Stock Code: 4129

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

Address: 1F., No. 57, Yuanqu 2nd Road, Hsinchu Science Park
Telephone: (03)577-3351

Notice to Reader

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

CONSOLIDATED FINANCIAL STATEMENTS

§TABLE OF CONTENTS§

STATEMENTS

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

Sincerely,

Company Name: United Orthopedic Corporation

Person in Charge: Lin, Yan-Shen

March 13, 2024

INDEPENDENT AUDITORS’ REPORT

To United Orthopedic Corporation:

Audit Opinion

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

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

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of United Orthopedic Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (“the Code”), and we have fulfilled our other responsibilities under the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (Continued)

Inventory Valuation

The net inventories of United Orthopedic Corporation and its subsidiaries as of December 31, 2023 were NT$1,691,336 thousand, which accounted for 26% of the consolidated total assets. It was considered significant to the consolidated financial statements. With the continuous innovation of orthopedic supplies and equipment production technology, the inventory may become outdated or the selling price may drop. The estimated net realizable value and obsolescence loss involve significant management judgment. We believed that inventory valuation was of significance to the audit of consolidated financial statements; hence, we determined inventory valuation to be a key audit item. Our audit procedures include but are not limited to the following audit procedures: We understood and evaluated the effectiveness of the internal control established by the management against loss for market price decline and obsolete and slow-moving inventories. We observed stocktaking on-site to ensure the conditions and safekeeping of their inventories. We evaluated the appropriateness of management's accounting policies on obsolescence and out-of date inventories, including the identification of obsolescence and out-of-date inventories. We randomly selected inventory samples to audit their documents up to sales or purchase invoices and carried out verification over inventory valuation. We also considered the appropriateness of inventory disclosures in Note 5 and Note 6 to the consolidated financial statements.

Revenue Recognition

The primary products of United Orthopedic Corporation and its subsidiaries are orthopedic implants – artificial hip joints, artificial knee joints, trauma-treatment products, and OEM products. In the fiscal year 2023, they recognized revenue of NT$3,929,887 thousand, which is material to the consolidated financial statements. Due to the nature of the industry, the performance obligation is not satisfied until the customer obtains control over the goods. We believe that the recognition of revenue from contracts with customers was of significance to the audit of consolidated financial statements; hence, we determine revenue recognition to be a key audit item. Our audit procedures include but are not limited to the following audit procedures: We evaluatied the appropriateness of the accounting policy for revenue recognition, and learned and tested the effectiveness of internal control established by management for sales cycle. We ensured that revenue is recognized when control over the product was transferred, including the selection of important customers as samples to verify transaction terms and relevant documents. We conducted analytical procedures on product types, regions and monthly gross margins. We also conducted analytical procedures on significant sales returns and allowance to understand the reasons for those transactions. We run the sales cut-off tests before and after the balance sheet date. We also considered the appropriateness of operating revenue disclosures in Note 6 to the consolidated financial statements.

Key Audit Matters (Continued)

Recognition of Intangible Assets Arising from Internal Development

The net carrying amount of intangible assets of United Orthopedic Equipment Co., Ltd. and its subsidiaries was NT$40,194 thousand on December 31, 2023, which is significant for the consolidated financial statements. United Orthopedic Corporation and its subsidiaries invested a significant amount of development costs on orthopedics equipment, including hip/knee replacements and surgical instruments, due to their corporate structure; in addition, the expenditures of capital has been transformed into intangible assets generated by internal developments. In order to meet the six capitalization requirements for development stage stated in IAS 38, United Orthopedic Corporation and its subsidiaries needed to provide technical feasibility assessments by project types to identify that a particular technology had reached technical feasibility. Moreover, the finance department shall conduct capitalization project assessments by development project. The management executed the aforementioned assessments on individual project based on internal and external information. As management's judgment and assumptions were involved, we determined this to be a key audit item. Our audit procedures included, but not limited to, understanding and evaluating the appropriateness of internal control established by the management for intangible assets generated by internal development and testing its effectiveness, and reviewing whether the accounting policies for the capitalization of intangible assets generated by internal development are appropriate. The audit process involves taking a sample of project reports, reviewing management's assessment of the technical feasibility of intangible assets and future economic benefits, selecting various expenditures attributable to the development stage, and checking relevant receipts, invoices and vouchers to confirm the appropriateness of project cost attribution. We also considered the appropriateness of intangible assets disclosures in Note 5 and Note 6 to the consolidated financial statements.

Responsibilities of the Management and Governance Bodies for the Consolidated Financial Statements

The responsibilities of management are to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission, and to maintain necessary internal controls relevant to the preparation of consolidated financial statements to ensure that consolidated financial statements are free from material misstatement due to fraud or error.

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Others

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

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

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

<u>Notice to Reader</u>

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2023 and December 31, 2022

Unit: NT$ thousand

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

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2023 and December 31, 2022

Unit: NT$ thousand

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

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

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

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

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

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

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

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

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

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

UNITED ORTHOPEDIC CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

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

1. Company History

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

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

2. Date and Procedures of Approval of the Financial Statements

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

3. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and have been approved by HKFAS for fiscal years beginning on or after January 1, 2024. The company assesses that the newly issued or amended standards or interpretations have no significant impact on the Group.

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

No.	New, Revised and Amended Standards or Interpretations	Effective Date Announced by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of Exchangeability (Amendment to IAS 21)	Balance as of January 1, 2025

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

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

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

2. IFRS 17 "Insurance Contracts"

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

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

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

3. Lack of Exchangeability (Amendment to IAS 21)

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

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

4. Summary of Significant Accounting Policies

(1) Compliance Declaration

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

(2) Preparation Basis

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

(3) Consolidation Overview

Principles of Preparation of Consolidated Financial Statements

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

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

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

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

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

1. Contractual arrangements with other vote holders of the investee

2. Rights arising from other contractual arrangements

3. Voting rights and potential voting rights

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

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

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

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

If the Group loses control over a subsidiary, it:

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

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

3. Recognizes the fair value of the consideration received;

4. Recognizes the fair value of any investment retained;

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

6. Recognizes any resulting difference as profit or loss.

The entities consolidated in the financial statements are as follows:

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

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

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

Orthopedics Japan Inc, and acquired 36 thousand shares, with a shareholding ratio rise of 96%. As of December 31, 2023, the accumulated remittance amounted to JPY 419,725 thousand (equivalent to NT$122,924 thousand).

Note 3: The Company invested in United Orthopedic (Australia) Pty Ltd. in the fourth quarter of 2022. As at December 31, 2022, the accumulated remittance of investment amounted to AUD 20 thousand (equivalent to NT$413 thousand). In the first and fourth quarters of 2023, the Group made cash capital increases in United Orthopedic (Australia) Pty Ltd., remitting investment funds of AUD 280 thousand (equivalent to NT$5,687 thousand) and AUD 500 thousand (equivalent to NT$10,394 thousand), respectively. As of December 31, 2023, the Company has cumulatively remitted investment funds of AUD 800 thousand (equivalent to NT$16,494 thousand).

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

(4) Foreign Currency Transactions

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

Foreign currency transactions of individual entities within the group are recorded in their functional currency at the exchange rates prevailing on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

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

1. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

2. Foreign currency projects subject to the provisions of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.

3. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of Foreign-Currency Financial Statements

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

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

The goodwill generated by the Group from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Classification of Current and Non-Current Assets and Liabilities

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

1. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

2. The Company holds the asset primarily for the purpose of trading.

3. The Company expects to realize the asset within twelve months after the reporting period.

4. The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

1. The Company expects to settle the liability in its normal operating cycle.

2. The Company holds the liability primarily for the purpose of trading.

3. The liability is due to be settled within twelve months after the reporting period.

4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash and Cash Equivalents

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

(8) Financial Instruments

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

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

1. Recognition and Measurement of Financial Assets

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

The Group classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(1) Business model for managing the financial assets

(2) Contractual cash flow characteristics of the financial assets

<u>Financial Assets at Amortized Cost – Non-current</u>

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

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

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

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

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

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

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

<u>Financial Assets at Fair Value Through Other Comprehensive Income</u>

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

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

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

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

(1) Prior to its derecognition or reclassification, the gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.

(2) Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

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

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

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

Financial Assets Measured at Fair Value Through Profit or Loss

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

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

2. Impairment of Financial Assets

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

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

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

(2) Time value of money

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

Loss allowance is measured as follows:

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

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

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

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

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

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

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

3. Derecognition of Financial Assets

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

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

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

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

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

4. Financial Liabilities and Equity Instruments

Classification of Liabilities or Equity

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

Equity Instruments

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

Compound Instruments

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

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

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

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

Financial Liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities measured at fair value through profit or loss or at amortized cost upon initial recognition.

Financial Liabilities Measured at Fair Value Through Profit or loss

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

A financial liability is classified as held for trading if:

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

(2) It is part of a portfolio of identifiable financial instruments that are managed together on initial recognition and for which there is evidence of a pattern of short-term profit-taking recently; or

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

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

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

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

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

Financial Liabilities at Amortized Cost

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

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

Derecognition of Financial Liabilities

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

When the Group exchanges debt instruments with creditors that have substantially different terms, or makes substantial modifications to all or part of the terms of an existing financial liability (whether or not due to financial difficulties), it treats the derecognition of the original liability and recognition of a new liability as an exchange. When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5. Offsetting Financial Assets and Liabilities

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

(9) Derivative

The derivatives held or issued by the Group are used to hedge against foreign exchange risk and interest rate risk. Those that are designated and effective hedges are reported as hedging financial assets or liabilities on the balance sheet; the remaining non-designated and ineffective hedges are reported as financial assets or liabilities at fair value through profit or loss on the balance sheet.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives are recognized directly in profit or loss, except for those related to hedging and qualifying as effective hedges, in which case the treatment depends on the type of hedge

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

(10) Fair Value Measurement

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

1. The primary market for the asset or liability, or

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

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

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

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

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

(11) Inventories

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

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

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

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

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

(12) Investments Accounted for Using the Equity Method

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

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

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

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

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

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

1. The Group’s share of the present value of the estimated future cash flows expected to be generated by the associates or joint ventures, including the cash flows from the operations of the associates or joint venturesand the proceeds on the ultimate disposal of the investment.

2. The present value of the estimated future cash flows that the Group expects to generate from the dividends and the proceeds on the ultimate disposal of the investment.

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

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

(13) Property, Plant, and Equipment

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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

(14) Leases

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

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

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

The Group as a Lessee

Except for leases that meet and are selected to be treated as short-term leases or low-value assets, when the Group is the lessee of a lease contract, the Group will recognize all right-of-use asset and lease liabilities related to all leases.

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

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

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

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

4. Exercise price for purchase options if the Group can be reasonably assured that the right will be exercised; and

5. Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

1. The amount of the initial measurement of the lease liability;

2. Any lease payment paid on the start date or before, minus any lease incentives taken;

3. Any initial direct costs incurred by the lessee; and

4. An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

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

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

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

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

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

(15) Intangible Assets

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

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

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

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

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

Intangible Assets Under Development – Research and Development Costs

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

1. The technical feasibility of completing the intangible asset has been achieved, and the said intangible asset will be thus available for use or sale.

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

3. There is an ability to use or sell the said intangible asset.

4. How the intangible asset will generate highly likely economic benefits in the future. In addition, the Company can prove that the output of the intangible asset or the intangible asset itself already exists in the market, or if the intangible asset is for internal use, the Company can prove the usefulness of the asset.

5. The Company has sufficient technological, financial, and other resources to complete this development, and is able to use or sell the intangible asset.

6. Expenditures during the development stage of the intangible asset can be reliably measured.

Following initial recognition, the capitalized development expenditure is measured using the cost model, i.e. the carrying amount is the cost less accumulated amortization and accumulated impairment losses. During the development period, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Specialized Technology

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

Brand

A brand is used to represent a set of complementary assets, such as a trademark (or service mark) and its related trade names, formulas, secret recipes, and technical expertise, which are amortized over fifteen years.

Computer Software

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

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

	Intangible Assets Under Development	**Brand**	**Specialized Technology**	**Computer Software**
Useful lives	Finite	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis during the period when the relevant project generates expected future sales	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internal production or external acquisition	Internal production	Arising from consolidation	External acquisition or internal production	External acquisition

(16) Impairment of Non-Financial Assets

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

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

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

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

(17) Revenue Recognition

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

Sales of Goods

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

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

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

(18) Government Grants

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

(19) Post-Retirement Benefit Plan

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

For the post-employment benefit plan regarding the defined contribution plan, the Company and its subsidiaries' monthly contribution rate for employees' pension shall not be lower than 6% of employees' monthly salary. The contribution amount is recognized in the expense of the current period.

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

1. When a plan amendment or curtailment occurs; and

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

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

(20) Income Tax

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

Current Income Tax

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

The portion of unappropriated retained earnings subject to income tax is recognized as income tax expense in the year when the distribution proposal is approved by the shareholders' meeting.

Deferred Income Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except for the following two cases:

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

2. Where the taxable temporary differences is associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

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

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

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

(21) Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

(1) Judgment

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

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

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

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

(2) Estimates and Assumptions

They key sources of information at the end of the reporting period about estimates and assumptions made concerning the future have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The explanations are as follows:

1. Inventory Valuation

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

2. Income Tax

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

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

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

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

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

company 100% held Taiwan Main Orthopaedic Biotechnology Co., Ltd., and the original shares held in Taiwan Main Orthopaedic Biotechnology Co., Ltd. were exchanged for an equivalent number of shares in SURGLASSES Inc. in the first quarter of 2023. As of December 31, 2023 and 2022, the subsidiary A-SPINE Asia Co., Ltd. invested NT$2,350 thousand in both SURGLASSES Inc. and Taiwan Main Orthopaedic Biotechnology Co., Ltd., both with 235,040 shares acquired, and both with a shareholding ratio of 2.99%. On December 31, 2023 and 2022, the fair values of the stock investments were NT$1,772 thousand and NT$588 thousand, respectively, and the differences between the initial investment amount and the fair value were NT$578 thousand and NT$1,762 thousand, respectively, which were recognized as unrealized valuation loss of investments in equity instruments measured at fair value through other comprehensive income.

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

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

The Group has classified a part of financial assets as financial assets measured at amortized cost; for the information about loss allowance, please refer to Note 6.(20) Please refer to Note 8 for details of the guarantees provided and to Note 12 for information on credit risk.

(5) Notes Receivable

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

The Group's notes receivables were not pledged.

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

(6) Accounts Receivable and Accounts Receivable – Related Parties

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

The Group's accounts receivable were not pledged.

The Group's credit period for the clients is generally from 30 to 180 days. The total carrying amounts as of December 31, 2023 and 2022 were NT$1,096,911 thousand and NT$854,249 thousand, respectively. For information related to the provision for losses in 2023 and 2022, please refer to Note 6.(20). For information related to credit risk, please refer to Note 12.

(7) Net Receivables Under Finance Leases

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

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

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

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

(8) Inventories

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

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

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

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

2. No inventories aforementioned were pledged.

(9) Investments Accounted for Using the Equity Method

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

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

Investments in Associates

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

Company name: Shinva United Orthopedic Corporation

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

Primary operation place (registration country): Mainland China

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

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

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

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

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

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

The Group invests in affiliated enterprises on a technical basis of RMB 30,000 thousand, equivalent to NT$149,844 thousand in long-term deferred income. For deferred income attributable to non-controlling interests, the Group amortizes on an average of three years from the date of commencement of the provision of services. The remaining amount is amortized on a 10-year average basis after the product registration is obtained from Shinva United Orthopedic Corporation. Shinva United Orthopedic Corporation obtained the product registration certificate in September 2021, and the deferred income was amortized from September 2021. As of December 31, 2023 and 2022, accumulated amortization of NT$91,473 thousand and NT$84,150 thousand, respectively.

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

(10) Property, Plant, and Equipment

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

1. Property, Plant and Equipment for Own Use

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

2. Property, Plant and Equipment for Operating Leases

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

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

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

(11) Intangible Assets

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

Amortization amount of recognized intangible assets is as follows:

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

(12) Impairment Test of Goodwill

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

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

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

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

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

(13) Short-Term Loans

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

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

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

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

(15) Corporate Bonds Payable

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

<u>Domestic Convertible Bonds Payable</u>

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

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

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

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

   Critical clauses for redemption:

   (1) On the next day after the convertible bonds issued for three month full (December 11, 2019) until 40 days prior to the due date (August 1, 2024), if the closing price of the Group’s common stock at the securities firm’s

business premises exceeds the conversion price by more than 30 percent for 30 consecutive business days, the Group may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

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

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

Critical clauses for redemption:

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

Conversion methods:

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

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

(3) Converted price and adjustment: the converted price upon issuance was set as NT$51.50 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. September 30, 2022, the price is NT$51.50 per share.

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

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

2. On May 30, 2023, the Company issued the 4th domestic non-pledge convertible bonds with the face interest rate of 0%. The convertible bonds are analyzed based on the contract clauses, and the composition elements include primary debts, embedded derivatives (option of redemption for the issuer, and an option of requesting the issuer's redemption), and equity elements (bondholders have the option of requesting to convert into issuer's ordinary shares). Primary issuance clauses are as follows:

   Total issuance: NT$500,000 thousand, with a par value of NT$100 thousand each, issued at 106.57% of par value

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

   Critical clauses for redemption:

   (1) On the next day after the convertible bonds issued for three month full (August 31, 2023) until 40 days prior to the due date (March 21, 2026), if the closing price of the Company's common stock at the TPEx exceeds the conversion price by more than 30 percent for 30 consecutive business days, the Company may be notified to repay the outstanding amount of cash by the denomination of the bond in cash.

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

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

   Critical clauses for redemption:

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

Conversion methods:

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

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

(3) Converted price and adjustment: converted price and adjustment: the converted price upon issuance was set as NT$61.70 per share. When it comes to the converted price adjustment in accordance with the issuance clauses for the Company's ordinary shares, the converted price is subject to change in accordance to the formula stipulated in the issuance clauses. On December 31, 2023, each share carried the value of NT$59.70.

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

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

(16) Long-Term Loans

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

Creditors	December 31, 2023	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$98,009	1,8605	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.7850	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	63,750	2.0300	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.8900	From September 13, 2022 to September 13, 2027, due to the postponement of repayment, the first installment will be repaid starting from October 13, 2024, with NT$2,778 thousand repaid each month, and the remaining principal will be repaid in full upon maturity
Mega International Commercial Bank – Neihu	49,094	1.9800	1. From December 07, 2017 to December 07, 2032, starting from January 07, 2018, the first installment will be repaid over 180 installments. 2. In September 2021, an application was made to extend the principal repayment period for one year. From October 2021 to September 2022 (periods 46 to 57), no principal repayment will be made. For periods 58 to 180, the remaining principal will be evenly distributed and repaid, with interest paid monthly.
UBS Switzerland AG	12,157	1.5000	Originally due for repayment from April 2020 to March 2025. The repayment period has been changed from April 17, 2020 to September 30, 2027, with the first installment payment starting from March 31, 2022, to be paid in 12 installments.
CIC AGENCE ENTREPRISE NANCY	20,806	0.7000	From April 20, 2021 to April 20, 2026, starting from May 20, 2021, the first installment will be repaid over 60 installments.
CIC AGENCE ENTREPRISE NANCY	505	1.2000	From December 15, 2021 to December 15, 2026, the first installment will be repaid starting from January 15, 2022, over 60 installments.
CIC AGENCE ENTREPRISE NANCY	3,703	2.8000	From October 15, 2022 to October 15, 2027, the first installment will be repaid in 60 installments starting from November 15, 2022.
CIC AGENCE ENTREPRISE NANCY	2,089	3.9000	From June 19, 2023 to June 15, 2027, starting from July 15, 2023, the first installment will be repaid over 48 installments.
CIC AGENCE ENTREPRISE NANCY	1,351	4.1500	From July 5, 2023 to July 5, 2027, the first installment will be repaid starting from August 5, 2023 in 48 installments.
CIC AGENCE ENTREPRISE NANCY	1,116	4.1900	From July 5, 2023 to July 5, 2027, the first installment will be repaid starting from August 5, 2023 in 48 installments.
INFIMED SASU	10,264	3.3441	From December 14, 2021 to November 14, 2026, the first installment will be repaid in 60 installments starting from December 14, 2021.
INFIMED SASU	11,090	3.4123	From April 28, 2022 to April 27, 2027, starting from April 30, 2022, the first installment will be repaid in 61 installments.
INFIMED SASU	5,791	4.1317	From August 1, 2022 to August 5, 2027, starting from August 5, 2022, repay the first installment in 61 installments.
INFIMED SASU	12,038	6.2789	From November 17, 2022 to November 30, 2027, starting from November 23, 2022, repayment of the first installment for 61 installments.
Total	$541,763		
Less: long-term loans due within one year	(76,814)		
Net amount	$464,949		

Creditors	December 31, 2022	Interest Rate (%)	Repayment Period and Method
Bank of Taiwan	$106,350	1.7283	From June 19, 2018 to September 20, 2031; the first repayment was due on December 20, 2018; repayments of NT$2,085 thousand is to be made every three months for 52 times; the remaining principal will be repaid in a lump sum when due.
Bank of Taiwan	150,000	1.6600	From September 13, 2022 to September 13, 2027; the first repayment was due on September 13, 2024; repayments of NT$12,500 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
CTBC Bank Co., Ltd.	80,750	1.6500	From September 12, 2022 to September 10, 2027; the first repayment was due on December 12, 2022; repayments of NT$4,250 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
E.SUN Bank	100,000	1.6400	From September 13, 2022 to September 13, 2027; the first repayment was due on October 13, 2023; repayments of NT$2,083 thousand is to be made every three months; the remaining principal will be repaid in a lump sum when due.
Mega International Commercial Bank – Neihu	54,548	1.8550	1. From December 07, 2017 to December 07, 2032, starting from January 07, 2018, the first installment will be repaid over 180 installments. 2. In September 2021, an application was made to extend the principal repayment period for one year. From October 2021 to September 2022 (periods 46 to 57), no principal repayment will be made. For periods 58 to 180, the remaining principal will be evenly distributed and repaid, with interest paid monthly.
UBS Switzerland AG	13,833	-	Originally due for repayment from April 2020 to March 2025. The repayment period has been changed from April 17, 2020 to September 30, 2027, with the first installment payment starting from March 31, 2022, to be paid in 12 installments.
CIC AGENCE ENTREPRISE NANCY	28,523	0.7000	From April 20, 2021 to April 20, 2026, starting from May 20, 2021, the first installment will be repaid over 60 installments.
CIC AGENCE ENTREPRISE NANCY	597	0.9000	From May 18, 2021 to May 15, 2025, the first installment payment will start from June 15, 2021 with a total of 48 installments.
CIC AGENCE ENTREPRISE NANCY	645	1.2000	From December 15, 2021 to December 15, 2026, the first installment will be repaid starting from January 15, 2022, over 60 installments.
CIC AGENCE ENTREPRISE NANCY	4,435	2.8000	From October 15, 2022 to October 15, 2027, the first installment will be repaid in 60 installments starting from November 15, 2022.
INFIMED SASU	13,057	3.3441	From December 14, 2021 to November 14, 2026, the first installment will be repaid in 60 installments starting from December 14, 2021.
INFIMED SASU	13,662	3.4123	From April 28, 2022 to April 27, 2027, starting from April 30, 2022, the first installment will be repaid in 61 installments.
INFIMED SASU	6,986	4.1317	From August 1, 2022 to August 5, 2027, starting from August 5, 2022, repay the first installment in 61 installments.
INFIMED SASU	14,138	6.2789	From November 17, 2022 to November 30, 2027, starting from November 23, 2022, repayment of the first installment for 61 installments.
Total	$587,524		
Less: long-term loans due within one year	(59,686)		
Net amount	$527,838		

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

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

(17) Post-Retirement Benefit Plan

Defined Contribution Plans

The post-employment regulations in accordance with “Labor Pension Act” of the company belong to the defined contribution plan. According to the Act, the Company and its domestic subsidiaries’ monthly contribution rate for employees’ pension shall not be lower than 6% of employees’ monthly salary. The Company and its domestic subsidiaries has complied with the post-employment regulations stipulated in accordance with the Act, and on a monthly basis contributed 6% of employees’ monthly salary to the individual pension accounts under the supervision of the Bureau of Labor Insurance.

The Group’s other foreign subsidiaries contribute retirement funds to relevant retirement fund management companies in accordance with local laws and regulations.

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

Defined Benefits Plan

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

The Ministry of Labor manages assets allocation in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund.” The investment of funds is conducted through the self-operation and commissioned operation, as well as the adoption of the mid and long-term investment strategy under active and passive management models. In considerations of risks such as market, credit and liquidity, the Ministry of Labor defines the cap for fund risks and control plans to ensure sufficient flexibility without excessive risks in achieving the targeted returns. The minimum return from the utilization of fund shall not be less than the interest rate of a two-year fixed time deposit of local banks. If there is any shortage, upon approvals from the competent authority, supplement can be made from the national treasury. Since the

Company is not entitled to participate in the operation and management of the fund, it is unable to disclose the classification of planned assets' fair value as per Paragraph 142 of IAS 19. As of December 31, 2023, the Company's defined benefits plan has been estimated to contribute NT$195 thousand in the following year.

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

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

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

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

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

Reconciliation of net defined benefit (asset) liabilities:

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

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

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

Sensitivity analysis of each significant actuarial assumption:

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

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

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

(18) Equity

1. Capital Stock

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

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

Preference Share

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

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

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

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

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

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

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

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

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

(9) The preference shares cannot be converted within one year from the date of issuance (October 18, 2019). From the day after the expiration of one year (October 19, 2020), the shareholders of the preference shares may apply for conversion of part or all of the preference shares held by them to ordinary shares with one preference share in exchange for one ordinary share (the conversion ratio is 1:1) during the conversion period.

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

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

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

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

2. Capital Surplus

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

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

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

3. Earnings Distribution and Dividend Policy

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

(1) Payment of all taxes and dues.

(2) Deficit compensation.

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

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

(5) The board of directors shall draft an earning distribution proposal according to the dividend policy, and report it to the shareholders' meeting.

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

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

When distributing distributable earnings, the Company shall appropriate a special reserve in the amount equal to the difference between the balance of special reserves appropriated at the first-time adoption of IFRSs and the net debit balance of other equity items. Subsequently, when the net deduction to other equity interests is reversed, the Company must revert the special surplus and distribute the earnings based on the reversal of the net deduction to other equity interests.

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

However, as the Company's retained earnings from the first-time adoption of IFRS was a negative number, the special reserves did not have to be appropriated. In addition, as the Company did not use, dispose, or reclassify relevant assets for the years ended December 31, 2023 and 2022, there is no reversal of special reserve to unappropriated earnings.

Details of the 2023 and 2022 earnings appropriation and distribution and dividends per share as approved by the board of directors meeting and the annual general meeting of shareholders on March 13, 2024 and June 15, 2023, respectively, are as follows:

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

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

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

4. Non-Controlling Interests

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

(19) Operating Revenue

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

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

Contract Balance

Contract liabilities – current:

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

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

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

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

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

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

The Group's financial assets and long-term receivables (accounted for in other non-current assets) measured at amortization cost were assessed on December 31, 2023 and

2022 as those with low credit risk, so the loss allowance is measured based on 12-month expected credit losses (loss rate of 0%).

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

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

December 31, 2023

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

December 31, 2022

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

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

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

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

(21) Leases

1. The Group as a Lessee

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

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

(1) Amount recognized in the balance sheet

A. Right-Of-Use Assets

Carrying amount of right-of-use assets:

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

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

B. Lease Liabilities

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

Please refer to Note 6.(23).4. for the interest expenses of the Group's 2023 and 2022 lease liabilities; please refer to Note 12.(5) "Liquidity Risk Management" for detailed information on finance costs and analysis of the maturity of lease liabilities as of December 31, 2023 and 2022.

(2) Amount Recognized in the Statement of Comprehensive Income

Depreciation of right-of -use assets:

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

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

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

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

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

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

2. The Group as a Lessor

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

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

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

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

Function / Property	**2023**			**2022**		
	Classified as Operating Costs	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Employee benefit expenses						
Salary expenses	$345,999	$594,806	$940,805	$260,149	$517,797	$777,946
Labor and health insurance premiums	30,927	30,097	61,024	25,313	25,463	50,776
Pension expenses	13,540	50,781	64,321	11,714	40,381	52,095
Other employee benefit expenses	12,178	8,055	20,233	10,700	7,293	17,993
Depreciation expenses	81,253	263,151	344,404	79,270	218,817	298,087
Amortization expenses	30,543	21,524	52,067	22,232	14,938	37,170

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

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

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

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

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

(23) Non-Operating Revenues and Expenses

1. Interest Revenue

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

2. Other Revenue

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

3. Other Gains and Losses

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

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

4. Financial Costs

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

(24) Components of Other Comprehensive Income

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

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

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

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

(25) Income Tax

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

Income Tax Recognized in Profit or loss

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

Income Tax Recognized in Other Comprehensive Income

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

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

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

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

<u>2023</u>

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

2022

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

Unrecognized Deferred Income Tax Assets

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

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

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

(26) Earnings per Share

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

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

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

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

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

(27) Business Combination

Acquisition of United Orthopedics Limited

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

Consideration for Acquisition

Cash	$4,849

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

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

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

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

Non-Controlling Interests

The non-controlling interests of United Orthopedics Limited were measured at their acquisition-date fair value of NT$0 thousand, which was the proportionate share of the identifiable net assets' fair value at the acquisition date. As of the date of issuance of these consolidated financial statements, the fair value has been reassessed based on a formal valuation report.

Net Cash Inflow from Acquiring Subsidiaries

Acquisition of Cash and cash equivalents	$4,392

The Impact of Corporate Mergers on Operating Results

From the date of acquisition, the operating results of the acquired company are as follows:

	2022
Operating revenue	$35,885
Net profit for the period	$2,308

If the merger occurred at the beginning of the year, there would be no significant changes in the revenue and net income of the continuing operations.

(28) Changes in Ownership Interests in Subsidiaries

Not Subscribing to the Newly Issued Shares of a Subsidiary in Proportion to the Shareholding Ratio

United Orthopedic Japan Inc. issued new shares on April 1, 2022.As a result, the Group's ownership increased to 95%. Cash acquired by the Group from capital increase was JPY 80,000,000 (NT$18,610,000), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 173,009,000 (NT$40,709,000).Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2022
Cash capital increase acquired by the subsidiary	$-
Decrease in non-controlling interest	291
Difference in retained earnings recognized in equity	$291

United Orthopedic Japan Inc. issued new shares on April 14, 2023. As a result, the Group's ownership increased to 96%. Cash acquired by the Group from capital increase was JPY 80,001 thousand (NT$18,320 thousand), and the carrying amount of United Orthopedic Japan Inc.'s net assets (originally acquired without goodwill) was JPY 265,469 thousand (NT$60,739 thousand).Adjustments relevant to the increase of the Company's interest in United Orthopedic Japan Inc. is as follows:

	2023
Cash capital increase acquired by the subsidiary	$-
Increase in non-controlling interests	(125)
Difference in amounts recognized in capital surplus and retained earnings under equity	$(125)

7. Related Party Transactions

The related parties who have had transactions with the Group during the financial reporting period are as follows:

Name of Related-Party and Relationship

Related Party	**Relationship with the Group**
Shinva United Orthopedic Corporation	Associates of the Group
United Medical Co., Ltd.	Associates of the Group
United Medical Instrument (Shanghai) Co., Ltd.	Associates of the Group
Shanghai Lianyi Biotechnology Co., Ltd.	Associates of the Group
Changgu Biotech Corporation	The Group is a shareholder of this company
Paonan Biotech co. ltd.	Subsidiaries of which are associates

Major Transactions with Related Parties

(1) Sales

	2023	**2022**
Associates of the Group		
Shinva United Orthopedic Corporation	$1,431	$130
United Medical Co., Ltd.	693	1,167
United Medical Instrument (Shanghai) Co., Ltd.	116,869	78,779
Shanghai Lianyi Biotechnology Co., Ltd.	13,432	130,335
The Group is a shareholder of this company		
Changgu Biotech Corporation	5,717	4,475
Total	$138,142	$214,886

The sales price offered by the Group to related parties is marked up at the cost, and the collection term in principle has no significant differences from ones to general exporting customers. However, the Group may offer a longer credit period in consideration of the related parties' funding conditions.

(2) Purchase of Goods

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$147	$-
United Medical Co., Ltd.	167,197	131,261
United Medical Instrument (Shanghai) Co., Ltd.	557	-
Shanghai Lianyi Biotechnology Co., Ltd.	11,654	-
Total	$179,555	$131,261

The purchase price offered by the Group to related parties is marked up at the cost, and the payment term is to pay on a monthly basis.

(3) Accounts Receivable – Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,339	$1,357
United Medical Co., Ltd.	58	202
United Medical Instrument (Shanghai) Co., Ltd.	114,954	78,476
Shanghai Lianyi Biotechnology Co., Ltd.	4,895	10,527
The Group is a shareholder of this company		
Changgu Biotech Corporation	3,004	1,782
Total	$124,250	$92,344

(4) Other Receivables – Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$4,410	$1,194

(5) Prepayments

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,027	$-

(6) Property Transactions – Acquisition of Intangible Assets

	December 31, 2023	December 31, 2022
Associates of the Group		
United Medical Instrument (Shanghai) Co., Ltd.	$2,160	$-

(7) Long-Term Receivables (Accounted as Other Non-current Assets)

	December 31, 2023	December 31, 2022
Associates of the Group		
Shanghai Lianyi Biotechnology Co., Ltd.	$-	$85,984

(8) Accounts Payable – Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$876	$-
United Medical Co., Ltd.	12,506	17,824
Subsidiaries of which are associates		
Paonan Biotech co. ltd.	308	627
Total	$13,690	$18,451

(9) Other Payables - Related Parties

	December 31, 2023	December 31, 2022
Associates of the Group		
United Medical Co., Ltd.	$-	$1,553

(10) Other Current Liabilities

	December 31, 2023	December 31, 2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,566	$5,201

The Company expects to collect the registration fee and notarization fee on behalf of the affiliated enterprise Shinva United Orthopedic Corporation by applying for the sales license. As of December 31, 2023 and 2022, the Company has collected NT$1,566 thousand (RMB 360 thousand), which is recorded as other current liabilities.

(11) Capital Loans

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

(12) Endorsement Guarantees

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

(13) Remuneration for the Group's Key Management

	2023	2022
Short-term employee benefits	$58,348	$44,769

(14) Manufacturing Overheads

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,687	$-
United Medical Co., Ltd.	34	62
Total	$1,721	$62

(15) Operating Expenses

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$1,027	$-
United Medical Co., Ltd.	38	1,937
United Medical Instrument (Shanghai) Co., Ltd.	706	-
Total	$1,771	$1,937

(16) Other Revenue

	2023	2022
Associates of the Group		
Shinva United Orthopedic Corporation	$15,553	$6,817
United Medical Co., Ltd.	-	15
Shanghai Lianyi Biotechnology Co., Ltd.	633	-
The Group is a shareholder of this company		
Changgu Biotech Corporation	-	24
Total	$16,186	$6,856

The Group invests the long-term deferred income of related enterprises in a technology-based manner, except for the deferred income previously attributable to non-controlling interests, which is amortized on an average basis for three years from the start of the provision of labor services, and the remaining amortized on an average basis for ten years after the completion of the establishment of Shinva United Orthopedic Corporation. in September 2021 and the successive acquisition of product registration certificates for each product, and is transferred to other income from the deferred income.

According to the joint venture agreement signed between the Company and the other investors of the associate, Shandong Xinhua United Orthopedics Material Co., Ltd., the associate agreed to pay the Company a technology usage fee equal to 5% of the net sales revenue from the self-produced joint products for five consecutive years starting from the year when the self-produced joint products commence sales.

The subsidiary Guan Ya Biotechnology Co., Ltd., in accordance with the agreement signed on August 20, 2019, has transferred some of its existing lumbar interbody fusion devices and cervical interbody fusion devices to the affiliated company Shandong Xinhua United Orthopedic Materials Co., Ltd. through technology transfer. The technology transfer includes transferring registration data, providing clinical trial results for registered products, and assisting Shandong Xinhua United Orthopedic Materials Co., Ltd. in obtaining relevant product registration certificates. The technology transfer amount is RMB 1,030 thousand. As of December 31, 2022, the company has received a technology transfer fee of NT$3,635 thousand (RMB 820 thousand), which is recorded under other current liabilities – receipts in advance. As of December 31, 2023, the Company has received technology transfer fees of NT$3,765 thousand (RMB 855 thousand). Shandong Xinhua United Orthopedic Instrument Co., Ltd. has obtained the relevant product registration certificate before the end of 2023, so the deferred revenue has been recognized as other income - others in 2023.

8. Assets Pledged as Security

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

Item	Carrying Amount December 31, 2023	Carrying Amount December 31, 2022	Secured Liabilities
Financial assets at amortized cost – non-current	$9,853	$7,980	Performance bond and import tariff guarantee
Property, plant and equipment – land and building	518,815	530,615	Comprehensive credit line
Property, plant, and equipment – machinery	4,093	-	Comprehensive credit line
Property, plant, and equipment – other equipment	31,300	39,006	Asset-backed loans
Prepayments for business facilities	-	4,578	Asset-backed loans
Total	$564,061	$582,179	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

As of February 16, 2024, the company’s fourth domestic unsecured convertible corporate bonds have been fully converted. It is expected to complete the registration of changes by the end of March 2024.

12. Others

(1) Types of Financial Instruments

Financial Assets

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through profit or loss:		
Measured at fair value through profit or loss	$17,346	$13,401
Financial assets at fair value through other comprehensive income	54,853	52,351
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	448,734	397,913
Financial assets at amortized cost – non-current	9,853	7,980
Notes receivable	3,379	1,412
Accounts receivable (including related parties)	1,079,330	844,765
Net receivables under finance leases	9,128	2,625
Other receivables (including related parties)	29,663	15,601
Refundable deposits	50,635	42,192
Long-term net receivables under finance leases	18,430	10,633
Subtotal	1,649,152	1,323,121
Total	$1,721,351	$1,388,873

Financial Liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at fair value through profit or loss:		
Measured at fair value through profit or loss	$1,762	$-
Financial liabilities measured at amortized cost:		
Short-term loans	667,742	773,029
Receivables (including related parties)	983,080	752,095
Bonds payable (including bonds due within one year)	226,264	-
Long-term loans (including loans due within one year)	541,763	587,524
Lease liabilities	193,461	210,369
Guarantee deposits received	4,616	669
Subtotal	2,616,926	2,323,686
Total	$2,618,688	$2,323,686

(2) Financial Risk Management Objectives and Policies

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

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

(3) Market Risk

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

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

Foreign Exchange Risk

The Group's foreign exchange risk mainly relates to operating activities (when the currency used for revenue or expenses differs from the Group's functional currency) and net investments in foreign operations.

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

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

When the NT dollar appreciates/depreciates against the US dollar by 1%, the Company's profit or loss for the years ended December 31, 2023 and 2022 will increase/decrease by NT$1,559 thousand and NT$1,677 thousand, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk arises primarily from fixed-rate borrowings and floating-rate borrowings.

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

The sensitivity analysis of interest rate risk is primarily for the exposed items at the end of the reporting period, including floating rate investments, floating rate borrowings, and interest rate swap contracts. It is assumed that they are held for one accounting year. When the interest rate rises/falls by 10 basis points, the Group's profit or loss for January 1 to December 31, 2023 and 2022 would decrease/increase by NT$757 thousand and NT$961 thousand, respectively.

Equity Price Risk

The Group holds unlisted equity securities whose fair values would be influenced by the uncertainties of the future values of those investments. The unlisted equity securities held by the Group are included in the category of financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The board of directors shall review all equity investment decisions and approve where appropriate.

For listed stocks in equity instrument investment measured at fair value through other comprehensive income, when the prices of these equity securities increased/decreased by 1%, there was no significant impact on the Group's interests for the years ended December 31, 2023 and 2022.

(4) Credit Risk Management

Credit risk refers to the risk of financial loss arising from a counterparty's failure to meet the obligations specified in a contract. The Group's credit risk arises from operating activities (primarily contract assets, accounts and notes receivable, and lease receivables) and financing activities (primarily bank deposits and various financial instruments).

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

As of December 31, 2023 and December 31, 2022, the contract assets and receivables from the Group's top ten customers accounted for 24% and 26% of the Group's total contract assets and receivables, respectively. The remaining contract assets and receivables are not subject to significant credit concentration risk.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with theGroup's policy. Since the Group's counterparties are determined through internal control procedures and are creditworthy banks and financial institutions with investment grades, corporate organizations and government agencies, there is no significant credit risk.

(5) Liquidity Risk Management

The Group maintains financial flexibility through cash and cash equivalents, highly liquid securities, bank borrowings, convertible bonds, and lease contracts. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest amounts of cash flows from interest paid at floating rates are derived from the yield curve at the end of the reporting period.

Non-Derivative Financial Liabilities

	Less than 1 year	**2 to 3 years**	**4 to 5 years**	**5 years or above**	**Total**
December 31, 2023					
Loans	$747,589	$280,535	$114,735	$79,602	$1,222,461
Accounts payable	983,080	-	-	-	983,080
Convertible bonds	-	236,300	-	-	236,300
Lease liabilities	32,037	46,837	18,214	135,860	232,948
December 31, 2022					
Loans	$835,526	$226,501	$218,936	$93,541	$1,374,504
Accounts payable	752,095	-	-	-	752,095
Lease liabilities	30,721	53,077	25,935	143,025	252,758

(6) Reconciliation of Liabilities from Financing Activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2023	$773,029	$587,524	$-	$669	$210,369	$1,571,591
Cash flows	(105,384)	(50,968)	532,846	3,947	(32,352)	348,089
Non-cash changes	-	-	(306,582)	-	13,769	(292,813)
Changes in exchange rates	97	5,207	-	-	1,675	6,979
December 31, 2023	$667,742	$541,763	$226,264	$4,616	$193,461	$1,633,846

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-Term Loans	Long-Term Loans	Corporate Bonds Payable	Guarantee Deposits Received	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2022	$785,946	$238,066	$484,555	$669	$212,934	$1,722,170
Cash flows	(25,858)	344,638	(500,000)	-	(30,549)	(211,769)
Non-cash changes	-	-	15,445	-	23,920	39,365
Changes in exchange rates	12,941	4,820	-	-	4,064	21,825
December 31, 2022	$773,029	$587,524	$-	$669	$210,369	$1,571,591

(7) Fair Values of Financial Instruments

1. The Valuation Techniques and Assumptions Applied in Determining the Fair Values

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

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

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

(3) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (e.g., factors affecting discount for lack of liquidity, the price-to-earning (P/E) ratio of similar entities and the price-to-book (P/B) ratio of similar entities).

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

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

2. Fair Value of Financial Instruments Measured at Amortized Cost

Except for cash and cash equivalents, accounts receivable, short-term loans, accounts payable, other current liabilities, long-term loans, and lease liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying Amount		Fair Value	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Financial assets				
Financial assets at amortized cost – non-current	$9,853	$7,980	$9,853	$7,980
Financial liabilities				
Corporate bonds payable	226,264	-	226,264	-

3. Fair Value Measurement Hierarchy for Financial Instruments

Please refer to Note 12.(9) for the fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

As of December 31, 2023 and 2022, the Group's derivative financial instruments (including embedded derivatives) that were not eligible for hedge accounting and were outstanding are listed as follows:

Embedded Derivatives

The embedded derivatives that the Company has identified because of the issuance of the convertible corporate bonds were already detached from the main contract, and were measured at fair value through profit or loss. Please refer to Note 6.(14) and Note 6.(15) for the contract information involved in this transaction.

The counterparties to the aforementioned derivative transactions are well-known domestic and foreign banks with good credit ratings, so the credit risk is low.

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

(9) Fair Value Level

1. Definition of Fair Value Hierarchy

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

Level 1: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date

Level 2: The observable input of the asset or liability, directly or indirectly, except for the quotation included in Level 1.

Level 3: Non-observable input of the asset or liability.

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

2. Hierarchy of Fair Value Measurement

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

December 31, 2023

	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$8,887	$-	$-	$8,887
Simple Agreement for Future Equity (SAFE)	8,010	-	-	8,010
Convertible corporate bonds with embedded derivative financial instruments	-	449	-	449
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	5,903	54,853
Liabilities measured at fair value:				
Financial liabilities measured at fair value through profit or loss				
Convertible corporate bonds with embedded derivative financial instruments	-	1,762	-	1,762

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Funds	$13,401	$-	$-	$13,401
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	48,950	-	3,401	52,351

Transfers Between Level 1 and Level 2 Fair Value Hierarchy

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy for the Group's assets and liabilities measured at fair value on a recurring basis.

Details on Changes in Repetitive Level 3 Fair Value Hierarchy

For those of the Group's assets and liabilities measured at fair value on a recurring basis that were categorized as Level 3, adjustments from beginning to ending balance are as follows:

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2023	$3,401
Total profits recognized for 2023:	
Recognized in other comprehensive income	
(listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	2,502
December 31, 2023	$5,903

	Measured at Fair Value Through Other Comprehensive Income
	Stock
January 1, 2022	$2,122
Total profits recognized for 2022:	
Recognized in other comprehensive income	
(listed under "Unrealized valuation gains (losses) from investments in equity instruments measured at fair value through other comprehensive income")	1,279
December 31, 2022	$3,401

Information on Material Unobservable Input of Level 3 Fair Value Hierarchy

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

December 31, 2023

	Valuation Technique	Significant Unobservable Input Value	Quantitative Information	Relationship Between Input and Fair Value	Value Relationship Between Input and Fair Value Through Sensitivity Analysis
Financial assets:					
Measured at fair value through other comprehensive income					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by NT$840 thousand (increase by NT$840 thousand)

December 31, 2022

	Valuation Technique	Significant Unobservable Input Value	Quantitative Information	Relationship Between Input and Fair Value	Value Relationship Between Input and Fair Value Through Sensitivity Analysis
Financial assets:					
Measured at fair value through other comprehensive income					
Stock	Market approach	Discount for the lack of liquidity	30%	The higher the degree of lack of liquidity, the lower the fair value estimate	When the percentage of lack of liquidity increases (decreases) by 10%, the equity in the Company will decrease by thousand (increase by NT$486 thousand)

3. Fair Value Hierarchy Disclosures of Items not Measured at Fair Value

December 31, 2023

	Level 1	Level 2	Level 3	Total
Liabilities not measured at fair value but for which the fair value is disclosed:				
Corporate bonds payable	$-	$226,264	$-	$226,264

As of December 31, 2022, the Company had no liabilities for which only the fair value was disclosed.

(10) Information on Foreign Currency Financial Assets and Liabilities with Significant Impact

Information regarding the Group's foreign currency financial assets and liabilities with significant impact is as below:

Unit: $1000

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	NT$	Foreign Currency	Exchange Rate	NT$
Financial Assets						
Monetary items:						
USD	$7,277	30.6550	$223,073	$7,489	30.6600	$229,610
EUR	5,623	33.7800	189,958	2,194	32.5200	71,354
RMB	29,688	4.3020	127,716	40,906	4.3830	179,292
Financial Liabilities						
Monetary items:						
USD	$2,183	30.7550	$67,130	$2,012	30.7600	$61,891
EUR	2,466	34.1800	84,295	2,008	32.9200	66,106
RMB	3,249	4.3520	14,141	5,395	4.4330	23,916

As the Group has functional currencies of various types, the foreign exchange gains and losses of monetary financial assets and liabilities cannot be disclosed by foreign currencies of significant influence. The Group's foreign currency exchange profit from January 1 to December 31, 2023 and 2022 was NT$33,643 thousand and NT$46,070 thousand, respectively.

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

(11) Capital Management

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

13. Supplemental Disclosures

(1) Information on Significant Transactions

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

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

3. End of period holding of marketable securities (excluding investments in subsidiaries, associated companies and jointly controlled entities): Please refer to Table 3.

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

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

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

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

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

9. Engage in trading of derivative products: Please refer to Note 6.(14), Note.6.(15) and Note 12.

10. Others: The business relationship and significant transactions between parent and subsidiary companies and the amounts are detailed in Table 6 attached.

(2) Information on Investments: Please refer to Table 7.

(3) Information on Investments in Mainland China: Please refer to Table 8.

(4) Information on Major Shareholders: Please refer to Table 9.

14. Segment Information

(1) The Group's main revenue comes from the sale of artificial hip joints, artificial knee joints, artificial spines, trauma products, and OEM products. The management has determined that the Group belongs to a single operating segment.

(2) Regional Information

Revenue from External Customers

	2023	2022
Taiwan region	$1,218,501	$982,441
Asian region	512,032	506,889
The Americas	842,015	657,987
Europe region	1,254,225	907,120
Africa region	79,530	95,460
Australia region	23,584	18,783
Total	$3,929,887	$3,168,680

Non-Current Assets

	December 31, 2023	December 31, 2022
Taiwan region	$2,235,260	$2,336,288
The Americas	230,927	172,831
Europe region	492,421	407,236
Japan region	74,474	57,703
Total	$3,033,082	$2,974,058

(3) Important Customer Information

For this period, there were no revenues from a single customer that amounted to 10% or more of the Group's total revenue.

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

Table 1 Capital Financing to Others as December 31, 2023

Unit: NT$ thousand

No.	Lending Company	Borrower	Account Item	Related Party or not	Current Maximum Amount	Ending Balance (Board of Directors Approved Amount)	Actual Disbursement Amount	Interest Rate Range	Nature for Financing	Amount of Business Transactions	Reasons for the Necessity of Short-Term Financing	Provision for Doubtful Accounts	Collateral		Limit on Loans Provided to a Single Party	Total Limit on Loans Provided
													Name	Value		
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Long-term receivables – related parties	Yes	$ 109,455	$ 109,455	$ 87,606	1.7376%	Business nature	$ 501,446	None	$ -	None	$ -	$ 264,335	$ 264,335
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Accounts receivable – related parties	Yes	25,540	25,540	-	1.7376%	Business nature	415,841	None	-	None	-	132,167	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium)	Long-term receivables – related parties	Yes	8,756	8,756	2,462	1.7376%	Business nature	16,788	None	-	None	-	16,788	132,167
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	Long-term receivables – related parties	Yes	14,594	14,594	3,819	1.7376%	Business nature	31,735	None	-	None	-	31,735	132,167

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

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

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

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

Table 2 Endorsements/Guarantees for Others as of December 31, 2023:

Unit: NT$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Endorsement/ Guarantee Limit for a Single Entity	Current Maximum Endorsement/ Guarantee Amount	Ending Endorsement/ Guarantee Balance	Actual Disbursement Amount	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent Company for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent Company	Endorsements/ Guarantees Provided for Subsidiaries in Mainland China
		Name of company	Relationship										
0	United Orthopedic Corporation	UOC USA, Inc.	100% controlled subsidiary	$ 264,335	$ 245,640	$ 245,640	$ 184,230	$ -	7.57%	$ 440,558	Y	N	N

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

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

Table 3 Marketable Securities Held at the end of the Period (Excluding investment in subsidiaries, associates and joint ventures) as of December 31, 2023:

Unit: NT$ thousand

Securities Holding Company	Types and Names of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Ledger Account	At the End of the Period				Remarks (Note 4)
				No. of Shares/Unit	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
	Stock							
United Orthopedic Corporation	Changgu Biotech Corporation	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	477,568	$ 4,131	16.09%	$ 4,131	None
United Orthopedic Corporation	Chailease Finance Co., Ltd.	The Company is a shareholder of this company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	500,000	48,950	0.03%	48,950	None
	Bond funds							
United Orthopedic Corporation	Capital Global Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	1,105,987	8,887	*	8,887	None
	Simple Agreement for Future Equity (SAFE)							
United Orthopedic Corporation	Redifine Surgery Inc.	-	Non-current financial assets measured at fair value through profit or loss	(Note 5)	8,010	(Note 5)	8,010	None
	Stock							
A-Spine Asia Co., Ltd.	SURGLASSES Inc.	The subsidiary is a shareholder of the company	Investments in equity instruments measured at fair value through other comprehensive income - non-current	235,040	1,772	2.99%	1,772	None

*The ones whose shareholding ratio is less than 0.01%.

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

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

Note 3: For accounts measured at fair value, please fill in the carrying amount after adjustment to fair value and deduct the accumulated impairment off the book value. If the account is not measured at fair value, please fill in the carrying amount after initial acquisition cost or amortization cost deduction of accumulated impairment.

Note 4: If the securities listed are restricted by the provision of guarantees, the pledge of loans or other regulations, the number of shares guaranteed or pledged and the usage and restrictions of the loan shall be specified in the Remark column.

Note 5: Redifine Surgery Inc. is a Simple Agreement for Future Equity (SAFE), so no shares have been issued yet.

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

Table 4 Related Party Transactions with Purchase or Sales Amount of at Least nt$100 Million or 20 Percent of the Paid-In Capital:

Unit: NT$ thousand

Companies That Imports (Sells) Goods	Counterparties	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Total Receivables (Payables) (%)	
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	Sales	($ 360,976)	(14.21%)	180 days	Note	Note	$ 216,701	13.60%	
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	Sales	($ 137,213)	(5.40%)	120 days	Note	Note	$ 164,615	10.33%	
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	Sales	($ 501,446)	(19.74%)	120 days	Note	Note	$ 712,843	44.74%	
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	Sales	($ 116,869)	(4.60%)	90 days	Note	Note	$ 114,954	7.21%	
United Orthopedic Corporation	United Medical Co., Ltd.	Associates	Purchase of goods	$ 166,420	20.58%	90 days	Note	Note	($ 12,506)	(6.61%)	
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	Sales	($ 358,482)	(58.58%)	90 days	Note	Note	$ 348,069	73.59%	

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

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

Table 5 Accounts Receivable from Related Parties of at Least nt$100 Million or 20% of the Paid-In Capital as of December 31, 2023:

Unit: NT$ thousand

Companies Recorded as Accounts Receivable	Name of Transacting Party	Relationship	Balance of Receivables from Related Parties	Turnover rate	Overdue Accounts Receivable from Related Parties		Amounts Collected from Related Parties After the Period	Provision for Doubtful Accounts
					Amount	Handling Method		
United Orthopedic Corporation	UOC USA, Inc.	Parent/Subsidiary	$ 216,701	2.43	$-	-	$ -	$ -
United Orthopedic Corporation	United Orthopedic Japan Inc.	Parent/Subsidiary	164,615	0.95	-	-	$ 10,152	-
United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	Parent/Sub-subsidiary	712,843	0.79	-	-	92,409	-
United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	Associates	114,954	1.21	-	-	14,450	-
United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	Sub-sub-subsidiary	348,069	1.16	-	-	85,076	-

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

Table 6 Business Relationships and Important Transactions between Parent and Subsidiary Companies:

Unit: NT$ thousand

No. (Note 1)	Name of Transacting Party	Counterparties	Relationship With the Transacting Party (Note 2)	Transaction Situation			
				Ledger Account	Amount	Terms of Trade	Ratio of Combined Operating Revenue or Combined Total Assets (Note 3)
2023							
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Sales revenue	$ 501,446	Note 4	12.52%
0	United Orthopedic Corporation	United Orthopedic Corporation (Suisse) SA	4	Accounts receivable	712,843	-	11.12%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Sales revenue	137,213	Note 4	3.43%
0	United Orthopedic Corporation	United Orthopedic Japan Inc.	1	Accounts receivable	164,615	-	2.57%
0	United Orthopedic Corporation	A-Spine Asia Co., Ltd.	1	Sales revenue	755	Note 4	0.02%
0	United Orthopedic Corporation	UOC USA, Inc.	1	Sales revenue	360,976	Note 4	9.01%
0	United Orthopedic Corporation	UOC USA, Inc.	1	Accounts receivable	216,701	-	3.38%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Sales revenue	358,482	Note 4	8.95%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (France)	6	Accounts receivable	348,069	-	5.43%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Sales revenue	16,788	Note 4	0.42%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation (Belgium) SA	6	Accounts receivable	28,837	-	0.45%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Sales revenue	31,735	Note 4	0.79%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedics Limited	6	Accounts receivable	34,366	-	0.54%
1	United Orthopedic Corporation (Suisse) SA	United Orthopedic Corporation	7	Sales revenue	82	Note 4	0.00%
2	United Orthopedic Corporation (France)	United Orthopedic Corporation (Suisse) SA	6	Sales revenue	2,824	Note 4	0.07%
2	United Orthopedic Corporation (France)	United Orthopedics Limited	6	Sales revenue	187	Note 4	0.00%
2	United Orthopedic Corporation (France)	United Orthopedics Limited	6	Accounts receivable	190	-	0.00%
3	United Orthopedics Limited	United Orthopedic Corporation (France)	6	Sales revenue	343	Note 4	0.01%

Note 1: Information on business dealings between the parent company and its subsidiaries should be noted separately in the number column. The method for filling in the numbers is as follows:
(1) For the parent company, fill in 0.
(2) Subsidiaries are numbered sequentially starting from Arabic numeral 1 for each company.

Note 2: There are seven types of relationships with transaction parties, just indicate the type:

1: Parent company to subsidiary
2: Subsidiary to parent company
3: Subsidiary to subsidiary
4: Parent company to sub-subsidiary
5: Subsidiary to sub-subsidiary
6: Sub-subsidiary to sub-subsidiary
7: Sub-subsidiary to parent company

Note 3: The ratio of transaction amount to consolidated total revenue or total assets shall be calculated as the ratio of ending balance to consolidated total assets for those belongs to balance sheet item. If it belongs to profit and loss accounts, it is calculated by the method of cumulative amount during the period divided by the consolidated total revenue.

Note 4: The terms and conditions of operating revenue and payment periods for the aforementioned related parties were not materially different from those of general export customers.

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

Table 7 Information on Investees:

Unit: NT$1000 / US$1000 / CHF 1000 / EUR 1000 / JPY 1000 / GBP 1000 / AUD 1000 / TRY 1000

Name of Investor	Name of Investee	Locations	Main Business Activities	Initial Investment Amount		Ending Balance			Current Profit (Loss) of Investees	Current Recognized Investment Profit (Loss)	Remark
				Current Ending Balance	End of Previous Year	Shares	Ratio	Carrying Amount			
United Orthopedic Corporation	UOC Europe Holding SA	Switzerland	Holding company	$ 420,142 (CHF 13,500)	$ 420,142 (CHF 13,500)	13,500 (Note 2)	96%	$ 140,295	$ 73,121	$ 70,196	Subsidiary
United Orthopedic Corporation	United Orthopedic Japan Inc.	Japan	Trading, wholesale	122,924 (JPY 419,725)	104,604 (JPY 339,724)	125,022 (Note 4)	96%	7,069	8,179	7,808	Subsidiary
United Orthopedic Corporation	A-Spine Asia Co., Ltd.	Taiwan	Trading, wholesale, manufacturing	386,481	386,481	10,089,696	75%	535,022	9,209	6,898	Subsidiary
United Orthopedic Corporation	UOC USA, Inc.	USA	Trading, wholesale	283,905 (USD 9,360)	283,905 (USD 9,360)	13,861,016 (Note 1)	100%	110,009	52,016	52,016	Subsidiary
United Orthopedic Corporation	United Orthopedic (Australia) Pty Ltd.	Australia	Trading, wholesale	16,49 (AUD 800)	413 (AUD 20)	800,001 (Note 7)	100%	10,016	(5,605)	(5,605)	Subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (Suisse) SA	Switzerland	Trading, wholesale	49,987 (CHF 1,550)	49,987 (CHF 1,550)	1,550 (Note 2)	100%	180,953	86,523	86,523	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (France)	France	Trading, wholesale	310,304 (EUR 8,782)	310,304 (EUR 8,782)	8,782 (Note 3)	100%	309,373	9,711	9,711	Sub-subsidiary
UOC Europe Holding SA	United Orthopedic Corporation (Belgium) SA	Belgium	Trading, wholesale	30,154 (EUR 900)	30,154 (EUR 900)	900 (Note 3)	100%	(5,131)	(2,748)	(2,748)	Sub-subsidiary
UOC Europe Holding SA	United Orthopedics Limited	United Kingdom	Trading, wholesale	20,840 (GBP 540)	20,840 (GBP 540)	540 (Note 6)	100%	14,964	(8,114)	(9,529)	Sub-subsidiary
United Orthopedic Corporation (Suisse) SA	U2 ORTHO ORTOPEDİK ÜRÜNLER TİCARETİ ANONİM ŞİRKETİ	Turkey	Trading, wholesale	52 (TRY 50)	- -	50 (Note 8)	100%	52	-	-	Sub-sub-subsidiary

Note 1: The face value per share is USD 0.68.
Note 2: The face value per share is CHF 1,000.
Note 3: The face value per share is EUR 1,000.
Note 4: The face value per share is JPY 2,045.
Note 5: The face value per share is TWD 10.
Note 6: The face value per share is GBP 1,000.
Note 7: The face value per share is AUD 1.
Note 8: The face value per share is TRY 1,000.
Note 9: The amortization effect of the share of the intangible assets arising from the acquisition of Crown Asia Technologies Co., Ltd. by the Company in proportion to its shareholding was not deducted from NT$4,474 thousand.

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

Table 8 Information on Investments in Mainland China:

Unit: NT$ thousandUnit: NT$ thousandUnit: NT$ thousand/ RMB 1,000

Name of Investees in Mainland China	Main Business Activities	Paid-In Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Current Profit (Loss) of Investees	Shareholding Ratio Directly or Indirectly Invested by the Company	Current Profit and Loss	Carrying Value of Investments at End of Period	Accumulated Investment Income Repatriated at end of Period
					Remitted	Repatriated						
Shinva United Orthopedic Corporation	Implants, artificial joint Production and sales	$ 1,575,911 (CNY 331,500,000)	(Note 1)	$ 704,464 (CNY 147,000,000)	$ -	$ -	$ 704,464 (CNY 147,000,000)	$ (164,347)	44%	$ (76,416)	$ 372,254	$ -

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at end of Period	Amount of Investments Authorized by Department of Investment Review, MOEA.	Ceiling on Amount of Investments in Mainland China Stipulated by Department of Investment Review, MOEA
$ 704,464 (CNY 147,000,000)	$ 704,464 (CNY 147,000,000)	$ 2,156,444

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

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

Table 8-1 The Significant Transactions Between the Group, Either Directly or Indirectly Through Third-Area Businesses and Investees in Mainland China, Are as Follows

(1) Purchase Amounts and Percentages, and Ending Balances and Percentages of Related Payables:

Unit: NT$ thousandUnit: NT$ thousandUnit: NT$ thousand/ RMB 1,000

Year	Name of Transacting Party	Name of Company	Cost of Goods Purchased	Percentage (%) of the Company's Purchases	Ending Balance of Accounts Payable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Co., Ltd.	$ 166,420	20.58%	$ 12,506	6.61%
2023	United Orthopedic Corporation	Shanghai Lianyi Biotechnology Co., Ltd.	11,654	1.44%	-	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	147	0.02%	876	0.46%
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	557	0.07%	-	0.00%
2023	A-Spine Asia Co., Ltd.	United Medical Co., Ltd.	777	1.63%	-	0.00%

(2) Sale amounts and percentages, and ending balances and percentages of related receivables:

Year	Name of Transacting Party	Name of Company	Amount of Sales	Percentage (%) of the Company's Sales	Ending Balance of Accounts Receivable	Percentage (%)
2023	United Orthopedic Corporation	United Medical Instrument (Shanghai) Co., Ltd.	$ 116,869	4.60%	$ 114,954	7.21%
2023	United Orthopedic Corporation	United Medical Co., Ltd.	693	0.03%	58	0.00%
2023	United Orthopedic Corporation	Shinva United Orthopedic Corporation	1,431	0.06%	1,339	0.08%
2023	A-Spine Asia Co., Ltd.	Shanghai Lianyi Biotechnology Co., Ltd.	13,432	3.43%	4,895	5.40%

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

(4) Maximum balance, ending balance, interest rate range and total current interest during the period for financing:
None.

(5) Other transactions that had a material effect on current profit or loss or financial position:
None.

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

Table 9 Disclosure of Information on Major Shareholders:

Shares / Name of Major Shareholders	Number of Shares Held	Percentage of Ownership
There are no shareholders holding more than 5% of shares at the end of the period.		

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation (TDCC). As for the share capital recorded in the Company’s financial reports and the Company’s actual number of shares delivered registration of non-physical securities, there may be differences between the two due to differences in the basis of the calculation.

Note 2: If the aforementioned information concerns shareholders registering their shareholding as insider holding more than 10 percent of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to the Market Observation Post System (MOPS) for information on insider equity registration.