4129

United Orthopedic Corporation and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

January 1 to December 31, 2022

and January 1 to December 31, 2021

Company Address: First Floor, No. 57, Second Road, Hsinchu Science and Technology Park
Company Phone: (03) 577-3351

Consolidated Financial Statements

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Representation Letter

In 2022 (from January 1, 2022 to December 31, 2022), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

Sincerely,

Company Name:	United Orthopedic Corporation
Chairman:	Lin, Yan-Shen

March 21, 2023

Independent Auditors' Report

To United Orthopedic Corporation:

Audit opinion

The consolidated balance sheets of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as of December 31, 2022 and December 31, 2021, and the consolidated statements of profit and loss, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements as of January 1 to December 31, 2022 and January 1 to December 31, 2021 (including the summary of significant accounting policies) have been audited and verified by the Company's accountants.

In the opinion of our accountants, the above consolidated financial statements are, in all material respects, prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved and promulgated by the Financial Supervisory Commission, and are sufficient to fairly represent the combined financial position of United Orthopaedic Equipment Co., Ltd. and its subsidiaries as at 31 December 2022 and 31 December 2021, and the combined financial performance and consolidated cash flows as at 1 January to 31 December, 2022 and 2021.

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 section titled "Auditors' responsibilities for the audit of the consolidated financial statements" of our report. We are independent of United Orthopedic Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters refer to the most important matters regarding the audit of the consolidated financial statements of United Orthopaedic Equipment Co., Ltd. and its subsidiaries for 2022 according to the professional judgment of our accountant. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinions; hence, the CPA shall not express separate opinions on these items.

<u>Inventory valuation</u>

The net inventory of United Orthopedic Equipment Co., Ltd. and its subsidiaries on December 31, 2022 was NT $1,300,959 (thousand), accounting for 23% of the total consolidated assets, which is significant for the consolidated financial statements. Because of the innovation of orthopedic equipment production technology, the inventory might be outdated or the selling price might fall. It is estimated that net realizable value and loss for obsolete and slow-moving inventories have involved significant management judgment. We believe that the inventory valuation is important for the audit of the consolidated financial statements, so the inventory valuation is determined as key audit matters. Our audit procedures include, but are not limited to, the following audit procedures: understanding and evaluating the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Key audit matters (Continued)

Revenue recognition

United Orthopaedic Equipment Co., Ltd. and its subsidiaries mainly sell products such as orthopaedic equipment - artificial knee joint, artificial knee joint, wound and substitute work products. In 2022, the revenue of NT$3,168,680 (thousand) was recognized, which is significant for the consolidated financial statements. Because of the characteristics of the industry, it is necessary to wait for the clients to obtain control of the product so as to satisfy the obligation of fulfilling contracts. We believe that the recognition of contract revenue of the Company is important for the audit of the consolidated financial statements, so it is determined as a key audit matter. Our audit procedures include but are not limited to the following audit procedures: evaluating the appropriateness of the accounting policy for revenue recognition, learning and testing the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of sales revenue disclosures in Note 6 to the consolidated financial statements.

Recognition of intangible assets arising from internal development

United Orthopaedic Equipment Co., Ltd. and its subsidiaries' net carrying amount of intangible assets was NT $79,997 (thousand) on December 31, 2021, which is significant for the consolidated financial statements. United Orthopedic Corporation and its subsidiaries invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation and its subsidiaries needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance 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. Misstatements can arise from fraud or error and 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 Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their 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 and its subsidiaries' 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 and its subsidiaries' 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 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.

The certified public accountant' responsibilities in the audit of the consolidated financial statements (Continued)

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

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

United Orthopedic Corporation has also prepared individual financial statements for 2022 and 2021, which we had audited and issued an unqualified opinion.

Ernst & Young

Approval Number from Competent Authority for the Auditing and Attestation of Public Companies' Financial Statements by Certified Public Accountants:

Approved Document: Jin-Guan-Zheng-Shen-Zi No. 1060027042

Financial Supervisory Securities Official Letter No. VI-0930133943

Ma Chun-Ting

CPA:

Hsu Jung-Huang

March 21, 2023

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Assets			December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$398,057	7	$638,683	12
1110	Financial assets at fair value through profit or loss - current	IV and VI.2	13,401	-	-	-
1150	Notes receivable, net	IV, VI.5and VI.21	1,412	-	2,377	-
1170	Net accounts receivable	IV, VI.6and VI.21	752,421	14	546,882	10
1180	Notes receivable - related parties, net	IV, VI.6, VI.21and VII	92,344	2	46,719	1
1197	Net Finance Lease Receivable	IV, VI.7 and VI.22	2,625		-	-
1200	Other receivables	4 & 7	14,407	-	29,225	1
1210	Other receivables - related parties	4 & 7	1,194	-	5	-
1220	Current income tax assets	IV and VI.26	1,591	-	2,582	-
130x	Inventories	IV and VI.8	1,300,959	23	1,102,576	21
1410	Prepayments		58,473	1	32,251	1
1470	Other current assets		4,581	-	18,273	-
11xx	Total current assets		2,641,465	47	2,419,573	46
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	IV and VI.3	52,351	1	52,872	1
1535	Financial assets at amortized cost - non-current	IV, VI.4and VIII	7,980	-	9,820	-
1550	Investments Accounted for Using the Equity Method	IV and VI.9	422,988	8	517,580	10
1600	Property, Plant, and Equipment	IV, VI.10and VIII	1,454,499	26	1,373,902	26
1755	Right-of-use assets	IV, VI. 22	203,956	4	208,093	4
1780	Intangible assets	IV, VI.11and VI.12	573,128	10	518,898	10
1840	Deferred income tax assets	IV and VI.26	103,954	2	97,935	2
1900	Other non-current assets	7	136,256	2	46,155	1
194D	Net long-Term Finance Lease Receivables	IV, VI.7 and VI.22	10,633	-	-	-
1975	Net defined benefit assets - non-current	IV and VI.17	8,313	-	-	-
15xx	Total non-current assets		2,974,058	53	2,825,255	54
1xxx	Total assets		$5,615,523	100	$5,244,828	100

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

	Liabilities and Equity		December 31, 2022		December 31, 2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term loans	IV and VI.13	$773,029	14	$785,946	15
2120	Financial Liabilities at Fair Value through Profit or Loss - Current	IV, VI.14and VI.15	-	-	6,250	-
2130	Contract liabilities - current	IV and VI.20	10,405	-	8,631	-
2150	Notes payable	IV	2,235	-	427	-
2170	Accounts Payable	IV	134,721	2	82,041	2
2180	Accounts payable - related parties	4 & 7	18,451	-	28,754	1
2200	Other payables	IV	595,135	11	409,001	8
2220	Other payables - related parties	4 & 7	1,553	-	13	-
2230	Current income tax liabilities	IV and VI.26	78,107	1	45,979	1
2280	Lease liabilities - current	IV and VI.22	27,470	1	24,774	-
2300	Other current liabilities	7	35,514	1	31,864	1
2321	Corporate bonds that mature or execute the right to sell back within one year or one business cycle	IV and VI.15	-	-	484,555	9
2322	Long-term loan due within one year or one operating cycle	IV, VI.16and VIII	59,686	1	21,092	-
21xx	Total current liabilities		1,736,306	31	1,929,327	37
	Non-current Liabilities					
2540	Long-term loans	IV, VI.16and VIII	527,838	10	216,974	4
2570	Deferred income tax liabilities	IV and VI.26	11,464	-	12,618	-
2580	Lease liabilities - non-current	IV and VI.22	182,899	3	188,160	4
2600	Other non-current liabilities		1,446	-	1,446	-
2630	Long-term deferred income	VI.9	65,694	1	72,239	1
2640	Net defined benefit liabilities - non-current	IV and VI.17	-	-	3,423	-
25xx	Total non-current liabilities		789,341	14	494,860	9
2xxx	Total liabilities		2,525,647	45	2,424,187	46

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2022 and December 31, 2021

Unit: NT$ 1,000

Code	Liabilities and Equity		December 31, 2022		December 31, 2021	
	Accounting Items	Notes	Amount	%	Amount	%
31xx	Equity attributable to owners of parent company	IV. VI.18and VI.28				
3100	Capital Stock					
3110	Capital stock - common shares		781,316	14	781,116	15
3120	Capital - preferred stock		99,800	2	100,000	2
	Total capital		881,116	16	881,116	17
3200	Capital surplus		1,743,729	31	1,743,438	33
3300	Retained earnings					
3310	Legal reserve		102,629	2	97,755	2
3320	Special reserve		132,311	2	88,451	2
3350	Undistributed earnings		233,295	4	48,734	1
	Total retained earnings		468,235	8	234,940	5
3400	Other equity					
3410	Exchange differences on translation of financial statements of foreign operations		(93,938)	(2)	(133,265)	(3)
3420	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income		(4,439)	-	(3,893)	-
	Total other equity		(98,377)	(2)	(137,158)	(3)
31xx	Total equity attributable to owners of parent company		2,994,703	53	2,722,336	52
36xx	Non-controlling Interests		95,173	2	98,305	2
3xxx	Total equity		3,089,876	55	2,820,641	54
	Total liabilities and equity		$5,615,523	100	$5,244,828	100

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

			2022		2021	
Code	Accounting Items	Notes	Amount	%	Amount	%
4000	Operating revenue	IV, VI.20and VII	$3,168,680	100	$2,570,866	100
5000	Operating costs	IV, VI.8, VI.22, VI.23and VII	805,697	25	729,522	28
5900	Gross profit		2,362,983	75	1,841,344	72
5910	Unrealized sales profit		(7,267)	-	-	-
5920	Realized sales gain		-	-	1,906	-
5950	Net gross profit		2,355,716	75	1,843,250	72
6000	Operating expenses	IV. VI.21, VI.22and VI.23				
6100	Selling and marketing expenses		1,588,515	50	1,315,437	51
6200	General and administrative expenses		258,451	8	222,316	9
6300	R&D expenses		167,257	5	143,675	6
6450	Expected credit impairment(benefits)gain/loss		(89)	-	397	-
	Total operating expenses		2,014,134	63	1,681,825	66
6900	Operating profit		341,582	12	161,425	6
7000	Non-operating income and expenses	IV, VI.9, VI.24and VII				
7100	Interest income		4,392	-	2,010	-
7010	Other income		34,113	1	26,317	1
7020	Other gains and losses		41,680	1	(48,020)	(2)
7050	Finance costs		(24,106)	(1)	(17,641)	(1)
7060	Share of the loss of associates and joint ventures accounted for using the equity method		(94,640)	(3)	(49,497)	(2)
	Total non-operating income and expenses		(38,561)	(2)	(86,831)	(4)
7900	Income before tax		303,021	10	74,594	2
7950	Income tax expenses	IV and VI.26	(79,440)	(3)	(21,717)	(1)
8200	Net profit for the period		223,581	7	52,877	1
8300	Other comprehensive income	IV and VI.25				
8310	Components that will not be reclassified to profit or loss					
8311	Gains (losses) on re-measurements of defined benefit plans		11,762	-	(3,389)	-
8316	Investments in equity instruments at fair value through other comprehensive income					
	Unrealized valuation losses		(521)	-	(295)	-
8360	Components that may be reclassified to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operations		32,170	1	(46,055)	(2)
8370	Share of other comprehensive income (loss) of affiliates and joint ventures accounted for using the equity method					
	- items that may be subsequently reclassified into profit or loss		7,315	-	(4,316)	-
	Other Comprehensive Income (Net After Tax) of Current Period		50,726	1	(54,055)	(2)
8500	Total amount of comprehensive income (loss) for this period		$274,307	8	$(1,178)	(1)
8600	Net Income Attributable to:					
8610	Owners of parent company		$221,533		$52,271	
8620	Non-controlling Interests		2,048		606	
	Total		$223,581		$52,877	
8700	Total comprehensive income attributable to:					
8710	Owners of parent company		$272,076		$174	
8720	Non-controlling Interests		2,231		(1,352)	
	Total		$274,307		$(1,178)	
	Earnings per share(NT$)	IV and VI.27				
9750	Basic earnings per share		$2.84		$0.37	
9850	Diluted earnings per share		$2.51		$0.37	

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

		Equity attributable to owners of parent company											
		Capital Stock			Retained earnings			Other equity items					
Code	Item	Capital stock - common shares	Capital - preferred stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation (loss)gain on financial assets measured at fair value through other comprehensive income	Employees' unearned remuneration	Equity attributable to owners of parent	Non-controlling Interests	Total Equity
		3100	3120	3200	3310	3320	3350	3410	3420	3491	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	$783,898	$100,000	$1,756,071	$89,304	$101,160	$84,512	$(84,818)	$(3,632)	$(7,736)	$2,818,759	$106,271	$2,925,030
	Earnings distribution in 2020												
B1	Legal reserve	-	-	-	8,451	-	(8,451)	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	-	(65,370)	-	-	-	(65,370)	-	(65,370)
B7	Cash dividend of extraordinary stock	-	-	-	-	-	(23,400)	-	-	-	(23,400)	-	(23,400)
B17	Special reserve reversal	-	-	-	-	(12,709)	12,709	-	-	-	-	-	-
D1	Net profit for year 2021	-	-	-	-	-	52,271	-	-	-	52,271	606	52,877
D3	Other comprehensive income in 2021	-	-	-	-	-	(3,389)	(48,447)	(261)	-	(52,097)	(1,958)	(54,055)
D5	Total amount of comprehensive income (loss) for this period	-	-	-	-	-	48,882	(48,447)	(261)	-	174	(1,352)	(1,178)
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
L3	Retirement of treasury stock		-		-	-		-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	(148)	-	-	-	(148)	148	-
N2	Share-based payment transaction - new restricted employee shares	(2,782)	-	(12,633)	-	-	-	-	-	7,736	(7,679)	-	(7,679)
O1	Increase/decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,762)	(6,762)
Z1	Balance as of December 31, 2021	$781,116	$100,000	$1,743,438	$97,755	$88,451	$48,734	$(133,265)	$(3,893)	$-	$2,722,336	$98,305	$2,820,641
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	Legal reserve	-	-	-	4,874	-	(4,874)	-	-	-	-	-	-
B3	Appropriation 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 (loss) for this period	-	-	-	-	-	233,295	39,327	(546)	-	272,076	2,231	274,307
J1	convertible special share conversion	200	(200)	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	291	-	-	-	-	-	-	291	(291)	-
O1	Increase/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

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

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

United Orthopedic Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT$ 1,000

Code	Item	2022 Amount	2021 Amount
AAAA	Cash flow from operating activities:		
A10000	Current net income before tax	$303,021	$74,594
A20000	Adjustment items:		
A20010	Income and expenses items:		
A20100	Depreciation expenses	298,087	275,766
A20200	Amortization expenses	37,170	33,967
A20300	Expected credit impairment (benefits) gain/loss	(89)	397
A20400	Net loss on financial assets and liabilities measured at fair value through profit or loss	7,507	4,532
A20900	Interest expenses	24,106	17,641
A21200	Interest income	(4,392)	(2,010)
A21900	Share-based payment remuneration cost	-	(7,679)
A22300	Share of the loss of associates and joint ventures accounted for using the equity method	94,640	49,497
A22500	Profit of disposal of property, plant, and equipment	(587)	(2,913)
A22800	Loss on disposal of intangible assets	-	1,730
A24000	Realized sales gain	-	(1,906)
A24100	Unrealized sales profit	7,267	-
A24200	gain on repurchase of corporate bonds payable	(816)	-
A29900	Other income	(8,264)	(1,170)
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in notes receivable	965	(784)
A31150	Increase in accounts receivable	(198,004)	(63,647)
A31160	(Increase) decrease in accounts receivable - related parties	(131,609)	32,769
A31180	Decrease (increase) in other receivables	3,570	(22,368)
A31190	Other receivables - increase in related parties	(1,189)	-
A31200	(Increase) decrease in inventories	(231,173)	2,153
A31230	(Increase) decrease in prepayments	(26,222)	10,778
A31240	(Increase) decrease in other current assets	13,692	(12,701)
A32125	Increase in contractual liabilities	1,774	4,788
A32130	Increase (decrease) in notes payable	1,808	(1,039)
A32150	Increase (decrease) in accounts payable	20,298	(1,833)
A32160	Accounts payable - increase (decrease) in related parties	(10,303)	4,376
A32180	Increase (decrease) in other payables	188,391	(32,864)
A32190	Other payables - increase (decrease) in related parties	1,540	(42)
A32230	Increase (decrease) in other current liabilities	2,706	(4,427)
A32240	Increase (decrease) in net defined benefit liabilities	26	(31)
A33000	Cash inflow generated from operations	393,920	357,574
A33100	Interest received	3,732	2,457
A33500	Income tax paid	(40,812)	(17,962)
AAAA	Net cash flows generated from operating activities	356,840	342,069

Code	Item	2022 Amount	2021 Amount
BBBB	Cash flow from investment activities:		
B00040	Acquisition of financial assets at amortized cost	(5,297)	-
B00050	Proceeds from sale of financial assets at amortized cost	7,137	6,033
B00100	Acquisition of financial assets at fair value through profit or loss	(15,000)	-
B00200	Disposal of financial assets at fair value through profit or loss	-	28,321
B02200	Acquisition of subsidiaries (deduct cash received)	4,392	-
B02700	Acquisition of property, plant, and equipment	(293,031)	(192,521)
B02800	Disposal of property, plant and equipment	16,501	9,771
B03700	Increase in refundable deposits	(4,126)	(3,670)
B04500	Acquisition of intangible assets	(83,029)	(27,712)
B04600	Disposal of intangible assets	-	30
B06100	Decrease in lease receivables	2,252	-
B06700	Increase in other non-current assets	(2)	-
B07100	Increase in prepayments for business facilities	(10,150)	(6,973)
BBBB	Net cash flows used in investing activities	(380,353)	(186,721)
CCCC	Cash from financing activities:		
C00100	Increase in short-term loans	3,285,215	2,421,916
C00200	Decrease in short-term loans	(3,311,073)	(2,607,758)
C01300	Repayments of bonds	(500,000)	-
C01600	Proceeds from long-term loans	375,726	76,851
C01700	Repayments of long-term loans	(31,088)	(81,016)
C03000	Decrease in deposits received	-	(54)
C04020	Repayment of lease principal	(30,549)	(27,919)
C04500	Cash dividends paid	-	(88,770)
C05600	Interest paid	(14,238)	(8,472)
C05800	Changes in non-controlling interests	(5,072)	(6,762)
CCCC	Net cash flows used in financing activities	(231,079)	(321,984)
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	13,966	(33,611)
EEEE	Increase(decrease)in cash and cash equivalents in the current period	(240,626)	(200,247)
E00100	Beginning balance of cash and cash equivalents	638,683	838,930
E00200	Cash and cash equivalents at end of the period	$398,057	$638,683

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

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

United Orthopedic Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2022
and January 1 to December 31, 2021
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

I. Company History

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

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

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

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the Group) for January 1 to December 31, 2022 and 2021 were issued by the Board of Directors on March 21, 2023.

III. Application of New and Amended Standards and Interpretations

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

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by IFRIC or SIC that have been approved by Financial Supervisory Commission (FSC) and applicable since January 1, 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	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred tax related to assets and liabilities arising from a single transaction (amendment to IAS 12)	January 1, 2023

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

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

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

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

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

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

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, 2023. The Group assesses that the newly issued or amended standards or interpretations have no significant impact on the Group.

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

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	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
4	Lease liability in a sale and leaseback (amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (amendments to IAS 1)	January 1, 2024

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

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

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

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

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

(4) Lease liability in a sale and leaseback (amendments 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”.

(5) Non-current Liabilities with Covenants (amendments 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.

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

IV. Summary of Significant Accounting Policies

1. Compliance declaration

The Group's consolidated financial statements from January 1 to December 31, 2022 and 2021, were prepared in accordance with the Standards for the Preparation of Financial Statements by Issuers of Securities and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Guidance Interpretations and Interpretation Announcements approved by the FSC.

2. Preparation basis

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

3. Basis of Consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

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

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

The consolidated entities are listed as follows:

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership 2022.12.31	Percentage of Ownership 2021.12.31	Remark
The Company	UOC America Holding Corporation	Sales and investment	-	100.00%	Note 1
The Company	UOC Europe Holding SA	Sales and investment	96.00%	96.00%	
The Company	United Orthopedic Japan Inc.	Sales	95.00%	92.00%	Note 3
The Company	A-Spine Asia Co., Ltd.	Sales, investment and manufacturing	74.90%	74.90%	
The Company	United Orthopedic (Australia) Pty Ltd	Sales	100.00%	-	Note 4
The Company	UOC USA, Inc.	Sales	100.00%	-	Note 1
UOC America Holding Corporation	UOC USA, Inc.	Sales	-	100.00%	Note 1
UOC Europe Holding SA	UOC (Suisse) SA	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC (France)	Sales	100.00%	100.00%	
UOC Europe Holding SA	UOC Belgium	Sales	100.00%	100.00%	
UOC Europe Holding SA	United Orthopedics Limited	Sales	100.00%	-	Note 2

Note 1. On April 28, 2021, the Board of Directors resolved to liquidate UOC America Holding Coporation, and the Company directly held the equity interest in UOC USA, Inc. As of February 28, 2022, the consolidated basis date, the Company directly held UOC USA, Inc. Equity, in addition to UOC America Holding Coporation, was liquidated on March 21, 2011 and has been registered with the Financial Services Commission of the British Virgin Islands.

Note 2. The Group invested in United Orthopedics Limited in the first quarter of 2022. As at 31 December 2022, the accumulated remittance of investment amounted to £540,000 (equivalent to NT $20,840,000).

Note 3. The Group's cash increase in the second quarter of 2022 by United Orthopedics Japan Inc. Acquired 32 thousand shares, the shareholding ratio rose to 95%. As of December 31, 2022, the accumulated remittance amounted to JPY 339,724,000 (equivalent to NT $104,604,000).

Note 4. The Group invested in United Orthopedic (Australia) Pty Ltd in the fourth quarter of 2022. As at 31 December 2022, the accumulated remittance of investment amounted to AUD 20,000 (equivalent to NT $413,000).

4. Foreign Currency Transactions

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

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

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

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

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

5. Translation of foreign-currency financial statements

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

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

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

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

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

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

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

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

7. Cash and cash equivalents

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

8. Financial Instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

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

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

   (a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

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

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

<u>Financial assets at fair value through profit or loss</u>

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

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

(2) Impairment of Financial Assets

The Group recognises and measures impairment losses on expected credit losses on financial assets measured at amortized cost.

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

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

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

Loss allowance is measured as follows:

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

A. The contractual rights to the cash flows from the financial asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

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

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting Financial Assets and Liabilities

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

9. Derivative

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

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

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

10. Fair value measurement

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

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

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

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

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

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

11. Inventories

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

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

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

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

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

12. Investments Accounted for Using the Equity Method

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

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

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

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

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

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

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

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

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

13. Property, Plant, and Equipment

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

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

Housing and Construction	3～50 Year
Machinery	3～16 Year
Tooling equipment (except for forging die)	2～5 Year
Transportation Equipment	5～6 Year
IT equipment	3～5 Year
Other equipment	3～11 Year
Leasehold improvements	Over the shorter of the lease terms or useful lives

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

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

14. Leases

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

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

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

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

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

At the start date, the Group measures the lease liability at the present value of the unpaid lease payments on that date. If the 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) Lease payments expected to be paid by the lessee under the residual value guarantee; and
(4) Exercise price for purchase of options, if the Group can be reasonably assured that the right will be exercised; and
(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

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

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

The Group being a lessor

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

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

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

15. Intangible assets

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

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

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

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

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

<u>Intangible assets under development – research and development costs</u>

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

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

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

Specialized technology

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

Trademark and licensing rights

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

Brand

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

Computer Software

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

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

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

16. Impairment of non-financial assets

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

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

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

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

17. Revenue recognition

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

Sales of goods

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

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

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

18. Government grants

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

19. Post-retirement Benefit Plan

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

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

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

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

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

20. Share-based payment transactions

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

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

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

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

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

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

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

21. Income Tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

22. Business combinations and goodwill

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

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

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

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

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

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

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

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

1. Judgment

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

Judgment on whether development expenditures are eligible for capitalization

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

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

2. Estimates and assumptions

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

(1) Inventory valuation

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

(2) Income Tax

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

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

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

VI. Details of Significant Accounts

1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash in treasury	$144	$138
Checks and demand deposits	186,330	149,019
Time deposits	211,583	489,526
Total	$398,057	$638,683

2. Financial assets at fair value through profit or loss

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Fund	$13,401	$-
Current	$13,401	$-

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

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

3. Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Investments in equity instruments measured at FVTOCI - non-current:		
Listed stocks		
Chailease Finance Co., Ltd.	$48,950	$50,750
Unlisted stocks		
Changgu Biotech Corporation	2,813	1,633
Taiwan Main Orthopaedic Biotechnology Co., Ltd.	588	489
Total	$52,351	$52,872

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

(2) On September 10, 2020, the Group invested in Chailease Finance Co., Ltd. The invested amount was NT$50,000,000 and acquired 500,000 shares. As of December 31, 2022 and December 31, 2021, 500,000 shares were held, with a shareholding ratio of 0.03%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$48,950,000 and NT$50,750,000, respectively, and the differences between the initial investment amount and the fair value were NT$(1,050),000 and NT$750,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

(3) As of December 31, 2022 and December 31, 2021, the investment in Changgu Biotech Corporation was both NT$4,776,000, with 477,568 shares acquired, and the shareholding ratio was 16.09%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$2,813,000 and NT$1,633,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,963,000 and NT$3,143,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

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

(4) As of December 31, 2022 and December 31, 2021, the investment in Taiwan Main Orthopaedic Biotechnology Co., Ltd. by the subsidiary A-Spine Asia Co., Ltd. was both NT$2,350,000, with 235,040 shares acquired, and the shareholding ratio was 2.99%. On December 31, 2022 and 2021, the fair values of the stock investments were NT$588,000 and NT$489,000, respectively, and the differences between the initial investment amount and the fair value were NT$1,762,000 and NT$1,861,000, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at FVTOCI.

4. Financial assets at amortized cost

	2022.12.31	2021.12.31
Time deposits	$7,980	$9,820
Less: Loss allowance	-	-
Total	$7,980	$9,820
Non-current	$7,980	$9,820

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 6.21. Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

5. Notes receivable

	2022.12.31	2021.12.31
Notes receivable - arising from operation	$1,412	$2,377
Less: Loss allowance	-	-
Total	$1,412	$2,377

The Group's notes receivables were not pledged.

The Group assesses information related to impairment and loss allowance in accordance with IFRS 9. Please refer to Note 6.21 for details; please see Note 12 for information on credit risk.

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

6. Account receivables and account receivable - related party

	2022.12.31	2021.12.31
Accounts receivable	$761,905	$556,470
Less: Loss allowance	(9,484)	(9,588)
Subtotal	752,421	546,882
Accounts receivable - related parties	92,344	46,719
Less: Loss allowance	-	-
Total	$844,765	$593,601

The Group's accounts receivable were not pledged.

The Group's credit period for the clients is generally from 30 to 180 days. The total book values as of December 31, 2022 and 2021 were NT$854,249,000 and NT$603,189,000, respectively. Please refer to Note 6.21 for detailed information on loss allowance for 2022 and 2021; please see Note 12 for information on credit risk.

7. Net Finance Lease Receivable

On December 31, 2022, the Group leased other equipment - surgical instruments by means of financing lease, and the total amount of future lease investment and its present value of financing lease are as follows:

	2022.12.31	
	Total lease investment	Present value of minimum lease payments receivable
< 1 year	$3,402	$2,625
2 to 3 years	6,804	5,797
4 to 5 years	5,075	4,836
Total minimum rental lease payment	15,281	$13,258
Less: unearned financing income	(2,023)	
Present value of minimum rental lease payment	$13,258	
Current	$2,625	
Non-current	10,633	
Total	$13,258	

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

No financing lease receivable on December 31, 2021 of the Group.

The Group's financing lease receivables were not pledged.

As of December 31, 2022, the financing lease receivable was not overdue or impaired, please refer to note 6.21 for details on the provision for losses as of December 31, 2022.

8. Inventories

	2022.12.31	2021.12.31
Commodities	$64,723	$72,063
Finished product	871,918	736,313
Work in process	278,522	220,515
Raw material	84,448	73,685
Materials and supplies in transit	1,348	-
Total	$1,300,959	$1,102,576

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

Item	2022	2021
Cost of goods sold	$783,158	$709,271
Allowance for inventory valuation and obsolescence loss	22,539	20,251
Total	$805,697	$729,522

(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:

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

	2022.12.31		2021.12.31	
Name of Investee	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Shinva United Orthopedic Corporation	$422,988	49%	$517,580	49%

Investments in associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China

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

Summarizedfinancial information and reconciliation of the investments' carrying amount:

	2022.12.31	2021.12.31
Current assets	$251,826	$321,666
Non-current assets	980,735	1,030,110
Current Liabilities	(301,697)	(242,698)
Non-current Liabilities	-	-
Equity	930,864	1,109,078
Shareholding ratio of the Group	49%	49%
Subtotal	456,123	543,448
Elimination and adjustment due to inter-company transactions	(33,135)	(25,868)
Carrying amount of investments	$422,988	$517,580

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

	2022	2021
Operating revenue	$37,413	$412,870
Net (loss) profit of continuing business units for this period	(193,142)	(101,014)
Other comprehensive profit or loss	-	-
Comprehensive profit or loss for this period	(193,142)	(101,014)

The Group invests in affiliated enterprises on a technical basis ofRMB 30,000,000, equivalent to NT$149,844,000 in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2022 and December 31, 2021, accumulated amortization of NT$84,150,000 and NT$77,605,000, respectively.

The aforementioned investments in associates did not have contingent liabilities or capital commitments as of December 31, 2022 and 2021, nor was there significant guarantee provided.

10. Property, Plant, and Equipment

	2022.12.31	2021.12.31
Property, plant and equipment for own use	$1,161,685	$1,169,672
Property, plant and equipment for operating leases	292,814	204,230
Total	$1,454,499	$1,373,902

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

(1) Property, plant and equipment for own use

	Land	Housing and Construction	Machinery	Tooling equipment	IT equipment	Leasehold improvements	Other equipment	Total
Cost:								
2022.1.1	$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 a business combination	-	-	-	-	-	-	11,287	11,287
Disposal and obsolescence	-	(470)	(67,912)	(18,749)	(9,917)	(3,974)	(41,686)	(142,708)
Reclassifications	-	-	2,900	(8,506)	-	-	40,064	34,458
Effect of exchange rate changes	-	-	-	-	98	404	40,808	41,310
2022.12.31	$174,589	$486,446	$516,250	$84,350	$27,783	$18,361	$784,231	$2,092,010
2021.1.1	$174,589	$486,916	$561,084	$105,488	$29,325	$21,904	$568,104	$1,947,410
Addition	-	-	2,268	6,053	2,677	-	96,769	107,767
Disposal and obsolescence	-	-	-	-	(28)	-	(44,694)	(44,722)
Reclassifications	-	-	17,296	(8,310)	-	-	24,214	33,200
Effect of exchange rate changes	-	-	-	-	(83)	(188)	(15,088)	(15,359)
2021.12.31	$174,589	$486,916	$580,648	$103,231	$31,891	$21,716	$629,305	$2,028,296
Depreciation and impairment:								
2022.1.1	$-	$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 a business combination	-	-	-	-	-	-	4,089	4,089
Disposal and obsolescence	-	(470)	(67,912)	(16,098)	(9,917)	(3,974)	(40,705)	(139,076)
Re-classification	-	-	-	-	-	-	(11)	(11)
Effect of exchange rate changes	-	-	-	-	69	348	25,687	26,104
2022.12.31	$-	$108,870	$288,989	$51,849	$15,593	$11,592	$453,432	$930,325
2021.1.1	$-	$77,018	$269,757	$39,911	$14,432	$9,112	$326,005	$736,235
Depreciation	-	16,161	43,625	13,771	5,659	3,120	87,900	170,236
Disposal and obsolescence	-	-	-	-	(31)	-	(40,721)	(40,752)
Reclassifications	-	-	-	317	-	-	14,413	14,730
Effect of exchange rate changes	-	-	-	-	(65)	(91)	(21,669)	(21,825)
2021.12.31	$-	$93,179	$313,382	$53,999	$19,995	$12,141	$365,928	$858,624
Net carrying amount:								
2022.12.31	$174,589	$377,576	$227,261	$32,501	$12,190	$6,769	$330,799	$1,161,685
2021.12.31	$174,589	$393,737	$267,266	$49,232	$11,896	$9,575	$263,377	$1,169,672

(2) Property, plant and equipment for operating leases

	Other equipment
Cost:	
2022.1.1	$428,655
Addition	173,664
Disposal and obsolescence	(27,962)
Reclassifications	4,728
Effect of exchange rate changes	40,821

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

(Continued from previous page)

	Other equipment
2022.12.31	$619,906
2021.1.1	$381,480
Addition	84,754
Disposal and obsolescence	(6,591)
Effect of exchange rate changes	(30,988)
2021.12.31	$428,655
Depreciation and impairment	
2022.1.1	$224,425
Depreciation	89,097
Disposal and obsolescence	(15,680)
Reclassifications	6,527
Effect of exchange rate changes	22,723
2022.12.31	$327,092
2021.1.1	$163,456
Depreciation	79,228
Disposal and obsolescence	(3,703)
Effect of exchange rate changes	(14,556)
2021.12.31	$224,425
Net carrying amount:	
2022.12.31	$292,814
2021.12.31	$204,230

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

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

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

11. Intangible assets

	Computer software costs	Specialized technology	Development expenditure	Trademark and licensing rights	Goodwill	Brand	Total
Cost:							
2022.1.1	$27,730	$119,401	$77,207	$-	$292,891	$107,940	$625,169
Additions - development by internal units	-	-	79,997	-	-	-	79,997
Additions - separate acquisition	3,032	-	-	-	-	-	3,032
Reclassifications	800	-	5,014	-	-	-	5,814
Disposal and obsolescence	(12,219)	-	-	-	-	-	(12,219)
Effect of exchange rate changes	864	-	2,348	-	-	-	3,212
2022.12.31	$20,207	$119,401	$164,566	$-	$292,891	$107,940	$705,005
2021.1.1	$25,971	$70,447	$101,721	$1,996	$292,891	$107,940	$600,966
Additions - development by internal units	-	-	25,079	-	-	-	25,079
Additions - separate acquisition	2,533	-	-	-	-	-	2,533
Reclassifications	-	48,954	(47,854)	-	-	-	1,100
Disposal and obsolescence	-	-	(1,739)	(1,866)	-	-	(3,605)
Effect of exchange rate changes	(774)	-	-	(130)	-	-	(904)
2021.12.31	$27,730	$119,401	$77,207	$-	$292,891	$107,940	$625,169
Amortization and impairment:							
2022.1.1	$20,764	$26,992	$24,334	$-	$-	$34,181	$106,271
Amortization	4,134	22,777	3,063	-	-	7,196	37,170
Disposal and obsolescence	(12,219)	-	-	-	-	-	(12,219)
Reclassifications	-	-	-	-	-	-	-
Effect of exchange rate changes	655	-	-	-	-	-	655
2022.12.31	$13,334	$49,769	$27,397	$-	$-	$41,377	$131,877
2021.1.1	$17,430	$7,332	$21,301	$1,729	$-	$26,985	$74,777
Amortization	3,850	19,660	3,033	228	-	7,196	33,967
Disposal and obsolescence	-	-	-	(1,845)	-	-	(1,845)
Reclassifications	-	-	-	-	-	-	-
Effect of exchange rate changes	(516)	-	-	(112)	-	-	(628)
2021.12.31	$20,764	$26,992	$24,334	$-	$-	$34,181	$106,271
Net carrying amount:							
2022.12.31	$6,873	$69,632	$137,169	$-	$292,891	$66,563	$573,128
2021.12.31	$6,966	$92,409	$52,873	$-	$292,891	$73,759	$518,898

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

Amortization for recognition of intangible assets is as follows:

	2022	2021
Operating costs	$22,232	$19,114
Operating expenses	14,938	14,853
Total	$37,170	$33,967

12. Goodwill impairment test

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

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

Cash generating unit of A-SPINE Asia Co., Ltd.

	2022.12.31	2021.12.31
Goodwill	$292,891	$292,891

The recoverable amount of the A-SPINE Asia Co., Ltd. cash generating unit has been determined based on the fair value less costs of disposal, on December 31, 2022 and 2021. Fair value is evaluated according to the market approach. Based on the results of this analysis, the management assessed that there was no sign of impairment of the goodwill on December 31, 2022 and 2021.

13. Short-term loans

	2022.12.31	2021.12.31
Bank overdraft	$3,161	$-
Bank credit loans	769,868	785,946
Total	$773,029	$785,946
Interest rate range (%)	0.9000-5.0300	0.4400-0.9500

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As at 31 December 2022 and 31 December 2021, the Group's unused short-term loan lines were NT $1,301,683,000 and NT $3,000,000, NT $1,278,694,000 and NT $4,500,000, respectively, and the unused long-term loan lines were NT $100,000,000 and NT $84,240,000.

14. Financial liabilities measured at FVTPL

	2022.12.31	2021.12.31
Mandatorily measured at FVTPL:		
Convertible bonds with embedded derivative financial instruments	$-	$6,250
Current	$-	$6,250

15. Corporate bonds payable

	2022.12.31	2021.12.31
Domestic unsecured bonds payable	$-	$484,555
Less: Liabilities due within one year	-	484,555
Long-term domestic convertible bonds payable	$-	$-

Domestic convertible bonds payable

	2022.12.31	2021.12.31
Liability elements:		
Nominal amount of domestic convertible bonds payable	$-	$500,000
Discount on domestic convertible bonds payable	-	(15,445)
Subtotal	-	484,555
Less: Liabilities due within one year	-	484,555
Net amount	$-	$-
Embedded derivative - liabilities	$-	$6,250
Equity elements	$-	$26,300

(1) On September 10, 2019, the Company issued the 3rd domestic non-pledge convertible bonds with the face interest rate 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer, and an option of requesting the issuer's redemption), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

Total amount of issuance: NT$500,000,000. Face amount per equity: NT$100,000. The issuance is in full carrying amount.

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

Critical clauses for redemption:

A. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), If the closing price of the Company's common stock at the securities firm's business premises exceeds the conversion price by more than 30 percent for 30 consecutive business days, the Company may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

B. On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), if the Company's convertible bonds circulating externally are lower than NT$50,000,000 (10% of the original issue amount), the Company shall announce to reclaim all bonds circulating externally in cash by the bond carry amount.

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

Critical clauses for redemption:

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

Conversion methods:

A. Converted target: Common stock of the Company.

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

C. Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2021, each share carried the value of NT$49.10.

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

In addition, the above-mentioned corporate bonds recovered NT $466,200,000 and NT $33,800,000 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.

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

16. Long-term loans

Details of long-term loans for the years ended December 31, 2022 and 2021 are as follows:

Creditor	2022.12.31	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$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
“	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 - Nei Hu Branch	54,548	1.8550	1. From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments 2. In September 2021, the principal amortization was extended by one year, and the principal was temporarily not repaid from October 2021 to September 2022 (the 46th to 57th installment). The principal was repaid in the 58th to 180th installmenton average according to the remaining period, and interest was paid monthly.
UBS Switzerland AG	13,833	-	From April 2020 to March 2025, repayment at maturity. Later changed to from April 17, 2020 to September 30, 2027, repayment of the first installment from March 31, 2022 for a total of 12 periods.

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

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Creditor	2022.12.31	Interest rate (%)	Repayment period and method
CIC AGENCE ENTREPRISE NANCY	28,523	0.7000	From April 20, 2021 to April 20, 2016, repayment of the first installment from May 20, 2021 for a total of 60 installments.
"	597	0.9000	From May 18, 2021 to May 15, 2025, repayment of first installment from June 15, 2021 for a total of 48 installments.
"	645	1.2000	From December 15, 2021 to December 15, 2026, repayment of first installment from January 15, 2022 for a total of 60 installments.
"	4,435	2.8000	From October 15, 2022 to October 15, 2027, repayment of first installment from November 15, 2022 for a total of 60 installments.
INFIMED SASU	13,057	3.3441	From December 14, 2021 to November 14, 2026, repayment of first installment from December 14, 2021 for a total of 60 installments.
"	13,662	3.4123	From April 28, 2022 to April 27, 2027, repayment of the first installment amounted to 61 installments from April 30, 2022.
"	6,986	4.1317	From August 1, 2022 to August 5, 2027, repayment of the first installment amounted to 61 installments from August 5, 2022.
"	14,138	6.2789	From November 17, 2022 to November 30, 2027, repayment of first installment from November 23, 2022 for a total of 61 installments.
Total	$587,524		
Less: long-term loans due within one year	(59,686)		
Net amount	$527,838		

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

Creditor	2021.12.31	Interest rate (%)	Repayment period and method
Bank of Taiwan	$114,691	1.0359	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085,000 is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank - Nei Hu Branch	55,912	1.2300	1.From December 7, 2017 to December 7, 2032; the first repayment was due on January 7, 2018; principal is to be repaid by 180 equal installments 2.In September 2021, the principal amortization was extended by one year, and the principal was temporarily not repaid from October 2021 to September 2022 (the 46th to 57th installment). The principal was repaid in the 58th to 180th installment on average according to the remaining period, and interest was paid monthly.
UBS Switzerland AG	15,088	-	From April 2020 to March 2025, repayment at maturity.
CIC AGENCE ENTREPRISE NANCY	35,368	0.7000	From April 20, 2021 to April 20, 2016, repayment of the first installment from May 20, 2021 for a total of 60 installments.
“	805	0.9000	From May 18, 2021 to May 15, 2025, repayment of first installment from June 15, 2021 for a total of 48 installments.
“	767	1.2000	From May 25, 2021 to May 25, 2026, repayment of first installment from June 25, 2021 for a total of 60 installments.
INFIMED SASU	15,435	3.3441	From December 14, 2021 to November 14, 2026, repayment of first installment from December 14, 2021 for a total of 60 installments.
Total	$238,066		
Less: long-term loans due within one year	(21,092)		
Net amount	$216,974		

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 entered into a finance loan for the sale and leaseback of other equipment with INFIMED SASU, which is guaranteed by other equipment. The lease term is 5 years. The related other equipment is owned by the Group upon maturity. As of December 31, 2022 and December 31, 2021, the balance of loans was EUR 1,487 thousand and EUR 493 thousand, respectively, please refer to Note 8 for the guarantee situation.

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 have complied with the post-employment regulations stipulated in accordance with the Act, and on a monthly basis contributed 6% of employees' monthly salary to the individual pension accounts under the supervision of the Bureau of Labor Insurance.

Pension benefits for employees of the Group's overseas subsidiaries are provided in accordance with the local regulations.

The Group's expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 are NT$51,873,000 and NT$45,539,000, respectively.

Defined benefits plan

The Group's expenses under the defined benefit plan of from January 1 to December 31, 2022 and 2021 was NT$222,000 and NT$185,000, respectively.

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

The Ministry of Labor manages assets allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund." The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2022, the Company's defined benefits plan has been estimated to contribute NT$196,000 in the following year.

For the years ended on December 31, 2022 and December 31, 2021, the Company's defined benefits plans are expected to due in 2032.

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

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

	2022	2021
Service costs for the current period	$198	$184
Net interest of net defined benefit liability	24	1
Total	$222	$185

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

	2022.12.31	2021.12.31	2021.1.1
Present value of defined benefit obligation	$40,357	$52,693	$50,010
Fair value of plan assets	(48,670)	(49,270)	(49,946)
Net defined benefit (asset) liabilities on the book	$(8,313)	$3,423	$64

Reconciliation of net defined benefit (asset) liabilities:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liabilities
2021.1.1	$50,010	$(49,946)	$64
Service costs for the current period	184	-	184
Interest expenses (income)	175	(174)	1
Previous service cost and settlement gains or losses	-	-	-
Subtotal	50,369	(50,120)	249
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	3,361	-	3,361
Experience adjustment	777	-	777
Remeasurements of defined benefit assets	-	(749)	(749)
Subtotal	54,507	(50,869)	3,638
Benefits paid	(1,814)	1,814	-
Employer contributions	-	(215)	(215)
2021.12.31	52,693	(49,270)	3,423
Service costs for the current period	198	-	198
Interest expenses (income)	369	(345)	24

(Continued on next page)

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

(Continued from previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liabilities
Previous service cost and settlement gains or losses	-	-	-
Subtotal	53,260	(49,615)	3,645
Remeasurements 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)
Remeasurements 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)
2022.12.31	$40,357	$(48,670)	$(8,313)

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

	2022.12.31	2021.12.31
Discount rate	1.33%	0.70%
Expected salary increase rate	3.00%	4.00%

Sensitivity analysis of each significant actuarial assumption:

	2022		2021	
	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%	$-	$1,926	$-	$2,715
Discount rate decreases by 0.5%	2,055	-	2,916	-
Expected salary increases by 0.5%	2,011	-	2,806	-
Expected salary decreases by 0.5%	-	1,905	-	2,644

The aforementioned sensitivity analysis is conducted to analyze the possible impact on defined benefit obligations under the assumption that there are reasonable changes to a single actuarial assumption (e.g. discount rate or expected salary) while all other assumptions remain constant Since some actuarial assumptions are in connection with to each other, it is rare to see changes on a single actuarial assumption in practice. Hence, this analysis has its own limitation.

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

18. Equity

(1) Capital Stock

As of January 1, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued
share capital of common stock in the amount of NT$781,116,000 and NT$783,898,000, respectively. The share capital of preferred shares issued were both NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,112,000 shares and 78,390,000 shares have been issued, respectively. The par value of the preferred stock is NT$10 per share, and 10,000,000 shares and 10,000,000 shares have been issued.

<u>Common stock</u>

Due to the fact that the Company's restricted employee shares did not meet the vesting conditions, the Board of Directors resolved to cancel 272,000 shares on March 23, 2021 with the base date of capital reduction set on April 19, 2021, and the registration of the changes were completed on April 29, 2021.

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

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

Preferred Stock

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

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

B. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Association. After adding the accumulated unappropriated earnings, the remaining earnings, if any, are allocated as preferred stock dividends for the year.

C. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. The preferred stocks issued are non-cumulative; that is, the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.

D. The preferred stock dividends are fully distributed in cash every year. After the financial statements are adopted in an annual shareholders' meeting, the Board of Directors shall set the record date for paying the preferred stock dividends of the previous year. The number of dividends issued in the year of issue and in the year of redemption is calculated based on the actual number of days of issue in the current year. Distributed dividends will be recognized in the dividend statement.

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

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

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

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

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

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

The aforesaid special shares were converted into 15,000 ordinary shares and 5,000 ordinary shares on December 23, 2022 and December 29, 2022, respectively.

As of December 31, 2022 and 2021, the Company's authorized share capital was both NT$1,500,000,000, and had issued
share capital of common stock in the amount of NT$781,316,000 and NT$781,116,000, respectively. The share capital of preferred shares issued were NT$99,800,000 and NT$100,000,000, respectively. The par value of the common stock is NT$10 per share, and 78,132,000 shares and 78,112,000 shares have been issued, respectively. Preferred shares were issued at a par value of NT$10, dividing into 9,980,000 shares and 10,000,000 share, respectively.

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

(2) Capital surplus

	2022.12.31	2021.12.31
Issuance premium	$1,535,085	$1,535,085
Stock options – convertible corporate bonds	-	26,300
Actual acquisition or disposal of equity of subsidiary	163,986	163,986
Difference between price and book value		
Others	44,658	18,067
Total	$1,743,729	$1,743,438

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

Please refer to Note VI.29 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:

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

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

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

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

The Corporation complies with FSC's Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) that the Corporation elects to transfer to retained earnings by application of the exemption under IFRS 1, "First-time Adoption of IFRS", the Corporation shall set aside special earnings reserves. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, special earnings reserve did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets from January 1 to December 31, 2022 and 2021, there is no reversal of special capital reserve to undistributed earnings.

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

Details of the 2022 and 2021 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 21, 2023 and June 21, 2022, respectively, are as follows:

	Distribution of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$23,329	$4,874		
Special Reserve Withdrawal (Reversal)	(33,934)	43,860		
Cash dividends of common stock	196,027	-	$2.50	$-
Cash dividend of extraordinary stock	22,700	-	2.34	-

Please refer to Note VI.23 for further details on the estimation and recognition foundation of employees' compensation and remuneration to directors and supervisors.

(4) Non-controlling Interests

	2022	2021
Beginning balance	$98,305	$106,271
Net profit attributable to non-controlling interests in the current period	2,048	606
Other comprehensive income, attributable to non-controlling interests:		
Exchange differences on translation of financial statements of foreign operations	158	(1,925)
Unrealized valuation loss on investments in an equity instrument measured at FVTOCI	25	(33)
Changes in ownership interests in subsidiaries	(291)	148
Cash dividends distributed by subsidiaries	(5,072)	(6,762)
Ending balance	$95,173	$98,305

19. Share-based payment plans

Employees of the Group are entitled to share-based payment as part of their compensation. Services rendered by employees are considerations for the equity instruments granted. These transactions are accounted for as equity-settled share-based payment transactions.

(1) Restricted employee share plans of the Group's parent company

The Company's shareholders' meeting on June 12, 2018 resolved to issue restricted employee shares of up to 750 thousand common stocks at NT$0. The stock price at the grant date stood at NT$55.4. The restricted employee shares issued by the Company shall not be transferred within the three-year vesting period, however, the holders are still entitled to dividend distribution. The Company's Board of Directors resolved to cancel 6,000 shares, 272,000 shares, 18,000 shares, 18,000 shares, 6,000 shares, and 6,000 shares on August 8, 2021, March 23, 2021, November 11, 2020, May 2, 2019, August 6, 2019, and November 7, 2019, respectively. The Company has met the vested conditions for the allocation of new shares with restricted employee rights, and on August 6, 2021, it lifted 418,000 new shares with restricted employee rights. As of December 31, 2022 and December 31, 2021, the Company had issued 0,000 shares.

After the issuance of restricted employee shares, they shall be transferred immediately to a trust, and prior to the fulfillment of the vesting conditions, the employee shall not request the trustee to return the restricted employee shares for any reason or in any manner. Moreover, during the restricted employee shares' trust period, the Corporation is delegated to act on behalf of the employees in dealing with the stock trust agency concerning the negotiation, signing, amendment, extension, cancellation, termination of the trust contract (inclusive but not limited to), as well as the delivery, use and disposal of the trust property.

When the employee fails to meet the vesting conditions, the Company is entitled by law to retrieve the restricted employee shares and cancel them.

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

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

	2022	2021
Plan of restricted employee shares	$-	$(7,679)

20. Operating revenue

	2022	2021
Income from sales of goods	$3,158,206	$2,570,866
Other operating revenues	10,474	-
Total	$3,168,680	$2,570,866

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

Contract balance

Contract liabilities - current

	2022.12.31	2021.12.31
Sales of goods	$10,405	$8,631

The significant changes in the balance of contract liabilities of the Group from January 1 to December 31, 2022 and 2021 are as follows:

	2022	2021
Beginning balance recognized as revenue in the current period	$(7,564)	$(768)
Increase in advance payments received in the current period (after deduction of revenue generated and recognized in the current period)	9,338	5,556

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

21. Expected creditimpairment loss (gain)

	2022	2021
Operating expenses - expected credit loss (gain)		
Notes receivable	$-	$-
Accounts receivable	(89)	397
Total	$(89)	$397

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

The Group's financial assets and longterm receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2022 and 2021 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

The Group's receivables (including notes receivable, accounts receivable, and financing lease receivable) are all measured for the loss allowance based on the lifetime expected credit losses. Relevant description of assessing the amount of loss allowance on December 31, 2022 and 2021 is as follows:

Loss allowance is measured by taking into account the credit ratings of the counterparties, the geographical regions and the industry, and adopts the provision matrix. Relevant information is as follows:

2022.12.31

	Not Past Due	Number of days overdue				
	(Note)	Within 120 days	121-150 days	151-180 days	181 days or above	Total
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

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

2021.12.31

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

Note: Notes receivable and financing lease receivables of the Group are not overdue.

Information on changes in allowance for loss on notes receivable, accounts receivable and finance lease receivable of the Group in 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable	Finance Lease Receivable
2022.1.1	$-	$9,588	$-
Increase in this period	-	-	-
Amount reversed in the current period	-	(89)	-
Write off due to inability to recover	-	(758)	-
Exchange differences	-	743	-
2022.12.31	$-	$9,484	$-
2021.1.1	$-	$12,003	$-
Increase in this period	-	397	-
Write off due to inability to recover	-	(2,466)	-
Exchange differences	-	(346)	-
2021.12.31	$-	$9,588	$-

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

22. Leases

(1) The Group as a lessee

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

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

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2022.12.31	2021.12.31
Land	$140,783	$143,811
Housing and Construction	54,046	55,174
Transportation Equipment	7,727	8,436
Office Equipment	1,400	672
Total	$203,956	$208,093

The Group added NT$21,928,000 and NT$19,609,000 to the right-of-use assets in 2022 and 2021, respectively.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	$210,369	$212,934
Current	$27,470	$24,774
Non-current	$182,899	$188,160

Please refer to Note 6.24(4) for the interest expenses of the Group's 2022 and 2021 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, 2022 and 2021.

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

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of -use assets

	2022	2021
Land	$8,309	$8,180
Housing and Construction	15,119	13,582
Transportation Equipment	4,711	4,357
Office Equipment	256	183
Total	$28,395	$26,302

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

	2022	2021
Short-term lease expense	$3,635	$3,372
Lease expenses on low-value assets (excluding short-term leases expense of low-value assets)	3,803	3,097
Revenue from sublease of right-of-use asset	1,384	1,460

As of December 31, 2022 and 2021, the Group had no commitments to short-term lease portfolio.

D. Cash flow related to the lessee and lease activities

The Group's total cash outflow to leases in 2022 and 2021 was in the amount of NT$37,987,000 and NT$34,388,000, respectively.

(2) The Group as lessor

For the Group's relevant disclosures of its own property, plant and equipment, please refer to Note 6.10 for details. The Group's own real estate, plant and equipment are classified as operating leases because almost all risks and rewards attached to the ownership of the underlying assets have not been transferred.

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

The Group has entered into a lease agreement for certain other equipment - surgical instruments - for a period of 5 years, which is classified as a finance lease because of almost all the risks and rewards of transferring ownership of the underlying assets.

	2022	2021
Lease revenue recognized from operating lease		
Fixed lease payment and relevant income from variable lease payments dependent on index or rate changes	$5,391	$3,237
Subtotal	5,391	3,237
Lease income recognized from operating lease		
Financing income from net lease investment	597	-
Subtotal	597	-
Total	$5,988	$3,237

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

By function / Type of nature	2022			2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	$260,149	$517,797	$777,946	$203,162	$397,549	$600,711
Labor and health insurance premiums	25,313	25,463	50,776	24,223	28,511	52,734
Retirement fund expense	11,714	40,381	52,095	10,998	34,726	45,724
Other employee benefits expenses	10,700	7,293	17,993	9,299	6,173	15,472
Depreciation expenses	79,270	218,817	298,087	79,501	196,265	275,766
Amortization expenses	22,232	14,938	37,170	19,114	14,853	33,967

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

Due to the profit situation of the Company in the current year in 2022, the listed employee remuneration and director supervisor remuneration were respectively estimated at 12% and 3%. From January 1 to December 31, 2022, the amount of employee remuneration and director supervisor remuneration were respectively NT$42,224,000 and NT$10,556,000, which were recorded under salary expenses.

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

On March 24, 2022, the Board of Directors of the Company resolved to cash out the remuneration of employees in 2021 and the remuneration of directors and supervisors of the Company in the amount of NT$11,355,000 and NT$2,838,000, respectively, which is not significantly different from the amount of expenses recorded in the financial report of the Company in 2021. In addition, on April 29, 2022, the Board of Directors resolved that the Company may allocate a surplus of RMB 0,000 after considering the provision for special surplus reserve in 2021, and therefore does not allocate remuneration to directors.

The actual employee remuneration of the company in 2021 was NT$11,355,000, which is not significantly different from the amount recorded as expenses in the financial report of the company in 2021.

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

24. Non-operating income and expenses

(1) Interest income

	2022	2021
Interest on bank deposits	$3,325	$1,959
Other interest income	1,067	51
Total	$4,392	$2,010

(2) Other income

	2022	2021
Rental income	$1,384	$1,460
Subsidy income	7,429	15,219
Dividend of preferred stock	1,900	604
Gain recognized in bargain purchase transaction	1,594	-
Other income - others	21,806	9,034
Total	$34,113	$26,317

(3) Other gains and losses

	2022	2021
Gains from disposal of property, plant and equipment	$587	$2,913
Loss on disposal of intangible assets	-	(1,730)
Foreign exchange gain (loss), net	46,070	(44,176)
Gain (loss) on financial assets and financial liabilities measured at FVTPL (Note)	(3,022)	(4,982)
Other profits	1,099	6
Other expenses	(3,054)	(51)
Total	$41,680	$(48,020)

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

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

(4) Finance costs

	2022	2021
Interest on bank loans	$(16,396)	$(8,214)
Interest on bonds payable	(4,103)	(5,726)
Interest on lease liabilities	(3,607)	(3,701)
Total financial costs	$(24,106)	$(17,641)

25. Components of other comprehensive income

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

	Arising during the period	Current reclassification on adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$11,762	$-	$11,762	$-	$11,762
Unrealized gains (losses) on investments in equity instruments 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 associates and joint ventures accounted for using the equity method	7,315	-	7,315	-	7,315
Total	$50,726	$-	$50,726	$-	$50,726

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

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

	Arising during the period	Current reclassification adjustments	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Gains (losses) on re-measurements of defined benefit plans	$(3,389)	$-	$(3,389)	$-	$(3,389)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(295)	-	(295)	-	(295)
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(46,055)	-	(46,055)	-	(46,055)
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	(4,316)	-	(4,316)	-	(4,316)
Total	$(54,055)	$-	$(54,055)	$-	$(54,055)

26. Income Tax

The major components of income tax expense (benefit) for the years ended December 31, 2022 and 2021 are as follows:

Income tax recognized in profit or loss

	2022	2021
Current income tax expense (benefit):		
Current income tax payable	$86,109	$26,732
Adjustments on current income tax of prior periods	504	(112)
Deferred income tax benefit:		
Deferred income tax expenses (gains) relating to its original generation from the temporary differences	(7,173)	(4,903)
Income tax expenses	$79,440	$21,717

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

Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax expense:		
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	$-	$-
Exchange differences on translation of financial statements of foreign operations	-	-
Shares of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-
Income tax relating to the components of other comprehensive income	$-	$-

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

	2022	2021
Profit before tax from continuing operations	$303,021	$74,595
Tax at the domestic tax rates applicable of profits in the country of main operation	$61,819	$20,362
Tax effect of revenues exempt from taxation	(1,277)	(3,352)
Tax effect of expenses not deductible for tax purposes	1,107	467
Tax effect of deferred income tax assets/liabilities	17,287	4,352
Adjustments on current income tax of prior periods	504	(112)
Total income tax expense recognized in profit and loss	$79,440	$21,717

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

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

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$64,838	$13,260	$-	$-	$78,098
Unrealized exchange gain (loss) - parent company	7,063	(6,301)	-	-	762
Unrealized exchange gain (loss) - subsidiaries	142	(216)	-	-	(74)
Long-term deferred income	14,448	(1,309)	-	-	13,139
Valuation on financial assets measured at FVTPL	770	(450)	-	-	320
Provision for inventory valuation loss	10,443	929	-	-	11,372
Unrealized bonus for unused compensated absences	172	10	-	-	182
Fair value adjustment resulting from business combination	(12,540)	1,223	-	-	(11,317)
Remeasurements of the net defined benefit plan	(78)	5	-	-	(73)
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	59	22	-	-	81
Deferred income tax (expense)/benefit		$7,173	$-	$-	
Deferred income tax assets/(liabilities), net	$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)

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Temporary differences					
Unrealized transactions between Group entities	$54,546	$10,292	$-	$-	$64,838
Unrealized exchange gain (loss) - parent company	(550)	7,613	-	-	7,063
Unrealized exchange gain (loss) - subsidiaries	149	(7)	-	-	142
Long-term deferred income	14,685	(237)	-	-	14,448
Valuation on financial assets measured at FVTPL	(286)	1,056	-	-	770
Provision for inventory valuation loss	10,384	59	-	-	10,443
Unrealized bonus for unused compensated absences	364	(192)	-	-	172
Tax differentials in depreciation expenses	(9,455)	9,322	-	133	-
Fair value adjustment resulting from business combination	(13,763)	1,223	-	-	(12,540)
Remeasurements of the net defined benefit plan	(72)	(6)	-	-	(78)
Loss carryforwards	24,242	(24,242)	-	-	-
Depreciation expense on right-of-use assets corresponding to decommissioning liabilities	37	22	-	-	59
Deferred income tax (expense)/benefit		$4,903	$-	$133	
Deferred income tax assets/(liabilities), net	$80,281				$85,317
Information on the balance sheet is expressed as follows:					
Deferred income tax assets	$104,407				$97,935
Deferred income tax liabilities	$(24,126)				$(12,618)

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

Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets accounted for NT$78,142,000 and NT$62,180,000 for the year ended December 31, 2022 and 2021, respectively.

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

	2022.12.31	
	Business income tax approval status	Remark
United Orthopedic Corporation (the Company)	Approved up to 2020	-
A-Spine Asia Co., Ltd. (subsidiary)	Approved up to 2020	-

27. Earnings per Share

Basic earnings per share is calculated by dividing the net profit of parent company ordinary shares holders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net income attributable to common stock holders of the parent company (after adjusted for interests on convertible bonds) by weighted average number of common stocks outstanding of the period, plus weighted average number of common stocks to be issued when all dilutive potential common stocks are converted into common stocks.

	2022	2021
(1) Basic earnings per share		
Net income attributable to common stock holders of the parent company (NT$ thousand)	$221,533	$52,271
Dividend of preferred stock	-	(23,400)
Net profit used in calculating basic earnings per share (NT$ thousand)	$221,533	$28,871

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

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	2022	2021
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Basic earnings per share (NT$)	$2.84	$0.37

	2022	2021
(2) Diluted earnings per share		
Net profit used in calculating basic earnings per share (NT$ thousand)	$221,533	$28,871
Conversion of special share dividend (NT$ thousand)	-	(註)
Interest of convertible bond (NT$ thousand)	-	(註)
Net profit attributable to holders of common shares of the parent company after adjustment for dilution effect (NT$ thousand)	$221,533	$28,871
Weighted average number of common stocks for basic earnings per share (thousand shares)	78,112	77,854
Dilution effect:		
Convertible special shares (thousand shares)	9,980	(註)
Convertible bonds (thousand shares)	-	(註)
New restricted employees' shares (thousand shares)	-	260
Weighted average number of common stocks after dilution effect adjustment (thousand shares)	88,092	78,114
Diluted earnings per share (NT$)	$2.51	$0.37

Note: Convertible special shares and convertible corporate bonds have anti-dilutive effect in 2021, so it is not intended to be included in the calculation of diluted earnings per share.

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

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

28. Business combinations

Acquisition of United Orthopedics Limited

On January 20, 2022, the Group acquired all the shares issued by United Orthopedics Limited in a capital increase. United Orthopedics Limited was established in the United Kingdom as a non-listed artificial joint sales company. The acquisition of United Orthopedics Limited by the Group is an expansion of the Group's sales operations.

Acquisition Consideration

Cash	$4,849

The fair value of identifiable assets and liabilities on the acquisition date is 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
Liabilities		
Accounts Payable	869	32,382
Other expenses payable	107	3,988
Other current liabilities	25	944
Subtotal	1,001	37,314
Total fair value of net identifiable assets	$173	$6,443

The benefits of cheap purchases are as follows:

Acquisition Consideration	$4,849
less: fair value of net identifiable assets	(6,443)
Gain recognized in bargain purchase transaction	$(1,594)

Non-controlling Interests

United Orthopedics Limited's non-controlling interest is measured at the value of the non-controlling interest at the acquisition date of $0,000, which is the proportionate share of the fair value of identifiable net assets at the acquisition date, and the fair value has been reassessed at the date of publication of this consolidated financial report in accordance with the formally issued valuation report.

Net cash flows from subsidiaries

Cash and cash equivalents acquired	$4,392

Effect of business combinations on operating results

The operating results of the acquired companies from the acquisition date are as follows:

Operating revenue	$35,885
Net profit for the period	$2,308

If the consolidation occurs at the beginning of the year, there will be no significant changes in the revenue of the continuing operating units and the net profit of the continuing operating units.

29. Changes in ownership equity of subsidiaries

New shares of subsidiaries not subscribed in proportion of shares held

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

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

	2022
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	148
Difference in retained earnings recognized in equity	$148

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
Differences in paid-in capital recognized in equity	$291

VII. Related Party Transactions

Related-parties who have transactions with the Group during the financial reporting period are as follows:

Name of related-party and relationship

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

Related Party	Relationship with the Group
Shinva United Orthopedic Corporation	Associate of the Group
United Medical Co., Ltd.	Associate of the Group
United Medical Instrument (Shanghai) Co., Ltd.	Associate of the Group
Shanghai Lianyi Biotechnology Co., Ltd.	Associate of the Group
Changgu Biotech Corporation	The Group is a shareholder of the company
Paonan Biotech Co., Ltd.	The Company's subsidiary is its associate

Major transactions with related parties

1. Sales

	2022	2021
Associate of the Group		
Shinva United Orthopedic Corporation	$130	$178,236
United Medical Co., Ltd.	1,167	3,261
United Medical Instrument (Shanghai) Co., Ltd.	78,779	-
Shanghai Lianyi Biotechnology Co., Ltd.	130,335	43,200
The Group is a shareholder of the company		
Changgu Biotech Corporation	4,475	4,447
Total	$214,886	$229,144

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

	2022	2021
Associate of the Group		
United Medical Co., Ltd.	$131,261	$75,259
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	-	10,413
Total	$131,261	$85,672

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

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

	2022.12.31	2021.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$1,357	$1,592
United Medical Co., Ltd.	202	538
United Medical Instrument (Shanghai) Co., Ltd.	78,476	-
Shanghai Lianyi Biotechnology Co., Ltd.	10,527	43,293
The Group is a shareholder of the company		
Changgu Biotech Corporation	1,782	1,296
Total	$92,344	$46,719

4. Accounts payable - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$17,824	$19,394
The Company's subsidiary is its associate		
Paonan Biotech Co., Ltd.	627	9,360
Total	$18,451	$28,754

5. Other receivables - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$-	$5
Shinva United Orthopedic Corporation	1,194	-
Total	$1,194	$5

6. Other payables - related parties

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$1,553	$13

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

7. Long-term receivables (accounted as other non-current assets)

	2022.12.31	2021.12.31
Associate of the Group		
Shanghai Lianyi Biotechnology Co., Ltd.	$85,984	$-

8. Other current liabilities

	2022.12.31	2021.12.31
Associate of the Group		
Shinva United Orthopedic Corporation	$5,201	$4,996

A-Spine Asia Co., Ltd., a subsidiary of the Company, sold part of its existing lumbar cage and cervical cage products to Shinva United Orthopedic Corporation, an associate of the Company, by way of technology transfer in accordance with an agreement signed on August 20, 2020. The content of the technology transfer included transfer of registration information, provision of clinical trial results of registered products, and assistance to Shinva United Orthopedic Corporation in obtaining the relevant product registration certificates, with an amount of CNY 1,030,000 as the fee for technology transfer. As of December 31, 2022 and 2021, the amount of technology transfer received by the Company was NT$3,635,000 (RMB 820,000) and NT$3,430,000 (RMB 785,000), respectively, and was recorded as other current liabilities - advance receipts.

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2022 and 2021, the Company has collected NT$1,566,000 (RMB 360,000) and recorded other current liabilities - receipts in advance.

9. Capital loans

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

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

10. The maximum limit for

For details on the Company's guarantee and endorsement due to subsidiaries' bank loans, please refer to Table 2.

11. Remuneration for the Group's key management

	2022	2021
Short-term employee benefits	$44,769	$29,871
Share-based payments	-	1,441
Total	$44,769	$31,312

12. Operating expenses

	2022.12.31	2021.12.31
Associate of the Group		
United Medical Co., Ltd.	$2,012	$-

13. Other income

	2022	2021
Associate of the Group		
Shinva United Orthopedic Corporation	$6,817	$1,185
United Medical Co., Ltd.	15	26
The Group is a shareholder of the company		
Changgu Biotech Corporation	24	357
Total	$6,856	$1,568

The Group invests long-term deferred income of related enterprises in a technology-based manner, except for deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the date of commencement of the provision of services, and surplus Since Shandong Xinhua United Orthopaedic Equipment Co., Ltd. built a factory in September 2021 and successively obtained product registration certificates for each product, it was amortized on an average basis for ten years, and transferred to other income from deferred income.

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

VIII. Pledged Assets

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

Item	Carrying amount 2022.12.31	Carrying amount 2021.12.31	Secured liabilities
Financial assets at amortized cost - non-current	$7,980	$9,820	Performance bond and import tariff
Property, plant and equipment - land and building	530,615	423,595	Comprehensive credit line
Property, plant and equipment - other equipment	39,006	15,675	Asset mortgage loan
Prepayments for equipment	4,578	-	Asset mortgage loan
Total	$582,179	$449,090	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

1. On March 21, 2023, the Board of Directors resolved that the Company intends to raise and issue the fourth domestic unsecured convertible corporate bonds with a total face value of up to NT$500,000,000.

2. Shinva United Orthopaedic Equipment Co., Ltd., an affiliated enterprise of the Group, intends to raise RMB 45,000,000 to enrich its working capital. On March 21, 2023, the Company, through a resolution of the Board of Directors, intends to waive its subscription rights and authorize the Chairman to handle subsequent matters.

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

XII. Others

1. Category of financial instruments

Financial assets

	2022.12.31	2021.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$13,401	$-
Financial assets at fair value through other comprehensive income	52,351	52,872
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	397,913	638,545
Financial assets at amortized cost	7,980	9,820
Notes receivable	1,412	2,377
Accounts receivable (including related parties)	844,765	593,601
Net Finance Lease Receivable	2,625	-
Other receivables (including related parties)	15,601	29,230
Refundable deposits	42,192	38,067
Net long-Term Finance Lease Receivables	10,633	-
Subtotal	1,323,121	1,311,640
Total	$1,388,873	$1,364,512

Financial liabilities

	2022.12.31	2021.12.31
Financial liabilities measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	$-	$6,250
Financial liabilities measured at amortized cost:		
Short-term loans	773,029	785,946
Receivables (including related parties)	752,095	520,236
Bonds payable (including bonds due within one year)	-	484,555
Long-term loans (including loans due within one year)	587,524	238,066
Lease liabilities	210,369	212,934
Guarantee deposits received	669	669
Subtotal	2,323,686	2,242,406
Total	$2,323,686	$2,248,656

2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk, and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies while managing its financial activities.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk, and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

<u>Foreign exchange risk</u>

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for U.S. dollar. The information on the sensitivity analysis as follows:

WhenNT dollar appreciates/depreciates against US dollarby 1%, the Group's profit or loss for the years ended December 31, 2022 and 2021 will decrease/increase by NT$1,677,000 and NT$1,056,000, 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 Group's exposure to the interest rate risk relates primarily to its investments with bank loans with fixed and variable interest rates.

The Group manages its interest rate risk by applying a balanced portfolio of fixed and variable interest rates and entering into interest rate swaps. As those transactions do not qualify for hedge accounting, it is not applied.

The interest rate sensitivity analysis is performed on items exposed to risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps, and it was assumed that the said items had been held for a fiscal period; when the interest rates rose/fell by 0.1%, the Company's profit and loss in 2022 and 2021 would increase/decrease by NT$961,000 and decrease/increase by NT$380,000, respectively.

Equity price risk

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

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests from January 1 to December 31, 2022 and 2021.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivable, and lease payments receivable) and financing activities (primarily for bank deposits and various financial instruments).

The Group manages its credit risk in accordance with its credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by the Group by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

As of December 31, 2022 and 2021, the Group's top ten contract assets and receivables from clients accountedfor26% and 21% of the Group's total contract assets and total receivables, respectively. The credit concentration risk for the rest of contract assets and receivables was relatively insignificant.

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

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks with good credit ratings, and financial institutions, companies and government entities with investment grade ratings. Consequently, there is no significant credit risk.

5. Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents, as well as securities with high liquidity, bank loans, convertible bonds, and leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

<u>Non-derivative financial liabilities</u>

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2022.12.31					
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
2021.12.31					
Loans	$807,848	$52,089	$60,988	$106,873	$1,027,798
Accounts payable	520,236	-	-	-	520,236
Convertible bonds	500,000	-	-	-	500,000
Lease liabilities	28,144	49,237	36,009	142,802	256,192

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

6. Reconciliation of liabilities from financing activities

Reconciliationinformationof liabilitiesfor2022:

	Short-term loans	Long-term loans	Corporate bonds payable	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2022.1.1	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170
Cash flows from:	(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
2022.12.31	$773,029	$587,524	$-	$669	$210,369	$1,571,591

Reconciliation information of liabilities in the year 2021:

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

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

A. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (e.g., Black-Scholes model) or other valuation method (e.g., Monte Carlo Simulation).

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

(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	
	2022.12.31	2021.12.31	2022.12.31	2021.12.31
Financial assets				
Financial assets at amortized cost	$7,980	$9,820	$7,980	$9,820
Financial liabilities				
Corporate bonds payable	-	484,555	-	484,555

(3) Fair value measurement hierarchy for financial instruments

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

8. Derivative

As of December 31, 2022 and 2021, the Group's derivative financial instruments (including forward exchange agreement and embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at FVTPL. Please refer to Note 6.14 and Note 6.15 for the contract information involved in this transaction.

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

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

9. Fair value level

(1) Definition of fair value hierarchy

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

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

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

(2) Hierarchy of fair value measurement

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

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

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$13,401	$-	$-	$13,401
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	48,950	-	3,401	52,351

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investments in equity instruments measured				
Unrealized profit or loss on equity instruments measured	$50,750	$-	$2,122	$52,872
Liabilities measured at fair value:				
Financial liabilities measured at FVTPL				
Convertible bonds with embedded derivative financial instruments	-	6,250	-	6,250

Transfers between Level 1 and Level 2 fair value hierarchy

Between January 1, 2021 and December 31, 2022, the assets and liabilities measured at the Group's repeated fair value have not been transferred between the first and second levels of the fair value level.

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:

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

	Investments in equity instruments measured
	Stock
2022.1.1	$2,122
2022 annual total profit (loss):	
Recognized in other comprehensive income (listed under unrealized valuation gain (loss) on investments in equity instruments measured at FVTOCI)	1,279
2022.12.31	$3,401

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

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:

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

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:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$387,000 (increase by NT$486,000)

December 31, 2021:

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input and fair value	Value relationship between input and fair value through sensitivity analysis
Financial assets:					
Investments in equity instruments measured					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$303,000 (increase by NT$303,000)

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

On December 31, 2022, the Japanese company did not only disclose its fair value liabilities.

December 31, 2021:

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

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

10. Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant assets and liabilities denominated in foreign currencies are listed below:

Unit: thousand dollars

	2022.12.31			2021.12.31		
	Foreign currencies	Exchange Rate	NT$	Foreign currencies	Exchange Rate	NT$
Financial assets						
Monetary items:						
USD	$7,489	30.6600	$229,610	$4,765	27.6300	$131,655
EUR	2,194	32.5200	71,354	1,465	31.1200	45,594
JPY	26	0.2304	6	959	0.2385	229
RMB	40,906	4.3830	179,292	10,485	4.3190	45,285
GBP	4	36.8900	146	898	37.1000	33,320
Financial liabilities						
Monetary items:						
USD	2,012	30.7600	61,891	938	27.7300	26,013
EUR	2,008	32.9200	66,106	3,404	31.5200	107,305
JPY	5,160	0.2344	1,210	4,460	0.2425	1,082
CHF	23	33.3300	763	23	30.3000	687
RMB	5,395	4.4330	23,916	5,432	4.3690	23,733
NZD	-	19.5400	-	13	18.9900	253
GBP	12	37.2900	466	275	37.5000	10,308

As the entities within the Group transact in numerous functional currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign currency exchange gain (loss) from January 1 to December 31, 2022 and 2021 was NT$46,070,000 and (NT$44,176),000, respectively.

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

11. Capital Management

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

XIII. Supplementary Disclosures

1. Information on Significant Transactions

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

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

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

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

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

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

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

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

(9) Engage in trading of derivative products: Please refer to Note 6.14 and Note 12 to the Consolidated Financial Statements.

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

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

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

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

XIV. Segment Information

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

2. Geographical Information

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

Revenue from external customers:

	2022	2021
Taiwan	$982,441	$917,106
Asia	506,889	433,144
Americas	657,987	522,650
Europe	907,120	623,870
Africa	95,460	46,214
Australia	18,783	27,882
Total	$3,168,680	$2,570,866

Non-current Assets:

	2022.12.31	2021.12.31
Taiwan	$2,336,288	$2,396,162
United States	172,831	119,162
Europe	407,236	259,189
Japan	57,703	50,742
Total	$2,974,058	$2,825,255

3. Information of Major Customers

	2022.12.31	2021.12.31
Shanghai Lianyi Biotechnology Co., Ltd.	$130,335	$43,200

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 1. Capital financing to others as December 31, 2022:

Unit: NT$ 1,000

S/N	Lending company	Participants	Account item	Is it a related party	Maximum amount in the current period	Balance at the end of the period (Board of Directors approved amount)	Actual Amount Drawn	Interest Rate	Nature of capital financing	Business transaction amount	Reasons for the need for short-term financing	Provision for loss	Collateral security		Loans and Limits to Individuals	Capital loans and total limits
													Name	Value		
0	United Orthopedic EquipmentCo., Ltd.	United Orthopedic Corporation (Suisse) SA	Long-Term Receivables - related party	Yes	$99,615	$99,615	$83,930	2.4969%	Business nature	$442,230	None	$-	None	$-	$264,335	$264,335
0	United Orthopedic EquipmentCo., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	Long-Term Receivables - related party	Yes	88,160	88,160	85,984	2.5000%	Business nature	124,198	None	-	None	-	124,198	264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable - related parties	Yes	23,244	23,244	-	2.4969%	Business nature	386,769	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Accounts receivable - related parties	Yes	33,205	33,205	-	2.4969%	Business nature	15,214	None	-	None	-	15,214	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	Long-Term Receivables - related party	Yes	13,282	13,282	5,161	2.4969%	Business nature	16,047	None	-	None	-	16,047	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, 2022:

Unit: NT$ 1,000

S/N	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement /Guarantee Amount	Ending Balance	Actual Amount Drawn	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 for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$264,335	$245,680	$245,680	$153,550	$-	8.20%	$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.

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(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 December31, 2022:

Unit: NT$ 1,000

Securities Holding Company	Types and names of securities(Note1)	Relationship with Issuer of Securities(Note2)	Ledger Account	Ending Balance				Notes (Note4)
				Number of shares/units	Carrying amount(Note3)	Percentage of Ownership	Fair value	
	Stock							
United OrthopedicCorporation	Changgu BiotechCorporation	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	477,568	$2,813	16.09%	$2,813	None
United OrthopedicCorporation	Chailease FinanceCo., Ltd.	The Company is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	500,000	48,950	0.03%	48,950	"
	bond fund							
United OrthopedicCorporation	PineBridge GlobalESGQuantitative Bond Fund	-	Financial assets at fair value through profit or loss - current	520,432	4,628	*	4,628	"
United OrthopedicCorporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,773	*	8,773	"
	Stock							
A-Spine AsiaCo., Ltd.	Taiwan Main Orthopedics BiotechnologyCo., Ltd.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at FVTOCI - non-current	235,040	588	2.99%	588	"

* The shareholding ratio is less than 0.01%.

Note 1. The term "marketable securities" as used in this table refers to stocks, bonds, beneficiary certificates, and securities specified in IFRS 9.

Note 2. If the issuer is not a related party, this field is not required.

Note 3. For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after original 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.

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 4. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital:

Unit: NT$ 1,000

Company that imports (sells) goods	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and AccountsReceivable(Payable)		Remark
			Purchases (Sales)	Amount	Percentage ofTotal Purchases(Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage oftotal receivables(payables) (%)	
United OrthopedicCorporation	UOC USA, Inc.	Parent Subsidiary	Sales	$(181,339)	8.44%	120 days	Note	Note	$80,719	6.72%	
United OrthopedicCorporation	United Orthopedic Japan Inc.	Parent Subsidiary	Sales	$(101,681)	4.73%	120 days	Note	Note	$122,951	10.24%	
United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	$(432,682)	20.13%	120 days	Note	Note	$559,102	46.58%	
United OrthopedicCorporation	United Medical Co., Ltd.	Associate	Purchase of goods	$130,499	20.83%	90 days	Note	Note	$17,769	12.53%	
United OrthopedicCorporation	Shanghai Lianyi Biotechnology Co., Ltd.	Associate	Sales	$(124,198)	5.78%	90 days	Note	Note	$8,995	0.75%	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	$(374,453)	75.62%	90 days	Note	Note	$270,259	76.17%	

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 ofDecember31, 2022:

Unit: NT$ 1,000

The companies that record such transactions as receivables	Name of transacting party	Relationship	Balance of receivables from related parties	Turnover	Overdue accounts receivable from related party		amount recovered after the due from related parties	Provision for loss
					Amount	Handling method		
United OrthopedicCorporation	United Orthopedic Japan Inc.	Parent Subsidiary	$122,951	1.01	$-	-	$13,579	$-
United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	559,102	0.95	-	-	51,410	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	270,259	1.78	-	-	55,786	-

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

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

No.(Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets(Note 3)
2022							
0	United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	$432,682	Note 4	13.47%
0	United OrthopedicCorporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	559,102	-	9.96%
0	United OrthopedicCorporation	United Orthopedic Japan Inc.	1	Sales revenue	101,681	Note 4	3.17%
0	United OrthopedicCorporation	United Orthopedic Japan Inc.	1	Accounts receivable	122,951	-	2.19%
0	United OrthopedicCorporation	A-Spine Asia Co., Ltd.	1	Sales revenue	1,442	Note 4	0.04%
0	United OrthopedicCorporation	A-Spine Asia Co., Ltd.	1	Accounts receivable	1,514	-	0.03%
0	United OrthopedicCorporation	UOC USA, Inc.	1	Sales revenue	181,339	Note 4	5.65%
0	United OrthopedicCorporation	UOC USA, Inc.	1	Accounts receivable	80,719	-	1.44%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	374,453	Note 4	11.66%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	270,259	-	4.81%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Sales revenue	15,177	Note 4	0.47%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	18,961	-	0.34%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Sales revenue	16,047	Note 4	0.50%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Accounts receivable	15,482	-	0.28%
2	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	7,414	Note 4	0.23%
3	United Orthopedics Limited	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	345	Note 4	0.01%
3	United Orthopedics Limited	United Orthopedic Corporation (France)	6	Sales revenue	1,348	Note 4	0.04%

Note 1. The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:
1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. Six types of relations with transaction parties are applicable; simply marking the type:
1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.
4. Parent company to sub subsidiary.
5. Subsidiary to sub subsidiary
6. Sub subsidiary to Sub subsidiary

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

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

Table 7. Information on investees:

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

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit(Loss) ofInvestee for the Period	Investment Profit(Loss) Recognized	Remarks
				Ending Balance for the Current Period	End of previous year	Number of Shares	Shareholding	Carrying amount			
United OrthopedicCorporation	UOC America Holding Corporation	British Virgin Islands	Holding company, trading	$-	$286,986	-	-	$-	$-	$-	Subsidiary
				(Note8)	(USD 9,380)						
United OrthopedicCorporation	UOC Europe Holding SA	Switzerland	Holding company	420,142	420,142	13,500	96.00%	87,258	47,214	45,249	Subsidiary
				(CHF 13,500)	(CHF 13,500)	(Note2)					
United OrthopedicCorporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	104,604	85,994	88,658	95.00%	2,473	(4,922)	(4,574)	Subsidiary
				(JPY 339,724)	(JPY 259,724)	(Note4)					
United OrthopedicCorporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	74.90%	541,658	8,008	5,998	Subsidiary
						(Note5)				(Note9)	
United OrthopedicCorporation	UOC USA, Inc.	USA	Trading, wholesale	283,905	-	13,861,016	100.00%	118,614	(27,383)	(27,383)	Subsidiary
				(USD 9,360)	-	(Note1)					
United OrthopedicCorporation	United Orthopedic (Australia) Pty Ltd	Australia	Trading, wholesale	413	-	20,001	100.00%	(718)	(1,135)	(1,135)	Subsidiary
				(AUD 20)	-	(Note7)					
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987	49,987	1,550	100.00%	82,242	62,130	62,130	Sub-subsidiary
				(CHF 1,550)	(CHF 1,550)	(Note2)					
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304	310,304	8,782	100.00%	288,403	26,765	26,765	Sub-subsidiary
				(EUR 8,782)	(EUR 8,782)	(Note3)					
UOC Europe Holding SA	United Orthopedic Corporation (Belgium)	Belgium	Trading, wholesale	30,154	17,194	900	100.00%	(2,248)	(8,569)	(8,569)	Sub-subsidiary
				(EUR 900)	(EUR 500)	(Note3)					
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840	-	540	100.00%	23,423	2,308	3,277	Sub-subsidiary
				(GBP 540)	-	(Note6)					

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 2,413.
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. UOC America Holding Corporation, a subsidiary of the Company, was liquidated on March 21, 2022.
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$4,474,000.

Notes to Consolidated Financial Statements of United Orthopedic Corporation and Subsidiaries (continued)
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

Table 8: Information on investments in Mainland China:

Unit: NTD 1,000/USD 1,000

Investee Company	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	Profit(Loss)of Investee for the Period	The Company's Direct or Indirect Ownership	Income (loss) for this period	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation .	Production and sales of implants, artificial joints	$1,436,694 (CNY 300,000 thousand)	(Note1)	$704,464 (CNY 147,000 thousand)	$-	$-	$704,464 (CNY 147,000 thousand) (Note2)	$(193,142)	49%	$(94,640)	$422,988	$-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
$704,464 (CNY 147,000 thousand)	$704,464 (CNY 147,000 thousand)	$1,853,925

Note 1. Direct investment in mainland China.
Note 2. Including technical value of CNY 30,000,000.

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

Table 8-1. Significant transactions directly or indirectly invested by the Group through third-region companies and reinvested companies in Mainland China:

(1) Purchase amount and percentage, and ending balance of accounts payable and percentage:

Unit: NT$ 1,000

Year	Name of transacting party	Name of Company	Purchase amount	Percentage to the Company's purchase%	Ending balance of accounts payable	Percentage%
2022	United OrthopedicCorporation	United Medical Co., Ltd.	$130,499	20.83%	$17,769	12.53%
2022	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	762	2.56%	55	1.38%

(2) Sales amount and percentage, and ending balance of accounts receivable and percentage:

Year	Name of transacting party	Name of Company	Sales amount	Percentage to the Company's sales%	Ending balance of accounts receivable	Percentage%
2022	United OrthopedicCorporation	Shanghai Lianyi Biotechnology Co., Ltd.	$124,198	5.78%	$8,995	0.75%
2022	United OrthopedicCorporation	United Medical Instrument(Shanghai) Co., Ltd.	78,779	3.66%	78,476	6.54%
2022	United OrthopedicCorporation	United Medical Co., Ltd.	1,167	0.05%	202	0.02%
2022	United OrthopedicCorporation	Shinva United Orthopedic Corporation	130	0.01%	1,357	0.11%
2022	A-Spine Asia Co., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	6,137	1.86%	1,532	2.45%

(3) Ending balance of endorsement, guarantee or collateral provided and purposes:
None.

(4) Maximum balance of financing, ending balance, interest rate range and total interest in the period:
None.

(5) Other transactions that have significant impact on the profit or loss of the current period and financial status:
None.