Cost of Goods Sold / Average Accounts Payable (including accounts payable and notes payable arising from operations) balance for each period.
   (5) Average days of sales = 365/inventory turnover ratio.
   (6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Property, Plant and Equipment.
   (7) Total asset turnover rate = net sales/average total assets.
4. Profitability
   (1) Return on assets ＝ (net income + interest expense (1 – tax rate))/average total assets.
   (2) Return on equity = net income/average total equity.
   (3) Net profit margin = net income/net sales.
   (4) Earnings per share = (net income (loss) attributable to owners of parent Company – dividends on preferred shares)/weighted average number of issued shares.
5. Cash Flows
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Reinvestment Rate = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital). (Note 5)
6. Leverage:
   (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 6).
   (2) Financial leverage = operating income/(operating income - interest expenses).

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

1. The calculation shall be based on the weighted average number of shares of common stock instead of the number of issued shares at the end of the year.
2. Where there is cash replenishment or treasury stock transaction, the circulation period should be

considered when calculating the weight average number of shares.

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

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

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

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

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

(2) Financial analysis -R.O.C. Enterprise Accounting Standards: Not applicable.

3. 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 2023 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.

Regards

2024 Shareholder's Meeting

United Orthopedic Corporation

Convener of the Audit Committee: Chen, Li-Ju

March 13, 2024

4. 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

STATEMENTS

For the year 2023 (from January 1, 2023 to December 31, 2023), the companies that should be included in the preparation of the consolidated financial statements of the Company in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those that should be included in the preparation of the parent-subsidiary consolidated financial statements in accordance with IFRS 10. Furthermore, all relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the aforementioned parent-subsidiary consolidated financial statements. Therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

Sincerely,

Company Name: United Orthopedic Corporation

Person in Charge: Lin, Yan-Shen

March 13, 2024

INDEPENDENT AUDITORS' REPORT

To United Orthopedic Corporation:

Audit Opinion

We have audited the consolidated balance sheets of United Orthopedic Corporation and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to the consolidated financial statements (including summary of significant accounting policies) for the years then ended.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Orthopedic Corporation and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section 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 ("the Code"), and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of United Orthopedic Corporation for the year ended December 31, 2023 based on our professional judgment. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Inventory Valuation

The net inventories of United Orthopedic Corporation and its subsidiaries as of December 31, 2023 were NT$1,691,336 thousand, which accounted for 26% of the consolidated total assets. It was considered significant to the consolidated 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 consolidated 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: We understood and evaluated the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Revenue Recognition

The primary products of United Orthopedic Corporation and its subsidiaries are orthopedic implants – artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products. In the fiscal year 2023, they recognized revenue of NT$3,929,887 thousand, which is material to the consolidated financial statements. Due to the nature of the industry, the performance obligation is not satisfied until the customer obtains control over the goods. We believe that the recognition of revenue from contracts with customers was of significance to the audit of consolidated 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: We evaluatied the appropriateness of the accounting policy for revenue recognition, and learned and tested 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 operating revenue disclosures in Note 6 to the consolidated financial statements.

Key Audit Matters (Continued)

Recognition of Intangible Assets Arising from Internal Development

The net carrying amount of intangible assets of United Orthopedic Equipment Co., Ltd. and its subsidiaries was NT$40,194 thousand on December 31, 2023, 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 fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission, and to maintain necessary internal controls relevant to the preparation of consolidated financial statements to ensure that consolidated financial statements are free from material misstatement due to fraud or error.

Responsibilities of the Management and Governance Bodies for the Consolidated Financial Statements (Continued)

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain necessary knowledge concerning internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of United Orthopedic Corporation and its subsidiaries.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on the ability of United Orthopedic Corporation and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may result in United Orthopedic Corporation and its subsidiaries ceasing to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within United Orthopedic Corporation 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 United Orthopedic Corporation.

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

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

From the matters communicated with governance bodies, we determine the key audit matters within the audit of consolidated financial statements for the year ended December 31, 2023 for United Orthopedic Corporation and its subsidiaries We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have also audited the Consolidated Financial Statements of United Orthopedic Corporation for 2023 and 2022, of which unqualified opinions were issued for further reference.

The engagement partners on the audits resulting in this independent auditors' report are Lin, Shih-Huan and Hsu, Jung-Huang.

Ernst & Young
Taipei, Taiwan
Republic of China
March 13, 2024

<u>*Notice to Reader*</u>

For the convenience of readers, this report has been translated into English from the original Chinese version. The English version has not been audited or reviewed by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2023 and December 31, 2022

Unit: NT$ thousand

	Assets		December 31, 2023		December 31, 2022	
Code	Accounting Items	Note	Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	4 and 6(1)	$ 449,020	7	$ 398,057	7
1110	Financial assets at fair value through profit or loss - current	4 and 6(2)	8,887	-	13,401	-
1150	Net notes receivable	4 and 6(5)(21)	3,379	-	1,412	-
1170	Net accounts receivable	4 and 6(6)(21)	955,080	15	752,421	14
1180	Net notes receivable - related parties	4, 6(6)(21) and 7	124,250	2	92,344	2
1197	Net receivables under finance leases	4 and 6(7)(22)	9,128	-	2,625	-
1200	Other receivables	4 and 7	25,253	-	14,407	-
1210	Other receivables – related parties	4 and 7	4,410	-	1,194	-
1220	Current income tax assets	4 and 6(26)	1,306	-	1,591	-
130x	Inventories	4 and 6(8)	1,691,336	26	1,300,959	23
1410	Prepayments	7	106,938	2	58,473	1
1470	Other current assets		4,801	-	4,581	-
11xx	Total Current Assets		3,383,788	52	2,641,465	47
	Non-Current Assets					
1510	Financial assets measured at fair value through profit or loss – non-current	4 and 6(2)(15)	8,459	-	-	-
1517	Financial assets measured at fair value through other comprehensive income – non-current	4 and 6(3)	54,853	1	52,351	1
1535	Financial assets at amortized cost – non-current	4, 6(4) and 8	9,853	-	7,980	-
1550	Investments accounted for using the equity method	4 and 6(9)	372,254	6	422,988	8
1600	Property, plant, and equipment	4, 6(10) and 8	1,580,581	25	1,454,499	26
1755	Right-of-use assets	4, 6(22)	186,172	3	203,956	4
1780	Intangible assets	4, 6(11)(12) and 7	571,465	9	573,128	10
1840	Deferred income tax assets	4 and 6(26)	112,363	2	103,954	2
1900	Other non-current assets	7	110,675	2	136,256	2
194D	Long-term net receivables under finance leases	4 and 6(7)(22)	18,430	-	10,633	-
1975	Net defined benefit assets - non-current	4 and 6(16)	7,977	-	8,313	-
15xx	Total Non-Current Assets		3,033,082	48	2,974,058	53
1xxx	Total Assets		$ 6,416,870	100	$ 5,615,523	100

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2023 and December 31, 2022

Unit: NT$ thousand

Code	Liabilities and Equity Accounting Items	Note	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current Liabilities					
2100	Short-term loans	4 and 6(13)	$ 667,742	10	$ 773,029	14
2130	Contract liabilities - current	4 and 6(20)	1,993	-	10,405	-
2150	Notes payable	4	2,842	-	2,235	-
2170	Accounts Payable	4	196,246	3	134,721	2
2180	Accounts payable - related parties	4 and 7	13,690	-	18,451	-
2200	Other payables	4	770,302	12	595,135	11
2220	Other payables - related parties	4 and 7	-	-	1,553	-
2230	Current income tax liabilities	4 and 6(26)	82,305	1	78,107	1
2280	Lease liabilities - current	4 and 6(22)	29,101	-	27,470	1
2300	Other current liabilities	7	49,830	1	35,514	1
2322	Long-term loan due within one year or one operating cycle	4, 6(16) and 8	76,814	1	59,686	1
21xx	Total Current Liabilities		1,890,865	28	1,736,306	31
	Non-Current Liabilities					
2500	Financial Liabilities at Fair Value through Profit or Loss - Current	4 and 6(13)(14)	1,762	-	-	-
2530	Corporate bonds payable	4 and 6(14)	226,264	4	-	-
2540	Long-term loans	4, 6(16) and 8	464,949	7	527,838	10
2570	Deferred income tax liabilities	4 and 6(26)	10,833	-	11,464	-
2580	Lease liabilities – non-current	4 and 6(22)	164,360	3	182,899	3
2600	Other non-current liabilities		5,393	-	1,446	-
2630	Long-term deferred income	6(9)	58,371	1	65,694	1
25xx	Total non-current liabilities		931,932	15	789,341	14
2xxx	Total Liabilities		2,822,797	43	2,525,647	45
31xx	Equity Attributable to Owners of the Parent Company	4 and 6(18)(28)				
3100	Capital Stock					
3110	Capital stock - common shares		877,379	14	781,316	14
3120	Capital - preferred stock		3,737	-	99,800	2
3130	Bonds conversion rights certificate		44,171	-	-	-
	Total Capital Stock		925,287	14	881,116	16
3200	Capital Surplus		2,023,236	32	1,743,729	31
3300	Retained Earnings					
3310	Legal reserve		125,958	2	102,629	2
3320	Special reserve		98,377	2	132,311	2
3350	Undistributed Earnings		426,860	7	233,295	4
	Total Retained Earnings		651,195	11	468,235	8
3400	Other Equity Interest					
3410	Exchange differences on translation of financial statements of foreign operations		(99,811)	(2)	(93,938)	(2)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(2,234)	-	(4,439)	-
	Total other equity interest		(102,045)	(2)	(98,377)	(2)
31xx	Total equity attributable to owners of the parent company		3,497,673	55	2,994,703	53
36xx	Non-Controlling Interests		96,400	2	95,173	2
3xxx	Total Equity		3,594,073	57	3,089,876	55
	Total Liabilities and Equity		$ 6,416,870	100	$ 5,615,523	100

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code	Accounting Items	Note	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating Revenue	4, 6(20) and 7	$ 3,929,887	100	$ 3,168,680	100
5000	Operating Costs	4, 6(8)(22)(23) and 7	893,517	23	805,697	25
5900	Operating Gross Profit		3,036,370	77	2,362,983	75
5910	Realized (Unrealized) Sales Profit		15,005	1	(7,267)	-
5950	Net Operating Gross Profit		3,051,375	78	2,355,716	75
6000	Operating Expenses	4 and 6(21)(22)(23)				
6100	Selling expenses		2,014,288	51	1,588,515	50
6200	Administrative expenses		300,353	8	258,451	8
6300	R&D expenses		185,029	5	167,257	5
6450	Expected credit impairment losses (gains)		8,436	-	(89)	-
	Total Operating Expenses		2,508,106	64	2,014,134	63
6900	Operating Profit		543,269	14	341,582	12
7000	Non-Operating Revenues and Expenses	4, 6(9)(24) and 7				
7100	Interest revenue		7,101	-	4,392	-
7010	Other revenue		45,720	1	34,113	1
7020	Other gains and losses		33,694	1	41,680	1
7050	Finance costs		(44,142)	(1)	(24,106)	(1)
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method		(76,416)	(2)	(94,640)	(3)
	Total Non-Operating Revenues and Expenses		(34,043)	(1)	(38,561)	(2)
7900	Income Before tax		509,226	13	303,021	10
7950	Income Tax expenses	4 and 6(26)	(120,917)	(3)	(79,440)	(3)
8200	Net Profit for the Period		388,309	10	223,581	7
8300	Other Comprehensive Income	4 and 6(25)				
8310	Components That will not Be Reclassified to Profit or Loss					
8311	Re-measurements of defined benefit plans		(582)	-	11,762	-
8316	Equity investments at fair value through other comprehensive income Unrealized Valuation Gain (Loss)		2,502	-	(521)	-
8360	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operations		2,383	-	32,170	1
8370	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method –Items That may be Subsequently Reclassified to Profit or Loss		(8,178)	-	7,315	-
	Other Comprehensive Income (Net After Tax) of Current Period		(3,875)	-	50,726	1
8500	Total Amount of Comprehensive Income for Current Period		$ 384,434	10	$ 274,307	8
8600	Net Income Is Attributable to:					
8610	Owners of the parent company		$ 384,201		$ 221,533	
8620	Non-Controlling Interests		4,108		2,048	
	Total		$ 388,309		$ 223,581	
8700	Total Comprehensive Income Attributable to:					
8710	Owners of the parent company		$ 379,951		$ 272,076	
8720	Non-Controlling Interests		4,483		2,231	
	Total		$ 384,434		$ 274,307	
	Earnings per Share (NT$)	4 and 6(27)				
9750	Basic Earnings per Share		$ 4.50		$ 2.84	
9850	Diluted Earnings per Share		$ 4.18		$ 2.51	

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

		Equity Attributable to Owners of the Parent Company											
		Capital Stock				Retained Earnings			Other Equity Items				
		Capital Stock - Common Shares	Capital - Preferred Stock	Bonds Conversion Rights Certificate	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) from Financial Assets at Fair Value Through Other Comprehensive Income	Equity Attributable to Owners of the Parent Company	Non-Controlling Interests	Capital Surplus
Code	Item	3100	3120	3130	3200	3310	3320	3350	3410	3420	31XX	36XX	3XXX
A1	Balance as of January 1, 2022	$ 781,116	$ 100,000	$ -	$ 1,743,438	$ 97,755	$ 88,451	$ 48,734	$(133,265)	$(3,893)	$ 2,722,336	$ 98,305	$ 2,820,641
	Earnings distribution in 2021												
B1	Provision of legal reserve	-	-	-	-	4,874	-	(4,874)	-	-	-	-	-
B3	Provision of special reserve	-	-	-	-	-	43,860	(43,860)	-	-	-	-	-
D1	Net profit for year 2022	-	-	-	-	-	-	221,533	-	-	221,533	2,048	223,581
D3	Other comprehensive income in 2022	-	-	-	-	-	-	11,762	39,327	(546)	50,543	183	50,726
D5	Total amount of comprehensive income for current period	-	-	-	-	-	-	233,295	39,327	(546)	272,076	2,231	274,307
J1	Convertible preference share conversion	200	(200)	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	291	-	-	-	-	-	291	(291)	-
O1	Increase and decrease in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	(5,072)	(5,072)
Z1	Balance as of December 31, 2022	$ 781,316	$ 99,800	$ -	$ 1,743,729	$ 102,629	$ 132,311	$ 233,295	$(93,938)	$(4,439)	$ 2,994,703	$ 95,173	$ 3,089,876
A1	Balance as of January 1, 2023	$ 781,316	$ 99,800	$ -	$ 1,743,729	$ 102,629	$ 132,311	$ 233,295	$(93,938)	$(4,439)	$ 2,994,703	$ 95,173	$ 3,089,876
	Earnings distribution in 2022												
B1	Provision of legal reserve	-	-	-	-	23,329	-	(23,329)	-	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	-	-	(196,027)	-	-	(196,027)	-	(196,027)
B7	Cash dividends of preference share	-	-	-	-	-	-	(4,580)	-	-	(4,580)	-	(4,580)
B17	Special reserve reversal	-	-	-	-	-	(33,934)	33,934	-	-	-	-	-
C5	Recognition of equity component for issuance of convertible corporate bonds												
	– Arising from employee stock options	-	-	-	52,645	-	-	-	-	-	52,645	-	52,645
D1	Net profit for year 2023	-	-	-	-	-	-	384,201	-	-	384,201	4,108	388,309
D3	Other comprehensive income in 2023	-	-	-	-	-	-	(582)	(5,873)	2,205	(4,250)	375	(3,875)
D5	Total amount of comprehensive income for current period	-	-	-	-	-	-	383,619	(5,873)	2,205	379,951	4,483	384,434
I1	Convertible corporate bonds conversion	-	-	44,171	208,082	-	-	-	-	-	252,253	-	252,253
J1	Convertible preference share conversion	96,063	(96,063)	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	18,780	-	-	(52)	-	-	18,728	125	18,853
O1	Increase and decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,381)	(3,381)
Z1	Balance as of December 31, 2023	$ 877,379	$ 3,737	$ 44,171	$ 2,023,236	$ 125,958	$ 98,377	$ 426,860	$(99,811)	$(2,234)	$ 3,497,673	$ 96,400	$ 3,594,073

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code	Item	2023 Amount	2022 Amount
AAAA	Cash Flow from Operating Activities:		
A10000	Current net income before tax	$ 509,226	$ 303,021
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	344,404	298,087
A20200	Amortization expenses	52,067	37,170
A20300	Expected credit impairment losses (gains)	8,436	(89)
A20400	Net losses (gains) on financial assets and liabilities measured at fair value through profit or loss	(1,571)	7,507
A20900	Interest expenses	44,142	24,106
A21200	Interest revenue	(7,101)	(4,392)
A22300	Share of profit or loss of associates and joint ventures accounted for using the equity method	76,416	94,640
A22500	Loss (gain) on disposal and retirement of property, plant, and equipment	179	(587)
A23100	Loss on disposal of investments	458	-
A24000	Unrealized (Realized) sales profit	(15,005)	7,267
A24200	Gains on repurchase of corporate bonds payable	-	(816)
A29900	Other items	(3,576)	(8,264)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in notes payable	(1,967)	965
A31150	Increase in accounts receivable	(211,095)	(198,004)
A31160	Increase in accounts receivable – related parties	(31,906)	(131,609)
A31180	Decrease (increase) in other receivables	(11,146)	3,570
A31190	Increase in other receivables - related parties	(3,216)	(1,189)
A31200	Increase in inventories	(377,310)	(231,173)
A31230	Increase in prepayments	(48,465)	(26,222)
A31240	Decrease (Increase) in other current assets	(220)	13,692
A32125	Increase (decrease) in contractual liabilities	(8,412)	1,774
A32130	Increase in notes payable	608	1,808
A32150	Increase in accounts payable	61,525	20,298
A32160	Decrease in accounts payable – related parties	(4,761)	(10,303)
A32180	Increase in other payables	175,314	188,391
A32190	Increase (decrease) in other payables – related parties	(1,553)	1,540
A32230	Increase in other current liabilities	10,551	2,706
A32240	Increase (decrease) in net defined benefit liabilities	(246)	26
A33000	Cash inflow generated from operations	555,776	393,920
A33100	Interest received	4,810	3,732
A33500	Income tax paid	(126,857)	(40,812)
AAAA	Net Cash Flows Generated from Operating Activities	433,729	356,840

Code	Item	2023 Amount	2022 Amount
BBBB	Cash Flow from Investment Activities:		
B00040	Acquisition of financial assets at amortized cost	(1,873)	(5,297)
B00050	Disposal of financial assets at amortized cost	-	7,137
B00100	Acquisition of financial assets at fair value through profit or loss	(8,010)	(15,000)
B00200	Disposal of financial assets at fair value through profit or loss	4,540	-
B02200	Cash capital increase acquired by the subsidiary acquisition of a subsidiary (deduction of cash received)	-	4,392
B02700	Acquisition of property, plant, and equipment	(445,697)	(293,031)
B02800	Disposal of property, plant and equipment	6,824	16,501
B03700	Increase in refundable deposits	(8,443)	(4,126)
B04500	Acquisition of intangible assets	(44,325)	(83,029)
B06100	Decrease in lease payments receivable	8,796	2,252
B06800	Decrease (increase) in other non-current assets	85,985	(2)
B07100	Increase in prepayments for business facilities	(67,510)	(10,150)
BBBB	Net Cash Outflows from Investing Activities	(469,713)	(380,353)
CCCC	Cash Flows from Financing Activities:		
C00100	Increase in short-term loans	2,809,749	3,285,215
C00200	Decrease in short-term loans	(2,915,133)	(3,311,073)
C01200	Issuance of corporate bonds	532,846	-
C01300	Repayments of corporate bonds	-	(500,000)
C01600	Proceeds from long-term loans	6,718	375,726
C01700	Repayments of long-term loans	(57,686)	(31,088)
C03000	Increase in refundable deposits	3,947	-
C04020	Lease principal repayments	(32,352)	(30,549)
C04500	Cash dividends paid	(200,607)	-
C05600	Interest paid	(34,693)	(14,238)
C05800	Changes in non-controlling interests	(3,381)	(5,072)
CCCC	Net Cash Inflows (Outflows) from Financing Activities	109,408	(231,079)
DDDD	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies	(22,461)	13,966
EEEE	Increase (Decrease) in Cash and Cash Equivalents for the Current Period	50,963	(240,626)
E00100	Beginning Balance of Cash and Cash Equivalents	398,057	638,683
E00200	Cash and Cash Equivalents at end of Period	$ 449,020	$ 398,057

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

1. 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, orthopedic surgical instruments and 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.

2. Date and Procedures of Approval of the Financial Statements

The consolidated financial statements of the Company and its Subsidiaries (hereinafter referred to as the Group)for 2023 and 2022 were authorized for issue by the board of directors on March 13, 2024.

3. Application of New and Amended Standards and Interpretations

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

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

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

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Classification of liabilities as current or non-current (Amendment to IAS 1)	January 1, 2024
2	Lease liability in a sale and leaseback (Amendment to IFRS 16)	January 1, 2024
3	Non-current liabilities with covenants (Amendment to IAS 1)	January 1, 2024
4	Supplier financing arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

1. Classification of liabilities as current or non-current (Amendment 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.

2. Lease liability in a sale and leaseback (Amendment to IFRS 16)

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

3. Non-current liabilities with covenants (Amendment to IAS 1)

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

4. Supplier financing arrangements (Amendments to IAS 7 and IFRS 7)

   In addition to providing an explanation of supplier financing arrangements, this amendment also introduces new disclosure requirements related to supplier financing arrangements.

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, 2024. The company 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 the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of Exchangeability (Amendment to IAS 21)	Balance as of January 1, 2025

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. The effective date of IFRS 17 will replace the interim standard (IFRS 4 “Insurance Contracts”).

3. Lack of Exchangeability (Amendment to IAS 21)

This amendment explains the convertibility and lack of convertibility between currencies, how the exchange rate is determined when there is a lack of currency convertibility, and adds additional disclosure requirements when there is a lack of currency convertibility. These amendments are effective for fiscal years beginning on or after January 1, 2025.

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.

4. Summary of Significant Accounting Policies

(1) Compliance Declaration

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 were prepared in accordance with the Standards for the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), Interpretation and Standing Interpretations, approved and ratified by the Financial Supervisory Commission (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) Consolidation Overview

Principles of Preparation of Consolidated Financial Statements

When the Company is exposed to or entitled to variable returns from participation in an investee and has the ability to influence such returns through its power over such Investee, the Company controls such individual. In particular, the Company controls an investee only when the following three control elements exist:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities),

2. The exposure or rights to variable returns from its involvement with the investee, and

3. The ability to use its power over the investee to influence the amount of the investor's returns.

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

1. Contractual arrangements with other vote holders of the investee

2. Rights arising from other contractual arrangements

3. Voting rights and potential voting rights

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

Subsidiaries are included in the consolidated financial statements from the date of acquisition (i.e. the date the Group gains control), and the consolidation shall be terminated on the date of loss of control. The accounting periods and accounting policies of the subsidiary's financial statements are consistent with those of the parent company. All intercompany account balances, transactions, unrealized internal profits and losses arising from intercompany transactions, and dividends are fully eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The total comprehensive income of the subsidiaries is attributed to the owners of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, it:

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

2. Derecognizes the carrying amount of any non-controlling interests;

3. Recognizes the fair value of the consideration received;

4. Recognizes the fair value of any investment retained;

5. Reclassifies to profit or loss, or transfers directly to retained earnings, the amounts recognized in other comprehensive income by the parent in relation to the subsidiary;

6. Recognizes any resulting difference as profit or loss.

The entities consolidated in the financial statements are as follows:

Name of Investor	Name of Company	Main Business Activities	Percentage of Equity Holdings		Remark
			December 31, 2023	December 31, 2022	
The Company	UOC Europe Holding SA	Sales and investment	96%	96%	
The Company	United Orthopedic Japan Inc.	Sales	96%	95%	Note 2
The Company	A-Spine Asia Co., Ltd.	Sales, investment and manufacturing	75%	75%	
The Company	UOC USA, Inc.	Sales	100%	100%	
The Company	United Orthopedic (Australia) Pty Ltd	Sales	100%	100%	Note 3
UOC Europe Holding SA	UOC (Suisse) SA	Sales	100%	100%	
UOC Europe Holding SA	UOC (France)	Sales	100%	100%	
UOC Europe Holding SA	UOC Belgium	Sales	100%	100%	
UOC Europe Holding SA	United Orthopedics Limited	Sales	100%	100%	Note 1
UOC (Suisse) SA	U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	Sales	100%	-	Note 4

Note 1: The Group invested in United Orthopedic (Australia) Pty Ltd. in the fourth quarter of 2022. As at December 31, 2023, the accumulated remittance of investment amounted to GBP 540 thousand (equivalent to NT$20,840 thousand).

Note 2: The Group made cash capital increases in the second quarter of 2022 for United Orthopedics Japan Inc., and acquired 32 thousand shares, with a shareholding ratio rise of 95%. As of December 31, 2022, the accumulated remittance amounted to JPY 339,724 thousand (equivalent to NT$104,604 thousand). The Group made cash capital increases in the second quarter of 2023 for United Orthopedics Japan Inc, and acquired 36 thousand shares, with a shareholding ratio rise of 96%. As of December 31, 2023, the accumulated remittance amounted to JPY 419,725 thousand (equivalent to NT$122,924 thousand).

Note 3: The Company invested in United Orthopedic (Australia) Pty Ltd. in the fourth quarter of 2022. As at December 31, 2022, the accumulated remittance of investment amounted to AUD 20 thousand (equivalent to NT$413 thousand).

In the first and fourth quarters of 2023, the Group made cash capital increases in United Orthopedic (Australia) Pty Ltd., remitting investment funds of AUD 280 thousand (equivalent to NT$5,687 thousand) and AUD 500 thousand (equivalent to NT$10,394 thousand), respectively. As of December 31, 2023, the Company has cumulatively remitted investment funds of AUD 800 thousand (equivalent to NT$16,494 thousand).

Note 4: The Group invested in U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ in the fourth quarter of 2023. As at December 31, 2023, the accumulated remittance of investment amounted to TRY 50 thousand (equivalent to NT$52 thousand).

(4) Foreign Currency Transactions

The consolidated financial statements of the Group are expressed in New Taiwan Dollars, which is the Company's functional currency. Each entity within the Group determines its own functional currency and measures its financial statements using that functional currency.

Foreign currency transactions of individual entities within the group are recorded in their functional currency at the exchange rates prevailing on the transaction dates. 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 the 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. For a partial disposal of a subsidiary that includes a foreign operation and involves a loss of control, and for a partial disposal of an interest in an associate or joint arrangement that includes a foreign operation in which the retained interest becomes a financial asset, the disposal is accounted for accordingly.

When a partial disposal of a subsidiary containing a foreign operation without loss of control occurs, the cumulative amount of foreign currency translation differences recognized in other comprehensive income is reattributed to non-controlling interests in proportion to their interests in the foreign operation, rather than being recognized in profit or loss. In the case of a partial disposal of an associate or joint arrangement that includes a foreign operation without loss of significant influence or joint control, the proportionate share of the cumulative amount of foreign currency translation differences is reclassified to profit or loss.

The goodwill generated by the Group 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 its functional currency.

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

(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 fair value through profit or loss) 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 fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(1) Business model for managing the financial assets

(2) Contractual cash flow characteristics of the financial assets

Financial Assets at Amortized Cost – Non-current

Financial assets that meet both of the following conditions are measured at amortized cost and reported as notes receivable, accounts receivable, receivables under finance leases, financial assets at amortized cost, and other receivables in the balance sheet:

(1) Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

(2) 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, which is 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:

(1) 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.

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

Financial Assets at Fair Value Through Other Comprehensive Income

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets measured at fair value through other comprehensive income on the balance sheet:

(1) Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and

(2) 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:

(1) Prior to its derecognition or reclassification, the gain or loss on a financial asset measured at fair value through other comprehensive income 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.

(2) 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.

(3) 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 Company 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 fair value through other comprehensive income 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 Fair Value Through Profit or Loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets measured at fair value through profit or loss on the balance sheet.

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

2. Impairment of Financial Assets

The Group recognizes and measures allowance losses based on expected credit losses for financial assets measured at amortized cost.

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

(1) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

(2) Time value of money

(3) 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:

(1) Measured by expected credit loss over 12 months:

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.

(2) Measurement of Expected Credit Losses over the Lifetime:

including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

(3) 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.

(4) For lease receivables from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

3. Derecognition of Financial Assets

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

(1) The contractual rights to the cash flows from the financial assets have expired.

(2) The Company has transferred the financial assets and transferred substantially all risks and rewards of ownership of the assets to others.

(3) The Company has neither transferred nor retained substantially all risks and rewards of ownership of the assets, but has transferred control of the assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of 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 of Liabilities or Equity

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

Equity Instruments

An equity instrument is any contract 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 Company 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 fair value through profit or loss 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 are classified as financial liabilities measured at fair value through profit or loss or at amortized cost upon initial recognition.

Financial Liabilities Measured at Fair Value Through Profit or loss

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

A financial liability is classified as held for trading if:

(1) It is acquired principally for the purpose of selling it in the short term;

(2) 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

(3) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

For a contract containing one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at fair value through profit or loss; or it may be designated as fair value through profit or loss at initial recognition when one of the following factors is met:

(1) The designation eliminates or significantly reduces a measurement or recognition inconsistency; or

(2) A group of financial liabilities or a group of financial assets and financial liabilities that are managed and evaluated for performance on a fair value basis, in accordance with a documented risk management or investment strategy, and for which portfolio information is provided internally on that basis to the entity's key management personnel.

Gains or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss, including any interest paid on the financial liabilities.

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 the Group exchanges debt instruments with creditors that have substantially different terms, or makes substantial modifications to all or part of the terms of an existing financial liability (whether or not due to financial difficulties), it treats the derecognition of the original liability and recognition of a new liability as an exchange. When a financial liability is derecognized, the difference between its carrying amount and the total 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 derivatives held or issued by the Group are used to hedge against foreign exchange risk and interest rate risk. Those that are designated and effective hedges are reported as hedging financial assets or liabilities on the balance sheet; the remaining non-designated and ineffective hedges are reported as financial assets or liabilities at fair value through profit or loss on 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. Changes in the fair value of derivatives are recognized directly in profit or loss, except for those related to hedging and qualifying as effective hedges, in which case the treatment depends on the type of hedge

If the host contract is a non-financial asset or financial liability, and the embedded derivative's economic characteristics and risks are not closely related to the host contract, and the host contract is not measured at fair value through profit or loss, then the embedded derivative should be treated as a separate derivative instrument.

(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 that 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 Company 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, maximize the use of observable inputs, and minimize the use of unobservable inputs.

(11) Inventories

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

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

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

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

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

(12) Investments Accounted for Using the Equity Method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as assets held for sale. An associate is an entity over which the Group has significant influence. A joint venture refers to an arrangement where the Group has rights to the net assets of the joint arrangement (with joint control).

Under the equity method, the investment in associates or joint ventures is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. After the carrying amount of investments in associates or joint ventures and other related long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associates. Unrealized gains and losses arising from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in those 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 Group 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 Group 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. The Group's 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 venturesand the proceeds on the ultimate disposal of the investment.

2. The present value of the estimated future cash flows that the Group expects to generate 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.

When the Group loses significant influence over an associate or joint control over a joint venture, it measures and recognizes the retained investment at its fair value. When significant influence or joint control is lost, the difference between the carrying amount of the investment in the associate or joint venture and the sum of the fair value of the retained investment and the proceeds from disposal is recognized in profit or loss. Furthermore, when an investment in an associate becomes an investment in a joint venture, or vice versa, the Group continues to apply the equity method without remeasuring the retained interest.

(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 parent company only assets with specific useful lives and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Housing and buildings	3 to 50 years
Machinery and equipment	3 to 16 years
Tooling equipment (except for forging die)	2 to 5 years
Transportation Equipment	5 to 6 years
IT equipment	3 to 5 years
Other equipment	3 to 11 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.

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

(14) Leases

For all contracts, the Group evaluates whether the contracts are (or include) leases on the date they are formed. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Group will evaluate whether the following two factors 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 Group 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 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 are selected to be treated as short-term leases or low-value assets, when the Group is the lessee of a lease contract, the Group will recognize all right-of-use asset and lease liabilities related to all leases.

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

1. Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;

2. Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);

3. The amount expected to be paid by the lessee under the residual value guarantee;

4. Exercise price for purchase 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 is 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.

The Group as a Lessor

On the date of establishment 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 the straight-line basis or another systematic basis to recognize lease payments from operating leases as rent revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as rent 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, the carrying amount of intangible assets is the cost less accumulated amortization and accumulated impairment losses. 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 useful lives are reviewed at each reporting period to determine whether there are events and circumstances continuing to support the asset's useful life remaining indefinite. 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 recognized as expenses 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 intangible asset will be thus available for use or sale.

2. The Company intends to complete the said intangible asset to use or sell it.

3. There is an ability to use or sell the said intangible 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, the capitalized development expenditure is measured using the cost model, i.e. the carrying amount is the cost less 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.

Brand

A brand is used to represent a set of complementary assets, such as a trademark (or service mark) and its related trade names, formulas, secret recipes, and technical 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 information policies for intangible assets are summarized as follows:

	Intangible Assets Under Development	**Brand**	**Specialized Technology**	**Computer Software**
Useful lives	Finite	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis during the period when the relevant project generates expected future sales	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	Arising from consolidation	External acquisition or 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 carrying amount after reversal shall not exceed the carrying amount of the asset after deducting depreciation or amortization if no impairment loss is recognized.

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

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

(17) Revenue Recognition

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

Sales of Goods

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

The credit term for merchandise sales transactions of the Group 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 some of the considerations are collected upon signing the contracts, the Group is obligated to provide products subsequently. Thus, they are recognized as contract liabilities.

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

(18) Government Grants

The Group recognizes government grant income when there is reasonable assurance that the conditions attached to the government grants will be complied with and the economic benefits will be received. When the government grant is related to an asset, the grant is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant is related to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(19) Post-Retirement Benefit Plan

The post-employment regulations of the Company and its 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 parent company only financial statements. The retirement procedures for employees of overseas subsidiaries are handled in accordance with local laws and regulations.

For the post-employment benefit plan regarding the defined contribution plan, the Company and its 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.

Post-employment benefit plans that are classified as defined benefit plans are accrued based on actuarial reports using the projected unit credit method at the end of the annual reporting period. The re-measurements 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 re-measurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

1. When a plan amendment or curtailment occurs; and

2. The date when the Group recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of the 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) 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 portion of unappropriated retained earnings subject to income tax 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 for the following two cases:

1. The initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting profit or taxable income (loss) at the time of the transaction, and does not generate equal taxable and deductible temporary differences at the time of the transaction.

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 income tax assets arising from deductible temporary differences, unused tax losses, and unused tax credits are recognized to the extent that it is probable that future taxable profits will be available, except for the following two cases:

1. Deductible temporary differences associated with initial recognition of assets or liabilities in a transaction not related to a business combination, which at the time of the transaction affects neither accounting profit nor taxable income (tax loss), and no equal taxable and deductible temporary differences arise at the time of the transaction.

2. Deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that there will be sufficient taxable income 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 Company 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.

(21) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. In a business combination, the consideration transferred, identifiable assets acquired and liabilities assumed are measured at their fair values as of the acquisition date. For each business combination, the acquirer measures the non-controlling interests at either fair value or the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the classification and designation of assets and liabilities acquired based on the contractual terms, economic circumstances, and other relevant conditions existing on the acquisition date. This includes the consideration of separating embedded derivative financial instruments from the host contracts held by the acquiree.

In the case of a business combination achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured at its acquisition-date fair value, and the resulting gain or loss is recognized in profit or loss for the period.

The acquirer is expected to recognize the contingent consideration to be transferred at fair value on the acquisition date. Contingent consideration that is regarded as an asset or liability, its subsequent fair value changes will be recognized as changes in profit or loss or other comprehensive income in accordance with IFRS 9. However, if the contingent consideration is classified as equity, it will not be remeasured until it is ultimately settled within equity.

Goodwill is initially measured as the excess of the total consideration transferred plus the amount of any non-controlling interests over the fair value of the identifiable assets acquired and liabilities assumed by the Group. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in profit or loss for the period.

After initial recognition, goodwill is measured at cost less accumulated impairment. Goodwill arising from a business combination is allocated from the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those cash-generating units. Each cash-generating unit or group of units represents the lowest level at which goodwill is monitored for internal management purposes, and is not greater than the operating segment before aggregation.

When disposing of a cash-generating unit that includes goodwill, the carrying amount of the portion disposed of includes the goodwill associated with the operation disposed of. The goodwill disposed of is measured based on the relative recoverable amount of the disposed operation and the portion retained.

5. Significant Accounting Judgments and Assumptions, and Key Sources of Estimation Uncertainty

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

<u>Judgment on Whether Development Expenditures Are Eligible for Capitalization</u>

The Group determines whether the intangible assets developed and produced internally have achieved technical feasibility and will be available for use or sale mainly due to the Group's judgments, 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 meet the aforementioned conditions would the Group reclassify development expenditures attributable to the project to intangible assets under development.

(2) Estimates and Assumptions

They key sources of information at the end of the reporting period about estimates and assumptions made concerning the future 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, and are based on the most reliable evidence available at the time the estimates are made of the expected realizable amount of inventories. Please refer to Note 6 for details.

2. Income Tax

Uncertainties of the income taxes 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 listed is based on different factors, such as: past tax audit experience and different interpretations of tax regulations by taxpayers and respective tax authorities. 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 profits 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.

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash in treasury	$286	$144
Checks and demand deposits	188,806	186,330
Time deposits	259,928	211,583
Total	$449,020	$398,057

(2) Financial Assets Measured at Fair Value Through Profit or Loss

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Funds	$8,887	$13,401
Simple Agreement for Future Equity (SAFE)	8,010	-
Convertible corporate bonds with embedded derivative financial instruments	449	-
Total	$17,346	$13,401
Current	$8,887	$13,401
Non-current	8,459	-
Total	$17,346	$13,401

1. The Group’s financial assets measured at fair value through profit or loss are not pledged.

2. On September 28, 2023, the Group invested in Redefine Surgery Inc., a U.S. company, through a Simple Agreement for Future Equity (SAFE) in the amount of NT$8,010 thousand. As of December 31, 2023, the Group’s investment in Redefine Surgery Inc. amounted to NT$8,010 thousand (US$250 thousand).

(3) Financial Assets at Fair Value Through Other Comprehensive Income

	December 31, 2023	December 31, 2022
Investments in equity instruments measured at fair value through other comprehensive income – Non-current:		
Domestic Investments		
Listed stocks		
Chailease Finance Co., Ltd.	$48,950	$48,950
Unlisted stocks		
Changgu Biotech Corporation	4,131	2,813
Taiwan Main Orthopaedic Biotechnology Co., Ltd.	-	588
Subtotal	53,081	52,351
Foreign Investments		
Unlisted stocks		
SURGLASSES Inc.	1,772	-
Total	$54,853	$52,351

1. The Group's financial assets measured at fair value through profit or loss are not pledged.

2. September 10, 2020, the Group invested in Zhonglei Holdings Co., Ltd. in the amount of NT$50,000 thousand and acquired 500,000 shares. As of December 31, 2023 and December 31, 2022, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2023 and 2022, the fair values of the stock investments were both NT$48,950 thousand, and the differences between the initial investment amount and the fair value were both NT$1,050 thousand, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

3. As of December 31, 2023 and December 31, 2022, the amounts that the Company invested in Changgu Biotech Corporation were both NT$4,776 thousand, both with 477,568 shares acquired, and both with a shareholding ratio of 16.09%. On December 31, 2023 and 2022, the fair values of the stock investments were NT$4,131 thousand and NT$2,813 thousand, respectively, and the differences between the initial investment amount and the fair value were NT$645 thousand and NT$1,963 thousand, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

4. The shareholders of Taiwan Main Orthopaedic Biotechnology Co., Ltd. established a holding company SURGLASSES Inc., and after equity adjustment, the holding company 100% held Taiwan Main Orthopaedic Biotechnology Co., Ltd., and the

original shares held in Taiwan Main Orthopaedic Biotechnology Co., Ltd. were exchanged for an equivalent number of shares in SURGLASSES Inc. in the first quarter of 2023. As of December 31, 2023 and 2022, the subsidiary A-SPINE Asia Co., Ltd. invested NT$2,350 thousand in both SURGLASSES Inc. and Taiwan Main Orthopaedic Biotechnology Co., Ltd., both with 235,040 shares acquired, and both with a shareholding ratio of 2.99%. On December 31, 2023 and 2022, the fair values of the stock investments were NT$1,772 thousand and NT$588 thousand, respectively, and the differences between the initial investment amount and the fair value were NT$578 thousand and NT$1,762 thousand, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

(4) Financial Assets at Amortized Cost – Non-Current

	December 31, 2023	December 31, 2022
Time deposits	$9,853	$7,980
Less: Loss allowance	-	-
Total	$9,853	$7,980
Non-current	$9,853	$7,980

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

	December 31, 2023	December 31, 2022
Notes receivable – arising from operation	$3,379	$1,412
Less: Loss allowance	-	-
Total	$3,379	$1,412

The Group’s notes receivables were not pledged.

The Group assesses impairment in accordance with IFRS 9. For information on loss allowance, please refer to Note 6.(20); for information on credit risk, please refer to Note 12.

(6) Accounts Receivable and Accounts Receivable – Related Parties

	December 31, 2023	December 31, 2022
Accounts receivable	$972,661	$761,905
Less: Loss allowance	(17,581)	(9,484)
Subtotal	955,080	752,421
Accounts receivable – related parties	124,250	92,344
Less: Loss allowance	-	-
Subtotal	124,250	92,344
Total	$1,079,330	$844,765

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 carrying amounts as of December 31, 2023 and 2022 were NT$1,096,911 thousand and NT$854,249 thousand, respectively. For information related to the provision for losses in 2023 and 2022, please refer to Note 6.(20). For information related to credit risk, please refer to Note 12.

(7) Net Receivables Under Finance Leases

As of December 31, 2023 and 2022, the Group leased out other equipment – surgical instruments under finance leases. A reconciliation of the future gross investment in leases and the present value for finance leases is as follows:

	December 31, 2023		December 31, 2022	
	Gross Investment in Leases	Present Value of Minimum Lease Payments Receivable	Gross Investment in Leases	Present Value of Minimum Lease Payments Receivable
Less than 1 year	$12,675	$9,128	$3,402	$2,625
2 to 3 years	19,405	16,720	6,804	5,797
4 to 5 years	1,737	1,710	5,075	4,836
Total minimum lease payments	33,817	$27,558	15,281	$13,258
Less: Unearned finance income	(6,259)		(2,023)	
Present value of minimum lease payments	$27,558		$13,258	
Current	9,128		$2,625	
Non-current	18,430		10,633	
Total	$27,558		$13,258	

The Group has not provided any collateral for its receivables under finance leases.

As of December 31, 2023 and December 31, 2022, there were no overdue or impaired accounts receivable from finance leases. For information regarding the loss allowance as of December 31, 2023 and December 31, 2022, please refer to Note 6.(20).

(8) Inventories

	December 31, 2023	December 31, 2022
Merchandise	$74,811	$64,723
Finished goods	1,112,949	871,918
Work in process	335,744	278,522
Raw material	167,508	84,448
Materials and supplies in transit	324	1,348
Total	$1,691,336	$1,300,959

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

Item	2023	2022
Cost of goods sold	$903,565	$783,158
Inventory write-down and obsolescence (recovery gain) loss	(10,048)	22,539
Total	$893,517	$805,697

The gains from price recovery of inventory generated by the Group in 2023 were mainly due to the consumption or sale of inventories for which inventory write-downs had previously been provided.

2. No inventories aforementioned were pledged.

(9) Investments Accounted for Using the Equity Method

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

	December 31, 2023		December 31, 2022	
Name of Investee	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Shinva United Orthopedic Corporation	$372,254	44%	$422,988	49%

Investments in Associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China

Fair value with public quoted market prices: 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:

	December 31, 2023	**December 31, 2022**
Current assets	$279,570	$251,826
Non-current assets	876,279	980,735
Current Liabilities	(264,957)	(301,697)
Non-current liabilities	(3,655)	-
Equity	887,237	930,864
Percentage of ownership of the Group	44%	49%
Subtotal	390,384	456,123
Eliminations and adjustments due to inter-company transactions	(18,130)	(33,135)
Carrying amount of investments	$372,254	$422,988

	2023	**2022**
Operating revenue	$132,138	$37,413
Net gains (losses) of continuing operations for this period	(164,347)	(193,142)
Comprehensive income for this period	(164,347)	(193,142)

On April 18, 2023, Shandong Xinhua United Orthopedics Material Co., Ltd. (hereinafter referred to as “Shandong Xinhua United”), Yiyuan Health Industry Investment (Jinan) Partnership (Limited Partnership) (hereinafter referred to as “Yiyuan Health”), Shandong Xinhua Health Industry Co., Ltd., Shandong Xinhua Medical Equipment Co., Ltd. and the Company signed a capital increase agreement for Shandong Xinhua United. The total capital increase plan amounted to RMB 45,000 thousand, of which Shandong Xinhua Health Industry Co., Ltd., Shandong Xinhua Medical Equipment Co., Ltd. and the

Company agreed to waive their preemptive rights for this capital increase, and Yiyuan Health agreed to subscribe for the capital increase plan in three installments. At the shareholders' meeting of Shandong Xinhua United on April 20, 2023, it was resolved to amend the company's articles of incorporation and increase the registered capital to RMB 345,000 thousand. On May 6, 2023, the registered capital was increased by RMB 18,000 thousand, which was subscribed by Yiyuan Health at a subscription price of RMB 1 per share. After the capital increase, Yiyuan Health held a 6% equity interest in Shandong Xinhua United, and the Group's shareholding in Shandong Xinhua United decreased from 49% to 46%. As the Group did not subscribe for the new shares issued by the associate in proportion to its shareholding, a capital surplus of NT$10,316 thousand was recognized. On September 19, 2023, the registered capital was further increased by RMB 13,500 thousand, which was subscribed by Yiyuan Health at a subscription price of RMB 1 per share. After the capital increase, Yiyuan Health held a 10% equity interest in Shandong Xinhua United, and the Group's shareholding in Shandong Xinhua United decreased from 46% to 44%. As the Group did not subscribe for the new shares issued by the associate in proportion to its shareholding, a capital surplus of NT$8,537 thousand was recognized.

The Group invests in affiliated enterprises on a technical basis of RMB 30,000 thousand, equivalent to NT$149,844 thousand 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, 2023 and 2022, accumulated amortization of NT$91,473 thousand and NT$84,150 thousand, respectively.

The aforementioned investments in associates did not have major contingent liabilities or capital commitments as of December 31, 2023 and 2022, nor was there any guarantee provided.

(10) Property, Plant, and Equipment

	December 31, 2023	**December 31, 2022**
Property, plant and equipment for own use	$1,192,866	$1,161,685
Property, plant and equipment for operating leases	387,715	292,814
Total	$1,580,581	$1,454,499

1. Property, Plant and Equipment for Own Use

	Land	Housing and Buildings	Machinery and Equipment	Tooling Equipment	IT Equipment	Leasehold Improvements	Other Equipment	Total
Cost:								
January 1, 2023	$174,589	$486,446	$516,250	$84,350	$27,783	$18,361	$784,231	$2,092,010
Addition	-	1,868	9,613	10,054	4,449	371	233,262	259,617
Disposal	-	(1,017)	(165)	(7,464)	(335)	-	(37,729)	(46,710)
Reclassification	-	(586)	10,810	(4,813)	-	-	(32,586)	(27,175)
The Effects of Changes in Foreign Exchange Rates	-	-	89	-	46	(21)	4,437	4,551
December 31, 2023	$174,589	$486,711	$536,597	$82,127	$31,943	$18,711	$951,615	$2,282,293
January 1, 2022	$174,589	$486,916	$580,648	$103,231	$31,891	$21,716	$629,305	$2,028,296
Addition	-	-	614	8,374	5,711	215	104,453	119,367
Acquired through business combinations	-	-	-	-	-	-	11,287	11,287
Disposal	-	(470)	(67,912)	(18,749)	(9,917)	(3,974)	(41,686)	(142,708)
Reclassification	-	-	2,900	(8,506)	-	-	40,064	34,458
The Effects of Changes in Foreign Exchange Rates	-	-	-	-	98	404	40,808	41,310
December 31, 2022	$174,589	$486,446	$516,250	$84,350	$27,783	$18,361	$784,231	$2,092,010
Depreciation and impairment:								
January 1, 2023	$-	$108,870	$288,989	$51,849	$15,593	$11,592	$453,432	$930,325
Depreciation	-	16,155	44,669	16,287	5,884	2,509	118,477	203,981
Disposal	-	(811)	(165)	(7,067)	(294)	-	(34,691)	(43,028)
Reclassification	-	-	-	-	-	-	(4,049)	(4,049)
The Effects of Changes in Foreign Exchange Rates	-	-	11	-	23	(8)	2,172	2,198
December 31, 2023	$-	$124,214	$333,504	$61,069	$21,206	$14,093	$535,341	$1,089,427
January 1, 2022	$-	$93,179	$313,382	$53,999	$19,995	$12,141	$365,928	$858,624
Depreciation	-	16,161	43,519	13,948	5,446	3,077	98,444	180,595
Acquired through business combinations	-	-	-	-	-	-	4,089	4,089
Disposal	-	(470)	(67,912)	(16,098)	(9,917)	(3,974)	(40,705)	(139,076)
Reclassification	-	-	-	-	-	-	(11)	(11)
The Effects of Changes in Foreign Exchange Rates	-	-	-	-	69	348	25,687	26,104
December 31, 2022	$-	$108,870	$288,989	$51,849	$15,593	$11,592	$453,432	$930,325
Net carrying amount:								
December 31, 2023	$174,589	$362,497	$203,093	$21,058	$10,737	$4,618	$416,274	$1,192,866
December 31, 2022	$174,589	$377,576	$227,261	$32,501	$12,190	$6,769	$330,799	$1,161,685

2. Property, Plant and Equipment for Operating Leases

	Other Equipment
Cost:	
January 1, 2023	$619,906
Addition	186,080
Disposal	(8,896)
The Effects of Changes in Foreign Exchange Rates	53,103
December 31, 2023	$850,193
January 1, 2022	$428,655
Addition	173,664
Disposal	(27,962)
Reclassification	4,728
The Effects of Changes in Foreign Exchange Rates	40,821
December 31, 2022	$619,906
Depreciation and impairment:	
January 1, 2023	$327,092
Depreciation	110,543
Disposal	(5,575)
The Effects of Changes in Foreign Exchange Rates	30,418
December 31, 2023	$462,478
January 1, 2022	$224,425
Depreciation	89,097
Disposal	(15,680)
Reclassification	6,527
The Effects of Changes in Foreign Exchange Rates	22,723
December 31, 2022	$327,092
Net carrying amount:	
December 31, 2023	$387,715
December 31, 2022	$292,814

3. The majority composition of the Group's buildings is the 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.

(11) Intangible Assets

	Computer Software	Specialized Technology	Development Expenditure	Goodwill	Brand	Total
Cost:						
January 1, 2023	$20,207	$119,401	$164,566	$292,891	$107,940	$705,005
Additions – internal development	-	-	40,194	-	-	40,194
Additions – separate acquisition	4,131	-	-	-	-	4,131
Reclassification	728	118,225	(118,225)	-	-	728
Disposal	(3,026)	-	-	-	-	(3,026)
The Effects of Changes in Foreign Exchange Rates	702	3,028	2,542	-	-	6,272
December 31, 2023	$22,742	$240,654	$89,077	$292,891	$107,940	$753,304
January 1, 2022	$27,730	$119,401	$77,207	$292,891	$107,940	$625,169
Additions – internal development	-	-	79,997	-	-	79,997
Additions – separate acquisition	3,032	-	-	-	-	3,032
Reclassification	800	-	5,014	-	-	5,814
Disposal	(12,219)	-	-	-	-	(12,219)
The Effects of Changes in Foreign Exchange Rates	864	-	2,348	-	-	3,212
December 31, 2022	$20,207	$119,401	$164,566	$292,891	$107,940	$705,005
Amortization and impairment:						
January 1, 2023	$13,334	$49,769	$27,397	$-	$41,377	$131,877
Amortization	4,279	37,529	3,063	-	7,196	52,067
Disposal	(3,026)	-	-	-	-	(3,026)
The Effects of Changes in Foreign Exchange Rates	619	302	-	-	-	921
December 31, 2023	$15,206	$87,600	$30,460	$-	$48,573	$181,839
January 1, 2022	$20,764	$26,992	$24,334	$-	$34,181	$106,271
Amortization	4,134	22,777	3,063	-	7,196	37,170
Disposal	(12,219)	-	-	-	-	(12,219)
The Effects of Changes in Foreign Exchange Rates	655	-	-	-	-	655
December 31, 2022	$13,334	$49,769	$27,397	$-	$41,377	$131,877
Net carrying amount:						
December 31, 2023	$7,536	$153,054	$58,617	$292,891	$59,367	$571,465
December 31, 2022	$6,873	$69,632	$137,169	$292,891	$66,563	$573,128

Amortization amount of recognized intangible assets is as follows:

	2023	2022
Operating costs	$30,543	$22,232
Operating expenses	21,524	14,938
Total	$52,067	$37,170

(12) Impairment Test of Goodwill

For the purpose of impairment testing, the goodwill acquired through a business combination is allocated to a single cash-generating unit (which is also an operating and reportable segment) as follows:

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

Cash Generating Unit of A-Spine Asia Co., Ltd.

	December 31, 2023	**December 31, 2022**
Goodwill	$292,891	$292,891

The recoverable amount of the cash-generating unit of A-Spine Asia Co., Ltd. as of December 31, 2023 and 2022 has been determined based on fair value less costs of disposal. Fair value is assessed using the market approach. Based on the results of this analysis, management has evaluated that there are no indications of impairment of goodwill as of December 31, 2023 and December 31, 2022.

(13) Short-Term Loans

	December 31, 2023	**December 31, 2022**
Bank overdraft	$3,512	$3,161
Bank credit loans	664,230	769,868
Total	$667,742	$773,029
Interest rate range (%)	1.6000-6.4200	0.9000-5.0300

As of December 31, 2023 and 2022, the Group's unused short-term borrowing facilities amounted to NT$1,383,763 thousand and US$2,000 thousand, NT$1,301,683 thousand and US$3,000 thousand, respectively, and the unused long-term borrowing facilities amounted to NT$0 thousand and NT$100,000 thousand, respectively.

(14) Financial Liabilities Measured at Fair Value Through Profit or Loss

	December 31, 2023	**December 31, 2022**
Mandatorily measured at fair value through profit or loss:		
Convertible corporate bonds with embedded derivative financial instruments	$1,762	$-
Non-current	$1,762	$-

(15) Corporate Bonds Payable

	December 31, 2023	December 31, 2022
Domestic unsecured bonds payable	$226,264	$-
Less: Liabilities due within one year	-	-
Long-term domestic convertible bonds payable	$226,264	$-

Domestic Convertible Bonds Payable

	December 31, 2023	December 31, 2022
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$-
Amount converted	(263,700)	-
Discount on domestic convertible bonds payable	(10,036)	-
Subtotal	226,264	-
Less: Liabilities due within one year	-	-
Net amount	$226,264	$-
Embedded derivatives – assets	$449	$-
Embedded derivative – liabilities	$1,762	$-
Equity elements	$24,880	$-

1. On September 10, 2019, the Group issued the 3rd domestic non-pledge convertible bonds with the face interest rate of 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 thousand. Face amount per equity: NT$100 thousand. The issuance is in full carrying amount.

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

   Critical clauses for redemption:

   (1) 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 Group's common stock at the securities firm's business premises exceeds the conversion price by more than 30 percent for 30

consecutive business days, the Group may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

(2) 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 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

(3) 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:

From the issuance date of these convertible bonds, the redemption reference dates are the third and fourth anniversaries (September 10, 2022 and September 10, 2023). On these dates, bondholders may require the company to redeem their convertible bonds in cash at the face value of the bonds plus accrued interest as compensation.

Conversion methods:

(1) Converted target: Common stock of the Company.

(2) Conversion period: Bondholders may request to convert their bonds to the Company's common shares from December 11, 2019 to September 10, 2024.

(3) 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. September 30, 2022, the price is NT$51.50 per share.

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

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

2. On May 30, 2023, the Company issued the 4th domestic non-pledge convertible bonds with the face interest rate of 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 thousand, with a par value of NT$100 thousand each, issued at 106.57% of par value

Period of issuance: from May 30, 2023 to May 30, 2026

Critical clauses for redemption:

(1) On the next day after the convertible bonds issued for three month full (August 31, 2023) until 40 days prior to the due date (March 21, 2026), if the closing price of the Company's common stock at the TPEx 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.

(2) On the next day after the convertible bonds issued for three month full (August 31, 2023) until 40 days prior to the due date (March 21, 2026), if the Company's convertible bonds circulating externally are lower than NT$50,000 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

(3) 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:

The put date, on which the bondholders may require the Company to redeem the bonds at par value plus interest compensation, is two years after the issuance date (May 30, 2025)

Conversion methods:

(1) Converted target: Common stock of the Company.

(2) Conversion period: from August 31, 2023 to May 31, 2026, the bondholders may request to convert the bonds into the Group's ordinary shares.

(3) Converted price and adjustment: converted price and adjustment: the converted price upon issuance was set as NT$61.70 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, 2023, each share carried the value of NT$59.70.

(4) 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, as of December 31, 2023, the total amount of the above-mentioned bonds converted was NT$263,700 thousand, with a remaining face value of NT$236,300 thousand.

(16) Long-Term Loans

Details of long-term loans for the years ended December 31, 2023 and 2022 are as follows:

Creditors	December 31, 2023	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$98,009	1,8605	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.7850	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	63,750	2.0300	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.8900	From September 13, 2022 to September 13, 2027, due to the postponement of repayment, the first installment will be repaid starting from October 13, 2024, with NT$2,778 thousand repaid each month, and the remaining principal will be repaid in full upon maturity
Mega International Commercial Bank – Neihu	49,094	1.9800	1. From December 07, 2017 to December 07, 2032, starting from January 07, 2018, the first installment will be repaid over 180 installments. 2. In September 2021, an application was made to extend the principal repayment period for one year. From October 2021 to September 2022 (periods 46 to 57), no principal repayment will be made. For periods 58 to 180, the remaining principal will be evenly distributed and repaid, with interest paid monthly.
UBS Switzerland AG	12,157	1.5000	Originally due for repayment from April 2020 to March 2025. The repayment period has been changed from April 17, 2020 to September 30, 2027, with the first installment payment starting from March 31, 2022, to be paid in 12 installments.
CIC AGENCE ENTREPRISE NANCY	20,806	0.7000	From April 20, 2021 to April 20, 2026, starting from May 20, 2021, the first installment will be repaid over 60 installments.
CIC AGENCE ENTREPRISE NANCY	505	1.2000	From December 15, 2021 to December 15, 2026, the first installment will be repaid starting from January 15, 2022, over 60 installments.
CIC AGENCE ENTREPRISE NANCY	3,703	2.8000	From October 15, 2022 to October 15, 2027, the first installment will be repaid in 60 installments starting from November 15, 2022.

Creditors	December 31, 2023	Interest Rate (%)	Repayment Period and Method
CIC AGENCE ENTREPRISE NANCY	2,089	3.9000	From June 19, 2023 to June 15, 2027, starting from July 15, 2023, the first installment will be repaid over 48 installments.
CIC AGENCE ENTREPRISE NANCY	1,351	4.1500	From July 5, 2023 to July 5, 2027, the first installment will be repaid starting from August 5, 2023 in 48 installments.
CIC AGENCE ENTREPRISE NANCY	1,116	4.1900	From July 5, 2023 to July 5, 2027, the first installment will be repaid starting from August 5, 2023 in 48 installments.
INFIMED SASU	10,264	3.3441	From December 14, 2021 to November 14, 2026, the first installment will be repaid in 60 installments starting from December 14, 2021.
INFIMED SASU	11,090	3.4123	From April 28, 2022 to April 27, 2027, starting from April 30, 2022, the first installment will be repaid in 61 installments.
INFIMED SASU	5,791	4.1317	From August 1, 2022 to August 5, 2027, starting from August 5, 2022, repay the first installment in 61 installments.
INFIMED SASU	12,038	6.2789	From November 17, 2022 to November 30, 2027, starting from November 23, 2022, repayment of the first installment for 61 installments.
Total	$541,763		
Less: long-term loans due within one year	(76,814)		
Net amount	$464,949		

Creditors	December 31, 2022	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$106,350	1.7283	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.6600	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	80,750	1.6500	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.6400	From September 13, 2022 to September 13, 2027; the first repayment was due on October 13, 2023; repayments of NT$2,083 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank – Neihu	54,548	1.8550	1. From December 07, 2017 to December 07, 2032, starting from January 07, 2018, the first installment will be repaid over 180 installments. 2. In September 2021, an application was made to extend the principal repayment period for one year. From October 2021 to September 2022 (periods 46 to 57), no principal repayment will be made. For periods 58 to 180, the remaining principal will be evenly distributed and repaid, with interest paid monthly.
UBS Switzerland AG	13,833	-	Originally due for repayment from April 2020 to March 2025. The repayment period has been changed from April 17, 2020 to September 30, 2027, with the first installment payment starting from March 31, 2022, to be paid in 12 installments.
CIC AGENCE ENTREPRISE NANCY	28,523	0.7000	From April 20, 2021 to April 20, 2026, starting from May 20, 2021, the first installment will be repaid over 60 installments.
CIC AGENCE ENTREPRISE NANCY	597	0.9000	From May 18, 2021 to May 15, 2025, the first installment payment will start from June 15, 2021 with a total of 48 installments.
CIC AGENCE ENTREPRISE NANCY	645	1.2000	From December 15, 2021 to December 15, 2026, the first installment will be repaid starting from January 15, 2022, over 60 installments.
CIC AGENCE ENTREPRISE NANCY	4,435	2.8000	From October 15, 2022 to October 15, 2027, the first installment will be repaid in 60 installments starting from November 15, 2022.
INFIMED SASU	13,057	3.3441	From December 14, 2021 to November 14, 2026, the first installment will be repaid in 60 installments starting from December 14, 2021.

Creditors	December 31, 2023	Interest Rate (%)	Repayment Period and Method
INFIMED SASU	13,662	3.4123	From April 28, 2022 to April 27, 2027, starting from April 30, 2022, the first installment will be repaid in 61 installments.
INFIMED SASU	6,986	4.1317	From August 1, 2022 to August 5, 2027, starting from August 5, 2022, repay the first installment in 61 installments.
INFIMED SASU	14,138	6.2789	From November 17, 2022 to November 30, 2027, starting from November 23, 2022, repayment of the first installment for 61 installments.
Total	$587,524		
Less: long-term loans due within one year	(59,686)		
Net amount	$527,838		

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

The Group signed a financing loan with INFIMED SASU for the sale and leaseback of other equipment, with the other equipment pledged as collateral. The lease term is 5 years, after which the relevant other equipment will belong to the Group. As of December 31, 2023 and 2022, the outstanding loan balances were EUR 1,153 thousand and EUR 1,462 thousand, respectively. Please refer to Note 8 for details on the collateral.

(17) Post-Retirement Benefit Plan

Defined Contribution Plans

The post-employment regulations in accordance with “Labor Pension Act” of the company belong to the defined contribution plan. According to the Act, the Company and its domestic subsidiaries’ monthly contribution rate for employees’ pension shall not be lower than 6% of employees’ monthly salary. The Company and its domestic subsidiaries 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 Group’s other foreign subsidiaries contribute retirement funds to relevant retirement fund management companies in accordance with local laws and regulations.

The Group’s expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 are NT$64,372 thousand and NT$51,873 thousand, respectively.

Defined Benefits Plan

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

The Ministry of Labor manages assets allocation in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund.” The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets’ fair value as per Paragraph 142 of IAS 19. As of December 31, 2023, the Company’s defined benefits plan has been estimated to contribute NT$195 thousand in the following year.

For the years ended on December 31, 2023 and 2022, the Company’s defined benefits plans are expected to due in 2032.

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

	2023	2022
Service costs for the current period	$59	$198
Net interest of net defined benefit liability	(110)	24
Total	$(51)	$222

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

	December 31, 2023	December 31, 2022	January 1, 2022
Present value of defined benefit obligation	$41,232	$40,357	$52,693
Fair value of plan assets	(49,209)	(48,670)	(49,270)
Net defined benefit (asset) liabilities on the book	$(7,977)	$(8,313)	$3,423

Reconciliation of net defined benefit (asset) liabilities:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
January 1, 2022	$52,693	$(49,270)	$3,423
Service costs for the current period	198	-	198
Interest expenses (income)	369	(345)	24
Previous service cost and settlement gains or losses	-	-	-
Subtotal	53,260	(49,615)	3,645
Re-measurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(7,086)	-	(7,086)
Experience adjustment	(869)	-	(869)
Re-measurements of defined benefit assets	-	(3,807)	(3,807)
Subtotal	45,305	(53,422)	(8,117)
Benefits paid	(4,948)	4,948	-
Employer contributions	-	(196)	(196)
December 31, 2022	40,357	(48,670)	(8,313)
Service costs for the current period	59	-	59
Interest expenses (income)	537	(647)	110
Previous service cost and settlement gains or losses	-	-	-
Subtotal	40,953	(49,317)	(8,364)
Re-measurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	441	-	441
Experience adjustment	356	-	356
Re-measurements of defined benefit assets	-	(215)	(215)
Subtotal	41,750	(49,532)	(7,782)
Benefits paid	(518)	518	-
Employer contributions	-	(195)	(195)
December 31, 2023	$41,232	$(49,209)	$(7,977)

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

	December 31, 2023	December 31, 2022
Discount rate	1.21%	1.33%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2023		2022	
	Increase of Defined Benefit Obligation	Decrease of Defined Benefit Obligation	Increase of Defined Benefit Obligation	Decrease of Defined Benefit Obligation
Discount rate increases by 0.5%	$-	$1,794	$-	$1,926
Discount rate decreases by 0.5%	1,910	-	2,055	-
Expected salary increases by 0.5%	1,867	-	2,011	-
Expected salary decreases by 0.5%	-	1,772	-	1,905

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 each other, it is rare to see changes on a single actuarial assumption in practice. Hence, this analysis has its own limitations.

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

(18) Equity

1. Capital Stock

As of January 1, 2023 and 2022, the Group's authorized share capital was both NT$1,500,000 thousand, and had issued share capital of common stock in the amount of NT$781,316 thousand and NT$781,116 thousand, respectively. The share capital of preferred shares issued were NT$99,800 thousand and NT$100,000 thousand, respectively. The par value of the common stock is NT$10 per share, and 78,132 thousand shares and 78,112 thousand shares have been issued, respectively. Preference shares were issued at a par value of NT$10, dividing into 9,980 thousand shares and 10,000 thousand shares, respectively.

As of December 31, 2023, the Company's convertible bonds had applied for conversion in the amount of NT$263,700 thousand, and applied for the issuance of ordinary share capital of NT$44,171 thousand, with a par value of NT$10 per share, divided into 4,417 thousand shares. However, as of December 31, 2023, the change registration had not been completed, and therefore the amount was recorded under the bonds conversion rights certificate account.

Preference Share

On September 17, 2019, the board of directors resolved that the Company launch a capital increase to issue type A preference share in a total amount of NT$520,000 thousand, with a par value of NT$10 per share and a total of 10,000 thousand 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.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:

(1) 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.

(2) If the company's annual settlement of accounts shows a surplus, it shall, after paying taxes in accordance with the law, make up for the losses of previous years and set aside legal reserve funds in accordance with the laws and regulations. After setting aside or reversing the special reserve in accordance with the provisions of the Articles of Incorporation, if there is still a balance after adding the accumulated undistributed earnings, the dividends that can be distributed for preference shares for the current year may be distributed first.

(3) The Company has discretion over the distribution of preference share dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preference share dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preference share 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.

(4) The preference share dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the board of directors shall set the record date for paying the preference share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

(5) Shareholders of preference 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.

(6) Shareholders of preference share have no right to request the Company to redeem their preference shares; however, preference 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 preference share. Unredeemed preference 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 dividends, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

(7) Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preference share 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 preference shares at the time of distribution and issuance price.

(8) The shareholders of preference shares have neither voted nor election rights. However, they may be elected as directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preference shares in shareholders' meetings.

(9) The preference shares 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 the preference shares may apply for conversion of part or all of the preference shares held by them to ordinary shares with one preference share in exchange for one ordinary share (the conversion ratio is 1:1) during the conversion period.

After the conversion of the preference shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preference shares shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the ordinary shares before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preference shares in the current year but may participate in the distribution of ordinary share surplus and capital surplus.

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

The aforesaid special shares were converted into 9,606 thousand ordinary shares and 20 thousand ordinary shares for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company's authorized share capital was both NT$1,500,000 thousand, and had issued share capital of ordinary share in the amount of NT$877,379 thousand and NT$781,316 thousand, respectively. The share capital of preference shares issued were NT$3,737 thousand and NT$99,800thousand, respectively. The par value of the common stock is NT$10 per share, and 87,738 thousand shares and 78,132 thousand shares have been issued, respectively. Preference shares were issued at a par value of NT$10, dividing into 374 thousand shares and 9,980 thousand shares, respectively.

2. Capital Surplus

	December 31, 2023	December 31, 2022
Share premium	$1,770,932	$1,535,085
Share options – convertible corporate bonds	24,880	-
Difference between the actual acquisition or disposal price of a subsidiary's equity and its book value	164,332	163,986
Others	63,092	44,658
Total	$2,023,236	$1,743,729

According to the laws, the capital reserve shall not be used except to offset the deficit of the company. When the company incurs no loss, the capital surplus generated from the excess obtained from issuing shares above par value and from receiving donations may be capitalized each year up to a certain ratio of the paid-in capital. The aforementioned capital surplus may also be distributed in cash to shareholders in proportion to their original shareholdings.

Please refer to Note 6.(9) and 6.(28) for more information about the difference between the proceeds received from acquisition or disposal of a subsidiary and its carrying amount.

3. Earnings Distribution and Dividend Policy

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

(1) Payment of all taxes and dues.

(2) Deficit compensation.

(3) Appropriate 10% to be the legal reserve.

(4) Other provisions or reversed special reserve in accordance with laws and regulations or regulatory authorities.

(5) The board of directors shall draft an earning distribution proposal according to the dividend policy, and report 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, the legal surplus reserve should be appropriated until the total amount reaches the paid-in capital. The legal reserve may be used to offset deficit. When the Company has no deficit, legal 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 distributing distributable earnings, the Company shall appropriate a special reserve in the amount equal to the difference between the balance of special reserves appropriated at the first-time adoption of IFRSs and the net debit balance of other equity items. Subsequently, when the net deduction to other equity interests is reversed, the Company must revert the special surplus and distribute the earnings based on the reversal of the net deduction to other equity interests.

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, for any unrealized revaluation surplus and cumulative translation adjustment 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 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, the special reserves did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets for the years ended December 31, 2023 and 2022, there is no reversal of special reserve to unappropriated earnings.

Details of the 2023 and 2022 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 13, 2024 and June 15, 2023, respectively, are as follows:

	Distribution of Earnings		**Dividends per Share (NT$)**	
	2023	**2022**	**2023**	**2023**
Legal reserve	$38,357	$23,329		
Provision (reversal) for special reserve	3,669	(33,934)		
Cash dividends of ordinary share	385,394	196,027	$4.00	$2.50
Cash dividends of preference share	552	22,700	2.34	2.34

At the annual shareholders' meeting on June 15, 2023, the Company declared a cash dividend of NT$22,700 thousand on preference shares. However, as some shareholders had converted their preference shares into ordinary shares before the ex-dividend date, the actual cash dividend paid by the Company on preference shares on August 18, 2023 was NT$4,580 thousand.

Please refer to Note 6.(22) for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

4. Non-Controlling Interests

	2023	**2022**
Beginning balance	$95,173	$98,305
Net profit for the period attributable to non-controlling interests	4,108	2,048
Other comprehensive income attributable to non-controlling interests:		
Exchange differences on translation of financial statements of foreign operations	78	158
Unrealized valuation losses from financial assets at fair value through other comprehensive income	297	25
Changes in ownership interests in subsidiaries	125	(291)
Cash dividends paid by subsidiaries	(3,381)	(5,072)
Ending balance	$96,400	$95,173

(19) Operating Revenue

	2023	2022
Income from sales of goods	$3,929,774	$3,158,206
Other operating revenues	113	10,474
Total	$3,929,887	$3,168,680

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

<u>Contract Balance</u>

Contract liabilities – current:

	December 31, 2023	December 31, 2022
Sales of goods	$1,993	$10,405

The significant changes in the balance of contract liabilities of the Group from January 1 to December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning balance recognized as revenue in the current period	$(9,227)	$(7,564)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	815	9,338

(20) Expected Credit Impairment Losses (Reversal of Gains)

	2023	2022
Operating expenses – expected credit impairment losses (reversal of gains)		
Notes receivable	$-	$-
Accounts receivable	8,436	(89)
Receivables under finance leases	-	-
Total	$8,436	$(89)

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

The Group's financial assets and long-term receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2023 and 2022 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

For the Group's receivables (including notes receivable, accounts receivable, and receivables under finance leases), the loss allowance is measured at the lifetime expected credit loss amount. The explanation of the assessment of the loss allowance as of December 31, 2023 and 2022 is as follows:

Accounts receivable are grouped based on factors such as counterparty credit ratings, regions, and industries, and the loss allowance is measured using a provision matrix. Relevant information is as follows:

December 31, 2023

	Not past due (Note)	Number of Days Overdue				Total
		Within 120 days	**121 to 150 days**	**151 to 180 days**	**181 days or above**	
Total carrying amount	$913,976	$159,711	$11,799	$3,971	$19,961	$1,109,418
Loss ratio	0% - 2%	1% - 22%	14% - 23%	16% - 28%	17% - 30%	
Lifetime expected credit losses	1,649	7,737	2,304	852	5,039	17,581
Total	$912,327	$151,974	$9,495	$3,119	$14,922	$1,091,837
Carrying amount						$1,091,837

December 31, 2022

	Not past due (Note)	Number of Days Overdue				Total
		Within 120 days	**121 to 150 days**	**151 to 180 days**	**181 days or above**	
Total carrying amount	$752,138	$104,288	$1,090	$1,774	$9,629	$868,919
Loss ratio	0% - 1%	2% - 35%	4% - 56%	5% - 85%	5% - 100%	
Lifetime expected credit losses	1,042	4,142	478	1,004	2,818	9,484
Total	$751,096	$100,146	$612	$770	$6,811	$859,435
Carrying amount						$859,435

Note: None of the Group's notes receivable is past due.

The changes in the loss allowance for the Group's notes receivable, accounts receivable, and receivables under finance leases in 2023 and 2022 are as follows:

	Notes Receivable	Accounts Receivable	Receivables Under Finance Leases
January 1, 2023	$-	$9,484	$-
Amount increase in the current period	-	8,436	-
Write off due to inability to recover	-	(778)	-
Effect of exchange rate changes	-	439	-
December 31, 2023	$-	$17,581	$-
January 1, 2022	$-	$9,588	$-
Current amount reversed	-	(89)	-
Write off due to inability to recover	-	(758)	-
Effect of exchange rate changes	-	743	-
December 31, 2022	$-	$9,484	$-

(21) Leases

1. The Group as a Lessee

The Group leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

(1) Amount recognized in the balance sheet

A. Right-Of-Use Assets

Carrying amount of right-of-use assets:

	December 31, 2023	December 31, 2022
Land	$132,474	$140,783
Housing and buildings	41,194	54,046
Transportation Equipment	11,294	7,727
Office Equipment	1,210	1,400
Total	$186,172	$203,956

In 2023 and 2022, the Group added NT$11,170 thousand and NT$21,928 thousand, respectively, to the category of right-of-use assets.

B. Lease Liabilities

	December 31, 2023	December 31, 2022
Lease liabilities	$193,461	$210,369
Current	$29,101	$27,470
Non-current	$164,360	$182,899

Please refer to Note 6.(23).4. for the interest expenses of the Group's 2023 and 2022 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, 2023 and 2022.

(2) Amount Recognized in the Statement of Comprehensive Income

Depreciation of right-of -use assets:

	2023	2022
Land	$8,309	$8,309
Housing and buildings	16,492	15,119
Transportation Equipment	4,672	4,711
Office Equipment	407	256
Total	$29,880	$28,395

(3) Revenues and Expenses Related to the Lessee and Lease Activities

	2023	2022
Short-term lease expense	$3,642	$3,635
Lease expenses on low-value assets (excluding short-term lease expenses of low-value assets)	3,949	3,803
Revenue from sublease of right-of-use assets	1,303	1,384

As of December 31, 2023 and 2022, the Group had no committed short-term lease arrangements.

(4) Cash Outflows Related to the Lessee and Lease Activities

The Group's total cash outflow amounts of leases in 2023 and 2022 were NT$39,943 thousand and NT$37,987 thousand, respectively.

2. The Group as a Lessor

For the relevant disclosures of the Group's own property, plant and equipment, please refer to Note 6.(10). Properties, plants and equipment owned are classified as operating leases since substantially all the risks and rewards incidental to ownership of the underlying assets are not transferred.

The Group has entered into lease agreements for some other equipment - surgical instruments with lease terms ranging from 1.5 to 5 years. Since substantially all the risks and rewards incidental to ownership of the underlying assets have been transferred, these leases are classified as finance leases.

	2023	2022
Operating lease rental income		
Income relating to fixed lease payments and variable lease payments that depend on an index or rate	$13,441	$5,391
Subtotal	13,441	5,391
Lease income recognized from finance leases		
Net financing income from net investment in leases	2,591	597
Subtotal	2,591	597
Total	$16,032	$5,988

(22) Summary Statement of Employee Benefits, Depreciation and Amortization Expense by Function

Function / Property	2023			2022		
	Classified as Operating Costs	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Employee benefit expenses						
Salary expenses	$345,999	$594,806	$940,805	$260,149	$517,797	$777,946
Labor and health insurance premiums	30,927	30,097	61,024	25,313	25,463	50,776
Pension expenses	13,540	50,781	64,321	11,714	40,381	52,095
Other employee benefit expenses	12,178	8,055	20,233	10,700	7,293	17,993
Depreciation expenses	81,253	263,151	344,404	79,270	218,817	298,087

Amortization expenses	30,543	21,524	52,067	22,232	14,938	37,170

The Company's Articles of Incorporation provide that if there is profit in the year, 12% of profit shall be allocated for employee remuneration, and no more than 3% 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 employee compensation shall be paid only in cash, and shall be carried out by a resolution of the board of directors with the attendance of more than two-thirds of the directors and the approval of more than half of the directors present, and reported to the shareholders' meeting. Information on employee compensation and directors' and supervisors' remuneration approved by the board of directors of the Company is available at the Market Observation Post System (MOPS).

In 2023, the Company estimated employee compensation and directors' and supervisors' remuneration at 12% and 3%, respectively, based on the profit for the year, and recognized employee compensation and directors' and supervisors' remuneration of NT$66,927 thousand and NT$16,732 thousand, respectively, which were recorded under salary expenses.

On March 13, 2024, the board of directors of the Company resolved to cash out the remuneration of employees and the remuneration of directors and supervisors for the year 2023 in the amount of NT$66,892 thousand and NT$16,723 thousand, respectively, which is not significantly different from the amount of expenses recorded in the financial statements of the Company in 2023.

On March 21, 2023, the board of directors of the Company resolved to cash out the remuneration of employees and the remuneration of directors and supervisors for the year 2022 in the amount of NT$42,224thousand and NT$10,556 thousand, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2022.

In 2022, the actual employee compensation and directors' and supervisors' remuneration distributed were NT$42,224 thousand and NT$10,556 thousand, respectively, which did not differ materially from the amounts expensed in the 2022 financial statements.

(23) Non-Operating Revenues and Expenses

1. Interest Revenue

	2023	**2022**
Interest on bank deposits	$3,844	$3,325
Other interest income	3,257	1,067
Total	$7,101	$4,392

2. Other Revenue

	2023	2022
Rent revenue	$1,303	$1,384
Subsidy income	5,024	7,429
Dividend of preference shares	1,900	1,900
Gain recognized in bargain purchase transaction	-	1,594
Other income – others	37,493	21,806
Total	$45,720	$34,113

3. Other Gains and Losses

	2023	2022
Gains (losses) on disposal of property, plant, and equipment	$(179)	$587
Net foreign exchange gains	33,643	46,070
Gains (losses) on financial assets and financial liabilities measured at fair value through profit or loss (Note)	1,257	(3,022)
Other gains	45	1,099
Expenditure	(1,072)	(3,054)
Total	$33,694	$41,680

Note: It was generated because financial assets and financial liabilities were mandatorily measured at fair value through profit or loss.

4. Financial Costs

	2023	2022
Interest on bank loans	$(35,078)	$(16,396)
Interest on bonds payable	(5,716)	(4,103)
Interest on lease liabilities	(3,348)	(3,607)
Total	$(44,142)	$(24,106)

(24) Components of Other Comprehensive Income

Components of other comprehensive income for the year ended December 31, 2023 are as follows:

	Arising During the Period	Current Reclassification Adjustments	Other Comprehensive Income	Income Tax Benefits (Expenses)	After-Tax Amount
Items not reclassified to profit or loss:					
Re-measurements of defined benefit plans	$(582)	$-	$(582)	$-	$(582)
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	2,502	-	2,502	-	2,502
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	2,383	-	2,383	-	2,383
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(8,178)	-	(8,178)	-	(8,178)
Total	$(3,875)	$-	$(3,875)	$-	$(3,875)

Components of other comprehensive income for the year ended December 31, 2022 are as follows:

	Arising During the Period	Current Reclassification Adjustments	Other Comprehensive Income	Income Tax Benefits (Expenses)	After-Tax Amount
Items not reclassified to profit or loss:					
Re-measurements of defined benefit plans	$11,762	$-	$11,762	$-	$11,762
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	(521)	-	(521)	-	(521)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	32,170	-	32,170	-	32,170
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	7,315	-	7,315	-	7,315
Total	$50,726	$-	$50,726	$-	$50,726

(25) Income Tax

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

Income Tax Recognized in Profit or loss

	2023	2022
Current income tax expense:		
Current income tax payable	$124,919	$86,109
Adjustments on current income tax of prior periods	5,044	504
Deferred income tax benefits:		
Deferred tax benefits related to its original generation and reversal of temporary differences	(9,046)	(7,173)
Income tax expenses	$120,917	$79,440

Income Tax Recognized in Other Comprehensive Income

	2023	2022
Deferred income tax expense:		
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	$-	$-
Exchange differences on translation of financial statements of foreign operations	-	-
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	-	-
Income tax related to other components of comprehensive income	$-	$-

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

	2023	2022
Profit before tax from continuing operations	$509,226	$303,021
Tax at the domestic tax rates applicable of profits in the country of main operation	$127,216	$61,819
Tax effect of revenues exempt from taxation	(1,636)	(1,277)
Income tax impact arising from non-deductible expenses for tax purposes	(5)	1,107
Income tax effect of deferred income tax assets/liabilities	(10,961)	17,287
5% income tax on unappropriated earnings	1,259	-
Adjustments on current income tax of prior periods	5,044	504
Total income tax expense (benefit) recognized in profit or loss	$120,917	$79,440

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

2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Temporary differences					
Unrealized transactions between entities of the Group	$78,098	$9,898	$-	$-	$87,996
Unrealized exchange gains (losses) - parent company	762	(782)	-	-	(20)
Unrealized exchange gains – subsidiary	(74)	207	-	-	133
Unrealized exchange losses – subsidiary	-	(428)	-	(6)	(434)
Long-term deferred revenue	13,139	(1,465)	-	-	11,674
Losses on valuation of financial assets measured at fair value through profit or loss	320	(98)	-	-	222
Gains on valuation of financial assets measured at fair value through profit or loss	-	(217)	-	-	(217)
Allowance loss for market price decline and obsolete and slow-moving inventories	11,372	690	-	-	12,062
Unrealized unpaid vacation bonus	182	(10)	-	-	172
Fair value adjustments arising from business combinations	(11,317)	1,224	-	-	(10,093)
Re-measurements of the net defined benefit plan	(73)	4	-	-	(69)
Depreciation expense of right-of-use assets corresponding to decommissioning liabilities	81	23	-	-	104
Deferred income tax benefits/(expenses)		$9,046	$-	$(6)	
Net deferred income tax assets/(liabilities)	$92,490				$101,530
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$103,954				$112,363
Deferred income tax liabilities	$(11,464)				$(10,833)

2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Temporary differences					
Unrealized transactions between entities of the Group	$64,838	$13,260	$-	$-	$78,098
Unrealized exchange gains (losses) - parent company	7,063	(6,301)	-	-	762
Unrealized exchange gains (losses) - subsidiary	142	(216)	-	-	(74)
Long-term deferred revenue	14,448	(1,309)	-	-	13,139
Valuation on financial assets measured at fair value through profit or loss	770	(450)	-	-	320
Allowance loss for market price decline and obsolete and slow-moving inventories	10,443	929	-	-	11,372
Unrealized unpaid vacation bonus	172	10	-	-	182
Fair value adjustments arising from business combinations	(12,540)	1,223	-	-	(11,317)
Re-measurements of the net defined benefit plan	(78)	5	-	-	(73)
Depreciation expense of right-of-use assets corresponding to decommissioning liabilities	59	22	-	-	81
Deferred income tax benefits/(expenses)		$7,173	$-	$-	
Net deferred income tax assets/(liabilities)	$85,317				$92,490
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$97,935				$103,954
Deferred income tax liabilities	$(12,618)				$(11,464)

Unrecognized Deferred Income Tax Assets

As of December 31, 2023 and 2022, the unrecognized deferred income tax assets of the Group amounted to NT$75,177 thousand and NT$78,142 thousand, respectively.

The profit-seeking enterprise income tax assessment of the Group is as follows

	December 31, 2023	
	Income Tax Return and Assessment Status for Profit-Seeking Enterprises	**Remark**
The Company: United Orthopedic Corporation	Approved until the year 2021	-
Subsidiary: A-Spine Asia Co., Ltd.	Approved until the year 2021	-

(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 ordinary share 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 ordinary shares to be issued when all dilutive potential ordinary shares are converted into ordinary shares.

	2023	2022
(1) Basic earnings per share		
Net profit attributable to ordinary shareholders of the parent company (NT$ thousand)	$384,201	$221,533
Preference dividends (NT$ thousand) (Note)	(4,580)	-
Net income used in calculating basic earnings per share (NT$ thousand)	$379,621	$221,533
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	84,320	78,112
Basic earnings per share (NT$)	$4.50	$2.84
(2) Diluted earnings per share		
Net income used in calculating basic earnings per share (NT$ thousand)	$379,621	$221,533
Convert preference dividends (NT$ thousand)	4,580	-
Convert interest on corporate bonds (NT$ thousand)	4,573	-
Net income attributable to ordinary shareholders of the parent company after adjusting for dilution effects (NT$ thousand)	$388,774	$221,533
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	84,320	78,112
Dilution effect:		
Convertible preference shares (thousand shares)	4,164	9,980
Convertible corporate bonds (thousand shares)	4,538	-
Weighted average number of ordinary shares after dilution effect adjustment (thousand shares)	93,022	88,092
Diluted earnings per share (NT$)	$4.18	$2.51

Note: The preference share dividends for the period for the year ended December 31, 2023 were calculated based on the number of preference shares outstanding on the ex-dividend date.

For other transactions involving ordinary shares or potential ordinary shares after the reporting period and before the financial statements are approved for issuance, please refer to Note 11.

(27) Business Combination

Acquisition of United Orthopedics Limited

On January 20, 2022, the Group acquired all the shares issued by United Orthopedics Limited for capital increase. United Orthopedics Limited was established in the United Kingdom, and is an unlisted company that sells artificial joints. The Group's acquisition of United Orthopedics Limited is to expand the Group's sales operating regions.

Consideration for Acquisition

Cash	$4,849

The Identifiable Assets and Liabilities Acquired at Fair Value on the Acquisition Date Are as Follows

	GBP	NTD
Assets		
Cash and cash equivalents	$248	$9,241
Accounts receivable	200	7,446
Other receivables	32	1,179
Inventories	501	18,693
Property, plant, and equipment	193	7,198
Subtotal	1,174	43,757
Liability		
Accounts Payable	869	32,382
Other accrued expenses	107	3,988
Other current liabilities	25	944
Subtotal	1,001	37,314
Total identifiable net assets at fair value	$173	$6,443

The amount of profit from the bargain purchase is as follows:

Consideration for Acquisition	$4,849
Less: Fair value of identifiable net assets	(6,443)
Gain recognized in bargain purchase transaction	$(1,594)

Non-Controlling Interests

The non-controlling interests of United Orthopedics Limited were measured at their acquisition-date fair value of NT$0 thousand, which was the proportionate share of the identifiable net assets' fair value at the acquisition date. As of the date of issuance of these consolidated financial statements, the fair value has been reassessed based on a formal valuation report.

Net Cash Inflow from Acquiring Subsidiaries

Acquisition of Cash and cash equivalents	$4,392

The Impact of Corporate Mergers on Operating Results

From the date of acquisition, the operating results of the acquired company are as follows:

	2022
Operating revenue	$35,885
Net profit for the period	$2,308

If the merger occurred at the beginning of the year, there would be no significant changes in the revenue and net income of the continuing operations.

(28) Changes in Ownership Interests in Subsidiaries

Not Subscribing to the Newly Issued Shares of a Subsidiary in Proportion to the Shareholding Ratio

United Orthopedic Japan Inc. issued new shares on April 1, 2022.As a result, the Group's ownership increased to 95%. Cash acquired by the Group from capital increase was JPY 80,000,000 (NT$18,610,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 173,009,000 (NT$40,709,000).Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
Decrease in non-controlling interest	291
Difference in retained earnings recognized in equity	$291

United Orthopedic Japan Inc. issued new shares on April 14, 2023. As a result, the Group's ownership increased to 96%. Cash acquired by the Group from capital increase was JPY 80,001 thousand (NT$18,320 thousand), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 265,469 thousand (NT$60,739 thousand).Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2023
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	(125)
Difference in amounts recognized in capital surplus and retained earnings under equity	$(125)

7. Related Party Transactions

The related parties who have had transactions with the Group during the financial reporting period are as follows:

Name of Related-Party and Relationship

Related Party	**Relationship with the Group**
Shinva United Orthopedic Corporation	Associates of the Group
United Medical Co., Ltd.	Associates of the Group
United Medical Instrument (Shanghai) Co., Ltd.	Associates of the Group
Shanghai Lianyi Biotechnology Co., Ltd.	Associates of the Group
Changgu Biotech Corporation	The Group is a shareholder of this company
Paonan Biotech co. ltd.	Subsidiaries of which are associates

Major Transactions with Related Parties

(1) Sales

	2023	**2022**
Associates of the Group		
Shinva United Orthopedic Corporation	$1,431	$130
United Medical Co., Ltd.	693	1,167
United Medical Instrument (Shanghai) Co., Ltd.	116,869	78,779
Shanghai Lianyi Biotechnology Co., Ltd.	13,432	130,335
The Group is a shareholder of this company		
Changgu Biotech Corporation	5,717	4,475
Total	$138,142	$214,886

The sales price offered by the Group to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Group may offer a longer credit period in consideration of the related parties' funding conditions.

(2) Purchase of Goods

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$147	$-
United Medical Co., Ltd.	167,197	131,261
United Medical Instrument (Shanghai) Co., Ltd.	557	-
Shanghai Lianyi Biotechnology Co., Ltd.	11,654	-
Total	$179,555	$131,261

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

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,339	$1,357
United Medical Co., Ltd.	58	202
United Medical Instrument (Shanghai) Co., Ltd.	114,954	78,476
Shanghai Lianyi Biotechnology Co., Ltd.	4,895	10,527
The Group is a shareholder of this company		
Changgu Biotech Corporation	3,004	1,782
Total	$124,250	$92,344

(4) Other Receivables – Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$4,410	$1,194

(5) Prepayments

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,027	$-

(6) Property Transactions – Acquisition of Intangible Assets

	December 31, 2023	December 31, 2022
Associates of the Group		
United Medical Instrument (Shanghai) Co., Ltd.	$2,160	$-

(7) Long-Term Receivables (Accounted as Other Non-current Assets)

	December 31, 2023	December 31, 2022
Associates of the Group		
Shanghai Lianyi Biotechnology Co., Ltd.	$-	$85,984

(8) Accounts Payable – Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$876	$-
United Medical Co., Ltd.	12,506	17,824
Subsidiaries of which are associates		
Paonan Biotech co. ltd.	308	627
Total	$13,690	$18,451

(9) Other Payables - Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
United Medical Co., Ltd.	$-	$1,553

(10) Other Current Liabilities

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,566	$5,201

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, 2023 and 2022, the Company has collected NT$1,566 thousand (RMB 360 thousand), which is recorded as other current liabilities.

(11) Capital Loans

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

(12) Endorsement Guarantees

For details on the Company's endorsement guarantees due to subsidiaries' bank loans, please refer to Table 2.

(13) Remuneration for the Group's Key Management

	2023	2022
Short-term employee benefits	$58,348	$44,769

(14) Manufacturing Overheads

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,687	$-
United Medical Co., Ltd.	34	62
Total	$1,721	$62

(15) Operating Expenses

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,027	$-
United Medical Co., Ltd.	38	1,937
United Medical Instrument (Shanghai) Co., Ltd.	706	-
Total	$1,771	$1,937

(16) Other Revenue

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$15,553	$6,817
United Medical Co., Ltd.	-	15
Shanghai Lianyi Biotechnology Co., Ltd.	633	-
The Group is a shareholder of this company		
Changgu Biotech Corporation	-	24
Total	$16,186	$6,856

The Group invests the long-term deferred income of related enterprises in a technology-based manner, except for the deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the start of the provision of labor services, and the remaining amortized on an average basis for ten years after the completion of the establishment of Shinva United Orthopedic Corporation. in September 2021 and the successive acquisition of product registration certificates for each product, and is transferred to other income from the deferred income.

According to the joint venture agreement signed between the Company and the other investors of the associate, Shandong Xinhua United Orthopedics Material Co., Ltd., the associate agreed to pay the Company a technology usage fee equal to 5% of the net sales revenue from the self-produced joint products for five consecutive years starting from the year when the self-produced joint products commence sales.

The subsidiary Guan Ya Biotechnology Co., Ltd., in accordance with the agreement signed on August 20, 2019, has transferred some of its existing lumbar interbody fusion devices and cervical interbody fusion devices to the affiliated company Shandong Xinhua United Orthopedic Materials Co., Ltd. through technology transfer. The technology transfer includes transferring registration data, providing clinical trial results for registered products, and assisting Shandong Xinhua United Orthopedic Materials Co., Ltd. in obtaining relevant product registration certificates. The technology transfer amount is RMB 1,030 thousand. As of December 31, 2022, the company has received a technology transfer fee of NT$3,635 thousand (RMB 820 thousand), which is recorded under other current liabilities – receipts in advance. As of December 31, 2023, the Company has received technology transfer fees of NT$3,765 thousand (RMB 855 thousand). Shandong Xinhua United Orthopedic Instrument Co., Ltd. has obtained the relevant product registration certificate before the end of 2023, so the deferred revenue has been recognized as other income - others in 2023.

8. Assets Pledged as Security

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

Item	Carrying Amount December 31, 2023	Carrying Amount December 31, 2022	Secured Liabilities
Financial assets at amortized cost – non-current	$9,853	$7,980	Performance bond and import tariff guarantee
Property, plant and equipment – land and building	518,815	530,615	Comprehensive credit line
Property, plant, and equipment – machinery	4,093	-	Comprehensive credit line
Property, plant, and equipment – other equipment	31,300	39,006	Asset-backed loans
Prepayments for business facilities	-	4,578	Asset-backed loans
Total	$564,061	$582,179	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

As of February 16, 2024, the company's fourth domestic unsecured convertible corporate bonds have been fully converted. It is expected to complete the registration of changes by the end of March 2024.

12. Others

(1) Types of Financial Instruments

Financial Assets

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through profit or loss:		
Measured at fair value through profit or loss	$17,346	$13,401
Financial assets at fair value through other comprehensive income	54,853	52,351
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	448,734	397,913
Financial assets at amortized cost – non-current	9,853	7,980
Notes receivable	3,379	1,412
Accounts receivable (including related parties)	1,079,330	844,765
Net receivables under finance leases	9,128	2,625
Other receivables (including related parties)	29,663	15,601
Refundable deposits	50,635	42,192
Long-term net receivables under finance leases	18,430	10,633
Subtotal	1,649,152	1,323,121
Total	$1,721,351	$1,388,873

Financial Liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at fair value through profit or loss:		
Measured at fair value through profit or loss	$1,762	$-
Financial liabilities measured at amortized cost:		
Short-term loans	667,742	773,029
Receivables (including related parties)	983,080	752,095
Bonds payable (including bonds due within one year)	226,264	-
Long-term loans (including loans due within one year)	541,763	587,524
Lease liabilities	193,461	210,369
Guarantee deposits received	4,616	669
Subtotal	2,616,926	2,323,686
Total	$2,618,688	$2,323,686

(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

The market risk of the Group 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, and 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 foreign exchange risk mainly relates to operating activities (when the currency used for revenue or expenses differs from the Group's functional currency) and 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;

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 rate of the US dollar. The information on sensitivity analysis is as follows:

When the NT dollar appreciates/depreciates against the US dollar by 1%, the Company's profit or loss for the years ended December 31, 2023 and 2022 will increase/decrease by NT$1,559 thousand and NT$1,677 thousand, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk arises primarily from fixed-rate borrowings and floating-rate borrowings.

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, hedge account is not adopted.

The sensitivity analysis of interest rate risk is primarily for the exposed items at the end of the reporting period, including floating rate investments, floating rate borrowings, and interest rate swap contracts. It is assumed that they are held for one accounting year. When the interest rate rises/falls by 10 basis points, the Group's profit or loss for January 1 to December 31, 2023 and 2022 would decrease/increase by NT$757 thousand and NT$961 thousand, respectively.

Equity Price Risk

The Group holds unlisted equity securities whose fair values would be influenced by the uncertainties of the future values of those investments. The unlisted equity securities held by the Group are included in the category of financial assets 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 Group's senior management on a regular basis. The board of directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests for the years ended December 31, 2023 and 2022.

(4) Credit Risk Management

Credit risk refers to the risk of financial loss arising from a counterparty's failure to meet the obligations specified in a contract. The Group's credit risk arises from operating activities (primarily contract assets, accounts and notes receivable, and lease receivables) and financing activities (primarily 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, 2023 and December 31, 2022, the contract assets and receivables from the Group's top ten customers accounted for 24% and 26% of the Group's total contract assets and receivables, respectively. The remaining contract assets and receivables are not subject to significant credit concentration risk.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with theGroup's policy. Since the Group's counterparties are determined through internal control procedures and are creditworthy banks and financial institutions with investment grades, corporate organizations and government agencies, there is no significant credit risk.

(5) Liquidity Risk Management

The Group maintains financial flexibility through cash and cash equivalents, highly liquid securities, bank borrowings, convertible bonds, and lease contracts. 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 interest amounts of cash flows from interest paid at floating rates are derived from the yield curve at the end of the reporting period.

Non-Derivative Financial Liabilities

	Less than 1 year	**2 to 3 years**	**4 to 5 years**	**5 years or above**	**Total**
December 31, 2023					
Loans	$747,589	$280,535	$114,735	$79,602	$1,222,461
Accounts payable	983,080	-	-	-	983,080
Convertible bonds	-	236,300	-	-	236,300
Lease liabilities	32,037	46,837	18,214	135,860	232,948
December 31, 2022					
Loans	$835,526	$226,501	$218,936	$93,541	$1,374,504
Accounts payable	752,095	-	-	-	752,095
Lease liabilities	30,721	53,077	25,935	143,025	252,758

(6) Reconciliation of Liabilities from Financing Activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2023	$773,029	$587,524	$-	$669	$210,369	$1,571,591
Cash flows	(105,384)	(50,968)	532,846	3,947	(32,352)	348,089
Non-cash changes	-	-	(306,582)	-	13,769	(292,813)
Changes in exchange rates	97	5,207	-	-	1,675	6,979
December 31, 2023	$667,742	$541,763	$226,264	$4,616	$193,461	$1,633,846

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2022	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170
Cash flows	(25,858)	344,638	(500,000)	-	(30,549)	(211,769)
Non-cash changes	-	-	15,445	-	23,920	39,365
Changes in exchange rates	12,941	4,820	-	-	4,064	21,825
December 31, 2022	$773,029	$587,524	$-	$669	$210,369	$1,571,591

(7) Fair Values of Financial Instruments

1. The Valuation Techniques and Assumptions Applied in Determining the Fair Values

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:

(1) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(2) 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).

(3) 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., factors affecting discount for lack of liquidity, the price-to-earning (P/E) ratio of similar entities and the price-to-book (P/B) ratio of similar entities).

(4) 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 the discounted cash flow (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 and average interest rates for Commercial Paper published by Reuters and credit risk, etc.)

(5) The fair value of derivatives which are not options and without market quotations, is determined based on the counter party 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 counter party 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	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Financial assets				
Financial assets at amortized cost – non-current	$9,853	$7,980	$9,853	$7,980
Financial liabilities				
Corporate bonds payable	226,264	-	226,264	-

3. Fair Value Measurement Hierarchy for Financial Instruments

Please refer to Note 12.(9) for the fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

As of December 31, 2023 and 2022, the Group'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 fair value through profit or loss. Please refer to Note 6.(14) and Note 6.(15) for the contract information involved in this transaction.

The counterparties to the aforementioned derivative transactions are well-known domestic and foreign banks with good credit ratings, so the credit risk is low.

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, 2023

	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$8,887	$-	$-	$8,887
Simple Agreement for Future Equity (SAFE)	8,010	-	-	8,010
Convertible corporate bonds with embedded derivative financial instruments	-	449	-	449
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	5,903	54,853
Liabilities measured at fair value:				
Financial liabilities measured at fair value through profit or loss				
Convertible corporate bonds with embedded derivative financial instruments	-	1,762	-	1,762

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$13,401	$-	$-	$13,401
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	3,401	52,351

Transfers Between Level 1 and Level 2 Fair Value Hierarchy

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Group's assets and liabilities measured at fair value on a recurring basis.

Details on Changes in Repetitive Level 3 Fair Value Hierarchy

For those of the Group's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2023	$3,401
Total profits recognized for 2023:	
Recognized in other comprehensive income	
(listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	2,502
December 31, 2023	$5,903

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2022	$2,122
Total profits recognized for 2022:	
Recognized in other comprehensive income	
(listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	1,279
December 31, 2022	$3,401

Information on Material Unobservable Input of Level 3 Fair Value Hierarchy

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

December 31, 2023

	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:					
Measured at fair value through other comprehensive income					
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$840 thousand (increase by NT$840 thousand)

December 31, 2022

	Valuation Technique	Significant Unobservable Input Value	Quantitative Information	Relationship Between Input and Fair Value	Value Relationship Between Input and Fair Value Through Sensitivity Analysis
Financial assets:					
Measured at fair value through other comprehensive income					
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 thousand (increase by NT$486 thousand)

3. Fair Value Hierarchy Disclosures of Items not Measured at Fair Value

December 31, 2023

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$226,264	$-	$226,264

As of December 31, 2022, the Company had no liabilities for which only the fair value was disclosed.

(10) Information on Foreign Currency Financial Assets and Liabilities with Significant Impact

Information regarding the Group's foreign currency financial assets and liabilities with significant impact is as below:

Unit: $1000

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	NT$	Foreign Currency	Exchange Rate	NT$
Financial Assets						
Monetary items:						
USD	$7,277	30.6550	$223,073	$7,489	30.6600	$229,610
EUR	5,623	33.7800	189,958	2,194	32.5200	71,354
RMB	29,688	4.3020	127,716	40,906	4.3830	179,292
Financial Liabilities						
Monetary items:						
USD	$2,183	30.7550	$67,130	$2,012	30.7600	$61,891
EUR	2,466	34.1800	84,295	2,008	32.9200	66,106
RMB	3,249	4.3520	14,141	5,395	4.4330	23,916

As the Group has functional currencies of various types, the foreign exchange gains and losses of monetary financial assets and liabilities cannot be disclosed by foreign currencies of significant influence. The Group's foreign currency exchange profit from January 1 to December 31, 2023 and 2022 was NT$33,643 thousand and NT$46,070 thousand, 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.

13. Supplemental 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. End of period holding of marketable securities (excluding investments in subsidiaries, associated companies and jointly controlled entities): 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: Please refer to Table 4.

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

9. Engage in trading of derivative products: Please refer to Note 6.(14), Note.6.(15) and Note 12.

10. Others: The business relationship and significant transactions between parent and subsidiary companies and the amounts are detailed in Table 6 attached.

(2) Information on Investments: 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.

14. Segment Information

(1) The Group's main revenue comes from the sale of artificial hip joints, artificial knee joints, artificial spines, trauma products, and OEM products. The management has determined that the Group belongs to a single operating segment.

(2) Regional Information

Revenue from External Customers

	2023	2022
Taiwan region	$1,218,501	$982,441
Asian region	512,032	506,889
The Americas	842,015	657,987
Europe region	1,254,225	907,120
Africa region	79,530	95,460
Australia region	23,584	18,783
Total	$3,929,887	$3,168,680

Non-Current Assets

	December 31, 2023	December 31, 2022
Taiwan region	$2,235,260	$2,336,288
The Americas	230,927	172,831
Europe region	492,421	407,236
Japan region	74,474	57,703
Total	$3,033,082	$2,974,058

(3) Important Customer Information

For this period, there were no revenues from a single customer that amounted to 10% or more of the Group's total revenue.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 1 Capital Financing to Others as December 31, 2023

Unit: NT$ thousand

No.	Lending Company	Borrower	Account Item	Related Party or not	Current Maximum Amount	Ending Balance (Board of Directors Approved Amount)	Actual Disbursement Amount	Interest Rate Range	Nature for Financing	Amount of Business Transactions	Reasons for the Necessity of Short-Term Financing	Provision for Doubtful Accounts	Collateral		Limit on Loans Provided to a Single Party	Total Limit on Loans Provided
													Name	Value		
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-term receivables – related parties	Yes	$ 109,455	$ 109,455	$ 87,606	1.7376%	Business nature	$ 501,446	None	$ -	None	$ -	$ 264,335	$ 264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable – related parties	Yes	25,540	25,540	-	1.7376%	Business nature	415,841	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Long-term receivables – related parties	Yes	8,756	8,756	2,462	1.7376%	Business nature	16,788	None	-	None	-	16,788	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	Long-term receivables – related parties	Yes	14,594	14,594	3,819	1.7376%	Business nature	31,735	None	-	None	-	31,735	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, 2023:

Unit: NT$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Endorsement/ Guarantee Limit for a Single Entity	Current Maximum Endorsement/ Guarantee Amount	Ending Endorsement/ Guarantee Balance	Actual Disbursement Amount	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent Company for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent Company	Endorsements/ Guarantees Provided for Subsidiaries in Mainland China
		Name of company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$ 264,335	$ 245,640	$ 245,640	$ 184,230	$ -	7.57%	$ 440,558	Y	N	N

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

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 3 Marketable Securities Held at the end of the Period (Excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2023:

Unit: NT$ thousand

Securities Holding Company	Types and Names of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Ledger Account	At the End of the Period				Remarks (Note 4)
				No. of Shares/Unit	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	477,568	$ 4,131	16.09%	$ 4,131	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	500,000	48,950	0.03%	48,950	None
	Bond funds							
United Orthopedic Corporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,887	*	8,887	None
	Simple Agreement for Future Equity (SAFE)							
United Orthopedic Corporation	Redifine Surgery Inc.	-	Non-current financial assets measured at fair value through profit or loss	(Note 5)	8,010	(Note 5)	8,010	None
	Stock							
A-Spine Asia Co., Ltd.	SURGLASSES Inc.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	235,040	1,772	2.99%	1,772	None

*The ones whose shareholding ratio is less than 0.01%.

Note 1: The term “marketable securities” as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2: If the issuer is not a related party, this field is not required.

Note 3: For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after initial acquisition cost or amortization cost deduction of accumulated impairment.

Note 4: If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

Note 5: Redifine Surgery Inc. is a Simple Agreement for Future Equity (SAFE), so no shares have been issued yet.

(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$ thousand

Companies That Imports (Sells) Goods	Counterparties	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Total Receivables (Payables) (%)	
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	Sales	($ 360,976)	(14.21%)	180 days	Note	Note	$ 216,701	13.60%	
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	Sales	($ 137,213)	(5.40%)	120 days	Note	Note	$ 164,615	10.33%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	($ 501,446)	(19.74%)	120 days	Note	Note	$ 712,843	44.74%	
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	Sales	($ 116,869)	(4.60%)	90 days	Note	Note	$ 114,954	7.21%	
United Orthopedic Corporation	United Medical Co., Ltd.	Associates	Purchase of goods	$ 166,420	20.58%	90 days	Note	Note	($ 12,506)	(6.61%)	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	($ 358,482)	(58.58%)	90 days	Note	Note	$ 348,069	73.59%	

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, 2023:

Unit: NT$ thousand

Companies Recorded as Accounts Receivable	Name of Transacting Party	Relationship	Balance of Receivables from Related Parties	Turnover rate	Overdue Accounts Receivable from Related Parties		Amounts Collected from Related Parties After the Period	Provision for Doubtful Accounts
					Amount	Handling Method		
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	$ 216,701	2.43	$-	-	$ -	$ -
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	164,615	0.95	-	-	$ 10,152	-
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	712,843	0.79	-	-	92,409	-
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	114,954	1.21	-	-	14,450	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	348,069	1.16	-	-	85,076	-

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 6 Business Relationships and Important Transactions between Parent and Subsidiary Companies:

Unit: NT$ thousand

No. (Note 1)	Name of Transacting Party	Counterparties	Relationship With the Transacting Party (Note 2)	Transaction Situation			
				Ledger Account	Amount	Terms of Trade	Ratio of Combined Operating Revenue or Combined Total Assets (Note 3)
2023							
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	$ 501,446	Note 4	12.52%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	712,843	-	11.12%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Sales revenue	137,213	Note 4	3.43%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Accounts receivable	164,615	-	2.57%
0	United Orthopedic Corporation	A-Spine Asia Co., Ltd.	1	Sales revenue	755	Note 4	0.02%
0	United Orthopedic Corporation	UOC USA, Inc.	1	Sales revenue	360,976	Note 4	9.01%
0	United Orthopedic Corporation	UOC USA, Inc.	1	Accounts receivable	216,701	-	3.38%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	358,482	Note 4	8.95%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	348,069	-	5.43%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Sales revenue	16,788	Note 4	0.42%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	28,837	-	0.45%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Sales revenue	31,735	Note 4	0.79%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Accounts receivable	34,366	-	0.54%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation	7	Sales revenue	82	Note 4	0.00%
2	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	2,824	Note 4	0.07%
2	United Orthopedic Corporation (France)	United Orthopedics Limited	6	Sales revenue	187	Note 4	0.00%
2	United Orthopedic Corporation (France)	United Orthopedics Limited	6	Accounts receivable	190	-	0.00%
3	United Orthopedics Limited	United Orthopedic Corporation (France)	6	Sales revenue	343	Note 4	0.01%

Note 1: Information on business dealings between the parent company and its subsidiaries should be noted separately in the number column. The method for filling in the numbers is as follows:
(1) For the parent company, fill in 0.
(2) Subsidiaries are numbered sequentially starting from Arabic numeral 1 for each company.

Note 2: There are seven types of relationships with transaction parties, just indicate 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 ratio of transaction amount to consolidated total revenue or total assets shall be calculated as the ratio of ending balance to consolidated total assets for those belongs to balance sheet item. If it belongs to profit and loss accounts, it is calculated by the method of cumulative amount during the period divided by the consolidated total revenue.

Note 4: The terms and conditions of operating revenue and payment periods for the aforementioned related parties were not materially different from those of general export customers.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 7 Information on Investees:

Unit: NT$1000 / US$1000 / CHF 1000 / EUR 1000 / JPY 1000 / GBP 1000 / AUD 1000 / TRY 1000

Name of Investor	Name of Investee	Locations	Main Business Activities	Initial Investment Amount		Ending Balance			Current Profit (Loss) of Investees	Current Recognized Investment Profit (Loss)	Remark
				Current Ending Balance	End of Previous Year	Shares	Ratio	Carrying Amount			
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%	$ 140,295	$ 73,121	$ 70,196	Subsidiary
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	122,924 (JPY 419,725)	104,604 (JPY 339,724)	125,022 (Note 4)	96%	7,069	8,179	7,808	Subsidiary
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	75%	535,022	9,209	6,898	Subsidiary
United Orthopedic Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905 (USD 9,360)	283,905 (USD 9,360)	13,861,016 (Note 1)	100%	110,009	52,016	52,016	Subsidiary
United Orthopedic Corporation	United Orthopedic (Australia) Pty Ltd.	Australia	Trading, wholesale	16,49 (AUD 800)	413 (AUD 20)	800,001 (Note 7)	100%	10,016	(5,605)	(5,605)	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%	180,953	86,523	86,523	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%	309,373	9,711	9,711	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (Belgium) SA	Belgium	Trading, wholesale	30,154 (EUR 900)	30,154 (EUR 900)	900 (Note 3)	100%	(5,131)	(2,748)	(2,748)	Sub-subsidiary
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840 (GBP 540)	20,840 (GBP 540)	540 (Note 6)	100%	14,964	(8,114)	(9,529)	Sub-subsidiary
United Orthopedic Corporation (Suisse) SA	U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	Turkey	Trading, wholesale	52 (TRY 50)	- -	50 (Note 8)	100%	52	-	-	Sub-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 2,045.
Note 5: The face value per share is TWD 10.
Note 6: The face value per share is GBP 1,000.
Note 7: The face value per share is AUD 1.
Note 8: The face value per share is TRY 1,000.
Note 9: The amortization effect of the share of the intangible assets arising from the acquisition of Crown Asia Technologies Co., Ltd. by the Company in proportion to its shareholding was not deducted from NT$4,474 thousand.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 8 Information on Investments in Mainland China:

Unit: NT$ thousandUnit: NT$ thousandUnit: NT$ thousand/ RMB 1,000

Name of Investees in Mainland China	Main Business Activities	Paid-In Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Current Profit (Loss) of Investees	Shareholding Ratio Directly or Indirectly Invested by the Company	Current Profit and Loss	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at end of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation	Implants, artificial joint Production and sales	$ 1,575,911 (CNY 331,500,000)	(Note 1)	$ 704,464 (CNY 147,000,000)	$ -	$ -	$ 704,464 (CNY 147,000,000)	$ (164,347)	44%	$ (76,416)	$ 372,254	$ -

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at end of Period	Amount of Investments Authorized by Department of Investment Review, MOEA.	Ceiling on Amount of Investments in Mainland China Stipulated by Department of Investment Review, MOEA
$ 704,464 (CNY 147,000,000)	$ 704,464 (CNY 147,000,000)	$ 2,156,444

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 The Significant Transactions Between the Group, Either Directly or Indirectly Through Third-Area Businesses and Investees in Mainland China, Are as Follows

(1) Purchase Amounts and Percentages, and Ending Balances and Percentages of Related Payables:

Unit: NT$ thousandUnit: NT$ thousandUnit: NT$ thousand/ RMB 1,000

Year	Name of Transacting Party	Name of Company	Cost of Goods Purchased	Percentage (%) of the Company's Purchases	Ending Balance of Accounts Payable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Co., Ltd.	$ 166,420	20.58%	$ 12,506	6.61%
2023	United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	11,654	1.44%	-	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	147	0.02%	876	0.46%
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	557	0.07%	-	0.00%
2023	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	777	1.63%	-	0.00%

(2) Sale amounts and percentages, and ending balances and percentages of related receivables:

Year	Name of Transacting Party	Name of Company	Amount of Sales	Percentage (%) of the Company's Sales	Ending Balance of Accounts Receivable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	$ 116,869	4.60%	$ 114,954	7.21%
2023	United Orthopedic Corporation	United Medical Co., Ltd.	693	0.03%	58	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	1,431	0.06%	1,339	0.08%
2023	A-Spine Asia Co., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	13,432	3.43%	4,895	5.40%

(3) Ending balance of notes endorsement, guarantees, or collateral provided and its purposes:
None.

(4) Maximum balance, ending balance, interest rate range and total current interest during the period for financing:
None.

(5) Other transactions that had a material effect on current profit or loss or financial position:
None.

Table 9 Disclosure of Information on Major Shareholders:

Shares / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation (TDCC). 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 (MOPS) for information on insider equity registration.

5. The Company’s Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year

INDEPENDENT AUDITORS’ REPORT

To United Orthopedic Corporation:

Audit Opinion

We have audited the parent company only balance sheets of United Orthopedic Corporation as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to the 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, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of United Orthopedic Corporation in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (“the Code”), and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of United Orthopedic Corporation for the year ended December 31, 2023 based on our professional judgment. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Inventory Valuation

The net inventories of United Orthopedic Corporation were NT$912,574 thousand, which accounted for 17% of the parent company only total assets. It was 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: We understood and evaluated the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of-date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the parent company only financial statements.

Revenue Recognition

United Orthopedic Corporation's primary products are orthopedic implants – artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products, and their revenue is NT$2,540,604 thousand, which is significant to the parent company only financial statements. Due to the nature of the industry, the performance obligation is not satisfied until the customer obtains control over the goods. 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: We evaluated the appropriateness of the accounting policy for revenue recognition, and learned and tested 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 operating revenue disclosures in Note 6 to the consolidated financial statements.

Key Audit Matters (Continued)

Recognition of Intangible Assets Arising from Internal Development

United Orthopedic Equipment Co., Ltd. net carrying amount of intangible assets was NT$29,888 thousand on December 31, 2023, which is significant for 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

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

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

The governance bodies of United Orthopedic Corporation (including the audit committee or supervisors) are responsible for supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements (Continued)

1. Evaluate the overall expression, structure and contents of the parent company only financial statements (including relevant Notes), and whether the parent company only financial statements fairly present relevant transactions and items.

2. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within United Orthopedic Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on United Orthopedic Corporation.

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

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

From the matters communicated with governance bodies, we determine the key audit matters within the audit of United Orthopedic Corporation's parent company only financial statements for the year ended December 31, 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lin, Shih-Huan and Hsu, Jung-Huang.

Ernst & Young
Taipei, Taiwan
Republic of China
March 13, 2024

<u>*Notice to Reader*</u>

For the convenience of readers, this report has been translated into English from the original Chinese version. The English version has not been audited or reviewed by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

UNITED ORTHOPEDIC CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2023 and December 31, 2022

Unit: NT$ thousand

Assets			December 31, 2023		December 31, 2022	
Code	Accounting Items	Note	Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	4 and 6(1)	$ 284,272	5	$ 232,702	5
1110	Financial assets at fair value through profit or loss - Current	4 and 6(2)	8,887	-	13,401	-
1150	Net notes receivable	4 and 6(5)(19)	3,379	-	1,412	-
1170	Net accounts receivable	4 and 6(6)(19)	369,417	7	343,813	7
1180	Net notes receivable - Related parties	4, 6(6)(19) and 7	1,213,514	22	855,098	18
1197	Net receivables under finance leases	4 and 6(7)(19)(20)	6,226	-	-	-
1200	Other receivables	4 and 7	7,909	-	5,703	-
1210	Other net receivables – Related parties	4 and 7	6,806	-	3,232	-
130x	Inventories	4 and 6(8)	912,574	17	663,677	14
1410	Prepayments	7	69,526	2	22,479	1
1470	Other current assets		997	-	887	-
11xx	Total Current Assets		2,883,507	53	2,142,404	45
	Non-Current Assets					
1510	Financial assets measured at fair value through profit or loss – non-current	4 and 6(2)	8,459	-	-	-
1517	Financial assets measured at fair value through other comprehensive income – non-current	4 and 6(3)	53,081	1	51,763	1
1535	Financial assets at amortized cost – non-current	4, 6(4) and 8	8,853	-	6,980	-
1550	Investment accounted for using equity method	4 and 6(9)	1,174,665	22	1,172,273	25
1600	Property, plant, and equipment	4, 6(10) and 8	773,731	14	806,111	17
1755	Right-of-use assets	4 and 6(20)	125,701	2	131,661	3
1780	Intangible assets	4 and 6(11)	155,995	3	157,844	3
1840	Deferred income tax assets	4 and 6(24)	99,892	2	92,319	2
1900	Other non-current assets	7	175,929	3	200,846	4
194D	Long-term net receivables under finance leases	4 and 6(7)(19)(20)	10,311	-	-	-
1975	Net defined benefit assets - non-current	4 and 6(16)	7,977	-	8,313	-
15xx	Total Non-Current Assets		2,594,594	47	2,628,110	55
1xxx	Total Assets		$ 5,478,101	100	$ 4,770,514	100

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

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

Liabilities and Equity			December 31, 2023		December 31, 2022	
Code	Accounting Items	Note	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term loans	4 and 6(12)	$ 400,000	8	$ 536,317	11
2130	Contract liabilities - Current	4 and 6(18)	398	-	7,182	-
2150	Notes payable	4	2,602	-	1,994	-
2170	Accounts Payable	4	173,308	3	122,085	3
2180	Accounts payable - Related parties	4 and 7	13,382	-	17,769	-
2200	Other payables	4	492,751	9	371,483	8
2220	Other payables - Related parties	4 and 7	-	-	1,550	-
2230	Current income tax liabilities	4 and 6(24)	54,365	1	70,688	1
2280	Lease liabilities - Current	4 and 6(20)	4,714	-	5,231	-
2300	Other current liabilities		10,493	-	7,925	-
2322	Long-term loan due within one year or one operating cycle	4, 6(15) and 8	46,175	1	31,591	1
21xx	Total Current Liabilities		1,198,188	22	1,173,815	24
	Non-Current Liabilities					
2500	Financial liabilities measured at fair value through profit or loss – Non-current	4 and 6(13)	1,762	-	-	-
2530	Corporate bonds payable	4 and 6(14)	226,264	4	-	-
2540	Long-term loans	4, 6(15) and 8	365,584	7	405,509	9
2570	Deferred income tax liabilities	4 and 6(24)	306	-	73	-
2580	Lease liabilities – non-current	4 and 6(20)	125,337	2	130,051	3
2600	Other non-current liabilities		4,616	-	669	-
2630	Long-term deferred income	4 and 6(9)	58,371	1	65,694	1
25xx	Total Non-Current Liabilities		782,240	14	601,996	13
2xxx	Total Liabilities		1,980,428	36	1,775,811	37
	Equity	4 and 6(13)(17)(26)				
3100	Capital Stock					
3110	Capital stock - common shares		877,379	16	781,316	16
3120	Capital - preferred stock		3,737	-	99,800	2
3130	Bonds conversion rights certificate		44,171	1	-	-
	Total Capital Stock		925,287	17	881,116	18
3200	Capital Surplus		2,023,236	37	1,743,729	37
3300	Retained Earnings					
3310	Legal reserve		125,958	2	102,629	2
3320	Special reserve		98,377	2	132,311	3
3350	Undistributed earnings		426,860	8	233,295	5
	Total Retained Earnings		651,195	12	468,235	10
3400	Other Equity Interest					
3410	Differences on translation of foreign financial statements		(99,811)	(2)	(93,938)	(2)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(2,234)	-	(4,439)	-
	Total Other Equity Interest		(102,045)	(2)	(98,377)	(2)
3xxx	Total Equity		3,497,673	64	2,994,703	63
	Total Liabilities and Equity		$ 5,478,101	100	$ 4,770,514	100

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

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

UNITED ORTHOPEDIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code	Accounting Items	Note	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating Revenue	4, 6(18) and 7	$ 2,540,604	100	$ 2,149,743	100
5000	Operating Costs	4, 6(7)(20)(21) and 7	1,153,116	45	1,010,311	47
5900	Operating Gross Profit		1,387,488	55	1,139,432	53
5920	Unrealized Sales Profit		(86,085)	(3)	(66,299)	(3)
5950	Net Operating Gross Profit		1,301,403	52	1,073,133	50
6000	Operating Expenses	4, 6(19)(20)(21) and 7				
6100	Selling expenses		570,749	22	448,434	21
6200	Administrative expenses		179,445	7	159,717	7
6300	R&D expenses		159,026	6	139,665	6
6450	Expected credit impairment losses (gains)		816	-	(821)	-
	Total operating expenses		910,036	35	746,995	34
6900	Operating Profit		391,367	17	326,138	16
7000	Non-Operating Revenues and Expenses	4, 6(9)(22) and 7				
7100	Interest revenue		7,092	-	4,623	-
7010	Other revenue		32,622	1	23,417	1
7020	Other gains and losses		14,623	1	41,451	2
7050	Finance costs		(22,353)	(1)	(15,582)	(1)
7775	Share of profits (losses) of associates and joint ventures accounted for using the equity method		50,423	2	(80,959)	(4)
	Total Non-Operating Revenues and Expenses		82,407	3	(27,050)	(2)
7900	Income Before Tax		473,774	20	299,088	14
7950	Income Tax Expenses	4 and 6(24)	(89,573)	(4)	(77,555)	(4)
8200	Net Profit for the Period		384,201	16	221,533	10
8300	Other Comprehensive Income	4 and 6(23)				
8310	Components That Will not Be Reclassified to Profit or Loss					
8311	Re-Measurements of Defined Benefit Plans		(582)	-	11,762	1
8316	Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income		1,318	-	(620)	-
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		887	-	74	-
8360	Items That May Be Subsequently Reclassified to Profit or Loss					
8380	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method – items that may be reclassified to profit or loss		(5,873)	-	39,327	2
	Other Comprehensive Income (Net Amount After tax) for Current Period		(4,250)	-	50,543	3
8500	Total Amount of Comprehensive Income for Current Period		$ 379,951	16	$ 272,076	13
	Earnings per Share (NT$)	4 and 6(25)				
9750	Basic Earnings per Share		$ 4.50		$ 2.84	
9850	Diluted Earnings per Share		$ 4.18		$ 2.51	

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

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

UNITED ORTHOPEDIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code	Item	Capital Stock				Retained Earnings			Other Equity Items		
		Capital Stock - Common Shares	Capital - Preferred Stock	Bonds Conversion	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) from Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
		3100	3120	3130	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2022	$ 781,116	$ 100,000	$ -	$ 1,743,438	$ 97,755	$ 88,451	$ 48,734	$(133,265)	$(3,893)	$ 2,722,336
	Earnings appropriation and distribution in 2021										
B1	Provision of legal reserve	-	-	-	-	4,874	-	(4,874)	-	-	-
B3	Provision of special reserve	-	-	-	-	-	43,860	(43,860)	-	-	-
D1	Net profit for 2022	-	-	-	-	-	-	221,533	-	-	221,533
D3	Other comprehensive income in 2022	-	-	-	-	-	-	11,762	39,327	(546)	50,543
D5	Total amount of comprehensive income for current period	-	-	-	-	-	-	233,295	39,327	(546)	272,076
J1	Convertible preference share conversion	200	(200)	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	291	-	-	-	-	-	291
Z1	Balance as of December 31, 2022	$ 781,316	$ 99,800	$ -	$ 1,743,729	$ 102,629	$ 132,311	$ 233,295	$(93,938)	$(4,439)	$ 2,994,703
A1	Balance as of January 1, 2023	$ 781,316	$ 99,800	$ -	$ 1,743,729	$ 102,629	$ 132,311	$ 233,295	$(93,938)	$(4,439)	$ 2,994,703
	Earnings appropriation and distribution in 2022										
B1	Provision of legal reserve	-	-	-	-	23,329	-	(23,329)	-	-	-
B3	Provision of special reserve	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	-	-	(196,027)	-	-	(196,027)
B7	Cash dividends of preference share	-	-	-	-	-	-	(4,580)	-	-	(4,580)
B17	Special reserve reversal	-	-	-	-	-	(33,934)	33,934	-	-	-
D1	Net profit for year 2023	-	-	-	-	-	-	384,201	-	-	384,201
D3	Other comprehensive income in 2023	-	-	-	-	-	-	(582)	(5,873)	2,205	(4,250)
D5	Total amount of comprehensive income for current period	-	-	-	-	-	-	383,619	(5,873)	2,205	379,951
I1	Convertible corporate bonds conversion	-	-	44,171	208,082	-	-	-	-	-	252,253
J1	Convertible preference share conversion	96,063	(96,063)	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	18,780	-	-	(52)	-	-	18,728
Z1	Balance as of December 31, 2023	$ 877,379	$ 3,737	$ 44,171	$ 2,023,236	$ 125,958	$ 98,377	$ 426,860	$(99,811)	$(2,234)	$ 3,497,673

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

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

UNITED ORTHOPEDIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code	Item	2023 Amount	2022 Amount
AAAA	Cash Flow from Operating Activities:		
A10000	Current net income before tax	$ 473,774	$ 299,088
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	123,458	117,185
A20200	Amortization expenses	36,226	27,661
A20300	Expected credit impairment losses (gains)	816	(821)
A20400	Net losses (gains) on financial assets and liabilities measured at fair value through profit or loss	(1,571)	7,507
A20900	Interest expenses	22,353	15,582
A21200	Interest revenue	(7,092)	(4,623)
A22300	Share of losses (gains) of associates and joint ventures accounted for using the equity method	(50,423)	80,959
A22500	Loss on disposal of property, plant, and equipment	588	2,591
A23100	Loss on disposal of investments	459	-
A24000	Unrealized sales profit	86,085	66,299
A24200	Gains on repurchase of corporate bonds payable	-	(816)
A29900	Other items	(7,323)	(6,545)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in notes payable	(1,967)	965
A31150	Increase in accounts receivable	(26,420)	(82,569)
A31160	Increase in accounts receivable – related parties	(276,108)	(438,569)
A31180	Increase in other receivables	(2,457)	(4,429)
A31190	Increase in other receivables - related parties	(3,574)	(2,704)
A31200	Increase in inventories	(268,964)	(62,932)
A31230	Increase in prepayments	(47,047)	(8,284)
A31240	Increase in other current assets	(110)	(816)
A32125	Increase (decrease) in contractual liabilities	(6,784)	323
A32130	Increase in notes payable	608	1,808
A32150	Increase in accounts payable	51,223	55,525
A32160	Decrease in accounts payable – related parties	(4,387)	(1,625)
A32180	Increase in other payables	121,268	136,843
A32190	Increase (decrease) in other payables – related parties	(1,550)	1,550
A32230	Increase (decrease) in other current liabilities	2,568	(2,566)
A32240	Increase (decrease) in net defined benefit liabilities	(246)	26
A33000	Cash inflow generated from operations	213,403	196,613
A33100	Interest received	5,551	4,119
A33200	Dividends received	10,090	15,135

Code	Item	2023 Amount	2022 Amount
A33500	Income tax paid	(113,236)	(35,472)
AAAA	Net Cash Flows Generated from Operating Activities	115,808	180,395
BBBB	Cash Flow from Investment Activities:		
B00040	Acquisition of financial assets at amortized cost	(1,873)	(5,297)
B00050	Disposal of financial assets at amortized cost	-	7,137
B00100	Acquisition of financial assets at fair value through profit or loss	(8,010)	(15,000)
B00200	Disposal of financial assets at fair value through profit or loss	4,540	-
B01800	Acquisition of investments accounted for using equity method	(34,401)	(19,023)
B01900	Disposal of investments accounted for using equity method	-	411
B02700	Acquisition of property, plant, and equipment	(80,550)	(54,455)
B02800	Disposal of property, plant and equipment	181	129
B03700	Increase in refundable deposits	(3,437)	(4,048)
B04500	Acquisition of intangible assets	(33,649)	(37,119)
B06100	Decrease in lease payments receivable	5,322	-
B06800	Increase in other non-current assets	(1)	(1)
B07100	Increase in prepayments for business facilities	(64,830)	(7,914)
BBBB	Net Cash Outflows from Investing Activities	(216,708)	(135,180)
CCCC	Cash Flows from Financing Activities:		
C00100	Increase in short-term loans	2,184,682	2,963,959
C00200	Decrease in short-term loans	(2,320,999)	(3,066,708)
C01200	Issuance of corporate bonds	532,846	-
C01300	Repayments of corporate bonds	-	(500,000)
C01600	Proceeds from long-term loans	-	335,000
C01700	Repayments of long-term loans	(25,341)	(12,591)
C03000	Increase in refundable deposits	3,947	-
C04020	Lease principal repayments	(7,279)	(7,870)
C04500	Cash dividends paid	(200,607)	-
C05600	Interest paid	(14,778)	(8,688)
CCCC	Net Cash Inflows (Outflows) from Financing Activities	152,471	(296,898)
EEEE	Increase (Decrease) in Cash and Cash Equivalents for the Current Period	51,571	(251,683)
E00100	Beginning Balance of Cash and Cash Equivalents	232,702	484,385
E00200	Cash and Cash Equivalents at end of Period	$ 284,273	$ 232,702

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

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

UNITED ORTHOPEDIC CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

January 1 to December 31, 2023 and January 1 to December 31, 2022

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

1. 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, orthopedic surgical instruments and 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.

2. Date and Procedures of Approval of the Financial Statements

The parent company only financial statements of the Company for 2023 and 2022 were authorized for issue by the Board of Directors on March 13, 2024.

3. 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, 2023. First-time application of new standards and amendments has no significant impact on the company.

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

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Classification of liabilities as current or non-current (Amendment to IAS 1)	January 1, 2024
2	Lease liability in a sale and leaseback (Amendment to IFRS 16)	January 1, 2024
3	Non-current liabilities with covenants (Amendment to IAS 1)	January 1, 2024
4	Supplier financing arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

1. Classification of Liabilities as Current or Non-Current (Amendment 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.

2. Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

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

3. Non-Current Liabilities with Covenants (Amendment to IAS 1)

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

4. Supplier Financing Arrangements (Amendments to IAS 7 and IFRS 7)

   In addition to providing an explanation of supplier financing arrangements, this amendment also introduces new disclosure requirements related to supplier financing arrangements.

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, 2024. 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	Lack of Exchangeability (Amendment to IAS 21)	Balance as of January 1, 2025

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. The effective date of IFRS 17 will replace the interim standard (IFRS 4 "Insurance Contracts").

3. Lack of Exchangeability (Amendment to IAS 21)

This amendment explains the convertibility and lack of convertibility between currencies, how the exchange rate is determined when there is a lack of currency convertibility, and adds additional disclosure requirements when there is a lack of currency convertibility. These amendments are effective for fiscal years beginning on or after January 1, 2025.

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.

4. Summary of Significant Accounting Policies

(1) Compliance Declaration

The parent company only financial statements for the years ended December 31, 2023 and 2022 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.

The goodwill generated by the company 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 its functional currency.

(5) Classification of Current and Non-Current Assets and Liabilities

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

1. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

2. The Company holds the asset primarily for the purpose of trading.

3. The Company expects to realize the asset within twelve months after the reporting period.

4. The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

1. The Company expects to settle the liability in its normal operating cycle.

2. The Company holds the liability primarily for the purpose of trading.

3. The liability is due to be settled within twelve months after the reporting period.

4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and Cash Equivalents

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

(7) Financial Instruments

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

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

5. 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 fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(1) Business model for managing the financial assets

(2) Contractual cash flow characteristics of the financial assets

Financial Assets at Amortized Cost – Non-Current

Financial assets that meet both of the following conditions are measured at amortized cost and reported as notes receivable, accounts receivable, receivables under finance leases, financial assets at amortized cost, and other receivables in the balance sheet:

(1) Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows.

(2) Contractual cash flow characteristics of 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, which is 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:

(1) 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.

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

Financial Assets at Fair Value Through Other Comprehensive Income

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets measured at fair value through other comprehensive income on the balance sheet:

(1) Business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale.

(2) Contractual cash flow characteristics of 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:

(1) Prior to its derecognition or reclassification, the gain or loss on a financial asset measured at fair value through other comprehensive income 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.

(2) 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.

(3) 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 Company 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 fair value through other comprehensive income 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 Fair Value Through Profit or Loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets measured at fair value through profit or loss on the balance sheet.

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

6. Impairment of Financial Assets

The company recognizes and measures allowance losses based on expected credit losses for financial assets measured at amortized cost.

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

(1) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

(2) Time value of money.

(3) 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:

(1) 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.

(2) Measurement of the amount of lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition, or financial assets with credit impairment that are purchased or originated.

(3) 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.

(4) For lease receivables from transactions within the scope of IFRS 16, 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.

7. Derecognition of Financial Assets

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

(1) The contractual rights to the cash flows from the financial assets have expired.

(2) The Company has transferred the financial assets and transferred substantially all risks and rewards of ownership of the assets to others.

(3) The Company has neither transferred nor retained substantially all risks and rewards of ownership of the assets, but has transferred control of the assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of 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.

8. Financial Liabilities and Equity Instruments

Classification of 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 Company 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 fair value through profit or loss 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 are classified as financial liabilities measured at fair value through profit or loss or at amortized cost upon initial recognition.

Financial Liabilities Measured at Fair Value Through Profit or loss

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

A financial liability is classified as held for trading if:

(1) It is acquired principally for the purpose of selling it in the short term;

(2) 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

(3) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

For a contract containing one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at fair value through profit or loss; or it may be designated as fair value through profit or loss at initial recognition when one of the following factors is met:

(1) The designation eliminates or significantly reduces a measurement or recognition inconsistency; or

(2) 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 arising from the re-measurement of such financial liabilities are recognized in profit or loss, including any interest paid on the financial liabilities.

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.

9. 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 derivatives held or issued by the Company are used to hedge against foreign exchange risk and interest rate risk. Those that are designated and effective hedges are reported as hedging financial assets or liabilities on the balance sheet; the remaining non-designated and ineffective hedges are reported as financial assets or liabilities at fair value through profit or loss on 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. Changes in the fair value of derivatives are recognized directly in profit or loss, except for those related to hedging and qualifying as effective hedges, in which case the treatment depends on the type of hedge

If the host contract is a non-financial asset or financial liability, and the embedded derivative's economic characteristics and risks are not closely related to the host contract, and the host contract is not measured at fair value through profit or loss, then the embedded derivative should be treated as a separate derivative instrument.

(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 that 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 Company 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, maximize the use of observable inputs, and minimize the use of unobservable inputs.

(10) Inventories

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

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

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

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

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

(11) Investments Accounted for Using the Equity Method

The Company's investments in subsidiaries are accounted for as "investments accounted for using the equity method" with evaluation adjustments, if needed, pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The adjustments are made so that the profit or loss and other comprehensive income of the period presented in parent company only 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 parent company only financial statements are the same as the equity attributable to owners of the parent company 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 equities 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. The Company's 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 that the Company expects to generate 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 parent company only assets with specific useful lives and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Housing and buildings	3 to 50 years
Machinery and equipment	3 to 16 years
Tooling equipment (except for forging die)	2 to 5 years
Transportation Equipment	5 to 6 years
IT equipment	3 to 5 years
Other equipment	3 to 11 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.

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

(13) Leases

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

1. Rights to nearly all economic benefits of the identified asset have been received; and

2. The control over the right to use the identified asset.

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

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

1. Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;

2. Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);

3. The amount expected to be paid by the lessee under the residual value guarantee;

4. Exercise price for purchase 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 is 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 the straight-line basis or another systematic basis to recognize lease payments from operating leases as rent revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as rent 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, the carrying amount of intangible assets is the cost less accumulated amortization and accumulated impairment losses. 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 useful lives are reviewed at each reporting period to determine whether there are events and circumstances continuing to support the asset's useful life remaining indefinite. 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 recognized as expenses 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 intangible asset will be thus available for use or sale.

2. The Company intends to complete the said intangible asset to use or sell it.

3. There is an ability to use or sell the said intangible 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, the capitalized development expenditure is measured using the cost model, i.e. the carrying amount is the cost less 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 summary of accounting policies related to intangible assets of the Company is as follows:

	Intangible Assets Under Development	Specialized Technology	Computer Software
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis during the period when the relevant project generates expected future sales	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 carrying amount after reversal shall not exceed the carrying amount of the asset after deducting depreciation or amortization if no impairment loss is recognized.

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

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

(16) Revenue Recognition

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

Sales of Goods

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 some of the considerations are collected upon signing the contracts, the Company is obligated to provide services subsequently. Thus, they are recognized as contract liabilities.

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

(17) Government Grants

The Company recognizes government grant income when there is reasonable assurance that the conditions attached to the government grants will be complied with and the economic benefits will be received. When the government grant is related to an asset, the grant is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant is related to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(18) Post-Retirement Benefit Plan

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

For the post-employment benefit plan regarding the defined contribution plan, the Company's monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period.

Post-employment benefit plans that are classified as defined benefit plans are accrued based on actuarial reports using the projected unit credit method at the end of the annual reporting period. The re-measurements 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 re-measurements 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 the annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

(19) 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 portion of unappropriated retained earnings subject to income tax 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 for the following two cases:

1. The initial recognition of goodwill; or when the temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (loss), and does not create equal taxable and deductible temporary differences.

2. Taxable temporary differences associated with investments in subsidiaries, associates, and joint arrangements, where the timing of the reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets arising from deductible temporary differences, unused tax losses, and unused tax credits are recognized to the extent that it is probable that future taxable profits will be available, except for the following two cases:

1. Not arising from a business combination transaction and, at the time of the transaction, does not affect accounting profit or taxable income (loss) and does not create equal taxable and deductible temporary differences.

2. Deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that there will be sufficient taxable income 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 Company 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.

5. Significant Accounting Judgments and Assumptions, and Key Sources of Estimation Uncertainty

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

Only when the research and development project meet the aforementioned conditions would the Company reclassify development expenditures attributable to the project to intangible assets under development.

(2) Estimates and Assumptions

They key sources of information at the end of the reporting period about estimates and assumptions made concerning the future 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, and are based on the most reliable evidence available at the time the estimates are made of the expected realizable amount of inventories. Please refer to Note 6 for details.

2. Income Tax

Uncertainties of the income taxes 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 profits 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, 2023 are disclosed in Note 6.

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash in treasury	$-	$7
Checks and demand deposits	27,619	34,234
Time deposits	256,653	198,461
Total	$284,272	$232,702

(2) Financial Assets Measured at Fair Value Through Profit or Loss

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Funds	$8,887	$13,401
Simple Agreement for Future Equity (SAFE)	8,010	-
Convertible corporate bonds with embedded derivative financial instruments	449	-
Total	$17,346	$13,401
Current	$8,887	$13,401
Non-current	8,459	-
Total	$17,346	$13,401

1. The Company's financial assets measured at fair value through profit or loss are not pledged.

2. On September 28, 2023, the Company invested in Redefine Surgery Inc., a U.S. company, through a Simple Agreement for Future Equity (SAFE) in the amount of NT$8,010 thousand. As of December 31, 2023, the Company's investment in Redefine Surgery Inc. amounted to NT$8,010 thousand (US$250 thousand).

(3) Financial Assets at Fair Value Through Other Comprehensive Income

	December 31, 2023	December 31, 2022
Investments in equity instruments measured at fair value through other comprehensive income – non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$48,950	$48,950
Unlisted stocks		
Changgu Biotech Corporation	4,131	2,813
Total	$53,081	$51,763

1. The Company's financial assets measured at fair value through profit or loss are not pledged.

2. September 10, 2020, the Company invested in Chailease Finance Co., Ltd. in the amount of NT$50,000 thousand and acquired 500,000 special shares. As of December 31, 2023 and December 31, 2022, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2023 and 2022, the fair values of the stock investments were both NT$48,950 thousand, and the differences between the initial investment amount and the fair value were both NT$1,050 thousand, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

3. As of December 31, 2023 and December 31, 2022, the investment amounts in Changgu Biotech Corporation were both NT$4,776 thousand, both with 477,568 shares acquired, and both with a shareholding ratio of 16.09%. On December 31, 2023 and 2022, the fair values of the stock investments were NT$4,131 thousand and NT$2,813 thousand, respectively, and the differences between the initial investment amount and the fair value were NT$645 thousand and NT$1,963 thousand, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

(4) Financial Assets at Amortized Cost – Non-Current

	December 31, 2023	**December 31, 2022**
Time deposits	$8,853	$6,980
Less: Loss allowance	-	-
Total	$8,853	$6,980
Non-current	$8,853	$6,980

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

	December 31, 2023	**December 31, 2022**
Notes receivable – arising from operation	$3,379	$1,412
Less: Loss allowance	-	-
Total	$3,379	$1,412

The Company's notes receivables were not pledged.

The Company assesses impairment in accordance with IFRS 9. For information on loss allowance, please refer to Note 6.(19); for information on credit risk, please refer to Note 12.

(6) Accounts Receivable and Accounts Receivable – Related Parties

	December 31, 2023	December 31, 2022
Accounts receivable	$370,326	$343,906
Less: Loss allowance	(909)	(93)
Subtotal	369,417	343,813
Accounts receivable – related parties	1,213,514	855,098
Less: Loss allowance	-	-
Subtotal	1,213,514	855,098
Total	$1,582,931	$1,198,911

The Company's accounts receivable were not pledged.

The Company's credit period for the clients is generally from 30 to 180 days. The total carrying amounts as of December 31, 2023 and 2022 were NT$1,583,840 thousand and NT$1,199,004 thousand, respectively. Please refer to Note 6.(19) for detailed information on loss allowance for 2023 and 2022, and please refer to Note 12 for information on credit risk.

(7) Net Receivables Under Finance Leases

As of December 31, 2023 and 2022, the Company leased out other equipment – surgical instruments under finance leases. A reconciliation of the future gross investment in leases and the present value for finance leases is as follows:

	December 31, 2023		December 31, 2022	
	Gross Investment in Leases	Present Value of Minimum Lease Payments Receivable	Gross Investment in Leases	Present Value of Minimum Lease Payments Receivable
Less than 1 year	$9,143	$6,226	$-	$-
2 to 3 years	12,339	10,311	-	-
Total minimum lease payments	21,482	$16,537	-	$-
Less: Unearned finance income	(4,945)		-	
Present value of minimum lease payments	$16,537		$-	
Current	$6,226		$-	
Non-current	10,311		-	
Total	$16,537		$-	

The Company has not provided any collateral for its receivables under finance leases.

As of December 31, 2023 and 2022, the receivables under finance leases were neither past due nor impaired as of December 31, 2023 and 2022. Please refer to Note 6.(19) for information on the loss allowance.

(8) Inventories

	December 31, 2023	December 31, 2022
Merchandise	$3,398	$2,443
Finished goods	460,086	351,305
Work in process	291,524	234,522
Raw material	157,566	75,407
Total	$912,574	$663,677

1. The cost of inventories recognized as expenses by the Company is listed below:

Item	2023	2022
Cost of goods sold	$1,154,253	$997,422
Inventory write-down and obsolescence (recovery gain) loss	(1,137)	12,889
Total	$1,153,116	$1,010,311

The gains from price recovery of inventory generated by our company in 2023 were mainly due to the consumption or sale of inventories for which inventory write-downs had previously been provided.

2. No inventories aforementioned were pledged.

(9) Investments Accounted for Using the Equity Method

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

	December 31, 2023		December 31, 2022	
Name of Investee	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
UOC USA, Inc.	$110,009	100%	$118,614	100%
UOC Europe Holding SA	140,295	96%	87,258	96%
United Orthopedic Japan Inc.	7,069	96%	2,473	95% Note 1
United Orthopedic (Australia) Pty Ltd.	10,016	100%	(718)	100% Note 2
A-Spine Asia Co., Ltd.	535,022	75%	541,658	75%
Investments in associates:				
Shinva United Orthopedic Corporation	372,254	44%	422,988	49%
Subtotal of items under assets	1,174,665		1,172,273	
Total	$1,174,665		$1,172,273	

Note 1: The Company made cash capital increases in the second quarter of 2022 for United Orthopedics Japan Inc., and acquired 32 thousand shares, with a shareholding ratio rise of 95%. As of December 31, 2022, the accumulated remittance amounted to JPY 339,724 thousand (equivalent to NT$104,604 thousand).

The Company made cash capital increases in the second quarter of 2023 for United Orthopedics Japan Inc, and acquired 36 thousand shares, with a shareholding ratio rise of 96%. As of December 31, 2023, the accumulated remittance amounted to JPY 419,725 thousand (equivalent to NT$122,924 thousand).

Note 2: The Company invested in United Orthopedic (Australia) Pty Ltd. in the fourth quarter of 2022. As at December 31, 2022, the accumulated remittance of investment amounted to AUD 20 thousand (equivalent to NT$413 thousand).

In the first and fourth quarters of 2023, the Company made cash capital increases in United Orthopedic (Australia) Pty Ltd., remitting investment funds of AUD 280 thousand (equivalent to NT$5,687 thousand) and AUD 500 thousand (equivalent to NT$10,394 thousand), respectively. As of December 31, 2023, the Company has cumulatively remitted investment funds of AUD 800 thousand (equivalent to NT$16,494 thousand).

1. Investments in Subsidiaries

Investments in subsidiaries are expressed as "investments accounted for using the equity method" in the parent company only financial report with valuation adjustments if necessary.

2. Investments in Associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China

Fair value with public quoted market prices: 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:

	December 31, 2023	December 31, 2022
Current assets	$279,570	$251,826
Non-current assets	876,279	980,735
Current Liabilities	(264,957)	(301,697)
Non-current liabilities	(3,655)	-
Equity	887,237	930,864
Shareholding ratio of the Company	44%	49%
Subtotal	390,384	456,123
Eliminations and adjustments due to inter-company transactions	(18,130)	(33,135)
Carrying amount of investments	$372,254	$422,988

	2023	2022
Operating revenue	$132,138	$37,413
Net loss of continuing operations for this period	(164,347)	(193,142)
Comprehensive income for this period	(164,347)	(193,142)

On April 18, 2023, Shandong Xinhua United Orthopedics Material Co., Ltd. (hereinafter referred to as “Shandong Xinhua United”), Yiyuan Health Industry Investment (Jinan) Partnership (Limited Partnership) (hereinafter referred to as “Yiyuan Health”), Shandong Xinhua Health Industry Co., Ltd., Shandong Xinhua Medical Equipment Co., Ltd. and the Company signed a capital increase agreement for Shandong Xinhua United. The total capital increase plan amounted to RMB 45,000 thousand, of which Shandong Xinhua Health Industry Co., Ltd., Shandong Xinhua Medical Equipment Co., Ltd. and the Company agreed to waive their preemptive rights for this capital increase, and Yiyuan Health agreed to subscribe for the capital increase plan in three installments. At the shareholders’ meeting of Shandong Xinhua United on April 20, 2023, it was resolved to amend the company’s articles of incorporation and increase the registered capital to RMB 345,000 thousand. On May 6, 2023, the registered capital was increased by RMB 18,000 thousand, which was subscribed by Yiyuan Health at a subscription price of RMB 1 per share. After the capital increase, Yiyuan Health held a 6% equity interest in Shandong Xinhua United, and the Company’s shareholding in Shandong Xinhua United decreased from 49% to 46%. As the Company did not subscribe for the new shares issued by the associate in proportion to its shareholding, a capital surplus of NT$10,316 thousand was recognized. On September 19, 2023, the registered capital was further increased by RMB 13,500 thousand, which was subscribed by Yiyuan Health at a subscription price of RMB 1 per share. After the capital increase, Yiyuan Health held a 10% equity interest in Shandong Xinhua United, and the Company’s shareholding in Shandong Xinhua United decreased from 46% to 44%. As the Company did not subscribe for the new shares issued by the associate in proportion to its shareholding, a capital surplus of NT$8,537 thousand was recognized.

The Company invests in affiliated enterprises on a technical basis of RMB 30,000 thousand, equivalent to NT$149,844 thousand in long-term deferred income. For deferred income attributable to non-controlling interests, the Company 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, 2023 and 2022, accumulated amortization of NT$91,473 thousand and NT$84,150 thousand, respectively.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2023 and 2022, nor was there any guarantee provided.

(10) Property, Plant, and Equipment

	December 31, 2023	December 31, 2022
Property, plant and equipment for own use	$773,731	$806,111
Property, plant and equipment for operating leases	-	-
Total	$773,731	$806,111

1. Property, Plant and Equipment for Own Use

	Land	Housing and Buildings	Machinery and Equipment	Tooling Equipment	IT Equipment	Leasehold Improvements	Other Equipment	Total
Cost:								
December 31, 2023	$87,763	$436,280	$511,065	$84,015	$8,501	$4,029	$249,673	$1,381,326
Addition	-	1,868	8,808	9,964	3,398	-	56,512	80,550
Disposal	-	(1,017)	-	(7,433)	(200)	-	(33,868)	(42,518)
Reclassification	-	(586)	6,139	(4,813)	-	-	4,597	5,337
December 31, 2023	$87,763	$436,545	$526,012	$81,733	$11,699	$4,029	$276,914	$1,424,695
December 31, 2022	$87,763	$436,750	$575,609	$102,895	$15,223	$8,003	$243,761	$1,470,004
Addition	-	-	468	8,375	3,195	-	42,417	54,455
Disposal	-	(470)	(67,912)	(18,749)	(9,917)	(3,974)	(37,952)	(138,974)
Reclassification	-	-	2,900	(8,506)	-	-	1,447	(4,159)
December 31, 2022	$87,763	$436,280	$511,065	$84,015	$8,501	$4,029	$249,673	$1,381,326
Depreciation and impairment:								
December 31, 2023	$-	$99,041	$285,206	$51,513	$3,746	$3,624	$132,085	$575,215
Depreciation	-	14,039	43,395	16,276	1,872	405	41,511	117,498
Disposal	-	(811)	-	(7,036)	(201)	-	(33,701)	(41,749)
December 31, 2023	$-	$112,269	$328,601	$60,753	$5,417	$4,029	$139,895	$650,964
December 31, 2022	$-	$85,466	$310,245	$53,663	$12,213	$6,785	$132,468	$600,840
Depreciation	-	14,045	42,873	13,948	1,450	813	37,500	110,629
Disposal	-	(470)	(67,912)	(16,098)	(9,917)	(3,974)	(37,883)	(136,254)
December 31, 2022	$-	$99,041	$285,206	$51,513	$3,746	$3,624	$132,085	$575,215
Net carrying amount:								
December 31, 2023	$87,763	$324,276	$197,411	$20,980	$6,282	$-	$137,019	$773,731
December 31, 2022	$87,763	$337,239	$225,859	$32,502	$4,755	$405	$117,588	$806,111

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

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

(11) Intangible Assets

	Computer Software	Specialized Technology	Development Expenditure	Total
Cost:				
December 31, 2023	$7,522	$119,401	$111,541	$238,464
Additions – internal development	-	-	29,888	29,888
Additions – separate acquisition	3,761	-	-	3,761
Disposal	(2,776)	-	-	(2,776)
Reclassification	728	53,898	(53,898)	728
December 31, 2023	$9,235	$173,299	$87,531	$270,065
January 1, 2022	$11,791	$119,401	$77,207	$208,399
Additions – internal development	-	-	34,334	34,334
Additions – separate acquisition	2,785	-	-	2,785
Disposal	(7,854)	-	-	(7,854)
Reclassification	800	-	-	800
December 31, 2022	$7,522	$119,401	$111,541	$238,464
Amortization and impairment:				
January 1, 2023	$3,453	$49,770	$27,397	$80,620
Amortization	2,068	31,095	3,063	36,226
Disposal	(2,776)	-	-	(2,776)
December 31, 2023	$2,745	$80,865	$30,460	$114,070
January 1, 2022	$9,487	$26,992	$24,334	$60,813
Amortization	1,820	22,778	3,063	27,661
Disposal	(7,854)	-	-	(7,854)
December 31, 2022	$3,453	$49,770	$27,397	$80,620
Net carrying amount:				
December 31, 2023	$6,490	$93,434	$56,071	$155,995
December 31, 2022	$4,069	$69,631	$84,144	$157,844

Amortization amount of recognized intangible assets is as follows:

	2023	2022
Operating costs	$30,536	$22,218
Operating expenses	5,690	5,443
Total	$36,226	$27,661

(12) Short-Term Loans

	December 31, 2023	December 31, 2022
Credit loans	$400,000	$536,317
Interest rate range (%)	1.6000-1.7376	0.9000-2.4969

As of December 31, 2023 and 2022, the Company had unused short-term loans of NT$1,308,763 thousand and NT$1,226,683 thousand respectively, and unused long-term loans of NT$0 thousand and NT$100,000 thousand respectively.

(13) Financial Liabilities Measured at Fair Value Through Profit or Loss

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Convertible corporate bonds with embedded derivative financial instruments	$1,762	$-
Current	$-	$-
Non-current	$1,762	$-

(14) Corporate Bonds Payable

	December 31, 2023	December 31, 2022
Domestic unsecured bonds payable	$226,264	$-
Less: Liabilities due within one year	-	-
Long-term domestic convertible bonds payable	$226,264	$-

Domestic Convertible Bonds Payable

	December 31, 2023	December 31, 2022
Liability elements:		
Nominal amount of domestic convertible bonds payable	$500,000	$-
Amount converted	(263,700)	-
Discount on domestic convertible bonds payable	(10,036)	-
Subtotal	226,264	-
Less: Liabilities due within one year	-	-
Net amount	$226,264	$-
Embedded derivatives – assets	$449	$-
Embedded derivative – liabilities	$1,762	$-
Equity elements	$24,880	$-

1. convertible bonds with the face interest rate of 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 thousand. Face amount per equity: NT$100 thousand. The issuance is in full carrying amount.

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

Critical clauses for redemption:

(1) 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.

(2) 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 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

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

Conversion methods:

(1) Converted target: Ordinary shares of the Company.

(2) 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.

(3) Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the

converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021, each share carried the value of NT$49.10.

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

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

2. On May 30, 2023, the Company issued the 4th domestic non-pledge convertible bonds with the face interest rate of 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 thousand, with a par value of NT$100 thousand each, issued at 106.57% of par value

Period of issuance: From May 30, 2023 to May 30, 2026

Critical clauses for redemption:

(1) On the next day after the convertible bonds issued for three month full (August 31, 2023) until 40 days prior to the due date (March 21, 2026), if the closing price of the Company's common stock at the TPEx 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.

(2) On the next day after the convertible bonds issued for three month full (August 31, 2023) until 40 days prior to the due date (March 21, 2026), if the Company's convertible bonds circulating externally are lower than NT$50,000 thousand (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

(3) 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:

The put date, on which the bondholders may require the Company to redeem the bonds at par value plus interest compensation, is two years after the issuance date (May 30, 2025)

Conversion methods:

(1) Converted target: Ordinary shares of the Company.

(2) Conversion period: From August 31, 2023 to May 31, 2026, the bondholders may request to convert the bonds into the Company's ordinary shares.

(3) Converted price and adjustment: Converted price and adjustment: the converted price upon issuance was set as NT$61.70 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, 2023, each share carried the value of NT$59.70.

(4) 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, as of December 31, 2023, the total amount of the above-mentioned bonds converted was NT$263,700 thousand, with a remaining face value of NT$236,300 thousand.

(15) Long-Term Loans

Details of long-term loans for the years ended December 31, 2023 and 2022 are as follows:

Creditors	December 31, 2023	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$98,009	1.8605	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.7850	From September 13, 2022 to December 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	63,750	2.0300	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.8900	From September 13, 2022 to September 13, 2027, due to the postponement of repayment, the first installment will be repaid starting from October 13, 2024, with NT$2,778 thousand repaid each month, and the remaining principal will be repaid in full upon maturity
Total	411,759		
Less: Long-term loans due within one year	(46,175)		
Net amount	$365,584		

Creditors	December 31, 2022	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$106,350	1.7283	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.6600	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	80,750	1.6500	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.6400	From September 13, 2022 to September 13, 2027; the first repayment was due on October 13, 2023; repayments of NT$2,083 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
Total	437,100		
Less: Long-term loans due within one year	(31,591)		
Net amount	$405,509		

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

(16) Post-Retirement Benefit Plan

Defined Contribution Plans

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

The Company's expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 are NT$22,270 thousand and NT$19,662 thousand, respectively.

Defined Benefits Plan

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

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2023, the Company's defined benefits plan has been estimated to contribute NT$195 thousand in the following year.

For the years ended on December 31, 2023 and 2022, the Company's defined benefits plans are expected to due in 2032.

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

	2023	**2022**
Service costs for the current period	$59	$198
Net interest of net defined benefit liability	(110)	24
Total	$(51)	$222

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

	December 31, 2023	December 31, 2022	January 1, 2022
Present value of defined benefit obligation	$41,232	$40,357	$52,693
Fair value of plan assets	(49,209)	(48,670)	(49,270)
Net defined benefit (asset) liabilities on the book	$(7,977)	$(8,313)	$3,423

Reconciliation of net defined benefit (asset) liabilities:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
January 1, 2022	$52,693	$(49,270)	$3,423
Service costs for the current period	198	-	198
Interest expenses (income)	369	(345)	24
Previous service cost and settlement gains or losses	-	-	-
Subtotal	53,260	(49,615)	3,645
Re-measurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(7,086)	-	(7,086)
Experience adjustment	(869)	-	(869)
Re-measurements of defined benefit assets	-	(3,807)	(3,807)
Subtotal	45,305	(53,422)	(8,117)
Benefits paid	(4,948)	4,948	-
Employer contributions	-	(196)	(196)
December 31, 2022	40,357	(48,670)	(8,313)
Service costs for the current period	59	-	59
Interest expenses (income)	537	(647)	(110)
Previous service cost and settlement gains or losses	-	-	-
Subtotal	40,953	(49,317)	(8,364)
Re-measurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	441	-	441
Experience adjustment	356	-	356
Re-measurements of defined benefit assets	-	(215)	(215)
Subtotal	41,750	(49,532)	(7,782)
Benefits paid	(518)	518	-
Employer contributions	-	(195)	(195)
December 31, 2023	$41,232	$(49,209)	$(7,977)

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

	December 31, 2023	December 31, 2022
Discount rate	1.21%	1.33%
Expected salary increase rate	3.00%	3.00%

Sensitivity analysis of each significant actuarial assumption:

	2023		2022	
	Increase in Defined Benefit Obligation	Decrease in Defined Benefit Obligation	Increase in Defined Benefit Obligation	Decrease in Defined Benefit Obligation
Discount rate increases by 0.5%	$-	$1,794	$-	$1,926
Discount rate decreases by 0.5%	1,910	-	2,055	-
Expected salary increases by 0.5%	1,867	-	2,011	-
Expected salary decreases by 0.5%	-	1,772	-	1,905

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 each other, it is rare to see changes on a single actuarial assumption in practice. Hence, this analysis has its own limitations.

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

(17) Equity

1. Capital Stock

As of January 1, 2023 and 2022, the Company's authorized share capital was both NT$1,500,000 thousand, and had issued share capital of common stock in the amount of NT$781,316 thousand and NT$781,116 thousand, respectively. The share capital of preferred shares issued were NT$99,800 thousand and NT$100,000 thousand, respectively. The par value of the common stock is NT$10 per share, and 78,132 thousand shares and 78,112 thousand shares have been issued, respectively. Preference shares were issued at a par value of NT$10, dividing into 9,980 thousand shares and 10,000 thousand shares, respectively.

As of December 31, 2023, the Company's convertible bonds had applied for conversion in the amount of NT$263,700 thousand, and applied for the issuance of ordinary share capital of NT$44,171 thousand, with a par value of NT$10 per share, divided into 4,417 thousand shares. However, as of December 31, 2023, the change registration had not been completed, and therefore the amount was recorded under the bonds conversion rights certificate account.

Preference Share

On September 17, 2019, the board of directors resolved that the Company launch a capital increase to issue type A preference share in a total amount of NT$520,000 thousand, with a par value of NT$10 per share and a total of 10,000 thousand 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.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:

(1) 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.

(2) If the company's annual settlement of accounts shows a surplus, it shall, after paying taxes in accordance with the law, make up for the losses of previous years and set aside legal reserve funds in accordance with the laws and regulations. After setting aside or reversing the special reserve in accordance with the provisions of the Articles of Incorporation, if there is still a balance after adding the accumulated undistributed earnings, the dividends that can be distributed for preference shares for the current year may be distributed first.

(3) The Company has discretion over the distribution of preference share dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preference share dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preference share 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.

(4) The preference share dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the board of directors shall set the record date for paying the preference share dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

(5) Shareholders of preference 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.

(6) Shareholders of preference share have no right to request the Company to redeem their preference shares; however, preference 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 preference share. Unredeemed preference 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 dividends, the distributable dividend up to the date of recovery shall be calculated according to the actual issuance days of the current year.

(7) Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preference share 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 preference shares at the time of distribution and issuance price.

(8) The shareholders of preference shares have neither voted nor election rights. However, they may be elected as directors, and they have voting rights in extraordinary shareholders' meetings or with respect to agendas associated with the rights and obligations of shareholders of preference shares in shareholders' meetings.

(9) The preference shares 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 the preference shares may apply for conversion of part or all of the preference shares held by them to ordinary shares with one preference share in exchange for one ordinary share (the conversion ratio is 1:1) during the conversion period. After the conversion of the preference shares into common shares, their rights and obligations are the same with the latter. The payment of the annual dividends for the convertible preference shares shall be calculated based on the actual issuing days in proportion to the days of that total year. Should any shares be converted into the ordinary shares before the record date of distribution of dividends, the holders shall not have the right to the distribution of the dividends of preference shares in the current year but may participate in the distribution of ordinary share surplus and capital surplus.

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

The aforesaid special shares were converted into 9,606 thousand ordinary shares and 20 thousand ordinary shares for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company's authorized share capital was both NT$1,500,000 thousand, and had issued share capital of ordinary share in the amount of NT$877,379 thousand and NT$781,316 thousand, respectively. The share capital of preference shares issued were NT$3,737 thousand and NT$99,800thousand, respectively. The par value of the common stock is NT$10 per share, and 87,738 thousand shares and 78,132 thousand shares have been issued, respectively. Preference shares were issued at a par value of NT$10, dividing into 374 thousand shares and 9,980 thousand shares, respectively.

10. Capital Surplus

	December 31, 2023	December 31, 2022
Share premium	$1,770,932	$1,535,085
Share options – convertible corporate bonds	24,880	-
Difference between the actual acquisition or disposal price of a subsidiary's equity and its book value	164,332	163,986
Others	63,092	44,658
Total	$2,023,236	$1,743,729

According to the laws, the capital reserve shall not be used except to offset the deficit of the company. When the company incurs no loss, the capital surplus generated from the excess obtained from issuing shares above par value and from receiving donations may be capitalized each year up to a certain ratio of the paid-in capital. The aforementioned capital surplus may also be distributed in cash to shareholders in proportion to their original shareholdings.

For information on the differences between the acquisition or disposal prices and the book values of the subsidiary's equity, and changes in the ownership interests in subsidiaries, please refer to Notes 6.(9) and 6.(26).

3. Earnings Distribution and Dividend Policy

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

(1) Payment of all taxes and dues.

(2) Deficit compensation.

(3) Appropriate 10% to be the legal reserve.

(4) Other provisions or reversed special reserve in accordance with laws and regulations or regulatory authorities.

(5) The board of directors shall draft an earning distribution proposal according to the dividend policy, and report 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, the legal reserve shall be appropriated until its total amount equals the total capital. The legal reserve may be used to offset deficit. When the Company has no deficit, legal 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 distributing distributable earnings, the Company shall appropriate a special reserve in the amount equal to the difference between the balance of special reserves appropriated at the first-time adoption of IFRSs and the net debit balance of other equity items. Subsequently, when the net deduction to other equity interests is reversed, the Company must revert the special surplus and distribute the earnings based on the reversal of the net deduction to other equity interests.

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, for any unrealized revaluation surplus and cumulative translation adjustment 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 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, the special reserves did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets for the years ended December 31, 2023 and 2022, there is no reversal of special reserve to unappropriated earnings.

Details of the 2023 and 2022 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 13, 2024 and June 15, 2023, respectively, are as follows:

	Distribution of Earnings		Dividends per Share (NT$)	
	2023	**2022**	**2023**	**2022**
Legal reserve	$38,357	$23,329		
Provision (reversal) for special reserve	3,669	(33,934)		
Cash dividends of ordinary share	385,394	196,027	$4.00	$2.50
Dividend of preference shares	552	22,700	2.34	2.34

At the annual shareholders' meeting on June 15, 2023, the Company declared a cash dividend of NT$22,700 thousand on preference shares. However, as some shareholders had converted their preference shares into ordinary shares before the ex-dividend date, the actual cash dividend paid by the Company on preference shares on August 18, 2023 was NT$4,580 thousand.

Please refer to Note 6.(21) for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

(18) Operating Revenue

	2023	2022
Income from sales of goods	$2,540,604	$2,139,281
Other operating revenues	-	10,462
Total	$2,540,604	$2,149,743

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

Contract Balance

Contract liabilities – current:

	December 31, 2023	December 31, 2022
Sales of goods	$398	$7,182

The significant changes in the balance of contract liabilities of the Company from January 1 to December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning balance recognized as revenue in the current period	$(7,047)	$(6,808)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	263	7,131

(19) Expected Credit Impairment Losses (Reversal of Gains)

	2023	2022
Operating expenses – expected credit impairment losses (reversal of gains)		
Notes receivable	$-	$-
Accounts receivable	816	(821)
Receivables under finance leases	-	-
Total	$816	$(821)

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

The Company's financial assets and long-term receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2023 and 2022 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

For the Company's receivables (including notes receivable, accounts receivable, and receivables under finance leases), the loss allowance is measured at the lifetime expected credit loss amount. The explanation of the assessment of the loss allowance as of December 31, 2023 and 2022 is as follows:

Accounts receivable are grouped based on factors such as counterparty credit ratings, regions, and industries, and the loss allowance is measured using a provision matrix. Relevant information is as follows:

December 31, 2023

	Not Past due (Note)	Number of Days Overdue				Total
		Within 120 days	121 to 150 days	151 to 180 days	181 days or above	
Total carrying amount	$1,487,152	$104,210	$1,001	$934	$148	$1,593,445
Loss ratio	0%	1~9%	14%	16%	17%	
Lifetime expected credit losses	127	468	137	152	25	909
Total	$1,487,025	$103,742	$864	$782	$123	$1,592,536
Carrying amount						$1,592,536

December 31, 2022

	Not Past due (Note)	Number of Days Overdue				Total
		Within 120 days	121 to 150 days	151 to 180 days	181 days or above	
Total carrying amount	$1,116,374	$83,772	$26	$-	$244	$1,200,416
Loss ratio	0%	0~2%	4%	5%	5%	
Lifetime expected credit losses	32	48	1	-	12	93
Total	$1,116,342	$83,724	$25	$-	$232	$1,200,323
Carrying amount						$1,200,323

Note: None of the Company's notes receivable is past due.

The changes in the loss allowance for the Company's notes receivable, accounts receivable, and receivables under finance leases in 2023 and 2022 are as follows:

	Notes Receivable	Accounts Receivable	Receivables Under Finance Leases
January 1, 2023	$-	$93	$-
Current provision amount	-	816	-
December 31, 2023	$-	$909	$-
January 1, 2022	$-	$914	$-
Current amount reversed	-	(821)	-
December 31, 2022	$-	$93	$-

(20) Leases

1. Where the Company is a Lessee

The Company leases a number of different assets, including real estate (land, housing, and buildings) and transportation equipment. The lease period of each contract ranges from 2 years to 49 years.

The following is a description of the leases' impacts on the Company's financial position, financial performance, and cash flow:

(1) Amount Recognized in the Balance Sheet

A. Right-Of-Use Assets

Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Land	$125,701	$131,107
Housing and buildings	-	554
Total	$125,701	$131,661

In 2023 and 2022, the company added NT$0 thousand and NT$5,280 thousand, respectively, to the category of right-of-use assets.

B. Lease Liabilities

	December 31, 2023	December 31, 2022
Lease liabilities	$130,051	$135,282
Current	$4,714	$5,231
Non-current	$125,337	$130,051

Please refer to Note 6.(22).4 for the interest expenses of the Company's 2023 and 2022 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, 2023 and 2022.

(2) Amount Recognized in the Statement of Comprehensive Income

Depreciation of right-of -use assets

	2023	2022
Land	$5,406	$5,406
Housing and buildings	554	1,150
Total	$5,960	$6,556

(3) Revenues and Expenses Related to the Lessee and Lease Activities

	2023	2022
Short-term lease expense	$3,723	$3,715
Lease expenses on low-value assets (excluding short-term lease expenses of low-value assets)	1,131	744
Revenue from sublease of right-of-use assets	1,067	1,124

As of December 31, 2023 and 2022, the Company had no committed short-term lease arrangements.

(4) Cash Outflows Related to the Lessee and Lease Activities

The Company's total cash outflow amounts of leases in 2023 and 2022 were NT$12,133 thousand and NT$12,329 thousand, respectively.

(21) Summary Statement of Employee Benefits, Depreciation and Amortization Expense by Function:

Function / Property	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expenses						
Salary expenses	$331,498	$247,473	$578,971	$246,045	$233,329	$479,374
Labor and health insurance premiums	29,314	19,785	49,099	23,733	16,995	40,728
Pension expenses	12,781	9,438	22,219	10,979	8,905	19,884
Remuneration paid to directors	-	16,732	16,732	-	10,556	10,556
Other employee benefit expenses	11,522	6,084	17,606	10,041	5,622	15,663
Depreciation expenses	75,435	48,023	123,458	73,012	44,173	117,185
Amortization expenses	30,536	5,690	36,226	22,218	5,443	27,661

Note 1: The number of employees in the current year and the previous year were 646 and 576, respectively, of which the number of directors who were not concurrently employees were seven for both the current year and the previous year.

Note 2: The average employee benefits expenses for the current year and the previous year were NT$1,045 thousand and NT$977 thousand, respectively. The average salary expenses for the current year and the previous year were NT$906 thousand and NT$842 thousand, respectively. The average salary adjustment was 8%.

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 the 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 Incorporation. 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 Company's Articles of Incorporation provide that if there is profit in the year, 12% of profit shall be allocated for employee remuneration, and no more than 3% 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. For information regarding employee compensation and director/supervisor compensation approved by the board of directors, please visit Taiwan Stock Exchange's Market Observation Post System (MOPS).

In 2023, the Company estimated employee compensation and directors' and supervisors' remuneration at 12% and 3%, respectively, based on the profit for the year, and recognized employee compensation and directors' and supervisors' remuneration of NT$66,927 thousand and NT$16,732 thousand, respectively, which were recorded under salary expenses.

On March 13, 2024, the board of directors of the Company resolved to cash out the remuneration of employees and the remuneration of directors and supervisors for the year

2023 in the amount of NT$66,892 thousand and NT$16,723 thousand, respectively, which is not significantly different from the amount of expenses recorded in the financial statements of the Company in 2023.

On March 21, 2023, the board of directors of the Company resolved to cash out the remuneration of employees and the remuneration of directors and supervisors for the year 2022 in the amount of NT$42,224thousand and NT$10,556 thousand, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2022.

In 2022, the actual employee compensation and directors' and supervisors' remuneration distributed were NT$42,224 thousand and NT$10,556 thousand, respectively, which did not differ materially from the amounts expensed in the 2022 financial statements.

(22) Non-Operating Revenues and Expenses

1. Interest Revenue

	2023	**2022**
Interest on bank deposits	$3,000	$2,979
Other interest income	4,092	1,644
Total	$7,092	$4,623

2. Other Income

	2023	**2022**
Subsidy income	$2,760	$4,971
Dividend of preference shares	1,900	1,900
Other income – others	27,962	16,546
Total	$32,622	$23,417

3. Other Gains and Losses

	2023	**2022**
Loss on disposal of property, plant, and equipment	$(588)	$(2,591)
Net foreign exchange gains	13,954	46,248
Gains (losses) on financial assets and financial liabilities measured at fair value through profit or loss (Note)	1,257	(3,022)
Gains on repurchase of corporate bonds payable	-	816
Total	$14,623	$41,451

Note: It was generated because financial assets and financial liabilities were mandatorily measured at fair value through profit or loss.

4. Finance Costs

	2023	2022
Interest on bank loans	$(14,589)	$(9,345)
Interest on bonds payable	(5,716)	(4,103)
Interest on lease liabilities	(2,048)	(2,134)
Total	$(22,353)	$(15,582)

(23) Components of Other Comprehensive Income

Components of other comprehensive income for the year ended December 31, 2023 are as follows:

	Arising During the Period	Current Reclassification Adjustments	Other Comprehensive Income	Income tax Benefits (Expenses)	After-Tax Amount
Items not reclassified to profit or loss:					
Re-measurements of defined benefit plans	$(582)	$-	$(582)	$-	$(582)
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	1,318	-	1,318	-	1,318
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	887	-	887	-	887
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	(5,873)	-	(5,873)	-	(5,873)
Total	$(4,250)	$-	$(4,250)	$-	$(4,250)

Components of other comprehensive income for the year ended December 31, 2022 are as follows:

	Arising During the Period	Current Reclassification Adjustments	Other Comprehensive Income	Income tax Benefits (Expenses)	After-Tax Amount
Items not reclassified to profit or loss:					
Re-measurements of defined benefit plans	$11,762	$-	$11,762	$-	$11,762
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	(620)	-	(620)	-	(620)
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	74	-	74	-	74
Items that may be subsequently reclassified to profit or loss:					
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	39,327	-	39,327	-	39,327
Total	$50,543	$-	$50,543	$-	$50,543

(24) Income Tax

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

Income Tax Recognized in Profit or Loss

	2023	2022
Current income tax expense:		
Current income tax payable	$91,869	$82,287
Adjustments on current income tax of prior periods	5,044	473
Deferred income tax benefits:		
Deferred tax benefits related to its original generation and reversal of temporary differences	(7,340)	(5,205)
Income tax expenses	$89,573	$77,555

Income Tax Recognized in Other Comprehensive Income

	2023	2022
Deferred income tax expense:		
Re-measurements of defined benefit plans	$-	$-
Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	-	-
Exchange differences on translation of financial statements of foreign operations	-	-
Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	-	-
Income tax related to other components of comprehensive income	$-	$-

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

	2023	2022
Profit before tax from continuing operations	$473,774	$299,088
Tax at the domestic tax rates applicable of profits in the country of main operation	$94,755	$59,818
Tax effect of revenues exempt from taxation	(1,636)	(1,276)
Income tax effect of deferred income tax assets/liabilities	(9,849)	18,540
5% income tax on unappropriated earnings	1,259	-
Adjustments on current income tax of prior periods	5,044	473
Total income tax expense (benefit) recognized in profit or loss	$89,573	$77,555

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

2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Others Comprehensive Income	Ending Balance
Temporary differences				
Unrealized transactions between entities of the Company	$78,098	$9,898	$-	$87,996
Unrealized exchange gains (losses)	762	(782)	-	(20)
Long-term deferred revenue	13,139	(1,465)	-	11,674
Losses on valuation of financial assets measured at fair value through profit or loss	320	(98)	-	222
Gains on valuation of financial assets measured at fair value through profit or loss	-	(217)	-	(217)
Re-measurements of the net defined benefit plan	(73)	4	-	(69)
Deferred income tax benefits (expenses)		$7,340	$-	
Net deferred income tax assets/(liabilities)	$92,246			$99,586
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$92,319			$99,892
Deferred income tax liabilities	$(73)			$(306)

2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Others Comprehensive Income	Ending Balance
Temporary differences				
Unrealized transactions between entities of the Company	$64,838	$13,260	$-	$78,098
Unrealized exchange gains (losses)	7,063	(6,301)	-	762
Long-term deferred income	14,448	(1,309)	-	13,139
Valuation on financial assets measured at fair value through profit or loss	770	(450)	-	320
Re-measurements of the net defined benefit plan	(78)	5	-	(73)
Deferred income tax benefits (expenses)		$5,205	$-	
Net deferred income tax assets/(liabilities)	$87,041			$92,246
Information on the balance sheet is expressed as follows:				
Deferred income tax assets	$87,119			$92,319
Deferred income tax liabilities	$(78)			$(73)

Unrecognized Deferred Income Tax Assets

As of December 31, 2023 and 2022, 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$75,177 thousand and NT$78,142 thousand, respectively.

Income Tax Return and Assessment Status for Profit-Seeking Enterprises

As of December 31, 2023, the Company's profit-seeking enterprise income tax returns have been examined and approved by the tax authorities as of 2021.

(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 ordinary share 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 ordinary shares to be issued when all dilutive potential ordinary shares are converted into ordinary shares.

	2023	2022
(1) Basic earnings per share		
Current net income (NT$ thousand)	$384,201	$221,533
Preference dividends (NT$ thousand) (Note)	(4,580)	-
Net income used in calculating basic earnings per share	$379,621	$221,533
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	84,320	78,112
Basic earnings per share (NT$)	$4.50	$2.84
(2) Diluted earnings per share		
Net income used in calculating basic earnings per share (NT$ thousand)	$379,621	$221,533
Convert preference dividends (NT$ thousand)	4,580	-
Convert interest on corporate bonds (NT$ thousand)	4,573	-
Current net income after dilution effect adjustment (NT$ thousand)	$388,774	$221,533
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	84,320	78,112
Dilution effect:		
Convertible preference shares (thousand shares)	4,164	9,980
Convertible corporate bonds (thousand shares)	4,538	-
Weighted average number of ordinary shares after dilution effect adjustment (thousand shares)	93,022	88,092
Diluted earnings per share (NT$)	$4.18	$2.51

Note: The preference share dividends for the period for the year ended December 31, 2023 were calculated based on the number of preference shares outstanding on the ex-dividend date.

For other transactions involving ordinary shares or potential ordinary shares after the reporting period and before the financial statements are approved for issuance, please refer to Note 11.

(26) Changes in Ownership Interests in Subsidiaries

Not Subscribing to the Newly Issued Shares of a Subsidiary in Proportion to the Shareholding Ratio

United Orthopedic Japan Inc. issued new shares on April 1, 2022. As a result, the Company's ownership increased to 95%. Cash acquired by the Company from capital increase was JPY 80,000 thousand (NT$18,610 thousand), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 173,009 thousand (NT$40,709 thousand). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. are as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
Decrease in non-controlling interest	291
Difference in retained earnings recognized in equity	$291

United Orthopedic Japan Inc. issued new shares on April 14, 2023. As a result, the Group's ownership increased to 96%. Cash acquired by the Group from capital increase was JPY 80,001 thousand (NT$18,320 thousand), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 265,469 thousand (NT$60,739 thousand). Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. are as follows:

	2023
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	(125)
Difference in amounts recognized in capital surplus and retained earnings under equity	$(125)

7. Related Party Transactions

The related parties who have had transactions with the Company during the financial reporting period are as follows:

Name of Related-Party and Relationship

Related Party	Relationship with the Company
UOC USA Inc.	Subsidiary of the Company
United Orthopedic Japan Inc.	Subsidiary of the Company
United Orthopedic (Australia) Pty Ltd.	Subsidiary of the Company
A-Spine Asia Co., Ltd.	Subsidiary of the Company
United Orthopedic Corporation (Suisse) SA	Subsidiary of the Company
United Orthopedic Corporation (France)	Subsidiary of the Company
Shinva United Orthopedic Corporation	Associate of the Company
United Medical Co., Ltd.	Associate of the Company
United Medical Instrument (Shanghai) Co., Ltd.	Associate of the Company
Shanghai Lianyi Biotechnology Co., Ltd.	Associate of the Company
Changgu Biotech Corporation	The Company is a shareholder of this company

Major Transactions with Related Parties

(1) Sales

	2023	2022
Subsidiary of the Company		
UOC USA Inc.	$360,976	$181,339
United Orthopedic Japan Inc.	137,213	101,681
A-Spine Asia Co., Ltd.	755	1,442
United Orthopedic Corporation (Suisse) SA	501,446	432,682
Associate of the Company		
Shinva United Orthopedic Corporation	1,431	130
United Medical Co., Ltd.	693	1,167
United Medical Instrument (Shanghai) Co., Ltd.	116,869	78,779
Shanghai Lianyi Biotechnology Co., Ltd.	-	124,198
The Company is a shareholder of this company		
Changgu Biotech Corporation	5,717	4,475
Total	$1,125,100	$925,893

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 of Goods

	2023	2022
Subsidiary of the Company		
UOC USA Inc.	$-	$39
Associate of the Company		
Shinva United Orthopedic Corporation	147	-
United Medical Co., Ltd.	166,420	130,499
United Medical Instrument (Shanghai) Co., Ltd.	557	-
Shanghai Lianyi Biotechnology Co., Ltd.	11,654	-
Total	$178,778	$130,538

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) Accounts Receivable – Related Parties

	December 31, 2023	December 31, 2022
Subsidiary of the Company		
UOC USA Inc.	$216,701	$80,719
United Orthopedic Japan Inc.	164,615	122,951
A-Spine Asia Co., Ltd.	-	1,514
United Orthopedic Corporation (Suisse) SA	712,843	559,102
Associate of the Company		
Shinva United Orthopedic Corporation	1,339	1,357
United Medical Co., Ltd.	58	202
United Medical Instrument (Shanghai) Co., Ltd.	114,954	78,476
Shanghai Lianyi Biotechnology Co., Ltd.	-	8,995
The Company is a shareholder of this company		
Changgu Biotech Corporation	3,004	1,782
Total	$1,213,514	$855,098

(4) Other Receivables – Related Parties

	December 31, 2023	December 31, 2022
Subsidiary of the Company		
UOC USA Inc.	$1,419	$754
United Orthopedic Japan Inc.	435	311
United Orthopedic (Australia) Pty Ltd.	-	216
A-Spine Asia Co., Ltd.	144	433
United Orthopedic Corporation (Suisse) SA	132	324
United Orthopedic Corporation (France)	266	-
Associate of the Company		
Shinva United Orthopedic Corporation	4,410	1,194
Total	$6,806	$3,232

(5) Prepayments

	December 31, 2023	December 31, 2022
Associate of the Company		
Shinva United Orthopedic Corporation	$1,027	$-

(6) Property Transactions – Acquisition of Intangible Assets

	December 31, 2023	December 31, 2022
Associate of the Company		
United Medical Instrument (Shanghai) Co., Ltd.	$2,160	$-

(7) Long-Term Receivables (Accounted as Other Non-current Assets)

	December 31, 2023	December 31, 2022
Subsidiary of the Company		
United Orthopedic Corporation (Suisse) SA	$87,606	$83,930
Associate of the Company		
Shanghai Lianyi Biotechnology Co., Ltd.	-	85,984
Total	$87,606	$169,914

(8) Accounts Payable - Related Parties

	December 31, 2023	December 31, 2022
Associate of the Company		
Shinva United Orthopedic Corporation	$876	$-
United Medical Co., Ltd.	12,506	17,769
Total	$13,382	$17,769

(9) Other Payables - Related Parties

	December 31, 2023	December 31, 2022
Associate of the Company		
United Medical Co., Ltd.	$-	$1,550

(10) Other Current Liabilities

	December 31, 2023	December 31, 2022
Associate of the Company		
Shinva United Orthopedic Corporation	$1,566	$1,566

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2023 and 2022, the Company has collected NT$1,566 thousand (RMB 360 thousand), which is recorded as other current liabilities.

(11) Capital Loans

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

(12) Endorsement Guarantees

For details on the Company’s endorsement guarantees due to subsidiaries’ bank loans, please refer to Table 2.

(13) Remuneration for the Company’s Key Management

	2023	**2022**
Short-term employee benefits	$58,348	$44,769

(14) Manufacturing Overheads

	2023	**2022**
Associates of the Company		
Shinva United Orthopedic Corporation	$1,687	$-
United Medical Co., Ltd.	34	62
Total	$1,721	$62

(15) Operating Expenses

	2023	**2022**
Subsidiary of the Company		
United Orthopedic Japan Inc.	$17	$-
A-Spine Asia Co., Ltd.	80	80
United Orthopedic Corporation (Suisse) SA	81	-
Associate of the Company		
Shinva United Orthopedic Corporation	1,027	-
United Medical Co., Ltd.	-	1,726
United Medical Instrument (Shanghai) Co., Ltd.	706	-
Total	$1,911	$1,806

(16) Other Revenue

	2023	2022
Subsidiary of the Company		
UOC USA Inc.	$1,896	$778
United Orthopedic Japan Inc.	431	364
A-Spine Asia Co., Ltd.	137	-
United Orthopedic Corporation (Suisse) SA	4,237	2,132
Associate of the Company		
Shinva United Orthopedic Corporation	11,788	6,817
United Medical Co., Ltd.	-	15
Shanghai Lianyi Biotechnology Co., Ltd.	633	-
The Company is a shareholder of this company		
Changgu Biotech Corporation	-	24
Total	$19,122	$10,130

The Company invests the long-term deferred income of related enterprises in a technology-based manner, except for the deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the start of the provision of labor services, and the remaining amortized on an average basis for ten years after the completion of the establishment of Shinva United Orthopedic Corporation. in September 2021 and the successive acquisition of product registration certificates for each product, and is transferred to other income from the deferred income.

According to the joint venture agreement signed between the Company and the other investors of the associate, Shandong Xinhua United Orthopedics Material Co., Ltd., the associate agreed to pay the Company a technology usage fee equal to 5% of the net sales revenue from the self-produced joint products for five consecutive years starting from the year when the self-produced joint products commence sales.

8. Assets Pledged as Security

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

	Carrying amount		Secured Liabilities
Item	December 31, 2023	December 31, 2022	
Financial assets at amortized cost – non-current	$8,853	$6,980	Performance bond and import tariff guarantee
Property, plant and equipment – land and building	400,144	411,219	Comprehensive credit line
Total	$408,997	$418,199	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

As of February 16, 2024, all of the Company's domestic fourth unsecured convertible bonds had been converted, but the change registration was not completed as of March 13, 2024 and is expected to be completed by the end of March 2024.

12. Others

(1) Types of Financial Instruments

Financial Assets

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$17,346	$13,401
Financial assets at fair value through other comprehensive income	53,081	51,763
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	284,272	232,695
Financial assets at amortized cost – non-current	8,853	6,980
Notes receivable	3,379	1,412
Accounts receivable (including related parties)	1,582,931	1,198,911
Net receivables under finance leases	6,226	-
Other receivables (including related parties)	14,715	8,935
Refundable deposits	31,271	27,833
Long-term net receivables under finance leases	10,311	-
Subtotal	1,941,958	1,476,766
Total	$2,012,385	$1,541,930

Financial Liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$1,762	$-
Financial liabilities measured at amortized cost:		
Short-term loans	400,000	536,317
Receivables (including related parties)	682,043	514,881
Bonds payable (including bonds due within one year)	226,264	-
Long-term loans (including loans due within one year)	411,759	437,100
Lease liabilities	130,051	135,282
Guarantee deposits received	4,616	669
Subtotal	1,854,733	1,624,249
Total	$1,856,495	$1,624,249

(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, and there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign Exchange Risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria; furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rate of the US dollar. The information on sensitivity analysis is as follows:

When the NT dollar appreciates/depreciates against the US dollar by 1%, the Company's profit or loss for the years ended December 31, 2023 and 2022 will increase/decrease by NT$3,557 thousand and NT$2,192 thousand, respectively.

When the NT dollar appreciates/depreciates against the EUR by 1%, the Company's profit or loss for the years ended December 31, 2023 and 2022 will increase/decrease by NT$8,085 thousand and NT$5,968 thousand, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the interest rate risk relates primarily to its investments with variable interest rates and bank loans with fixed and variable interest rates.

The Company manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, hedge account is not adopted.

The sensitivity analysis of interest rate risk mainly targets items exposed to interest rate risk at the end of the reporting period, including floating-rate investments, floating-rate borrowings, and interest rate swap contracts, and it was assumed that the said items had been held for a fiscal period. When the interest rates rose/fell by 10 basis points, the Company's profit and loss in 2023 and 2022 would decrease/increase by NT$519 thousand and NT$734 thousand, 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 fair value through profit or loss or measured at fair value through other comprehensive income. 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, 2023 and 2022.

(4) Credit Risk Management

Credit risk refers to the risk of financial loss arising from a counterparty's failure to meet the obligations specified in a contract. 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, 2023 and 2022, the Company's total ten receivables from customers accounted for 83% and 81% of the Company's total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

(5) Liquidity Risk Management

The Company maintains its financial flexibility through the use of cash and cash equivalents, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest amounts of cash flows from interest paid at floating rates are derived from the yield curve at the end of the reporting period.

Non-Derivative Financial Liabilities

	Less Than 1 Year	2 to 3 Years	4 to 5 Years	5 Years or Above	Total
December 31, 2023					
Loans	$447,055	$221,395	$93,643	$57,350	$819,443
Accounts payable	682,043	-	-	-	682,043
Convertible bonds	-	236,300	-	-	236,300
Lease liabilities	6,688	13,376	13,376	134,354	167,794
December 31, 2023					
Loans	$568,436	$165,890	$180,633	$65,761	$980,720
Accounts payable	514,881	-	-	-	514,881
Lease liabilities	7,279	13,376	13,376	141,042	175,073

(6) Reconciliation of Liabilities from Financing Activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2023	$536,317	$437,100	$-	$669	$135,282	$1,109,368
Cash flows	(136,317)	(25,341)	532,846	3,947	(7,279)	367,856
Non-cash changes	-	-	(306,582)	-	2,048	(304,534)
December 31, 2023	$400,000	$411,759	$226,264	$4,616	$130,051	$1,172,690

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2022	$639,066	$114,691	$484,555	$669	$135,736	$1,374,717
Cash flows	(102,749)	322,409	(500,000)	-	(7,870)	(288,210)
Non-cash changes	-	-	15,445	-	7,416	22,861
December 31, 2023	$536,317	$437,100	$-	$669	$135,282	$1,109,368

(7) Fair Values of Financial Instruments

1. The Valuation Techniques and Assumptions Applied in Determining the Fair Values

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:

(1) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(2) 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).

(3) 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., factors affecting discount for lack of liquidity, the price-to-earning (P/E) ratio of similar entities and the price-to-book (P/B) ratio of similar entities).

(4) 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 the discounted cash flow (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 and average interest rates for Commercial Paper published by Reuters and credit risk, etc.)

(5) The fair value of derivatives which are not options and without market quotations, is determined based on the counter party 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 counter party prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

2. Fair Value of Financial Instruments Measured at Amortized Cost

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Company's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying Amount		Fair Value	
	December 31, 2023	December 31, 2023	December 31, 2023	December 31, 2023
Financial assets				
Financial assets at amortized cost – non-current	$8,853	$6,980	$8,853	$6,980
Financial liabilities				
Corporate bonds payable	226,264	-	226,264	-

3. Fair Value Measurement Hierarchy for Financial Instruments

   Please refer to Note 12.(9) for the fair value measurement hierarchy for financial instruments of the Company.

(8) Derivatives

As of December 31, 2023 and 2022, the Company's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded Derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at fair value through profit or loss. Please refer to Note 6.(13) and Note 6.(14) for the contract information involved in this transaction.

The counterparties to the aforementioned derivative transactions are well-known domestic and foreign banks with good credit ratings, so the credit risk is low.

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, 2023

	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$8,887	$-	$-	$8,887
Simple Agreement for Future Equity (SAFE)	8,010	-	-	8,010
Convertible corporate bonds with embedded derivative financial instruments	-	449	-	449
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	4,131	53,081
Liabilities measured at fair value:				
Financial liabilities measured at fair value through profit or loss				
Convertible corporate bonds with embedded derivative financial instruments	-	1,762	-	1,762

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$13,401	$-	$-	$13,401
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	2,813	51,763

Transfers Between Level 1 and Level 2 Fair Value Hierarchy

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Company's assets and liabilities measured at fair value on a recurring basis.

Details on Changes in Repetitive Level 3 Fair Value Hierarchy

For those of the Company's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2023	$2,813
Total profits recognized for 2023:	
Recognized in other comprehensive income (listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	1,318
December 31, 2023	$4,131

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2022	$1,633
Total profits recognized for 2022:	
Recognized in other comprehensive income (listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	1,180
December 31, 2023	$2,813

Information on Material Unobservable Input of Level 3 Fair Value Hierarchy

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

December 31, 2023

	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:					
Measured at fair value through other comprehensive income					
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$632 thousand (increase by NT$632 thousand)

December 31, 2022

	Valuation Technique	Significant Unobservable Input Value	Quantitative Information	Relationship Between Input and Fair Value	Value Relationship Between Input and Fair Value Through Sensitivity Analysis
Financial assets:					
Measured at fair value through other comprehensive income					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$402 thousand (increase by NT$402 thousand)

Valuation of Level 3 Fair Value Measurement

The Company's finance department is responsible to verify the fair value by using independent sources to make the valuations close to the market status and confirming that the sources used are independent, reliable, consistent with other resources, and representative of executable prices. On each reporting date, the value changes of assets and liabilities that require re-measurement or revaluation in accordance with the Company's accounting policies are analyzed to ensure that the valuation results are reasonable.

3. Fair Value Hierarchy Disclosures of Items not Measured at Fair Value

December 31, 2023

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$226,264	$-	$226,264

As of December 31, 2022, the Company had no liabilities for which only the fair value was disclosed.

(10) Information on Foreign Currency Financial Assets and Liabilities with Significant Impact

Information regarding the Company's foreign currency financial assets and liabilities with significant impact is as below:

Unit: thousand dollars

	December 31, 2023		
	Foreign Currency	**Exchange Rate**	**NT$**
Financial Assets			
Monetary items:			
USD	$13,548	30.6550	$415,323
EUR	26,082	33.7800	881,060
JPY	782,263	0.2152	168,343
RMB	28,520	4.3020	122,692
GBP	807	38.9500	31,419
Financial Liabilities			
Monetary items:			
USD	$1,939	30.7550	$59,628
EUR	2,123	34.1800	72,555
RMB	3,191	4.3520	13,887

	December 31, 2023		
	Foreign Currency	Exchange Rate	NT$
Financial Assets			
Monetary items:			
USD	$8,975	30.6600	$275,162
EUR	20,164	32.5200	655,729
JPY	535,018	0.2304	123,268
RMB	40,631	4.3830	178,086
GBP	342	36.8900	12,602
Financial Liabilities			
Monetary items:			
USD	$1,819	30.7600	$55,957
EUR	1,791	32.9200	58,963
RMB	4,562	4.4330	20,223

As the Company has functional currencies of various types, the foreign exchange gains and losses of monetary financial assets and liabilities cannot be disclosed by foreign currencies of significant influence. The Company's foreign currency exchange profit from January 1 to December 31, 2023 and 2022 was NT$13,954 thousand and NT$46,248 thousand, 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.

13. Supplemental 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), Note.14 and Note 12 .

(2) Information on Investees: Please refer to Table 6.

(3) Information on Investments in Mainland China: Please refer to Table 7.

(4) Information on Major Shareholders: Please refer to Table 8.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 1 Capital Financing to Others as December 31, 2023

Unit: NTD 1,000

No.	Lending Company	Borrower	Account Item	Related Party or not	Current Maximum Amount	Ending Balance (Board of Directors Approved Amount)	Actual Disbursement Amount	Interest Rate Range	Nature for Financing	Amount of Business Transactions	Reasons for the Necessity of Short-Term Financing	Provision for Doubtful Accounts	Collateral		Limit on Loans Provided to a Single Party	Total Limit on Loans Provided
													Name	Value		
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-term receivables – related parties	Yes	$ 109,455	$ 109,455	$ 87,606	1.7376%	Business nature	$ 501,446	None	$ -	None	$ -	$ 264,335	$ 264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable – related parties	Yes	25,540	25,540	-	1.7376%	Business nature	415,841	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Long-term receivables – related parties	Yes	8,756	8,756	2,462	1.7376%	Business nature	16,788	None	-	None	-	16,788	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	Long-term receivables – related parties	Yes	14,594	14,594	3,819	1.7376%	Business nature	31,735	None	-	None	-	31,735	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, 2023:

Unit: NTD 1,000

No.	Endorser/ Guarantor	Endorsee/Guarantee		Endorsement/ Guarantee Limit for a Single Entity	Current Maximum Endorsement/ Guarantee Amount	Ending Endorsement/ Guarantee Balance	Actual Disbursement Amount	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent Company for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent Company	Endorsements/ Guarantees Provided for Subsidiaries in Mainland China
		Name of company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$ 264,335	$ 245,640	$ 245,640	$ 184,230	$ -	7.57%	$ 440,558	Y	N	N

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

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 3 Marketable Securities Held at the end of the Period (Excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2023:

Unit: NTD 1,000

Securities Holding Company	Types and Names of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Ledger Account	At the End of the Period				Remarks (Note 4)
				No. of Shares/Unit	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	477,568	$ 4,131	16.09%	$ 4,131	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	500,000	48,950	0.03%	48,950	None
	Bond funds							
United Orthopedic Corporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,887	*	8,887	None
	Simple Agreement for Future Equity (SAFE)							
United Orthopedic Corporation	Redifine Surgery Inc.	-	Non-current financial assets measured at fair value through profit or loss	(Note 5)	8,010	(Note 5)	8,010	None

*The ones whose shareholding ratio is less than 0.01%.

Note 1: The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2: If the issuer is not a related party, this field is not required.

Note 3: For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after initial acquisition cost or amortization cost deduction of accumulated impairment.

Note 4: If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

Note 5: Redifine Surgery Inc. is a Simple Agreement for Future Equity (SAFE), so no shares have been issued yet.

(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: NTD 1,000

Companies That Imports (Sells) Goods	Counterparties	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Total Receivables (Payables) (%)	
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	Sales	($ 360,976)	(14.21%)	180 days	Note	Note	$ 216,701	13.60%	
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	Sales	($ 137,213)	(5.40%)	120 days	Note	Note	$ 164,615	10.33%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	($ 501,446)	(19.74%)	120 days	Note	Note	$ 712,843	44.74%	
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	Sales	($ 116,869)	(4.60%)	90 days	Note	Note	$ 114,954	7.21%	
United Orthopedic Corporation	United Medical Co., Ltd.	Associates	Purchase of goods	$ 166,420	20.58%	90 days	Note	Note	($ 12,506)	(6.61%)	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	($ 358,482)	(58.58%)	90 days	Note	Note	$ 348,069	73.59%	

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, 2023:

Unit: NTD 1,000

Companies Recorded as Accounts Receivable	Name of Transacting Party	Relationship	Balance of Receivables from Related Parties	Turnover rate	Overdue Accounts Receivable from Related Parties		Amounts Collected from Related Parties After the Period	Provision for Doubtful Accounts
					Amount	Handling Method		
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	$ 216,701	2.43	$-	-	$ -	$ -
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	164,615	0.95	-	-	$ 10,152	-
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	712,843	0.79	-	-	92,409	-
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	114,954	1.21	-	-	14,450	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	348,069	1.16	-	-	85,076	-

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 6 Information on Investees:

Unit: NT$1000 / US$1000 / CHF 1000 / EUR 1000 / JPY 1000 / GBP 1000 / AUD 1000 / TRY 1000

Name of Investor	Name of Investee	Locations	Main Business Activities	Initial Investment Amount		Ending Balance			Current Profit (Loss) of Investees	Current Recognized Investment Profit (Loss)	Remark
				Current Ending Balance	End of Previous Year	Shares	Ratio	Carrying Amount			
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%	$ 140,295	$ 73,121	$ 70,196	
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	122,924 (JPY 419,725)	104,604 (JPY 339,724)	125,022 (Note 4)	96%	7,069	8,179	7,808	
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	75%	535,022	9,209	6,898	
United Orthopedic Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905 (USD 9,360)	283,905 (USD 9,360)	13,861,016 (Note 1)	100%	110,009	52,016	52,016	
United Orthopedic Corporation	United Orthopedic (Australia) Pty Ltd.	Australia	Trading, wholesale	16,49 (AUD 800)	413 (AUD 20)	800,001 (Note 7)	100%	10,016	(5,605)	(5,605)	
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%	180,953	86,523	86,523	
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%	309,373	9,711	9,711	
UOC Europe Holding SA	United Orthopedic Corporation (Belgium) SA	Belgium	Trading, wholesale	30,154 (EUR 900)	30,154 (EUR 900)	900 (Note 3)	100%	(5,131)	(2,748)	(2,748)	
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840 (GBP 540)	20,840 (GBP 540)	540 (Note 6)	100%	14,964	(8,114)	(9,529)	
United Orthopedic Corporation (Suisse) SA	U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	Turkey	Trading, wholesale	52 (TRY 50)	- -	50 (Note 8)	100%	52	-	-	

Note 1: The face value per share is USD 0.68.
Note 2: The face value per share is CHF 1,000.
Note 3: The face value per share is EUR 1,000.
Note 4: The face value per share is JPY 2,045.
Note 5: The face value per share is TWD 10.
Note 6: The face value per share is GBP 1,000.
Note 7: The face value per share is AUD 1.
Note 8: The face value per share is TRY 1,000.
Note 9: The amortization effect of the share of the intangible assets arising from the acquisition of Crown Asia Technologies Co., Ltd. by the Company in proportion to its shareholding was not deducted from NT$4,474 thousand.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 7 Information on Investments in Mainland China:

Unit: NT$ thousand/ RMB 1,000

Name of Investees in Mainland China	Main Business Activities	Paid-In Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Current Profit (Loss) of Investees	Shareholding Ratio Directly or Indirectly Invested by the Company	Current Profit and Loss	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at end of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation	Implants, artificial joint Production and sales	$ 1,575,911 (CNY 331,500,000)	(Note 1)	$ 704,464 (CNY 147,000,000)	$ -	$ -	$ 704,464 (CNY 147,000,000)	$ (164,347)	44%	$ (76,416)	$ 372,254	$ -

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at end of Period	Amount of Investments Authorized by Department of Investment Review, MOEA.	Ceiling on Amount of Investments in Mainland China Stipulated by Department of Investment Review, MOEA
$ 704,464 (CNY 147,000,000)	$ 704,464 (CNY 147,000,000)	$ 2,156,444

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 7-1 The Significant Transactions Between the Group, Either Directly or Indirectly Through Third-Area Businesses and Investees in Mainland China, Are as Follows

(1) Purchase Amounts and Percentages, and Ending Balances and Percentages of Related Payables:

Unit: NT$ thousand/ RMB 1,000

Year	Name of Transacting Party	Name of Company	Cost of Goods Purchased	Percentage (%) of the Company's Purchases	Ending Balance of Accounts Payable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Co., Ltd.	$ 166,420	20.58%	$ 12,506	6.61%
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	557	0.07%	-	0.00%
2023	United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	11,654	1.44%	-	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	147	0.02%	876	0.46%

(2) Sale amounts and percentages, and ending balances and percentages of related receivables:

Year	Name of Transacting Party	Name of Company	Amount of Sales	Percentage (%) of the Company's Sales	Ending Balance of Accounts Receivable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	$ 116,869	4.60%	$ 114,954	7.21%
2023	United Orthopedic Corporation	United Medical Co., Ltd.	693	0.03%	58	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	1,431	0.06%	1,339	0.08%

(3) Ending balance of notes endorsement, guarantees, or collateral provided and its purposes:
None.

(4) Maximum balance, ending balance, interest rate range and total current interest during the period for financing:
None.

(5) Other transactions that had a material effect on current profit or loss or financial position:
None.

(Amounts expressed in thousands of New Taiwan Dollars, unless stated otherwise)

Table 8 Disclosure of Information on Major Shareholders:

Shares / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation (TDCC). 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 (MOPS) for information on insider equity registration.

UNITED ORTHOPEDIC CORPORATION

1. STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Demand Deposits – NTD		$ 19,031	
Demand Deposits – Foreign Currencies			
USD	USD 143,000	4,384	Exchange rate 30.655
EUR	EUR 121,000	4,099	Exchange rate 33.78
GBP	GBP 1,000	25	Exchange rate 38.95
RMB	CNY 2,000	7	Exchange rate 4.302
Subtotal		8,515	
Checking Accounts		73	
Time Deposits – NTD		214,590	
Time Deposits – Foreign Currencies			
USD	USD 160,000	4,905	Exchange rate 30.655
EUR	EUR 1,100,000	37,158	Exchange rate 33.78
Subtotal		42,063	
Total		$ 284,272	

UNITED ORTHOPEDIC CORPORATION

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT AND NON-CURRENT

December 31, 2023

Unit: NT$ thousand

Financial Instruments	Summary	Units	Par Value (NT$)	Total	Acquisition Costs	Fair Value		Remark
						Unit Price (NTD)	Total	
Bond funds								
Capital Global Financial Bond Fund		1,105,987	$ 10	$ 8,887	$ 10,000	$ 8	$ 8,887	
Simple Agreement for Future Equity (SAFE)								
Redifine Surgery Inc.		(Note 1)	(Note 1)	8,010	8,010	(Note1)	8,010	
Convertible corporate bonds with embedded derivative financial instruments								
CB4 call options on corporate bonds		2,363	100,000	449 (Note 2)	-	190	449	
Total					$ 18,010		$ 17,346	

Note 1: Redifine Surgery Inc. is a Simple Agreement for Future Equity (SAFE), so no shares have been issued yet.

Note 2: This represents the year-end valuation adjustment amount.

UNITED ORTHOPEDIC CORPORATION

3. STATEMENT OF NOTES RECEIVABLE

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Kuang Hsiung Chang An Hospital	Loans	$ 955	
Kuo General Hospital	Loans	879	
Ding Qi Technology Co., Ltd.	Loans	579	
Antai Medical Care Corporation Antai Tian-Sheng Memorial Hospital (TSMH)	Loans	524	
Liang Gao Co., Ltd.	Loans	244	
Others	Loans	198	(Balances under 5% of this account)
Net notes receivable		$ 3,379	

UNITED ORTHOPEDIC CORPORATION

4. STATEMENT OF NET ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

December 31, 2023

Unit: NT$ thousand

Customer Name	Summary	Amount	Remark
Accounts Receivable			
Cirugía Alemana Insumos Médicos S.A.	Loans	$ 38,024	
Blue Whale Logistics Company Limited	Loans	24,072	
MA USA SOLUTIONS LLC	Loans	19,133	
Taipei Veterans General Hospital	Loans	18,738	
Others	Loans	270,359	(Balances under 5% of this account)
Subtotal		370,326	
Less: Loss allowance		(909)	
Net Accounts Receivable		$ 369,417	
Accounts Receivable – Related Parties			
UOC USA Inc.	Loans	$ 216,701	
United Orthopedic Japan Inc.	Loans	164,615	
United Orthopedic Corporation (Suisse) SA	Loans	712,843	
Shinva United Orthopedic Corporation	Loans	1,339	
United Medical Co., Ltd.	Loans	58	
United Medical Instrument (Shanghai) Co., Ltd.	Loans	114,954	
Changgu Biotech Corporation	Loans	3,004	
Total		$ 1,213,514	

UNITED ORTHOPEDIC CORPORATION

5. STATEMENT OF RECEIVABLES UNDER FINANCE LEASES

December 31, 2023

Unit: NT$ thousand

Customer Name	Summary	Amount	Remark
Receivables Under Finance Leases			
Sinawal Medical	Equipment rental income	$ 2,452	
MEDCOM	Equipment rental income	1,220	
PT Biotek Inti Korporindo	Equipment rental income	748	
MCT REPUBLICA DOMINICANA, SRL	Equipment rental income	695	
Soluciones Médicas Peruanas S.A.C.	Equipment rental income	665	
Allianz Orthopedics, S.A.	Equipment rental income	446	
Total		$ 6,226	

UNITED ORTHOPEDIC CORPORATION

6. STATEMENT OF OTHER RECEIVABLES (INCLUDING RELATED PARTIES)

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Other Receivables	Income tax refund receivables	$ 5,758	
	Customer reimbursements	1,855	
	Interest receivables	296	
Total		$ 7,909	
Other Receivables – Related Parties			
UOC USA Inc.	Miscellaneous sales	$ 1,419	
United Orthopedic Japan Inc.	Miscellaneous sales	435	
A-Spine Asia Co., Ltd.	Directors' and supervisors' remuneration	144	
United Orthopedic Corporation (Suisse) SA	Miscellaneous sales	132	
United Orthopedic Corporation (France)	Miscellaneous sales	266	
Shinva United Orthopedic Corporation	Miscellaneous sales	4,410	
Total		$ 6,806	

UNITED ORTHOPEDIC CORPORATION

7. STATEMENT OF INVENTORY NET VALUE

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount		Remark
		Cost	Net Realizable Value	
Merchandise		$ 3,515	$ 3,398	Basis for determining net realizable value
Finished goods		475,958	460,086	Please refer to the Notes to the Parent Company Only Financial Statements
Work in process		301,581	291,524	Note 4.(10) Description of inventories.
Raw material		163,001	157,566	
Subtotal		944,055	$ 912,574	
Less: Allowance loss for market price decline and obsolete and slow-moving inventories		(31,481)		
Net amount		$ 912,574		

UNITED ORTHOPEDIC CORPORATION

8. STATEMENT OF PREPAYMENTS AND OTHER CURRENT ASSETS

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Prepayments			
	Prepayments for purchases	$ 43,172	
	Exhibition fees	6,935	
	Prepaid insurance premiums	5,267	
	Testing fees	2,922	
	Others	11,230	(Balances under 5% of this account)
Total		$ 69,526	
Other Current Assets	Employee borrowings and temporary payments	$ 997	

UNITED ORTHOPEDIC CORPORATION

9. STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

January 1 to December 31, 2023

Unit: NT$ thousand

Name	At the Beginning of the Period		Increase in the Current Period		Decrease in the Current Period		At the end of the Period		Accumulated Impairment	Provisions of Guarantee or Pledge	Remark
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value			
Stock											
Changgu Biotech Corporation	477,568	$ 2,813		$ 1,318 (Note 1)		$ -	477,568	$ 4,131	N/A	None	
Chailease Finance Co., Ltd.	500,000	48,950		-		-	500,000	48,950	N/A	None	
Total		$ 51,763		$ 1,318		$ -		$ 53,081			

Note 1: This represents the year-end valuation adjustment amount.

UNITED ORTHOPEDIC CORPORATION

10. STATEMENT OF CHANGES IN FINANCIAL ASSETS AT AMORTIZED COST – NON-CURRENT

January 1 to December 31, 2023

Unit: NT$ thousand

Name	At the Beginning of the Period		Increase in the Current Period		Decrease in the Current Period		At the end of the Period		Accumulated Impairment	Provisions of Guarantee or Pledge	Remark
	Number of Shares	Carrying Amount	Number of Shares	Carrying Amount	Number of Shares	Carrying Amount	Number of Shares	Carrying Amount			
Time deposits	2	$ 1,032	-	$ -	-	$ -	2	$ 1,032	None	Yes	
Time deposits	1	969	-	11	-	-	1	980	None	Yes	
Time deposits	1	3,811	-	-	-	-	1	3,811	None	Yes	
Time deposits	1	1,168	-	-	1	1,168	-	-	None	Yes	
Time deposits	-	-	1	3,030	-	-	1	3,030	None	Yes	
Total		$ 6,980		$ 3,041		$ 1,168		$ 8,853			

UNITED ORTHOPEDIC CORPORATION

11. STATEMENT OF CHANGES IN LONG-TERM EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

January 1 to December 31, 2023

Unit: NT$ thousand

Name of Company	Beginning Balance			Increase in the Current Period		Decrease in the Current Period		Ending Balance			Market Price or net Equity		Provisions of Guarantee or Pledge	Remark
	Shares	Percentage of Ownership	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price (NTD)	Total Amount		
UOC USA Inc.	13,861,016	100%	$ 118,614	-	$ 52,016 (Note 1)	-	$ 46 (Note 2)	13,861,016	100%	$ 110,009	$ 8	$ 110,009	None	
						-	60,575 (Note 3)							
UOC Europe Holding SA	13,500	96%	87,258	-	70,196 (Note 1)	-	24,011 (Note 3)	13,500	96%	140,295	10,392	140,295	None	
				-	6,852 (Note 2)									
United Orthopedic Japan Inc.	88,658	95%	2,473	-	7,808 (Note 1)	-	4,759 (Note 2)	125,022	96%	7,069	57	7,069	None	
				36,364	18,320 (Note 4)	-	16,648 (Note 3)							
						-	125 (Note 5)							
United Orthopedic (Australia) Pty Ltd	20,001	100%	(718)	-	258 (Note 2)	-	5,605 (Note 1)	800,001	100%	10,016	13	10,016	None	
				780,000	16,081 (Note 4)									
A-Spine Asia Co., Ltd.	10,089,696	75%	541,658	-	2,424 (Note 1)	-	10,090 (Note 7)	10,089,696	75%	535,022	53	535,022	None	
				-	143 (Note 3)									
				-	887 (Note 6)									
Shinva United Orthopedic Corporation	147,000,000	49%	422,988	-	15,006 (Note 3)	-	76,416 (Note 1)	147,000,000	44%	372,254	3	372,254	None	
					18,854 (Note 5)	-	8,178 (Note 2)							
Account recorded as asset (liability)			$ 1,172,273		$ 208,845		$ 206,453			$ 1,174,665				

Note 1: Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method.

Note 2: Differences on translation of foreign financial statements.

Note 3: Recognition of realized (unrealized) sales profit.

Note 4: Investment costs have been added for the current period.

Note 5: Changes in ownership interests in subsidiaries

Note 6: Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income.

Note 7: This represents the remittance of dividends.

UNITED ORTHOPEDIC CORPORATION

12. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Reclassifications in the Current Period	Ending Balance	Guarantee Provided Provisions of Pledge	Remark
For information on property, plant and equipment, and accumulated depreciation, please refer to Note 6.(10) For the Company's property, plant and equipment provided to the bank as collateral for loans, please refer to Note 8.							

UNITED ORTHOPEDIC CORPORATION

13. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND ACCUMULATED DEPRECIATION

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Ending Balance	Remark
Right-Of-Use Assets					
Land	$ 152,292	$ -	$ -	$ 152,292	
Housing and buildings	4,266	-	4,266	-	
Total	$ 156,558	$ -	$ 4,266	$ 152,292	
Accumulated Depreciation					
Land	$ 21,185	$ 5,406	$ -	$ 26,591	
Housing and buildings		554	4,266	-	
Total	$ 24,897	$ 5,960	$ 4,266	$ 26,591	

UNITED ORTHOPEDIC CORPORATION

14. STATEMENT OF CHANGES IN INTANGIBLE ASSETS

January 1 to December 31, 2023

Item	Beginning Balance	Increase in the Current Period	Decrease in the Current Period	Reclassifications in the Current Period	Ending Balance	Remark
Please refer to Note 6.(11) for information on intangible assets.						

UNITED ORTHOPEDIC CORPORATION

15. DEFERRED TAX ASSETS, OTHER NON-CURRENT ASSETS, LONG-TERM RECEIVABLES UNDER FINANCE LEASES, AND NET DEFINED BENEFIT ASSETS – NON-CURRENT

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Deferred Income Tax Assets		$ 99,892	
Other Non-Current Assets			
Prepayments for business facilities	Machinery and equipment	$ 57,052	
Refundable deposits	Bid bonds serving as performance bonds	30,570	
	House and parking space deposits	638	
	Others	63	(Balances under 5% of this account)
	Subtotal	31,271	
Long-term receivables – related parties	Capital loans	87,606	
Total		$ 175,929	
Long-Term Net Receivables Under Finance Leases		$ 10,311	
Net Defined Benefit Assets - Non-Current		$ 7,977	

UNITED ORTHOPEDIC CORPORATION

16. STATEMENT OF SHORT-TERM LOAN

December 31, 2023

Unit: NT$ thousand

Creditors	Summary	Ending Balance	Contract Terms	Interest Rate Range (%)	Collateral or Guarantee Provided	Remark
The Export-Import Bank of the Republic of China	Credit loans	$ 130,000	2023.11.15 – 2024.11.15	1.73760%	None	
Bank of Taiwan (Chu Ko Branch)	Credit loans	50,000	2023.10.25 – 2024.10.25	1.70000%	None	
Yuanta Commercial Bank Co., Ltd. (Zhubei Branch.)	Credit loans	100,000	2023.03.06 – 2024.03.06	1.70000%	None	
Cathay United Bank	Credit loans	120,000	2023.09.15 – 2024.09.15	1.60000%	None	
Total		$ 400,000				

UNITED ORTHOPEDIC CORPORATION

17. STATEMENT OF NOTES AND ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Notes Payable			
Ernst & Young Global Limited	Services expenses	$ 2,602	
Accounts Payable			
CeramTec	Loans	$ 39,589	
Hamagawa Industrial	Loans	21,723	
Lincotek Trento SpA	Loans	19,468	
Others		92,528	(Balances under 5% of this account)
Total		$ 173,308	
Accounts Payable – Related Parties			
Shinva United Orthopedic Corporation	Loans	$ 876	
United Medical Co., Ltd.	Loans	12,506	
Total		$ 13,382	

UNITED ORTHOPEDIC CORPORATION

18. STATEMENT OF CONTRACT LIABILITIES, OTHER PAYABLES, CURRENT INCOME TAX LIABILITIES, AND OTHER CURRENT LIABILITIES

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Contractual Liabilities		$ 398	
Other Payables			
	Salaries and bonuses	$ 222,908	
	Sales service fees	108,381	
	Employee compensation and directors' and supervisors' compensation	83,659	
	Others	77,803	(Balances under 5% of this account)
Total		$ 492,751	
Current Income Tax Liabilities		$ 54,365	
Other Current Liabilities			
Receipts under custody		$ 6,961	
Temporary receipts		3,532	
Total		$ 10,493	

UNITED ORTHOPEDIC CORPORATION

19. STATEMENT OF UNSECURED CONVERTIBLE BONDS PAYABLE

December 31, 2023

Unit: NT$ thousand

Bond Name	Type	Trustee	Contract Terms	Interest Rate	Amount					Repayment Method	Guarantee Provided	Remark
					Total Issuance	Amount Repaid	Ending Balance	Unamortized Premium (Discount)	Book Value			
Domestic convertible bonds		KGI Securities Co., Ltd.	2023.05.30 – 2026.03.30	0%	$ 500,000	$ 263,700 (Note 2)	$ 236,300	$(10,036)	$ 226,264	(Note 1)	Unsecured	

Note 1: Except for conversion and redemption, the bonds will be repaid in cash upon maturity.
Note 2: This represents the amount of bonds converted.

UNITED ORTHOPEDIC CORPORATION

20. STATEMENT OF LONG-TERM LOANS

December 31, 2023

Unit: NT$ thousand

Beginning Balance	Nature of Borrowing	Loan Balance	Contract Terms	Annual Interest Rate (%)	Collateral or Guarantee Provided	Remark
Please refer to Note 6.(15) for information on long-term borrowings. The guaranteed borrowings are secured by certain land and buildings. For information on the collateral provided, please refer to Note 8.						

UNITED ORTHOPEDIC CORPORATION

21. STATEMENT OF LEASE LIABILITIES

December 31, 2023

Unit: NT$ thousand

Item	Summary	Lease Term	Discount Rate	Ending Balance	Remark
Lease Liabilities					
Land		2015.11.09 – 2034.12.31	1.55%	$ 38,569	
Land		2010.05.20 – 2030.05.19	1.55%	48,509	
Land		2011.11.01 – 2031.10.31	1.55%	42,973	
Subtotal				130,051	
Less: Lease liabilities due within one year				4,714	
Total				$ 125,337	

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT, OTHER NON-CURRENT LIABILITIES, DEFERRED TAX LIABILITIES, AND LONG-TERM DEFERRED REVENUE

December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Financial Liabilities Measured at Fair Value Through Profit or Loss	Convertible corporate bonds with embedded derivative financial instruments	$ 1,762	
Other Non-Current Liabilities	Guarantee deposits received	$ 4,616	
Deferred Income Tax Liabilities		$ 306	
Long-Term Deferred Income		$ 58,371	

UNITED ORTHOPEDIC CORPORATION

23. STATEMENT OF OPERATING REVENUE

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Quantity	Amount	Remark
Artificial knee joints	164,451 pcs	$ 1,064,650	
Artificial knee joints	196,089 pcs	1,056,142	
Equipment	132,880 pcs	315,421	
Others		187,159	(Balances under 10% of this account)
Total operating revenue		2,623,372	
Less: Sales returns		(62,029)	
Sales discounts		(20,739)	
Net operating revenue		$ 2,540,604	

UNITED ORTHOPEDIC CORPORATION

24. STATEMENT OF OPERATING COSTS

January 1 to December 31, 2023

Item	Amount		Remark
	Subtotal	Total	
Trading business			
Beginning inventory	$ 2,853		
Add: Purchases in current period	6,987		
Others	2,077		
Less: Ending inventory	3,515		
Others	4,518		
Cost of goods sold		$ 3,884	
Manufacturing industry			
Beginning materials	80,904		
Add: Materials purchased in current period	545,779		
Less: Ending materials	163,001		
Others	87,522		
Materials consumed in current period	376,160		
Direct labor	251,863		
Manufacturing overheads	551,998		
Manufacturing costs	1,180,021		
Beginning work in process	243,009		
Add: Materials purchased in current period	19,743		
Less: Ending work in process	301,581		
Others	44,672		
Finished product cost	1,096,520		
Beginning finished goods	369,529		
Add: Materials purchased in current period	236,273		
Less: Ending finished goods	475,958		
Others	59,033		
Cost of sales and services		1,167,331	
Sales of materials and semi-finished products	2,877		
Less: Recovery gains from market price decline and obsolete and slow-moving inventories	1,137		
Others	19,839		
Operating costs		(18,099)	
Operating costs		$ 1,153,116	

UNITED ORTHOPEDIC CORPORATION

25. STATEMENT OF MANUFACTURING OVERHEADS

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Outsourcing Expenses		$ 130,157	
Processing Expenses		113,742	
Wages and Salaries		92,415	(including pension)
Depreciation		75,435	
Insurance Expenses		31,342	
Depletions and Amortizations		30,536	
Utilities Expenses		29,861	
Others		48,510	(Balances under 5% of this account)
Total		$ 551,998	

UNITED ORTHOPEDIC CORPORATION

26. DETAILS OF SELLING, GENERAL, ADMINISTRATIVE, RESEARCH AND DEVELOPMENT EXPENSES, AND EXPECTED CREDIT IMPAIRMENT LOSSES (GAINS)

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Selling Expenses			
Wages and salaries (including pension)		$ 71,571	
Advertisement expenses		30,768	
Depreciation		33,738	
Services expenses		367,591	
Other expenses		67,081	(Balances under 5% of this account)
Total		$ 570,749	
Administrative Expenses			
Wages and salaries (including pension)		$ 103,975	
Miscellaneous expenses		18,521	
Services expenses		9,695	
Other expenses		47,254	(Balances under 5% of this account)
Total		$ 179,445	
Research and Development Expenses			
Wages and salaries (including pension)		$ 98,098	
Insurance expenses		9,629	
Services expenses		10,939	
Consumable tools and supplies		10,763	
Other expenses		29,597	(Balances under 5% of this account)
Total		$ 159,026	
Expected Credit Impairment Losses		$ 816	

UNITED ORTHOPEDIC CORPORATION

27. STATEMENT OF INTEREST REVENUE

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Interest on Demand Deposit		$ 445	
Interest on Time Deposit		2,555	
Other Interest Income		4,092	
Total		$ 7,092	

UNITED ORTHOPEDIC CORPORATION

28. STATEMENT OF OTHER INCOME, OTHER GAINS AND LOSSES, AND FINANCE COSTS

January 1 to December 31, 2023

Unit: NT$ thousand

Item	Summary	Amount	Remark
Please refer to Note 6.(22) for information on other income, other gains and losses, and finance costs.			

6. Impacts of Financial Difficulties the Company and Affiliates Have for the Most Recent Year and up to the Publication Date of the Annual Report on the Company's Financial Status

VII. Review and Analysis of Financial Status and Financial Performance and Risk Assessment Matters

1. Analysis of financial status

Consolidated financial statements

Comparative analysis of financial conditions

Unit: NT$ Thousands

Item \ Year	2023	2022	Increases (decreases)	Increase/ decrease ratio (%)
Current Assets	3,383,788	2,641,465	742,323	28.10
Investments accounted for using the equity method	372,254	422,988	(50,734)	-11.99
Property, Plant and Equipment	1,580,581	1,454,499	126,082	8.67
Intangible Assets	571,465	573,128	(1,663)	-0.29
Other Assets(Note 1)	508,782	523,443	(14,661)	-2.80
Total Assets	6,416,870	5,615,523	801,347	14.27
Current Liabilities	1,890,865	1,736,306	154,559	8.90
Non-Current Liabilities	931,932	789,341	142,591	18.06
Total Liabilities	2,822,797	2,525,647	297,150	11.77
Capital Stock	925,287	881,116	44,171	5.01
Capital Surplus	2,023,236	1,743,729	279,507	16.03
Reserved Earnings	651,195	468,235	182,960	39.07
Other Equity Interest	(102,045)	(98,377)	(3,668)	3.73
Non-Controlling Interests	96,400	95,173	1,227	1.29
Total Equity	3,594,073	3,089,876	504,197	16.32

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets, other non-current assets, net long-term receivables from finance leases, and net defined benefit assets-non-current.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years.
  Increase in Current Assets:
  Mainly due to the growth in revenue, gross profit, and operating income compared to the previous year, leading to an overall increase in profits.
  Increase in Retained Earnings:
  The main reason is that the sales revenue, gross profit from sales, and operating profit for the current year all grew compared to the previous year, leading to an overall increase in profits.
- Impact of changes in the financial status in the most recent two years:
  No significant impact on the financial status.
- Future response plan:
  Not applicable.

Individual financial statement

Comparative analysis of financial conditions

Unit: NT$ Thousands

Item \ Year	2023	2022	Increases (decreases)	Increase/ decrease ratio (%)
Current Assets	2,883,507	2,142,404	741,103	34.59
Investment accounted for using equity method	1,174,665	1,172,273	2,392	0.20
Property, Plant and Equipment	773,731	806,111	(32,380)	-4.02
Intangible Assets	155,995	157,844	(1,849)	-1.17
Other Assets(Note 1)	490,203	491,882	(1,679)	-0.34
Total Assets	5,478,101	4,770,514	707,587	14.83
Current Liabilities	1,198,188	1,173,815	24,373	2.08
Non-Current Liabilities	782,240	601,996	180,244	29.94
Total Liabilities	1,980,428	1,775,811	204,617	11.52
Capital Stock	925,287	881,116	44,171	5.01
Capital Surplus	2,023,236	1,743,729	279,507	16.03
Reserved Earnings	651,195	468,235	182,960	39.07
Other Equity Interest	(102,045)	(98,377)	(3,668)	3.73
Total Equity	3,497,673	2,994,703	502,970	16.80

Note 1. Other assets include non-current financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, right-of-use assets, deferred income tax assets, other non-current assets, net long-term receivables from finance leases, and net defined benefit assets-non-current.

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years.
  Increase in Current Assets:
  Mainly due to the growth in revenue, gross profit, and operating income compared to the previous year, leading to an overall increase in profits.
  Increase in Non-Current Liabilities:
  The main reason is the issuance of the fourth unsecured convertible corporate bonds domestically this year, resulting in an increase in payable corporate bonds.
  Increase in Retained Earnings:
  The main reasons are that the revenue from sales, gross profit from sales, and operating profit all grew compared to last year, and the share of profits from equity-accounted associates and joint ventures increased, resulting in an overall increase in earnings.
- 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.

2. Financial performance

Consolidated financial statements

Comparison and analysis table for financial performance

Unit: NT$ Thousands

Item \ Year	2023	2022	Increases (decreases)	Ratio of the changes (%)
Net Operating Revenue	3,929,887	3,168,680	761,207	24.02
Operating Costs	893,517	805,697	87,820	10.90
Gross profit before adjustment	3,036,370	2,362,983	673,387	28.50
Realized (Unrealized) Sales Profit and Loss	15,005	(7,267)	22,272	-306.48
Operating Gross Profit	3,051,375	2,355,716	695,659	29.53
Operating Expenses	2,508,106	2,014,134	493,972	24.53
Operating Profit	543,269	341,582	201,687	59.04
Non-Operating Revenues and Expenses	(34,043)	(38,561)	4,518	-11.72
Income before Tax	509,226	303,021	206,205	68.05
Income Tax Expenses	(120,917)	(79,440)	(41,477)	52.21
Net profit for the period	388,309	223,581	164,728	73.68
Other Comprehensive Income (Net After Tax) of Current Period	(3,875)	50,726	(54,601)	-107.64
Total Amount of Comprehensive Income for current period	384,434	274,307	110,127	40.15
Net profits that belong to parent company for the current period	384,201	221,533	162,668	73.43
Total net profits and losses that belong to parent company for the current period	379,951	272,076	107,875	39.65

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years.

  Increase in Net Operating Revenue:

  The main reason is that the revenue of all subsidiaries except those in mainland China increased compared to last year, with the highest growth in the United States, Europe and Japan.

  Increase in Operating Gross Profit before Adjustment:

  The main reason is that the revenue of all subsidiaries except those in mainland China increased compared to last year, and the gross profit of the subsidiaries in the United States, Europe and Japan is higher than other regions, resulting in an increase in operating gross profit compared to last year.

  Increase in realized sales gains and losses:

  Mainly due to the increase in inventory of the subsidiary in Mainland China invested under the equity method.

  Increase in operating gross profit:

  The main reason is that the revenue of all subsidiaries except those in mainland China increased compared to last year, and the gross profit of the subsidiaries in the United States, Europe and Japan is higher than other regions, resulting in an increase in operating gross profit compared to last year.

  Increase in Operating Expenses:

Mainly due to an increase in selling expenses. Due to the growth in revenue, the market promotion-related expenses of all subsidiaries increased.
Increase in Operating Income:
Mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.
Increase in Net Profit before Tax:
The increase in pre-tax net profit compared to last year was mainly due to an increase in operating revenue and gross profit for the year.
Increase in Income Tax Expenses:
Mainly due to the increase in profit this year, resulting in an increase in income tax expenses this year compared to last year.
Increase in Net Profit for current period:
The increase in Current Period Net Profit and Gross Profit compared to last year was mainly due to an increase in operating revenue and gross profit for the year.
Decrease in other Comprehensive Income (net value after tax) in the current period:
The decrease in other comprehensive income for the period that may be reclassified to profit or loss compared to the previous year was mainly due to a decrease in the remeasurement of defined benefit plans for the current year compared to the previous year, a decrease in the foreign exchange gain on translation of the financial statements of foreign operations due to the depreciation of the New Taiwan dollar in the current year, and a decrease in the share of profit or loss of associates and joint ventures accounted for using the equity method compared to the previous year.
Increase in net amount of Comprehensive Income for current period:
Mainly due to an increase in operating revenue and gross profit for the current year compared to the previous year, resulting in an increase in other comprehensive income for the period.
Increase in net profit attributable to shareholders of the parent company in the current period:
Mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.
Decrease in the total comprehensive income attributable to shareholders of the parent company in the current period:
Mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.

- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales:
  The global market structure of our company's multiple business segments will contribute to its strong growth in the upcoming year. Simultaneously, the company's ongoing, extensive engagement and operation in other areas is an essential strategy for its expansion. Based on the Company's excellent and diverse product portfolio, our unremitting goal is to make more physicians understand and trust United. As a result, the company will continue to improve its exposure and brand awareness through a variety of activities such as exhibitions, online conferences, medical conference organization, clinical report presentations, and so on. In order to maintain growth, the company will also aggressively pursue the expansion of its direct markets through the sale of its own branded products and the gradual introduction of high-end new product development plans.
- 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: The main reason is that this year's revenue and gross profit for subsidiaries outside mainland China both grew compared to last year, resulting in higher gross profit. The main reason for the increase in gross profit is that the gross profit margins of subsidiaries in the United States, Europe, and Japan are higher than those in other regions, leading to an overall increase in gross profit for the year compared to last year.

Individual financial statement

Comparison and analysis table for financial performance

Unit: NT$ Thousands

Item \ Year	2023	2022	Increases (decreases)	Ratio of the changes (%)
Net Operating Revenue	2,540,604	2,149,743	390,861	18.18
Operating Costs	1,153,116	1,010,311	142,805	14.13
Gross profit before adjustment	1,387,488	1,139,432	248,056	21.77
Realized (Unrealized) Sales Profit and Loss	(86,085)	(66,299)	(19,786)	29.84
Operating Gross Profit	1,301,403	1,073,133	228,270	21.27
Operating Expenses	910,036	746,995	163,041	21.83
Operating Profit	391,367	326,138	65,229	20.00
Non-Operating Revenues and Expenses	82,407	(27,050)	109,457	-404.65
Income before Tax	473,774	299,088	174,686	58.41
Income Tax Expenses	(89,573)	(77,555)	(12,018)	15.50
Net profit for the period	384,201	221,533	162,668	73.43
Other Comprehensive Income (Net After Tax) of Current Period	(4,250)	50,543	(54,793)	-108.41
Total Amount of Comprehensive Income for current period	379,951	272,076	107,875	39.65

- Change analysis for the Increase/decrease ratio that is more than 20% for the most recent two years.

  Gross Profit before Adjustment:
  The primary drivers of the increase in gross profit from sales are the growth in both domestic sales and revenue from sales to subsidiaries.
  Increase in Unrealized Sales Profit:
  Mainly due to growth in revenue from sales to subsidiaries, leading to an increase in unrealized sales profit and loss.
  Increase in Operating Gross Profit:
  The primary drivers of the increase in gross profit from sales are the growth in both domestic sales and revenue from sales to subsidiaries.
  Increase in Operating Expenses:
  The increase in selling expenses was due to the increase in selling and marketing-related expenses compared to the previous year.
  Increase in Operating Income:

Mainly due to the increase in operating revenues and operating margin profits of the current year compared to the last year.

Non-Operating Income increased:

Mainly due to an increase in other income for the current year, and an increase in the share of profits of associates and joint ventures accounted for using the equity method, resulting in an increase in non-operating income for the current year compared to the previous year.

Increase in Net Profit before Tax:

Mainly due to the increase in operating revenue and operating gross profit this year compared with last year, the increase in other income and foreign exchange benefits resulting from the depreciation of the New Taiwan dollar this year, and the increase in investment losses recognized using the equity method, which resulted in a decrease in non-operating expenses this year compared to last year, resulting in the increase in profit before tax.

Increase in Net Profit for current period:

Mainly due to an increase in operating revenue and gross profit for the current year compared to the previous year, an increase in other non-operating income and an increase in the share of profits of associates and joint ventures accounted for using the equity method, resulting in an increase in net profit for the period.

Decrease in other Comprehensive Income (net value after tax) in the current period:

Mainly due to a decrease in the remeasurement of defined benefit plans for the current year compared to the previous year, and a decrease in the share of profits of associates and joint ventures accounted for using the equity method - items that may be reclassified subsequently to profit or loss compared to the previous year.

Increase in net amount of Comprehensive Income for current period:

Mainly due to an increase in operating revenue and gross profit for the current year compared to the previous year, an increase in other non-operating income and an increase in the share of profits of associates and joint ventures accounted for using the equity method.

- Expectations for the sales in the following year and its estimation basis and the main factors for the continuing growth or recession for the sales:

  The global market structure of our company’s multiple business segments will contribute to its strong growth in the upcoming year. Simultaneously, the company’s ongoing, extensive engagement and operation in other areas is an essential strategy for its expansion. Building on United’s robust and diversified product portfolio, our unwavering goal is to help more physicians understand and trust it. As a result, the company will continue to participate in a variety of activities, including as exhibits, webinars, medical conference hosting, clinical report publishing, and others, in order to raise the visibility and recognition of our company’s brand and goods. To support the company’s continuous expansion, we will also aggressively enter new direct-sales markets with our own branded items and introduce new, high-end product development initiatives.
- 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: The main reasons are the growth in domestic sales and revenue from sales to subsidiaries, which led to an increase in gross profit from sales, while the overall gross profit margin was not significantly affected.

3. Cash Flows

Consolidated financial statements

Cash flow analysis

Unit: NT$ Thousands

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (insufficient)	Measures for insufficient cash	
				Investing plan	Financing plan
398,057	433,729	(382,766)	449,020	None.	None.

- Analysis of the changes in cash flow this year:
  The pre-tax net profit for the period, depreciation costs, the equity method-accountable portion of associates' and joint ventures' losses, an increase in accounts receivable, inventories, other payables, and income tax paid are the primary causes of the net cash inflow from operating activities.
  The cash outflow from investing activities is mainly due to the expenditures on the acquisition of equipment, surgical instrument equipment, and prepayments for equipment.
  The cash inflow from financing activities is mainly due to the issuance of corporate bonds.
- Plans for improving liquidity shortfalls and liquidity analysis:
  There is no cash liquidity shortfall.
- Analysis of cash liquidity for the following year:
  Not applicable.

Individual financial statement

Cash flow analysis

Unit: NT$ Thousands

Cash and cash equivalents at beginning of year	Annual net cash flow from operating activities	Net cash inflow from investment and financing activities	Cash surplus (insufficient)	Measures for insufficient cash	
				Investing plan	Financing plan
232,702	115,808	(64,237)	284,273	None.	None.

- Analysis of the changes in cash flow this year:
  The net cash inflow from operating activities mainly resulted from pre-tax net profit for the period, depreciation expenses, share of profit or loss of associates and joint ventures accounted for using the equity method, unrealized sales profit, accounts receivable from related parties, inventories, other payables, and income tax paid.
  The cash outflow from investing activities was primarily for the acquisition of equipment, surgical instrument equipment, intangible assets, prepayments for equipment, and investments accounted for using the equity method.
  The cash inflow from financing activities was mainly from the issuance of corporate bonds.
- Plans for improving liquidity shortfalls and liquidity analysis:
  There is no cash liquidity shortfall.
- Analysis of cash liquidity for the following year:
  Not applicable.

4. **The Impact of Major Capital Expenditures in the Most Recent Year on the Company's Finance:** None.

5. **Policy on Re-Investment in Other Companies, Main Reasons for Profit or Losses Resulting Therefrom, Improvement Plans and Investment Plans for the Upcoming Fiscal Year**

Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
UOC Europe Holding SA	96%	Indirect investments in Europe through third region	The majority of the profits of the holding company is sourced from the gains and losses of the investment.	None.	None.
United Orthopedic Japan InC.	96%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.
A-Spine Asia Co., Ltd.	74.9%	In response to the Company's strategy for business diversification, we enter the market of spine products	and actively expands spinal products in Taiwan and international markets.	None.	None.
UOC USA,InC. (Note 2)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the continuous expansion of the market, relatively high management and marketing expenses are, and insufficient income to cover the expenses.	None.	None.
United Orthopedic (Australia) Pty Ltd	100%	Arrange investments in response to the local market channels, in order to get access to the market	The Company is still in the early stage of the development since its establishment and has not yet obtained certification, so there is no income generated. The loss is mainly due to management personnel salaries and office rent and other expenses.	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.
Shinva United Orthopedic Corporation	44%	Work with Shinva Medical Instrument Co.,Ltd to expand the sales of	Mainly due to the low-price competition in the market affected by the Chinese	It has built a comprehensive marketing	None.

Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
		domestic and imported products in the market of China due to China's made in China policy.	government's national collective bidding procurement policy, resulting in great reduction of profits.	system and domestic products to enhance market shares.	
Invested Company	Holding ratio at the end of the period (%)	Investment policy	Main reason for profits or losses	Improvement plans	Investment plans in the following year
United Orthopedic Corporation (Suisse) SA(Note 1)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.
United Orthopedic Corporation (France)(Note 1)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Adopt dealer or direct selling model due to regional characteristics to actively expand the market shares.	None.	None.
United Orthopedic Corporation (Belgium) (Note 1)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the continuous expansion of the market, relatively high management and marketing expenses are, and insufficient income to cover the expenses.	Actively explore the market and sales activities.	None.
United Orthopedics Limited (Note 1)	100%	Arrange investments in response to the local market channels, in order to get access to the market	Mainly due to the continuous expansion of the market, relatively high management and marketing expenses are, and insufficient income to cover the expenses.	Actively explore the market and sales activities.	None.
ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ(Note 3)	100%	Arrange investments in response to the local market channels, in order to get access to the market	The company is in the early stage of establishment.	Actively explore the market and sales activities.	None.

Note 1: It is a reinvestment of UOC Europe Holding SA, a subsidiary of the Company.

Note 2: In response to the expansion of the local market operations, we plan to invest an additional $1.5 million.

Note 3: It is a reinvestment ofUnited Orthopedic Corporation (Suisse) SA, a sub-subsidiary of the Company.

6. Risk Assessments Shall Evaluate the Following Items for the Most Recent Year and up to the Publication Date of the Annual Report

(1) The Impacts of interest rates, exchange rate fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures:

1. Impact from interest rate changes

The Company has loans with banks in Taiwan dollars and other foreign currencies. The fluctuation in future interest rates will impact the Company's profits and losses. The Company will monitor interest rate changes and continuously keep long-term stable transactions with banks. Various financing tools will be adopted to hedge against the risk of interest rates in line with market conditions.

2. Impact from exchange rate changes

The Company sells its products mainly in US dollars, Euro, RMB and Japanese Yen. Thus, if the exchange rate of New Taiwan Dollars against the above currencies fluctuated, the Company's revenue and profits will be affected, accordingly. On the whole, the Company relies on the response principle of natural hedging and continuously monitors the fluctuation of the market exchange rate, and tries to minimize the possible risks that changes in the exchange rate might do to the Company.

A. The effect of changes in exchange rates on the Company's revenue for the last three years, as follows:

Unit: NT$ Thousands

Item \ Year	2023	2022	2021
Net currency exchange gain (loss)	33,643	46,070	(44,176)
Net Operating Revenue	3,929,887	3,168,680	2,570,866
Operating (loss) gain	543,269	341,582	161,425
Net Foreign Exchange Profits (Losses) / Net Operating Income Profits (Losses)	0.86%	1.45%	-1.72%
Net Foreign Exchange Profits (Losses) / Operating Profits (Losses)	6.19%	13.49%	-27.37%

B. Specific measures in response to changes in exchange rates:

a. The business units would first evaluate the trends of currencies and consider the impact of changes in exchange rate before making a quote to the customer, and the business unit would take a more robust and conservative exchange rate as the basis for the quote, so that the impact of appreciation and depreciation of NTD is minimized for the orders.

b. Open an foreign currency account at the banks to keep the foreign currency for the needs of foreign currency. Exchange the remittance of sales into TWD in accordance with actual exchange rate and deposit it in NTD account or foreign currency account. Foreign currencies that are earned from the exports are preferred to used when paying for the import to reduce the impact of changes in foreign exchange.

c. Collect information with regards to changes in foreign exchange at any time and fully grasp the domestic and international exchange rate movements to adjust the ratio of foreign currency assets and liabilities, so that the exchange rate fluctuations have a natural hedge effect.

C. Impact from inflation

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.

(2) 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. According to the Company's operating procedures for lending funds, as of March 31, 2024, the actual amount of funds lent to the invested subsidiary United Orthopedic Corporation (Suisse) SA was EUR 2,520,400 and GBP 58,800.

   The Company's invested subsidiary United Orthopedic Corporation (Suisse) SA, in accordance with the operating procedures for lending funds, as of March 31, 2024, has actually lent GBP 233,900 to the invested subsidiary United Orthopedics Limited, and EUR 18,700 to the invested subsidiary United Orthopedic Corporation (Belgium).

3. According to the Company's operating procedures for endorsement guarantees, as of March 31, 2024, the Company has provided a joint guarantee for a bank loan of USD 5,500,000 to its invested subsidiary UOC USA, Inc.

   The Company has engaged in derivative transactions, and as of March 31, 2024, the Company has no outstanding derivative transactions.

4. The Company engages in the trading of derivatives products. As of March 31, 2024, there are no future transactions of derivative products that has not been settled.

(3) Future R&D projects and estimated R&D expenditures:

Unit: NTD

Plan title	Progress	Need to invest more R&D expenses	Time expected to complete mass-production	Main reasons that would affect the success of R&D
"UNITED" U2 Total Knee System - Non-stemmed cemented patellar implant and instruments. (U2 PF+ patella)	In process development:	4,000,000	2024 Q4	1. New process development 2. Passed verification test 3. Application for certification
Radifocus Modular Femoral Stem System (Resolve modular revision stem)	In process development:	5,500,000	2025 Q1	1. Passed verification test 2. Application for certification
Uwin Artificial Shoulder Joint System (SYSTEM ONE shoulder system)	In process development:	14,000,000	2025 Q3	1. Passed verification test 2. Application for certification
Cerapedic Knee Implant System (Cellbrick knee spacer)	In process development:	50,000	2024 Q3	1. Application for certification
United Motion Hip Arthroplasty System (Momentum cup)	In process development:	12,000,000	2024 Q4	1. New process development 2. Passed verification test 3. Application for certification
"UNITED" U2 Total Knee System (PSA/hinge instrument integration)	In design and development	2,000,000	2024 Q4	1. Design to meet customer needs 2. Coordination of process resources
StremOlive Femoral Stem Extensions and Instruments (Conformity stem extension line)	In process development:	2,000,000	2024 Q4	1. Passed verification test 2. Application for certification
"UNITED" U2 Total Knee System (U2 knee PS box preparation improvement)	In design and development	500,000	2024 Q4	1. Design to meet customer needs 2. Coordination of process resources
Anterior Approach Hip Arthroplasty Instruments (United DA power hook)	In process development:	500,000	2024 Q3	1. Passed safety test 2. Certified by NRTL
"UNITED" U2 Total Knee System (U2 PSA stem extension line)	In process development:	100,000	2025 Q1	1. Product manufacturing cost
GMRS Tumor Prosthesis Extensions and Instruments (USTAR II extension line)	In design and development	4,500,000	2024 Q4	1. Design to meet customer needs 2. Passed verification test 3. Application for certification
Revision Knee Arthroplasty Compatible Inserts (Cones & Sleeves for revision TKA)	In design and development	7,000,000	2024 Q4	1. Design to meet customer needs 2. New process development 3. Passed verification test 4. Application for certification
Interior Stable Knee Joint System (UMS knee)	In design and development	7,500,000	2025 Q4	1. Design to meet customer needs 2. Passed verification test 3. Application for certification

(4) Impacts of changes of the important domestic and foreign policies and laws on the Company’s finance and business, and the countermeasures thereof: None.

(5) Impact of changes in technology(including information and communication security risks)and industry on the Company’s financial operations, and countermeasures thereof:

With the advancement of medicine and the understanding of bio-compatible materials, artificial joint products have become stable and mature. Artificial joints must be designed with appropriate bio-compatible materials and developed to meet the needs of patients. In addition that sufficient knowledge and clinical data are required in design, the technology of precision machinery is also required in manufacture. The Company’s R&D direction is to design joint implants suitable for Chinese people, provide product experience suitable for Chinese people, and then develop products suitable for Asians, supply products in Asian markets and other international markets, and establish the highest level of artificial joint R&D and production center outside the European and American regions, which is the long-term goal of the Company; there is no major impact on the Company’s financial business due to changes in technology and industry.

Regarding the information security, the Company will quantify and classify the impact of the "confidentiality", "integrity" and "availability" of the data contained in its main system, take into account common network attack risk events, formulate various operating specifications, such as: account permissions, firewalls, network management requirements, and implement regular monitoring and measurement; any system changes shall be undergone rigorous testing to ensure the data integrity. The responsible department needs to monitor from time to time, regularly review and keep records. In addition, email social engineering drills shall be performed occasionally or educational training cases shall be used to raise the awareness of staff. In the future, it is also planned to conduct information security audits through third-party companies to ensure compliance with information security requirements and compliance with regulatory updates.

(6) Impacts of corporate image change on risk management and response measures:

Ever since the Company has been listed on September, 2004, the Company has always uphold the professional and integrity of the operating principles, paid attention to corporate image and risk control, and has a positive impact on the Company’s visibility and improvements of image, sound management of the Company, and sustainability of the Company. The Company will continue to operate in maximum efficiency to retrieve the best interest and share the results with all shareholders and employees. Thus, there are no major events that would have an impact on the Company’s corporate image.

(7) Potential risks and rewards associated with M&A and the response measures: None

(8) Potential impact associated with capacity expansion and the response measures: None

(9) The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures:

1. Purchase: The Company has established a good cooperative relationship with various suppliers, and the source of supply is still stable. Therefore, the Company and its subsidiaries have no risk of concentrated purchase.

2. Sales: The Company and its subsidiaries do not have customers to whom more than 20% of products are sold, and are actively expanding product sales in various regions to diversify operational risks. Therefore, the Company and its subsidiaries have no risk of concentrated sales.

(10) The impacts and risks arising from major exchange or transfer of shares by Directors, Supervisors or shareholders with over 10% of stake in the Company and the countermeasures:

The Directors, Supervisors or shareholders of more than 10% of the Company's shares do not have any substantial transfers or changes in the shares of the Company for the most recent year and as of the publication date of the Annual Report. Thus, it did not have any significant impact on the Company.

(11) Effects of, risks relating to and response to the changes in management rights: Not applicable.

(12) Litigation and non-litigation events:

1. Confirmed judgment, ongoing significant litigation, and non-litigation or administrative contention items involving the Company for the most recent two years and as of the publication date of the annual report, which might have a significant impact on the shareholders' equities or price of securities: None.

2. Confirmed judgment, ongoing significant litigation, and non-litigation or administrative contention items involving Directors, Supervisors, General Manager, responsible person, and stockholders that hold more than 10% of this company's stock in the last two years and up to the printing of this annual report that can have a significant impact on shareholders' equity or securities prices: None

(13) Other Material Risks and Response Measures: None

7. **Other Important Matters:** None.

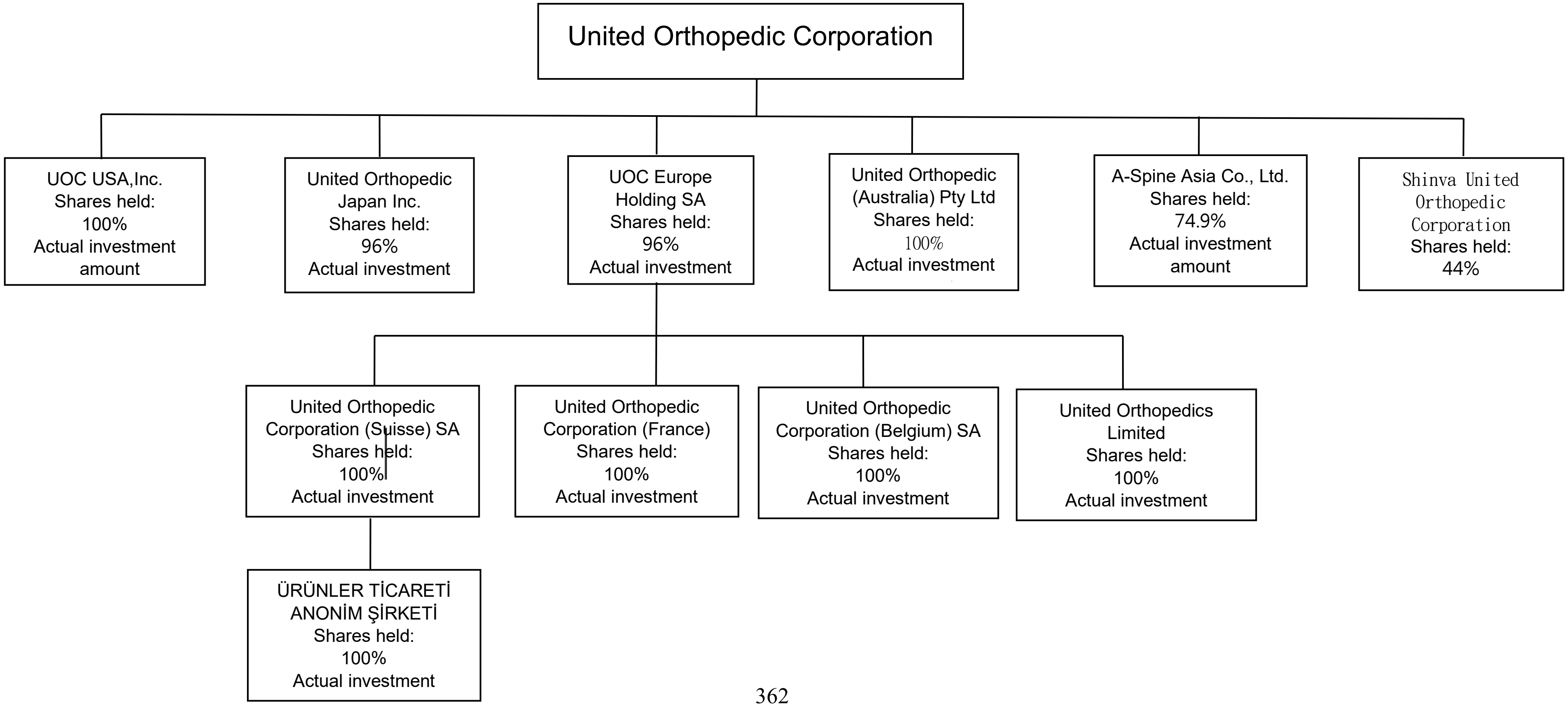
VIII. Special Items

1. Relevant Information on Affiliates

(1) Consolidated Business Report of Affiliates

1. Organization structure of affiliates

December 31, 2023



2. Basic information of various affiliates

Unit: NT$ Thousands

Name of business	Date of Incorporation	Address	Paid-in capital	Main business and product
UOC USA,InC.	2012.07.19	Note 4(1)	USD9,360	Sales of Medical Equipment
UOC Europe Holding SA	2016.05.23	Note 4(2)	CHF14,000	Investment and trading business
United Orthopedic Corporation (Suisse) SA	2016.06.29	Note 4(3)	CHF1,550	Sales of Medical Equipment
United Orthopedic Corporation (France)	2016.07.05	Note 4(4)	EUR8,782	Sales of Medical Equipment
United Orthopedic Corporation (Belgium) SA	2019.07.11	Note 4(5)	EUR900	Sales of Medical Equipment
United Orthopedic Japan InC.	2016.08.05	Note 4(6)	JPY265,741	Sales of Medical Equipment
Shinva United Orthopedic Corporation	2016.01.13	Note 4(7)	CNY331,500	Manufacture and Sale of Orthopedic Instruments.
A-Spine Asia Co., Ltd.	2001.06.15	Note 4(8)	TWD134,710	Manufacture and Sale of Medical Equipment
United Orthopedics Limited	2019.07.24	Note 4(9)	GBP540	Sales of Medical Equipment
United Orthopedic (Australia) Pty Ltd	2022.05.16	Note 4(10)	AUD800	Sales of Medical Equipment
ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	2023.10.24	Note 4(11)	TRY50	Sales of Medical Equipment

Note 1: All affiliates shall disclosed regardless of their sizes.
Note 2: For all affiliates that have plants, and the production value of products of the plants worth more than 10% of the operating income of the holding company, the name of the plants, founding dates, addresses, the main productions of the plants shall also be listed.
Note 3: If the affiliate is a foreign company, the title of the Company and the address may be shown in English, and the founding date may also be expressed in Gregorian calendar. The paid-in capital may be expressed in foreign exchange (However, the exchange rate as of the publish date shall be listed).
Note 4:
(1) 15251 Alton Parkway, Suite 100, Irvine, CA 92618
(2) Avenue Général Guisan 60A, 1009 Pully, USA
(3) Y Parc, Avenue des sciences 15, 1400 Yverdon, Switzerland
(4) 7 Allée des Peupliers, 54180 Houdemont, France
(5) Rue Auguste Beernaert 1-12, 1480 Tubize (Saintes), Belgium
(6) Ginyo Bldg. 4F, 2-9-40 Kitasaiwai, Nishi-ku, Yokohama, Kanagawa 220-0004, Japan
(7) A2, Xinhua Health Industrial Park, No. 2999, Zunxian Road, High-tech Zone, Zibo City, Shandong Province
(8) 20F., No. 80, Sec. 1, Chenggong Road, Yonghe District, New Taipei City
(9) 2 Grange Farm Business Park, Grange Road, Hugglescote, Leciestershire, LE67 2BT, UK
(10) Level 2, 29-35 COTHAM RD. KEW VIC 3101
(11) GAYRETTEPE MAH. PAZAR SK. BARELI PLAZA NO: 2-4 İÇ KAPI NO: 2 BEŞİKTAŞ / İSTANBUL

3. Companies presumed as having control and subordinate relationships in accordance with Article 369-3 of the Company Act:

   According to the above organization chart, the Company's affiliates are all subsidiaries of the Company.

4. Industries that are covered by affiliates and their distribution of work if the businesses of affiliates are interconnected with others:

   (1) The industries operated by the overall related enterprises:

   Mainly the manufacture and sales of orthopedic implants and surgical medical devices.

   (2) Distribution of work if the businesses of affiliates are interconnected with others:

   The Company invested in UOC America Holding Corporation in 2012, and the liquidation was completed on March 21, 2022. Invest in UOC USA, Inc. by the Company.

   UOC USA, Inc. will serve as a marketing base in the Americas, adopting a distribution and direct sales model to quickly establish a comprehensive marketing system and increase market share.

   The Company also invested in Shinva United Orthopedic Corporation in 2016 for production and sales of artificial joints in Mainland China. It also imports the artificial joints of the Company to build a comprehensive marketing system and increase market share.

   The Company made an indirect investment in United Orthopedic Corporation (Suisse) SA and United Orthopedic Corporation (France) in 2016 through UOC Europe Holding SA. In order to create marketing bases in Switzerland, France, Belgium, and the United Kingdom in the European region, it further made indirect investments in United Orthopedic Corporation (Belgium) SA and United Orthopedics Limited in 2019. The marketing strategy uses direct sales and distribution to target steady, high growth in the European market and quicken the increase of market share.

   In 2016, our company invested in United Orthopedic Japan Inc. as a sales and operation base in the Japanese region.

   In 2019, it completed product registration and began market promotion and sales activities, continuing to expand its business and increase market share.

The Company invested in A-Spine Asia Co., Ltd. in 2017 in response to the Company's strategy of business diversification. We were looking to quickly enter the spine product market through M&A to accelerate the development of spine products in Taiwan and international markets, as well as boosting the Company's revenue and profit.

The Company invested in United Orthopedic (Australia) Pty. Ltd. in 2022 as the base for sales and operation in Australia, to actively expand the market via distributors or the direct selling model according to regional characteristics.

In order to expand our business, United Orthopedic Corporation (Suisse) SA, our subsidiary, invested in ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ in 2023 as a sales and operations base in Turkey.

5. Information of Directors, Supervisors and General Managers in all Affiliates:

Name of business	Title(Note 1)	Name or representative	shares held	
			Shares	holding ratio
UOC USA, InC.	Chairman	Lin, Yan-Sheng	13,861,016	100%
UOC Europe Holding SA	Chairman	Lin, Yan-Sheng	13,500	96%
United Orthopedic Corporation (Suisse) SA	President	Bopp François	1,550	100%
United Orthopedic Corporation (France)	President	Bopp François	8,782	100%
United Orthopedic Corporation (Belgium) SA	President	Bopp François	900	100%
United Orthopedic Japan InC.	Chairman	Tetsuhiko Niwa	125,022	96%
Shinva United Orthopedic Corporation	Chairman	Cui Hongtao	147,000,000	44%
A-Spine Asia Co., Ltd.	Chairman	Lin, Yan-Sheng	10,089,696	74.9%
United Orthopedics Limited	President	Pearson Malcolm	540	100%
United Orthopedic (Australia) Pty Ltd	President	DAVID VEALE	800,001	100%
ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	President	Bopp François	50	100%

Note 1: If the affiliate is a foreign company, list those whose job position is equivalent.

Note 2: If the invested company is a joint-stock company, please list the amount of stocks and shareholding ratio. For others, please list the capital contribution and contribution ratio and make a note on that.

6. Operating status of affiliates:

Unit: NT$ Thousands

Name of business	Capital	Total Assets	Total Liabilities	Net value	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings per share (after tax/dollar)
UOC USA,InC.	283,905	829,093	516,075	313,018	654,011	391,366	52,016	—
UOC Europe Holding SA	436,770	303,485	832	302,653	0	(15,774)	73,121	—
United Orthopedic Corporation (Suisse) SA	49,987	1,056,992	876,039	180,953	606,322	77,943	86,523	—
United Orthopedic Corporation (France)	310,304	847,952	538,579	309,373	933,845	1,587	9,711	—
United Orthopedic Corporation (Belgium) SA	30,154	44,758	49,889	(5,131)	33,009	(2,655)	(2,748)	—
United Orthopedic Japan InC.	69,832	263,890	185,082	78,808	186,821	10,012	8,179	—
Shinva United Orthopedic Corporation	1,575,911	1,155,849	268,613	887,236	132,138	(119,416)	(164,347)	—
A-Spine Asia Co., Ltd.	134,710	514,609	240,611	273,998	391,260	9,397	9,209	0.68
United Orthopedic Limited	20,840	67,725	52,486	15,239	46,593	(8,327)	(8,114)	—
United Orthopedic (Australia) Pty Ltd	16,494	10,362	346	10,016	0	(5,605)	(5,605)	—
ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	59,432	0	0	0	0	0	0	—

Note 1: All affiliates shall disclosed regardless of their sizes.

Note 2: If the affiliate is a foreign company, all relevant numbers shall be expressed in NTD by using the exchange rate as of the publish date.

Note 3: The exchange rates for the balance sheet are as the following:

1 USD = 30.705 NTD, 1 CNY = 4.327 NTD,
1 EUR = 33.980 NTD, 1 CHF = 36.485 NTD,
1 GBP = 39.150 NTD, 1 JPY = 0.2172 NTD,
1 AUD = 20.980 NTD, 1 TRY = 1.040 NTD
1 CHF = 1.0737 EUR, 1 EUR = 0.9313 CHF,
1 CHF = 0.9319 GBP, 1 GBP = 1.0730 CHF,
1 GBP = 1.1521 EUR, 1 CHF = 35.0817 TRY,
1 TRY = 0.0285 CHF.

The exchange rates for the income statement are as follows:

1 USD = 30.7075 NTD, 1 CNY = 4.3675 NTD,
1 EUR = 33.350 NTD, 1 CHF = 34.845 NTD,
1 GBP = 38.120 NTD, 1 JPY = 0.2248 NTD,
1 AUD = 20.905 NTD, 1 TRY = 1.040 NTD
1 CHF = 1.0443 EUR, 1 EUR = 0.9584 CHF,
1 CHF = 0.9136 GBP, 1 GBP = 1.0950 CHF,
1 GBP = 1.1429 EUR, 1 CHF = 35.0817 TRY,
1 TRY = 0.0285 CHF.

(2) Reports of all entities: Please refer to the consolidated financial report.

2. **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.

3. **Holding or Disposal of This Company's Shares by a Subsidiary Company in the Most Recent Year and up to the Publication Date of the Annual Report:** None.

4. **Other Necessary Supplementary Information:** None.

IX. Any Events Prescribed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange act With Material Impact on Shareholders' Equity or the Price of the Company's Securities That Has Occurred for the Most Recent Year and up to the Publication Date of the Annual Report: None.

United Orthopedic Corporation

Chairman: Lin, Yan-Sheng