

Pacific Hospital Supply Co., Ltd.

2008 Annual General Shareholder Meeting

Manual of Meeting

Date & Time: 9.00am, (Monday) June 11 of 2008

Location: No.22-1, Jhusen, Jhusen Village, Tongluo Township, Miaoli County
(Jhusen Community Center of Tongluo Township)

Chair: The President Lee Yuan-Yong

- . Report attended shareholding number and proposed to begin the meeting.
- . Speech from the Chair
- . Report Items
- . Recognition Items
- . Discussion Items
- . Other Proposals
- . Motion
- . The End

Report Items

Report #1

Addressed by Board of Directors

Subject: Present the Company's Operating and Financial Reports of fiscal year 2007 for you all to review.

Description: Please refer to the appendix of this Meeting Manual.

Report #2

Addressed by Board of Directors

Subject: Present the Supervisor's Report regarding the Financial Statements of fiscal year 2007 for you all to review.

Description: Please refer to the appendix of this Meeting Manual.

Report #3

Addressed by Board of Directors

Subject: Present the amendment of the Company's "Regulations of Meeting Procedure for Board of Directors" for you all to review.

Description:

1. In order to meet the amendments of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" by the competent authority and strengthening the Board of Directors' administration functions, therefore the Company's "Regulations of Meeting Procedure for Board of Directors" were amended
2. Please refer to the appendix of this Meeting Manual regarding the comparison table of the amended articles and contents of the "Regulations of Meeting Procedure for Board of Directors".

Recognition Items

Recognition #1

Addressed by Board of Directors

Subject: Present the Company's Operating Report and Financial Statements of the 2006 fiscal year for you all to recognize.

Description:

1. The Company's Balance Sheet, Profit and Loss Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the Consolidated Financial Report from the 2007 fiscal year, these have all had the auditing process completed and the Independent Auditor's Report by the accountant Liu Jiang-Bao and Chen Jhao-Min from the Deloitte & Touche has been issued. Please refer to the appendix of this Meeting Manual.
2. The above-mentioned Financial Statements for the 2007 fiscal year, that have been approved by the fifth conference of the eleventh board of directors of the Company and completed the auditing by the supervisors. Hereby are presented for recognition in conformity with the law.

Resolution:

Recognition #2

Addressed by Board of Directors

Subject: Address the proposal of the Company's earning distribution for the 2007 fiscal year for your recognition.

Description:

1. After summed the Company's profit before tax NTD\$118,469,311 in the 2007 fiscal year, and deducted income tax fee NTD\$1,225,749, and then added in the accumulated retained earnings NTD\$5,975,193 from the prior period, the available figure of the Company's earnings for the current period amounts to NTD\$123,218,755.
2. In accordance with the Company Regulation, the Company apportioned NTD\$11,724,357 for legal reserve, NTD\$83,657,874 for shareholder's bonus, NTD\$13,250,000 for employee bonus and NTD\$1,280,000 as remuneration for directors and supervisors. In among, the Company issued NTD\$16,731,574 for the shareholders' bonus, NTD\$2,650,000 for employee bonus and NTD\$1,280,000 for the remuneration of

directors and supervisors all by cash. (Please refer to the page 33 in the appendix of this Meeting Manual.)

3. The proposal of Recognition #2 has been approved by the fifth conference of the eleventh board of directors of the Company. Hereby are presented, for recognition in conformity with the law.

Resolution:

Discussion Items

Discussion #1

Addressed by Board of Directors

Subject: Submit the proposal Discussion #1 regarding to the Company's earnings for dividend issuance for the 2007 fiscal year for you all to resolve.

Description:

1. Regarding the distribution of earnings for the 2007 fiscal year, in order to implement the Company's dividend policy and to carry out planning for capital, therefore distributed the cash dividend NTD\$0.4 per share and the stock dividend NTD\$1.60000013 per share to the shareholders, with a total appropriated bonus NTD\$83,657,874 for the shareholders.
2. The issuance of the stock dividend to the shareholders from the earnings for the 2007 fiscal year is issued 160.000013 shares per 1000 shares based on the shares on the shareholder lists on the base day for share issuance. In the case of the issuance being less than a share, then the shareholders can combine to one share and issue, and they must register to the Company's stock agency five days within the base day for share issuance. The short amount can be converted into cash, and as for the fractional shares, the directors can offer particular persons to buy after authorized by the board of the directors.
3. The issuance of the case dividend to the shareholders from the earnings for the 2007 fiscal year, is issued NTD\$400 per 1000 shares based on the shares on the shareholder lists on the base day for dividend issuance. In the case of the cash dividend being less than NTD\$1, then the amount will transfer to the Employees' Welfare Committee of Pacific Hospital Supply Co., Ltd.
4. Regarding the proposal of the Company's earnings issuance for stock dividend for the 2007 fiscal year, hereby submits it to the General Shareholder Meeting for approval. And once it's approved by the competent authority, then the board of directors will be authorized to setup the ex-rights base day for the share issuance or dividend issuance. If there's any employee from the Company, using his/her stock option certificate for exercising his/her rights on purchase the stocks before the base day for share/dividend issuance, and effects the number of the Company's stocks on the market, and further causes the changes of the shareholders' share distribution summary or dividend distribution amount, for those matters, hereby address it to the General Shareholder Meeting to authorize the board of the directors to deal with the relevant issues.

5. Please make a resolution.

Resolution:

Discussion #2

Addressed by Board of Directors

Subject: Submit the proposal Discussion #2 regarding to the Company's earnings and employees' bonus transfer to increase the capital and publish new shares for the 2007 fiscal year for you all to resolve.

Description:

1. In order to strengthen the Company's competitiveness and the concerns of the mid and long term financial planning, also to prepare the needs of future operating funds, therefore regarding the earnings distribution from the stock for the fiscal year 2007, we plan transferring to increase capital for publishing 7,752,630 shares at NTD\$10 par, a total NTD\$77,526,300 from shareholder's bonus NTD\$66,926,300 and employee's bonus NTD\$10,600,000. The paid-in capital before capital increase is NTD\$418,289,340, and NTD\$495,815,640 after capital increased. The total issued shares after published new stock is 49,581,564 shares.
2. The Company's earnings distribution of shareholder's share bonus transfer to increase the capital to publish new shares for fiscal year 2007, the shareholders will be issued the issuance of new bonus share 160.000013 shares per 1000 shares based on the shares on the shareholder lists on the base day for share issuance.
3. The shares allotment operation to increase the capital out of the employees' bonus, plan to be executed according to the Company's "Employee Stock Ownership Acts".
4. The rights and obligations of the new published stocks from the increase capital are the same as the issued stocks.
5. The ex-rights base day for share issuance will be established by the board of the directors once finalized by the shareholder meeting and approved by the competent authority,
6. Present above proposals for you to resolve.

Resolution:

Discussion #3

Addressed by Board of Directors

Subject: Submit the amendment of the Company' s "Company Regulations" to you to resolve.

Description:

1. In order to meet the laws and regulations of the competent authority and the needs of the Company' s operation, therefore amended the "Company Regulations".
2. Regarding the comparison table of the amended contents of the "Company Regulations", please refer to the appendix of the Meeting Manual.
3. Present Discussion #3 for you to resolve.

Resolution:

Discussion #4

Addressed by Board of Directors

Subject: Submit the amendment of the Company' s "Election Act for Directors and Supervisors" to you to resolve

Description:

1. In order to meet the laws and regulations of the competent authority and the needs of the Company' s administration, therefore amended the "Election Act for Directors and Supervisors".
2. Regarding the comparison table of the amended contents of the "Election Act for Directors and Supervisors", please refer to the appendix of the Meeting Manual.
3. Present Discussion #4 for you to resolve.

Resolution:

Others:

Motion:

The End

Pacific Hospital Supply Co., Ltd.**Operating Report of Fiscal Year 2007**

With all of the employees pulling together their efforts, the Pacific Hospital Supply Co., Ltd. showed a well operating performance in 2007, and exceeded another high records on the Company's revenue and profit. Hereby brief reports the operating and financial status of 2007 and the operating plan and vision for 2009 are listed below:

【 2007 Operating Report 】**(1) Operating Revenue & Expenditure:**

The revenue of 2007 is NTD\$832,847,000, which compares to the operating revenue in 2006 has grown 12.7%; the operating cost is NTD\$591,975,000, operating expense NTD\$131,272,000, non-operating revenue and gain is NTD\$15,273,000, non-operating expense and lost NTD\$6,404,000, profit before tax NTD\$118,469 and income tax fee NTD\$1,225,000.

(2) Profitability and Financial Receipt & Expenditure:

The earnings after tax of 2007 is NTD\$117,244,000, which has increased NTD\$38,527,000 and grown 48.9% comparing to NTD\$78,717,000 of 2006.

The net cash revenue from operating activities is NTD\$105,901,000, the net cash expense from investment activities NTD\$61,838,000, net cash outflow from financing NTD\$81,013,000, cash balance of the end of the period NTD\$185,279,000. The total assets at the end of 2007 is NTD\$845,143,000, and the liabilities is NTD\$208,665,000. So the financial structure and the solvency are both stable and normal.

(3) Status of Budget Execution:

The Company reviewed the budget execution of 2007 which has no significant variation or change. Only the remarkable decrease on the income tax of 2007 which is caused by the investment tax allowance recognized. Moreover, the Company devoted to the cost control and the rationalization operations, which has boosted the production efficiency and further increased the earnings after tax.

(4) Formed of Capital:

Up to the end of 2007, the Company's paid-in capital is NTD\$418,153,180, the Company's capital hasn't seen any large variation.

(5) Research and Development Status

The Company continues investing resources to the R&D, the R&D expense in 2007 is

NTD\$15,002,000, compares to 2006 it has grown 28.7%. In among, has applied approx. 30 patterns and fulfilled the related measures to protect Company's intellectual property rights.

【 Outline of Operating Plan for 2008 】

In 2008, the Company's operating aims at the "Continuing innovation and research and development, implant and expand markets, boost operating performance, cost control and rationalize thoroughly, and strengthen core competence", as the orientation of the strategy and implement its execution. Meanwhile, the Company will also actively expand business scope and product fields, hoping thru the stable growth of the overall operation revenue and profit, to develop the enterprise value and establish a good image. Cultivate excellent and talented employees with great loyalty, formulate business layout and amplify on assets efficiency and so on. The above-mentioned are the goals that the Company is striving for.

【 Future Development Strategy 】

The Company has been striving to develop new products, boosting quality and satisfying client's needs, also has gained the certificates of ISO13485, ISO9001, Europe's CE Mark, USA's FDA and UL, and Taiwan's GMP etc. Since the establishment of more than three decades, the Company has become the professional pioneer supplier of medical equipment and medical organization engineering, the products are more than 700 items, provide customers a comprehensive service, also winning an outstanding reputation in the market. Besides providing OBM, ODM and OEM services, the Company has even reached the achievements on the advanced countries, USA, Japan and in the Europe, who require a higher quality standard, which is sufficient to prove that the Pacific Hospital Supply Co., Ltd also gained the trust and reputation in the international clients as well. Meanwhile, the business of the self-owned brands "PAHSCO" and "good-flow" also remains steady growth, nevertheless, the Company is still expecting to acquire purchase orders from the global major companies and cultivate the markets for the self-owned brands in the coming future, and expand the Company's scale with the stable and solid development strategy, hoping to be the number one medical equipments manufacturer and supplier in the region.

【 Condition by External Competition 】

The domestic medical equipment suppliers mainly focus on the relevant consumptive or home care products, and the markets of such types of products are easily effected by the low-cost manufacturers from the Mainland China or Southeast Asia with low-pricing competition. Therefore, how to handle the industrial and products development trends, strengthen the self competition

advantage, advance production process technology and added value and continue innovation and research and development, has become the Company's key resolutions to the outer challenges.

【 Condition of Laws and Regulations 】

In the recent years, the safety of the medical equipment has gradually been seeing importance from the worldwide market; every country has even legislated for it. Due to the development of the information networks, there are many countries that have established a medical equipment reporting system for various controls to the medical equipment. The Company had completed the certificate and approval before selling the products to the advanced countries like the Europe, USA and Japan. Taiwan began to enforce the mechanism of the "Authorized to Register Medical Devices" on April 12, 2006, in which that all the medical equipments for the use in Taiwan must be granted the serial number of the registration certificate by the Department of Health, Executive Yuan before they can be sold to the medical institutions or pharmacies. The Company acquired the certificates for various products in accordance with the regulations and laws of different countries, for ensuring the reliability, safety and effectiveness of each ranges of our products.

【 Influence by Overall Operating Condition and Envision Future 】

With the coming of the aging society and the needs of the merging countries, furthermore the rise in health consciousness, which further advances the positive development of the medical equipment industry, and the government also actively encourages the promotion of medical and biotechnical and relevant industries recently, so that we can expect a great prospect in the future. The annual production volume of the domestic medical industry is appeared to be increasing yearly, therefore we predict that there will be a huge growth potential this year. Due to benefits from the capacity expanding by the new factory, cost control and the efficiency of the investment tax allowance in 2007, the Company has achieved good results, but we still keep a great expectation to the future with the positive attitude, hoping that every valued shareholder can hold the support and believe in the Pacific Hospital Supply, continue giving us countenances and comments, the whole employees of the Company will devote their every effort, to create the profits for returning to you. Lastly, hereby we represent the entire staffs of the Pacific Hospital Supply Co., Ltd, presenting the sincerest appreciation and best wishes to all shareholders.

Best wishes.

Sincerely Yours,

Lee Yuan-Yong
The Present

Chong Ren
The General Manager

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Pacific Hospital Supply Co., Ltd.

We have audited the accompanying balance sheets of Pacific Hospital Supply Co., Ltd. as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Hospital Supply Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Pacific Hospital Supply Co., Ltd. and subsidiaries as of and for the years ended December 31, 2007 and 2006 on which we have issued an unqualified opinion in our report dated January 25, 2008.

January 25, 2008

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors' report and financial statements shall prevail.

PACIFIC HOSPITAL SUPPLY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalent (Notes 2, 4 and 20)	\$ 185,279	22	\$ 222,229	27	Short-term bank loans (Note 11)	\$ 10,000	1	\$ 20,000	2
Notes receivable, net (Notes 2, 5 and 6)	29,806	3	26,461	3	Notes payable	29,576	4	70,920	9
Accounts receivable, net (Notes 2 and 6)	94,805	11	96,350	12	Accounts payable	66,606	8	32,760	4
Other receivables (Notes 2 and 6)	6,010	1	4,250	1	Income tax payable (Notes 2 and 16)	4,157	-	13,057	1
Inventories, net (Notes 2 and 7)	150,518	18	139,574	17	Accrued expenses	55,580	7	46,614	6
Constructions in progress, net (Notes 2 and 8)	25,539	3	15,442	2	Advances - sales revenue	21,850	3	16,663	2
Deferred income tax assets - current (Notes 2 and 16)	18,403	2	7,326	1	Advances - construction, net (Notes 2 and 8)	3,372	-	6,142	1
Restricted assets - current (Notes 4 and 20)	8,885	1	6,900	1	Current portion of long-term bank loans (Notes 12 and 20)	-	-	930	-
Prepayments and other current assets	<u>6,186</u>	<u>1</u>	<u>3,771</u>	<u>-</u>	Other current liabilities	<u>1,927</u>	<u>-</u>	<u>5,331</u>	<u>1</u>
Total current assets	<u>525,431</u>	<u>62</u>	<u>522,303</u>	<u>64</u>	Total current liabilities	<u>193,068</u>	<u>23</u>	<u>212,417</u>	<u>26</u>
LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 9)	<u>7,847</u>	<u>1</u>	<u>8,233</u>	<u>1</u>	LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 12 and 20)	<u>-</u>	<u>-</u>	<u>925</u>	<u>-</u>
PROPERTIES (Notes 2, 10 and 20)					OTHER LIABILITIES				
Cost					Accrued pension liability (Notes 2 and 13)	15,567	2	13,241	2
Land	11,638	1	11,638	1	Guarantee deposits received	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>
Building	167,052	20	105,946	13	Total other liabilities	<u>15,597</u>	<u>2</u>	<u>13,271</u>	<u>2</u>
Machinery equipment	184,677	22	152,750	19	Total liabilities	<u>208,665</u>	<u>25</u>	<u>226,613</u>	<u>28</u>
Transportation equipment	9,463	1	9,314	1	SHAREHOLDERS' EQUITY				
Leasehold improvements	16,128	2	16,128	2	Capital stock: \$10 par value; authorized - 60,000 thousand shares; issued - 41,815 thousand shares in 2007 and 41,443 thousand shares in 2006	<u>418,153</u>	<u>49</u>	<u>414,430</u>	<u>51</u>
Miscellaneous equipment	<u>74,378</u>	<u>9</u>	<u>61,320</u>	<u>8</u>	Capital surplus from stock issued in excess of par value	<u>64,858</u>	<u>8</u>	<u>64,826</u>	<u>8</u>
Less: Accumulated depreciation	<u>463,336</u>	<u>55</u>	<u>357,096</u>	<u>44</u>	Retained earnings				
	<u>171,512</u>	<u>20</u>	<u>141,595</u>	<u>17</u>	Legal reserve	31,005	4	23,133	3
Constructions in progress	-	-	49,209	6	Unappropriated earnings	<u>123,219</u>	<u>14</u>	<u>86,760</u>	<u>10</u>
Prepayment for equipment	<u>3,436</u>	<u>-</u>	<u>3,031</u>	<u>-</u>	Total retained earnings	<u>154,224</u>	<u>18</u>	<u>109,893</u>	<u>13</u>
Net properties	<u>295,260</u>	<u>35</u>	<u>267,741</u>	<u>33</u>	Net loss not recognized as pension cost	<u>(757)</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED PENSION COST (Notes 2 and 13)	<u>7,153</u>	<u>1</u>	<u>5,286</u>	<u>1</u>	Total shareholders' equity	<u>636,478</u>	<u>75</u>	<u>589,149</u>	<u>72</u>
OTHER ASSETS					TOTAL	<u>\$ 845,143</u>	<u>100</u>	<u>\$ 815,762</u>	<u>100</u>
Refundable deposits (Note 19)	6,281	1	6,667	1					
Deferred charges (Note 2)	1,257	-	868	-					
Overdue receivables, net (Notes 2 and 6)	-	-	2,675	-					
Deferred income tax assets - noncurrent (Notes 2 and 16)	<u>1,914</u>	<u>-</u>	<u>1,989</u>	<u>-</u>					
Total other assets	<u>9,452</u>	<u>1</u>	<u>12,199</u>	<u>1</u>					
TOTAL	<u>\$ 845,143</u>	<u>100</u>	<u>\$ 815,762</u>	<u>100</u>					

The accompanying notes are an integral part of the financial statements.

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
REVENUE (Notes 2 and 19)				
Sales	\$ 719,747	87	\$ 621,303	84
Less: Sales returns and allowances	<u>(7,270)</u>	<u>(1)</u>	<u>(3,354)</u>	<u>-</u>
Net sales	712,477	86	617,949	84
Construction	112,090	13	112,009	15
Services	<u>8,280</u>	<u>1</u>	<u>8,968</u>	<u>1</u>
Total net revenue	<u>832,847</u>	<u>100</u>	<u>738,926</u>	<u>100</u>
COSTS (Notes 2 and 17)				
Sales	508,427	61	449,610	61
Construction	76,814	9	82,406	11
Services	<u>6,734</u>	<u>1</u>	<u>5,495</u>	<u>1</u>
Total costs	<u>591,975</u>	<u>71</u>	<u>537,511</u>	<u>73</u>
GROSS PROFIT	<u>240,872</u>	<u>29</u>	<u>201,415</u>	<u>27</u>
OPERATING EXPENSES (Notes 17 and 19)				
Marketing	55,453	7	42,788	6
General and administrative	60,817	7	56,112	8
Research and development	<u>15,002</u>	<u>2</u>	<u>11,653</u>	<u>1</u>
Total operating expenses	<u>131,272</u>	<u>16</u>	<u>110,553</u>	<u>15</u>
OPERATING INCOME	<u>109,600</u>	<u>13</u>	<u>90,862</u>	<u>12</u>
NONOPERATING INCOME AND GAINS				
Interest income	1,906	-	1,752	-
Gain on disposal of properties	601	-	9,981	1
Gain on disposal of investments	-	-	863	-
Foreign exchange gain, net	7,416	1	3,774	1
Revenue from sales of scraps	1,275	-	720	-
Others	<u>4,075</u>	<u>1</u>	<u>5,269</u>	<u>1</u>
Total nonoperating income and gains	<u>15,273</u>	<u>2</u>	<u>22,359</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,307	-	1,659	-
Investment loss recognized by the equity method (Note 9)	231	-	314	-
Loss on disposal of properties	243	-	6,107	1

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
Loss on sale of investments	\$ 15	-	\$ -	-
Loss on physical inventory, net	28	-	17	-
Loss on market price decline and obsolete inventories	4,400	1	355	-
Others	<u>180</u>	<u>-</u>	<u>2,933</u>	<u>-</u>
Total nonoperating expenses and losses	<u>6,404</u>	<u>1</u>	<u>11,385</u>	<u>1</u>
INCOME BEFORE INCOME TAX	118,469	14	101,836	14
INCOME TAX EXPENSES (Notes 2 and 16)	<u>1,225</u>	<u>-</u>	<u>23,119</u>	<u>3</u>
NET INCOME	<u>\$ 117,244</u>	<u>14</u>	<u>\$ 78,717</u>	<u>11</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 2.85</u>	<u>\$ 2.82</u>	<u>\$ 2.63</u>	<u>\$ 2.03</u>
Diluted	<u>\$ 2.84</u>	<u>\$ 2.81</u>	<u>\$ 2.43</u>	<u>\$ 1.88</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Capital Stock Issued		Certificates of Bond-to-stock Conversion		Capital Surplus - Issue of Stock in Excess of Par Value (Note 14)	Retained Earnings (Notes 2, 14, 15 and 16)			Other Equity		Total Shareholders' Equity
	Shares (Thousands)	Amount	Shares (Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Total	Net Loss Not Recognized as Pension Cost (Note 13)	Treasury Stock (Note 15)	
BALANCE, JANUARY 1, 2006	39,375	\$ 393,745	-	\$ -	\$ 49,894	\$ 20,206	\$ 31,170	\$ 51,376	\$ -	\$ -	\$ 495,015
Appropriation of 2005 earnings											
Legal reserve	-	-	-	-	-	2,927	(2,927)	-	-	-	-
Cash dividends - \$0.419 per share	-	-	-	-	-	-	(15,762)	(15,762)	-	-	(15,762)
Remuneration to directors and supervisors	-	-	-	-	-	-	(400)	(400)	-	-	(400)
Stock bonus to employees	-	-	-	-	-	-	(2,350)	(2,350)	-	-	(2,350)
Issuance of stock upon exercise of stock options	866	8,662	-	-	47	-	-	-	-	-	8,709
Convertible bonds converted to capital stock	3,002	30,023	-	-	17,164	-	-	-	-	-	47,187
Net income in 2006	-	-	-	-	-	-	78,717	78,717	-	-	78,717
Treasury stock buy back - 1,800 thousand shares	-	-	-	-	-	-	-	-	-	(21,967)	(21,967)
Treasury stock write off - 1,800 thousand shares	(1,800)	(18,000)	-	-	(2,279)	-	(1,688)	(1,688)	-	21,967	-
BALANCE, DECEMBER 31, 2006	41,443	414,430	-	-	64,826	23,133	86,760	109,893	-	-	589,149
Appropriation of 2006 earnings											
Legal reserve	-	-	-	-	-	7,872	(7,872)	-	-	-	-
Cash dividends - \$1.5 per share	-	-	-	-	-	-	(62,363)	(62,363)	-	-	(62,363)
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,050)	(1,050)	-	-	(1,050)
Stock bonus to employees	-	-	-	-	-	-	(9,500)	(9,500)	-	-	(9,500)
Issuance of stock upon exercise of stock options	372	3,723	-	-	32	-	-	-	-	-	3,755
Net income in 2007	-	-	-	-	-	-	117,244	117,244	-	-	117,244
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(757)	-	(757)
BALANCE, DECEMBER 31, 2007	<u>41,815</u>	<u>\$ 418,153</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 64,858</u>	<u>\$ 31,005</u>	<u>\$ 123,219</u>	<u>\$ 154,224</u>	<u>\$ (757)</u>	<u>\$ -</u>	<u>\$ 636,478</u>

The accompanying notes are an integral part of the financial statements.

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 117,244	\$ 78,717
Depreciation and amortization	32,829	29,777
Bad debts	6,651	3,510
Loss on market price decline and obsolete inventories	4,400	355
Loss (gain) on disposal of investments	15	(863)
Investment loss recognized by the equity method	231	314
Gain on disposal of properties, net	(358)	(3,874)
Accrued interest compensation	-	590
Deferred income taxes	(11,002)	2,450
Accrued pension liabilities	(298)	(415)
Net changes in operating assets and liabilities		
Notes receivable	(3,344)	(5,602)
Accounts receivable	306	2,789
Other receivables	(1,754)	7,863
Inventories, net	(15,344)	(32,246)
Construction in progress, net	(10,097)	(4,845)
Prepayments and other current assets	(2,415)	4,499
Overdue receivables	(2,744)	(5,759)
Notes payable	(41,344)	15,250
Accounts payable	33,846	3,268
Income tax payable	(8,900)	13,057
Accrued expenses	8,966	14,296
Other payables	-	(2,376)
Advances for sales revenue	5,187	4,536
Advances for construction, net	(2,770)	(550)
Other current liabilities	<u>(3,404)</u>	<u>2,115</u>
Net cash provided by operating activities	<u>105,901</u>	<u>126,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments accounted for by equity method	140	-
Proceeds from disposal of available-for-sale financial assets	-	16,820
Decrease (increase) in restricted assets - current	(1,985)	83
Acquisition of properties	(60,082)	(73,867)
Proceeds from disposal of properties	1,023	13,851
Decrease (increase) in refundable deposits	386	(1,196)
Increase in deferred charges	<u>(1,320)</u>	<u>(505)</u>
Net cash used in investing activities	<u>(61,838)</u>	<u>(44,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(10,000)	-
Repayments of long-term bank loans	(1,855)	(906)
Issuance of stock due to exercise of stock options	3,755	8,709

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
Cash dividends	\$ (62,363)	\$ (15,762)
Cost of treasury stock buy back	-	(21,967)
Remuneration to directors and supervisors	<u>(10,550)</u>	<u>(2,750)</u>
Net cash used in financing activities	<u>(81,013)</u>	<u>(32,676)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,950)	49,366
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>222,229</u>	<u>172,863</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 185,279</u>	<u>\$ 222,229</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,308	\$ 1,675
Income tax paid	21,127	7,612
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	-	928
Convertible bonds converted to capital stock and capital surplus	-	47,187
Restricted assets transferred to fixed assets	-	34,212

The accompanying notes are an integral part of the financial statements.

(Concluded)

PACIFIC HOSPITAL SUPPLY CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Pacific Hospital Supply Co., Ltd. (the “Company”) manufactures, processes and sells medical disposable products and equipment and does medical engineering work on centralized gas piping systems.

The Company’s common shares were listed on the exchange of the GreTai Securities Market (GTSM) in February 2004.

As of December 31, 2007 and 2006, the Company had 500 and 482 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in conformity with the Guidelines Governing the preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventory, depreciation of property, plant and equipment, pension cost and loss on pending litigation. Actual results may differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the original Chinese version or if difference arise in the interpretation between the two versions, the Chinese-version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales are recognized when titles to products and evident risks of ownerships are transferred to customers, primarily upon shipment, since the earnings process is almost completed and revenues are realized or realizable. Sales returns and allowances are subtracted from gross sales, and the related costs of goods are eliminated. Sales are not recognized on the shipment of raw materials to subcontractors for further processing since the shipment does not involve a transfer of ownership titles and risks.

Sales are determined at fair value, taking into account related sales discounts agreed to by the Company and customer. Since receivables from sales are collectible within one year and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received.

On the accounting for construction revenue, please refer to the section "Construction Contracts" on the preceding page.

Service revenues are recognized when services are rendered.

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company evaluate doubtful accounts based on the outstanding account analysis, credit ratings, and economic environment analysis, and periodically evaluate the collectibility of each account.

Inventories

Inventories, including raw materials, finished products and work in process, are stated at the lower of weighted-average cost or market value. An allowance for losses is recognized for obsolete and slow-moving items. Market value refers to replacement cost of raw materials and to net realizable value of finished goods and work in process.

Construction Contracts

Revenues of construction contracts are recognized using the completed-contract method since the construction periods are less than one year. Provisions for estimated losses on uncompleted contracts are recognized in the period in which these losses are determined. Any reduction of the estimated losses will be recognized as income in the periods these reductions are determined.

Upon the completion of a project, the advances for construction and construction in progress are recognized as construction revenue and cost, respectively. On balance sheet dates, if the balance of the construction in progress for each project exceeds the related advances, the excess is classified under current assets; conversely, the excess is classified under current liabilities.

Long-term Stock Investments Accounted for by the Equity Method

A long-term stock investment in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on the investee is accounted for by the equity method.

On the balance sheet date, the Company evaluates investments for any impairment. An impairment loss is recognized and charged to current income if the investment carrying amount as of the balance sheet date exceeds the expected recoverable amount. Investments in which the Company has significant influence over investees are tested for impairment separately at their carrying amounts. Investments in which the Company has significant control over investees are tested for impairment based on the cash flow of consolidated financial statements.

Equity-method investments are stated at cost plus (or less) the proportionate share in the investees' net earnings (or net losses). The share in net earnings or losses of the investees is recognized as investment income or loss, and cash dividends received are recognized as a reduction of the carrying value of the investments. Stock dividends received are accounted for only as increases in the number of shares held and are not recognized as investment income. Cost or carrying value per share is recomputed on the basis of total shares after stock dividends are received. Provisions for estimated losses are recognized in the period in which these losses are determined.

Properties, Plant and Equipment

Properties, plant and equipment are stated at cost less accumulated depreciation. Major additions and improvements are capitalized, while cost of repairs and maintenance are expensed currently.

Provisions for estimated losses on properties are recognized in the period in which these losses are determined. Any reduction of the estimated losses will be recognized as income in the periods these reductions are determined, with maximum income set at original book value minus depreciation.

Depreciation is calculated using the straight-line method over service lives estimated as follows: buildings, 2 to 50 years; machinery and equipment, 2 to 20 years; transportation equipment, 1 to 5 years; leasehold improvements, 2 to 5 years; and miscellaneous equipment, 2 to 8 years. Properties, plant and equipment that have reached their residual value but are still being used by the Company are depreciated over their newly estimated service lives.

The related cost accumulated depreciation of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Deferred Charges

Software installation costs are amortized using the straight-line method over 1 to 3 years.

Provisions for estimated losses on deferred charges are recognized in the period in which these losses are determined. Any reduction of the estimated losses will be recognized as income in the periods these reductions are determined, with maximum income set at original book value minus amortization.

Convertible Bonds

Effective January 1, 2006, pursuant to the bond issued prior to December 31, 2005, the total issuing price is recorded as financial liability. The stated redemption price in excess of the face value of the bond is recognized as interest expense over a period starting from the issuance date to the last day of the redemption period, using the effective interest rate method.

The stated redemption price in excess of the face value of the bond is recognized as interest expense over a period starting from the issue date to the last day of the redemption period, using the effective interest rate method. The book value approach is used to account for bond conversion by bondholders. Under this method, the unamortized issue costs, recognized interest-premium, unpaid accrued interests and par value of the convertible bonds are written off. The common stock exchange certificate (capital stock) should be valued at the carrying amount net of the amounts written off, and the difference of this net amount from the par value of the common stock exchange certificate (capital stock) is recognized as capital surplus.

Pension Costs

The Company has two types of pension plans: Defined contribution and defined benefit.

Under the defined benefit plan, pension costs are recognized on the basis of actuarial reports; under the defined contribution plan, the Company's contributions to employees' individual pension accounts are charged to current expense.

The prior service cost caused by the amendment of a defined benefit plan is amortized over the average period from the amendment date until the benefits are vested. When benefits become vested, prior service costs are immediately charged to current expense.

If the defined benefit plan is curtailed or settled, the resulting gains or losses are recognized as part of the net pension cost for the period.

Treasury Stock

The Company reacquired its issued shares in accordance with government regulations and recorded this reacquisition as treasury stock at cost, which is presented as a deduction to stockholders' equity.

Income Tax

The Company applies inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for certain purchases of machinery, equipment and technology, research and development expenditures, and personnel training are recognized as reduction of the current year's income tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

The spot exchange rates use the middle price of the main correspondent bank.

3. ACCOUNTING CHANGES

Recent accounting pronouncements

In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses are currently recorded as appropriations from earnings.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 798	\$ 1,164
Checking accounts and demand deposits	101,639	190,253
Time deposits - interest of 1.7%-2.53% in 2007 and 1.3%-2.2% in 2006	59,297	37,712
Cash equivalents		
Repurchase agreements collateralized by bonds - interest of 4.9%	<u>32,430</u>	<u>-</u>
	194,164	229,129
Less: Restricted assets - current (Note 20)	<u>8,885</u>	<u>6,900</u>
	<u>\$ 185,279</u>	<u>\$ 222,229</u>

As of December 31, 2007 and 2006, cash in overseas banks was as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
China - Hong Kong (US\$1 thousand and HK\$3 thousand in 2007 and US\$1 thousand and HK\$4 thousand in 2006)	<u>\$ 47</u>	<u>\$ 49</u>

5. NOTES RECEIVABLE

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable	\$ 29,806	\$ 26,462
Less: Allowance for doubtful accounts	<u>-</u>	<u>1</u>
	<u>\$ 29,806</u>	<u>\$ 26,461</u>

6. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 96,276	\$ 97,215
Less: Allowance for doubtful accounts	<u>(1,471)</u>	<u>(865)</u>
	<u>\$ 94,805</u>	<u>\$ 96,350</u>

Movements of allowances for doubtful accounts were as follows:

	Year Ended December 31							
	2007				2006			
	Notes Receivable	Accounts Receivable	Overdue Receivable	Other Receivable	Notes Receivable	Accounts Receivable	Overdue Receivable	Other Receivable
Balance, beginning of year	\$ 1	\$ 865	\$ 10,848	\$ 634	\$ 1	\$ 554	\$ 10,743	\$ 909
Deduct: Amounts written off	-	-	(632)	-	-	-	(3,369)	-
Add (deduct): Provision (reversal of provision) for doubtful accounts	(1)	606	6,051	(5)	-	311	3,474	(275)
Balance, end of year	\$ -	\$ 1,471	\$ 16,267	\$ 629	\$ 1	\$ 865	\$ 10,848	\$ 634

Overdue receivables were classified under other assets.

7. INVENTORIES

	December 31	
	2007	2006
Finished goods	\$ 57,577	\$ 47,790
Work in process	16,724	12,404
Raw materials	99,015	97,778
	173,316	157,972
Less: Allowance for loss on inventory	22,798	18,398
	<u>\$ 150,518</u>	<u>\$ 139,574</u>

8. CONSTRUCTIONS IN PROGRESS AND ADVANCES ON CONSTRUCTION

	December 31	
	2007	2006
Constructions in progress	\$ 28,753	\$ 31,501
Less: Advances on construction	3,214	16,059
Constructions in progress, net	<u>\$ 25,539</u>	<u>\$ 15,442</u>
Advances on construction	\$ 6,642	\$ 9,774
Less: Constructions in progress	3,270	3,632
Advances on construction, net	<u>\$ 3,372</u>	<u>\$ 6,142</u>

As of December 31, 2007, outstanding construction projects amounting to about \$87,129 thousand were expected to be completed by the end of October 2008.

9. LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
Pacific Medical Engineering & Consultant Co., Ltd.	\$ 7,847	99.996	\$ 8,078	99.996
Pacific Hospital Supply Co., Ltd.	<u>-</u>	-	<u>155</u>	100.000
	<u>\$ 7,847</u>		<u>\$ 8,233</u>	

The calculation of the carrying value of the investments accounted for by the equity method and the related investment losses was based on the investees' audited financial statements as of and for the years ended December 31, 2007 and 2006.

Investment losses on stocks were \$231 thousand in 2007 and \$314 thousand in 2006.

On June 30, 2007, the subsidiary company Pacific Hospital Supply Co., Ltd. ("Pacific") was completely dissolved, which received approval by the board of directors on June 29, 2007. Upon dissolution, the Company reclaimed \$140 thousand in cash. All the subsidiaries' figures are reported in the Company's consolidated financial statements in 2007 and 2006.

10. PROPERTIES, PLANT AND EQUIPMENT

	Year Ended December 31, 2007				
	Balance, Beginning of Year	Additions	Disposals	Reclassified	Balance, End of Year
Costs					
Land	\$ 11,638	\$ -	\$ -	\$ -	\$ 11,638
Building	105,946	2,567	536	59,075	167,052
Machinery and equipment	152,750	3,588	119	28,458	184,677
Transportation equipment	9,314	668	519	-	9,463
Leasehold improvement	16,128	-	-	-	16,128
Miscellaneous equipment	<u>61,320</u>	<u>11,451</u>	<u>1,472</u>	<u>3,079</u>	<u>74,378</u>
	<u>357,096</u>	<u>18,274</u>	<u>2,646</u>	<u>90,612</u>	<u>463,336</u>
Accumulated depreciation					
Building	11,486	3,749	447	-	14,788
Machinery and equipment	79,364	15,087	97	-	94,354
Transportation equipment	3,800	1,335	507	-	4,628
Leasehold improvement	8,093	2,223	-	-	10,316
Miscellaneous equipment	<u>38,852</u>	<u>9,504</u>	<u>930</u>	<u>-</u>	<u>47,426</u>
	<u>141,595</u>	<u>31,898</u>	<u>1,981</u>	<u>-</u>	<u>171,512</u>
Properties, plant and equipment, net	215,501	(13,624)	665	90,612	291,824
Constructions in progress	49,209	32,215	-	(81,424)	-
Prepayments for equipment	<u>3,031</u>	<u>9,593</u>	<u>-</u>	<u>(9,188)</u>	<u>3,436</u>
	<u>\$ 267,741</u>	<u>\$ 28,184</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 295,260</u>

Year Ended December 31, 2006

	Balance, Beginning of Year	Additions	Disposals	Reclassified	Balance, End of Year
Costs					
Land	\$ -	\$ -	\$ 1,434	\$ 13,072	\$ 11,638
Building	-	1,816	5,164	109,294	105,946
Machinery and equipment	137,048	8,460	6,652	13,894	152,750
Transportation equipment	10,839	1,960	3,575	90	9,314
Leasehold improvement	14,582	1,446	-	100	16,128
Miscellaneous equipment	51,100	10,751	1,218	687	61,320
	<u>213,569</u>	<u>24,433</u>	<u>18,043</u>	<u>137,137</u>	<u>357,096</u>
Accumulated depreciation					
Building	-	2,547	1,987	10,926	11,486
Machinery and equipment	69,917	12,818	3,371	-	79,364
Transportation equipment	4,111	1,576	1,887	-	3,800
Leasehold improvement	5,504	2,589	-	-	8,093
Miscellaneous equipment	30,164	9,509	821	-	38,852
	<u>109,696</u>	<u>29,039</u>	<u>8,066</u>	<u>10,926</u>	<u>141,595</u>
Properties, plant and equipment, net	103,873	(4,606)	9,977	126,211	215,501
Constructions in progress	91,715	34,721	-	(77,227)	49,209
Prepayments for equipment	3,090	14,713	-	(14,772)	3,031
	<u>\$ 198,678</u>	<u>\$ 44,828</u>	<u>\$ 9,977</u>	<u>\$ 34,212</u>	<u>\$ 267,741</u>

11. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Unsecured loans: Interest of 2.850% in 2007 and 1.980% -2.427% in 2006	<u>\$ 10,000</u>	<u>\$ 20,000</u>

12. LONG-TERM BANK LOANS

	December 31	
	2007	2006
Secured loans - repayable in installments starting January 2002, annual interest of 4.05%	\$ -	\$ 1,855
Less: Current portion	-	930
	<u>\$ -</u>	<u>\$ 925</u>

13. PENSION PLAN

The Labor Pension Act (the "LPA") took effect on July 1, 2005. Employees subject to the Labor Standards Law (the "LSL") prior to July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA.

The pension plan under the LPA is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were NT\$7,919 thousand and NT\$7,620 thousand for the years ended December 31, 2007 and 2006, respectively.

Under the Labor Standards Law, the Company has a retirement plan which is regarded as defined benefit plan. According to the retirement plan, employees can get pension benefit based on length of service before retirement. The Company appropriates 4% of an employee's monthly salary into a fund, and beginning January and July 2005 the percentage changed to 6% and 3%, respectively, of Labor Retirement Fund Supervising Committee who in turn deposit the fund into a designated account at the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in 2007, with the Bank of Taiwan as the survivor entity). The Company recognized pension costs of NT\$3,642 thousand and NT\$3,264 thousand for the years ended December 31, 2007 and 2006, respectively.

Other information on the defined benefit plan is as follows:

a. Net pension cost

	2007	2006
Service cost	\$ 1,772	\$ 1,708
Interest cost	1,715	1,486
Projected return on plan assets	(653)	(559)
Amortization of net transitional obligation	596	596
Amortization of pension cost	<u>212</u>	<u>33</u>
Net pension cost	<u>\$ 3,642</u>	<u>\$ 3,264</u>

b. Reconciliation of the fund status of the plan and accrued pension cost

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	\$ 1,987	\$ -
Non-vested benefit obligation	<u>43,399</u>	<u>38,380</u>
Accumulated benefit obligation	45,386	38,380
Additional benefits based on future salaries	<u>12,418</u>	<u>11,008</u>
Projected benefit obligation	57,804	49,388
Fair value of plan assets	<u>(29,818)</u>	<u>(25,138)</u>
Funded status	27,986	24,250
Unrecognized net transitional obligation	(7,154)	(7,750)
Unrecognized net loss	(13,175)	(8,545)
Additional liability	<u>7,910</u>	<u>5,286</u>
Deferred pension cost	<u>\$ 15,567</u>	<u>\$ 13,241</u>
Accrued pension cost	<u>\$ 7,153</u>	<u>\$ 5,286</u>
Net loss not recognized as pension cost	<u>\$ 757</u>	<u>\$ -</u>

c. Actuarial assumptions

Discount rate used in determining present values	3.50%	3.50%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.50%	2.50%

14. SHAREHOLDERS' EQUITY

In August of 2003 and 2002, the Company granted qualified employees 153 thousand units and 192 thousand units, respectively, of option rights, with each unit representing 10 common shares. The option rights on both plans are valid for five years and exercisable at 50% on the second year of issuance, 80% on the third year of issuance, and 100% on the fourth year and thereafter of issuance.

Adjusted exercise price as of December 2007 were NT\$10.1 and NT\$10, respectively.

Outstanding stock options in 2007 and 2006 were as follows:

	<u>2003 Option Plan</u>		<u>2002 Option Plan</u>	
	<u>Number of Outstanding Stock Option Rights (in Thousands)</u>	<u>Weighted average Exercise Price (NT\$)</u>	<u>Number of Outstanding Stock Option Rights (in Thousands)</u>	<u>Weighted average Exercise Price (NT\$)</u>
<u>2007</u>				
Beginning outstanding balance	33	\$ 10.1	6	\$ 10.0
Options exercised	<u>(32)</u>		<u>(6)</u>	
Ending outstanding balance	<u><u>1</u></u>		<u><u>-</u></u>	
<u>2006</u>				
Beginning outstanding balance	84	\$ 10.1	46	\$ 10.0
Options exercised	(47)	10.1	(39)	10.0
Options canceled	<u>(4)</u>	10.1	<u>(1)</u>	10.0
Ending outstanding balance	<u><u>33</u></u>		<u><u>6</u></u>	

The number of outstanding option rights and exercise prices have been adjusted retroactively to reflect the appropriation of dividends based on the plans.

Employee stock options granted in 2002 were exercisable up until the expiry date of August 30, 2007.

As of December 31, 2007, outstanding and exercisable option rights were as follows:

	Exercise Price (NT\$)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
		<u>Number of Outstanding Options (in Thousands)</u>	<u>Weighted averaged Remaining Contractual Life (Years)</u>	<u>Weighted average Exercise Price (NT\$)</u>	<u>Number of Exercisable Options (in Thousands)</u>	<u>Weighted average Exercise Price (NT\$)</u>
2003 option plan	\$10.1	1	0.67	\$10.1	1	\$10.1

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital and once a year. Also, the capital surplus from long-term investments may not be used for any purpose.

Earnings Appropriation and Dividend Policy

The Company's Articles of Incorporation provide that 10% of annual net income less any deficit should be appropriated as legal reserve. From the remainder, the board of directors should propose the appropriation of up to 5% as remuneration to directors and supervisors and 1% to 15% as bonus to employees.

The Company has a balanced dividend policy. Dividends are appropriately distributed in the form of common shares or cash. The policy takes into account both the Company's operational needs and shareholders' interests. However, cash earning distribution cannot be less than 20% of overall distribution value.

Under the Company Law, legal reserve must be appropriated each year until the reserve equals the Company's paid-in capital. This reserve may be used to offset deficit. Also, when the reserve reaches 50% of paid-in capital, up to 50% of the reserve may be transferred to capital.

The appropriation of the remaining earnings should be resolved by the shareholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

When the Company appropriates the earnings generated after January 1, 1998, resident noncorporate shareholders are allowed a tax credit based on the ratio of creditable tax to unappropriated earnings on the date of appropriation.

The appropriation of the earnings of 2006 and 2005 were approved in the shareholders' meetings in June 2006 and June 2007, respectively. The appropriations and dividends per share are as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
Legal reserve	\$ 7,872	\$ 2,927		
Common dividends - in cash	62,363	15,762	\$1.5	\$0.419
Remuneration to directors and supervisors - in cash	1,050	400		
Bonus paid to employees - in cash	<u>9,500</u>	<u>2,350</u>		
	<u>\$ 80,785</u>	<u>\$ 21,439</u>		

Had the above employee bonus and remuneration to directors and supervisors been paid in cash and charged against the 2006 and 2005 income, the basic earnings per share would have decreased from NT\$2.03 to NT\$1.76 in 2006 and from NT\$0.77 to NT\$0.70 in 2005.

Information about the appropriations of earnings of 2007 is not available as of the report date. Information about the appropriations of earnings is available on the market observation post system website of the Taiwan Stock Exchange.

15. TREASURY STOCK

Reasons for Common Stock Buyback	Beginning Balance	Current Year Increase	Current Year Cancellation	Year End Balance
<u>2007</u>				
To preserve company credibility and shareholder's interest	-	-	-	-
<u>2006</u>				
To preserve company credibility and shareholder's interest	-	1,800	1,800	-

Treasury stocks held by the Company cannot be mortgaged, does not distribute dividend, nor possess voting rights according to law.

The board of the Company have consented in April 28, 2006 to cancel all treasury stocks as of April 28, 2006. The capital decrease were approved by the Executive Yuan Financial Supervisory Commission.

16. INCOME TAX

The government enacted the Alternative Minimum Tax Act (AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

- a. A reconciliation of income tax expense based on "income before income tax" at statutory rate and income tax currently payable was as follows:

	2007	2006
Income tax expense based on income before income tax at statutory rate of 25%:	\$ 29,607	\$ 25,449
Tax effect on adjusting items		
Permanent differences		
Tax exempt income	(5,065)	(4,892)
Others	(11)	180
Temporary differences	2,758	(434)
Tax on unappropriated earnings (10%)	-	783
Less investment tax credits	<u>(13,645)</u>	<u>(5,952)</u>
Tax payable	<u>\$ 13,644</u>	<u>\$ 15,134</u>

- b. Income tax expense consisted of:

Current income tax	\$ 13,644	\$ 15,134
Prior years' adjustments	(1,417)	5,535
Deferred income tax expense (benefit)	<u>(11,002)</u>	<u>2,450</u>
	<u>\$ 1,225</u>	<u>\$ 23,119</u>

c. Changes in income tax payable:

	2007	2006
Balance, beginning of year	\$ 13,057	\$ -
Current income tax	13,644	15,134
Payment in current year	(21,127)	(7,612)
Prior year adjustments	<u>(1,417)</u>	<u>5,535</u>
Balance, end of year	<u>\$ 4,157</u>	<u>\$ 13,057</u>

d. Deferred income tax assets were as follows:

	December 31	
	2007	2006
Current		
Investment tax credits	\$ 8,400	\$ -
Allowance for decline in value of inventories	5,700	4,600
Allowance for doubtful accounts	4,211	2,726
Unrealized loss due to fire	50	-
Losses on disposal of inventories	<u>42</u>	<u>-</u>
Deferred income tax assets	<u>\$ 18,403</u>	<u>\$ 7,326</u>
Noncurrent		
Deferred income tax assets		
Deferred income tax expense	\$ 20,000	\$ -
Accrued pension cost	<u>1,914</u>	<u>1,989</u>
	21,914	1,989
Less: Valuation allowance	<u>20,000</u>	<u>-</u>
	<u>\$ 1,914</u>	<u>\$ 1,989</u>

e. The Company's sales generated through expansion projects are exempt from income tax from January 1, 2006 to December 31, 2010.

f. As of December 31, 2007, investment tax credits consisted of the following:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Region-specific investment	<u>\$ 42,113</u>	<u>\$ 28,400</u>	2011

g. The information on the integrated income tax system is as follows:

	December 31	
	2007	2006
Year-end balance of the imputation credit account	<u>\$ 10,943</u>	<u>\$ 9,462</u>

The projected 2007 and actual 2006 creditable tax ratios were 8.88% and 24.32%, respectively.

Under tax regulations, the tax credits allocated to shareholders are based on the balance of the imputation credit account (ICA) on the dividend distribution date. Thus, the creditable tax ratio for the 2007 earnings may change depending on the actual ICA balance on the dividend distribution date.

There were no unappropriated earnings generated before 1997 as of December 31, 2007 and 2006.

g. The effective tax rate for deferred income tax was 25% in 2007 and 2006.

Income tax returns through 2005 had been examined and cleared by the tax authorities.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2007			2006		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Personnel expenses						
Salary	\$ 134,978	\$ 52,633	\$ 187,611	\$ 130,615	\$ 47,876	\$ 178,491
Pension	8,998	2,563	11,561	8,667	2,217	10,884
Meal	9,189	1,390	10,579	8,356	1,288	9,644
Welfare	-	1,350	1,350	-	1,030	1,030
Employee insurance	11,869	2,941	14,810	12,318	2,836	15,154
Others	<u>52</u>	<u>216</u>	<u>268</u>	<u>72</u>	<u>212</u>	<u>284</u>
	<u>\$ 165,086</u>	<u>\$ 61,093</u>	<u>\$ 226,179</u>	<u>\$ 160,028</u>	<u>\$ 55,459</u>	<u>\$ 215,487</u>
Depreciation	\$ 28,804	\$ 3,094	\$ 31,898	\$ 25,165	\$ 3,874	\$ 29,039
Amortization	167	764	931	161	577	738

18. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were as follows:

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2007</u>					
Basic earnings per share					
Income of common shareholders	\$ 118,469	\$ 117,244	41,599	<u>\$ 2.85</u>	<u>\$ 2.82</u>
Effect of dilutive securities - stock options	-	-	<u>68</u>		
Diluted earnings per share					
Income of common stock shareholders	<u>\$ 118,469</u>	<u>\$ 117,244</u>	<u>41,667</u>	<u>\$ 2.84</u>	<u>\$ 2.81</u>
<u>2006</u>					
Basic earnings per share					
Income of common shareholders	\$ 101,836	\$ 78,717	38,749	<u>\$ 2.63</u>	<u>\$ 2.03</u>
Effect of dilutive securities - convertible bonds	-	-	2,464		
Effect of dilutive securities - stock options	-	-	<u>742</u>		
Diluted earnings per share					
Income of common stock shareholders	<u>\$ 101,836</u>	<u>\$ 78,717</u>	<u>41,955</u>	<u>\$ 2.43</u>	<u>\$ 1.88</u>

The effect of dilutive stock options is calculated at the adjusted exercise prices of NT\$10.00 and NT\$10.10 for the 2002 and 2003 stock option plans, respectively, and at the average closing price of NT\$32 of the Company's stock in the Emerging Stock Market in 2007.

19. RELATED-PARTY TRANSACTIONS

a. The Company's related parties were as follows:

<u>Related Party</u>	<u>Relationship with the Company</u>
Pacific Medical Engineering & Consultant Co., Ltd. (PME)	Equity-method investee
Feng-Yang International Investment Co., Ltd. ("Feng-Yang")	Same chairman
Zhi-Qun Co., Ltd. ("Zhi-Qun")	Company president is the chairman of Zhi-Qun

b. The significant transactions with the related parties were as follows:

	<u>2007</u>		<u>2006</u>	
	Carrying Value	%	Carrying Value	%
<u>For the year</u>				
Sales				
PME	\$ -	-	\$ 30	-
Feng-Yang	-	-	2	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 32</u>	<u>-</u>
Rental expense (included in operating expenses)				
Zhi-Qun	<u>\$ 6,687</u>	<u>5</u>	<u>\$ 6,710</u>	<u>6</u>
<u>At end of the year</u>				
Refundable deposits				
Zhi-Qun	<u>\$ 1,200</u>	<u>19</u>	<u>\$ 1,200</u>	<u>18</u>

All related-party transactions were conducted on an arm's-length basis between two independent parties.

20. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for long-term bank loans and refundable construction warranties:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Time deposits	\$ 8,885	\$ 6,900
Land and buildings, net	<u>12,224</u>	<u>12,380</u>
	<u>\$ 21,109</u>	<u>\$ 19,280</u>

21. CONTINGENCIES

- a. On November 23, 2001, the Kaohsiung factory had a fire, which affected two other companies nearby (companies X and Y). Company X had an estimated loss of \$128,540 thousand and sought compensation through the court. It obtained insurance indemnity of approximately \$48,249 thousand; in turn, the insurance company sought a \$48,249 thousand compensation from the Company. Company Y also sought \$5,144 thousand in damages. Thus, the Company's government bonds valued at \$15,957 thousand and properties valued at \$34,809 thousand were temporarily restricted by the court in February 2002 and May 2002, respectively.

In February and May of 2004, the court declared that the Company should pay Company X \$12,862 thousand as compensation plus guarantees. The rest of the claims, including those on the government bonds and properties, were rejected by the court. The Company and Company Y did not accept the adjudication and thus appealed to a higher court.

The Company have reached a settlement with company X, Y and the insurance company in 2006, and made settlement payment totaled \$18,450 thousand. The difference from the previous fire hazard reserves of \$20,376 thousand were reclassified as other income, and court restriction on government bonds and properties were released.

- b. Charges for the rental period from November 2003 to January 2014 for office, factory, and storage facilities were as follows:

Year	Amount
2008	\$ 11,726
2009	11,266
2010	6,334
2011-2013 (each year)	6,159
January 2014	513

22. FINANCIAL INSTRUMENTS

- a. The Company had no derivative transactions in 2007 and 2006.
- b. The fair values of nonderivative financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 315,900	\$ 315,900	\$ 349,290	\$ 349,290
Restricted assets - current	8,885	8,885	6,900	6,900
Long-term investments	7,847	7,847	8,233	8,233
Refundable deposits	6,281	6,281	6,667	6,667
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	106,182	106,182	123,680	123,680
Long-term bank loans (including current portion)	-	-	1,855	1,855
Guarantee deposits received	30	30	30	30

The assumptions and methods used in determining fair values are as follows:

- 1) The carrying values of cash and cash equivalents, notes and accounts receivable, other receivables, short-term bank loans and notes and accounts payable, approximate fair value because of the short maturities of these instruments.
- 2) Fair value of restricted assets - current is based on market prices. If market prices are unavailable, fair value is based on carrying amount.
- 3) Fair value of long-term investments is based on market prices. If market prices are unavailable, fair value is based on carrying amount.
- 4) Since long-term debts bear floating interest rates, the carrying amount approximates fair value.
- 5) For refundable deposits and guarantee deposits received, which have no maturity dates, their carrying amounts represent fair values.

23. ADDITIONAL DISCLOSURES

Except for Tables 1 and 2, no other information on major transactions, investees and investments in Mainland China are required by the Securities and Futures Bureau for disclosure by the Company.

24. SEGMENT INFORMATION

a. Industry

The Company manufactures, processes and sells medical disposable products and equipment and does medical engineering work on central gas piping systems. Thus, the Company is considered as engaging in a single industry.

b. Geographic

As of December 31, 2007, the Company had no foreign operating segments.

c. Export sales

Region	2007		2006	
	Amount	Percentage of Net Revenue	Amount	Percentage of Net Revenue
Asia	\$ 324,469	39	\$ 261,372	35
Europe	148,053	18	139,841	19
Others	<u>88,510</u>	<u>10</u>	<u>76,873</u>	<u>11</u>
	<u>\$ 561,032</u>	<u>67</u>	<u>\$ 478,086</u>	<u>65</u>

- d. There are no clients that accounted for at least 10% of the Company's total operating revenues.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Pacific Hospital Supply Co., Ltd.	<u>Common stock</u> Pacific Medical Engineering & Consultant Co., Ltd.	Equity-method investee	Long-term stock investments accounted for by the equity method	1,499,940	\$7,847	99.996	\$7,847	(Note)

Note: Calculation was based on investees' audited financial statements.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

YEAR ENDED DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Hold Company Name	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
Pacific Hospital Supply Co., Ltd.	Pacific Medical Engineering & Consultant Co., Ltd.	No. 53, Kuosin Neighborhood 21, Siuying Village, Miaoli City, Miaoli County, Taiwan, R.O.C.	Installation of medical equipment	\$ 18,300	\$ 18,300	1,499,940	99.996	\$ 7,847	\$ (231)	\$ (231)	(Note 1)
	Pacific Hospital Supply Co., Ltd. (BVI)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Selling of medical products	-	349	-	-	-	(15)	(15)	(Note 2)

Note 1: Calculation was based on investees' audited financial statements.

Note 2: On June 30, 2007, the subsidiary company Pacific Hospital Supply Co., Ltd. ("Pacific") was completely dissolved, which received approval by the board of directors on June 29, 2007. Upon dissolution, the Company reclaimed \$140 thousand in cash.

Pacific Hospital Supply Co., Ltd.

**Comparison Table of Before and After Amended Regulations of Meeting
Procedure for Board of Directors**

Before Amendment	After Amendment	Description
<p>Article 9</p> <p>During the meeting of the board of directors, it shall be recorded in both audio and video at all times and be preserved for least five years. Preserved method can be electronically.</p> <p>If a lawsuit relating to resolutions in the meetings of the board of directors, happens before the expired of the previous mentioned period, then the relevant documentary audio and video shall continue being preserved and inapplicable on rule of the previous Paragraph.</p> <p>If a meeting is held in video conference way, then its audio and video records shall be the parts of the minutes of the meeting, which shall be well preserved permanently.</p>	<p>Article 9</p> <p>During the meeting of the board of directors, it shall be recorded in both audio and video at all times and be preserved for least five years. Preserved method can be electronically.</p> <p>If a lawsuit relating to resolutions in the meetings of the board of directors, happens before the expired of the previous mentioned period, then the relevant documentary audio and video shall continue preserving till the completion of the lawsuits.</p> <p>If a meeting is held in video conference way, then its audio and video records shall be the parts of the minutes of the meeting, which shall be well preserved within the duration in the Company.</p>	<p>Slight wording changes.</p>

Before Amendment	After Amendment	Description
<p>Article 10</p> <p>The Chair of board of directors shall begin the meetings once the meeting time is reached and there're are at least half of the directors attending. When the attendance is less than half of directors, the Chair may announce postponing the meeting, but the total postponement must not exceed an hour. In the case that the attendance is still short when the postponement is up, then the Chair shall announce postponing the meeting, again, shall not make false resolutions to any proposal.</p> <p>Once a meeting is announced postponed by the Chair, then it shall be reconvened in conformity with the procedure regulated on the Article 3.</p> <p>The whole directors mentioned in the previous Paragraph and the Subparagraph 2, Paragraph 2, Article 17, means the ones who are actual on the post.</p>	<p>Article 10</p> <p>The Chair of board of directors shall begin the meetings once the meeting time is reached and there're are at least half of the directors attending. When the attendance is less than half of directors, the Chair may announce postponing the meeting, but the total postponement must not exceed an hour. In the case that the attendance is still short when the postponement is up, then the Chair shall announce postponing the meeting, again, shall not make false resolutions to any proposal.</p> <p>Once a meeting is announced postponed by the Chair, then it shall be reconvened in conformity with the procedure regulated on the Article 3.</p> <p>If the attendance is less than half of directors, then the Chair may announce postponing the meeting with a limit of twice. If the meeting is postponed twice and then the attendance is still short, the Chair may reconvene the meeting in conformity with the procedure regulated on the Paragraph 2, Article 3. The whole directors mentioned in the previous Paragraph and the Subparagraph 2, Paragraph 2, Article 17, means the ones who are actual on the post.</p>	<p>Its purpose is to allow flexibility for the postponement of meetings and be decided by the Chair whether to reconvene the meeting.</p>
<p>Article 11</p> <p>The proposals for discussion in the meeting of the board of directors, shall proceed according the scheduled agendas by the meeting notice in principle. However it may</p>	<p>Article 11</p> <p>The proposals for discussion in the meeting of the board of directors, shall proceed according the scheduled agendas by the meeting notice in principle. However it may</p>	<p>Slight wording changes.</p>

Before Amendment	After Amendment	Description
<p>be varied by agreement from at least half of attended directors.</p> <p>The agenda contents of the Company's regular meetings of the board of directors, must conclude the items listing below:</p> <p>1. Report items:</p> <p>(1) The minutes of the prior meeting and its execution status.</p> <p>(2) Important financial affairs reports.</p> <p>(3) Internal audit affairs reports.</p> <p>(4) Other significant reports.</p> <p>2. Discussion items:</p> <p>(1) The discussions remaining from prior meetings.</p> <p>(2) The discussions scheduled to discuss at the current meeting.</p> <p>3. Motions.</p> <p>Before the end of the meeting, the agendas (including motions) scheduled on the previous Paragraphs which haven't been resolved, means the Chair must not announce dismissal of the Mtg.</p> <p>During the progress of the meeting, the Chair may announce intermission or time off for discussion in consideration of time.</p> <p>During the progress of the meeting of the board of directors, if the number of attended directors less than half of regulated attendance, the Chair shall announce suspending the meeting by the regulations of Paragraph 1, Article 10.</p>	<p>be varied by agreement from at least half of attended directors.</p> <p>The agenda contents of the Company's regular meetings of the board of directors, must conclude the items listing below:</p> <p>1. Report items:</p> <p>(1) The minutes of the prior meeting and its execution status.</p> <p>(2) Important financial affairs reports.</p> <p>(3) Internal audit affairs reports.</p> <p>(4) Other significant reports.</p> <p>2. Discussion items:</p> <p>(1) The discussions remaining from prior meetings.</p> <p>(2) The discussions scheduled to discuss at the current meeting.</p> <p>3. Motions.</p> <p>The Chair must not announce dismissal without agreement by at least half of the attended directors.</p> <p>During the progress of the meeting, the Chair may announce intermission or time off for discussion in consideration of time.</p> <p>During the progress of the meeting of the board of directors, if the number of attended directors less than half of regulated attendance, the Chair shall announce suspending the meeting by the regulations of Paragraph 1, Article 10.</p>	

Before Amendment	After Amendment	Description
<p>Article 13</p> <p>The above matters shall be submitted for discussion in the meetings of the Company's board of directors:</p> <ol style="list-style-type: none"> 1. The Company's operating plan. 2. Annual and semiannual financial reports and semiannual. 3. Establish or amend the internal control mechanisms according to the Securities Regulation. 4. Establish or amend the management procedures of assets acquirement or disposal, derivatives transaction, lending funds to others, endorse or guarantee for others and any significant financial affair actions, in conformity with the Securities Regulation. 5. To raise, issue or private place the securities with stock option property. 6. The assignment and dismissal of finance, accounting or internal auditing directors. 7. According to the Article 14-3 of Securities Regulation, others shall be resolved at the shareholder's meeting, or the issues address to the meetings of board of directors, or any significances regulated by the competent authorities. <p>The independent directors shall attend the meeting of the board of directors personally regarding the issues he/she desire submitting to, and must not commend to non-independent directors. If an independent director has any objection or reservation, then these shall be recorded in the minutes of the meeting; besides the reasonable reasons, the independent directors shall present the written opinions in</p>	<p>Article 13</p> <p>The above matters shall be submitted for discussion in the meetings of the Company's board of directors:</p> <ol style="list-style-type: none"> 1. The Company's operating plan. 2. Annual and semiannual financial reports and semiannual. 3. Establish or amend the internal control mechanisms according to the Securities Regulation. 4. Establish or amend the management procedures of assets acquirement or disposal, derivatives transaction, lending funds to others, endorse or guarantee for others and any significant financial affair actions, in conformity with the Securities Regulation. 5. To raise, issue or private place the securities with stock option property. 6. The assignment and dismissal of finance, accounting or internal auditing directors. 7. According to the Article 14-3 of Securities Regulation, others shall be resolved at the shareholder's meeting, or the issues address to the meetings of board of directors, or any significances regulated by the competent authorities. <p>The independent directors shall attend the meeting of the board of directors personally regarding the issues he/she desire submitting to, and or they can commend other independent director to represent themselves. If an independent director has any objection or reservation, then these shall be recorded in the minutes of the meeting; besides the reasonable reasons, the independent directors</p>	<p>Slight wording changes, and clear definitions regarding that the independent directors may commend other independent directors to represent themselves to attendance.</p>

Before Amendment	After Amendment	Description
<p>advance, and specify on the meeting agendas of the board of directors when they can't present themselves to the meeting of the board of directors to express their counterviews or reservations.</p>	<p>shall present the written opinions in advance, and specify on the meeting agendas of the board of directors when they can't present themselves to the meeting of the board of directors to express their counterviews or reservations.</p>	
<p>Article 14 For the discussions of agendas, that the Chair recognizes it reaches a certain conclusion, that he/she may announce a close of discussions to proceed voting. While voting for an agenda proposal, the Chair requires opinions from the attended directors and receives no objection, then the proposal accounts as adoption, and its efficacy is same as approved by voting. If there's an objection when the Chair requires, then it shall be submitted for voting.</p>	<p>Article 14 For the discussions of agendas, that the Chair recognizes it reaches a certain conclusion, that he/she may announce a close of discussions to proceed voting. While voting for an agenda proposal, the Chair requires opinions from the attended directors and receives no objection, then the proposal accounts as adoption, and its efficacy is same as approved by voting. If there's an objection when the Chair requires, then it shall be submitted for voting. The whole attended directors mentioned in the previous two Paragraphs are excluded the directors with no voting rights according to the Paragraph 1, Article 16.</p>	<p>Slight wording changes, and clearly defines "the whole attended directors" in this Article, its definition is the directors with no voting rights are excluded.</p>

Before Amendment	After Amendment	Description
<p>Article 15</p> <p>For the discussions of agendas, that the Chair recognizes it reaches a certain conclusion, that he/she may announce a close of discussions to proceed voting.</p> <p>While voting for an agenda proposal at the meeting of board of directors, the Chair requires opinions from the attended directors and receives no objection, then the proposal accounts as adoption, and its efficacy is same as approved by voting. If there's an objection when the Chair requires, then it shall be submitted for voting.</p> <p>The Chair may choose one of the voting methods listing at following Paragraphs, however if there's any dissent from the attendants, then the Chair shall make a decision based on the opinions of the majority:</p> <ol style="list-style-type: none"> 1. Show of hands or voting machine. 2. Roll call. 3. Ballot. 4. The Company's choice voting. <p>Besides the regulations in the Company Law, the Securities Regulation and the Company's Regulations, the resolutions to the proposals in the Company's meetings of board of directors shall have the attendance of least half number of entire directors, and majority agreement by the attended directors.</p> <p>When there's an amendment or substitution for a proposal, then the Chair shall consolidate it with the original proposal for the voting sequence. However when one of the proposals is adopted then the other proposals shall be accounted veto, and no point to proceed to voting.</p>	<p>Article 15</p> <p>The Chair may choose one of the voting methods listing at following Paragraphs, however if there's any dissent from the attendants, then the Chair shall make a decision based on the opinions of the majority:</p> <ol style="list-style-type: none"> 1. Show of hands or voting machine. 2. Roll call. 3. Ballot. 4. The Company's choice voting. <p>Besides the regulations in the Company Law, the Securities Regulation and the Company's Regulations, the resolutions to the proposals in the Company's meetings of board of directors shall have the attendance of least half number of entire directors, and majority agreement by the attended directors.</p> <p>When there's an amendment or substitution for a proposal, then the Chair shall consolidate it with the original proposal for the voting sequence. However when one of the proposals is adopted then the other proposals shall be accounted veto, and no point to proceed to voting.</p> <p>The result of the voting shall be announced right after and documented into the minutes.</p> <p>If it's necessary to have scrutineers or tellers for a proposal's voting, then those posts may be assigned by the Chair, only the tellers must have the qualification for a director.</p>	<p>Slight wording changes.</p>

Before Amendment	After Amendment	Description
<p>The result of the voting shall be announced right after and documented into the minutes.</p> <p>If it's necessary to have scrutineers or tellers for a proposal's voting, then those posts may be assigned by the Chair, only the tellers must have the qualification for a director.</p> <p>The resolutions in the meetings of board of directors, in which if related to the significant information regulated by the laws or regulations or the GreTai Securities Market Rules, the Company shall upload the contents to the Market Observation Post System within the regulated time.</p>		

Before Amendment	After Amendment	Description
<p>Article 17</p> <p>The Company's meeting of the board of directors shall be made to the journal fully and accurately with following items:</p> <ol style="list-style-type: none"> 1. The session (or year), date and time and location of the meeting. 2. Name of the Chair. 3. Attendance status of the directors, including the name and the number of the attendants, leave of absence and absentees. 4. Name and title of the attended guests. 5. Name of the recorder. 6. Report items. 7. Discussion items: Each proposal's resolution ways and its results, and the abstracts of speakers, counterviews or reservations from directors, supervisors, specialists and others with minutes or written statements, as well the written opinions present by the independent directors according to the regulation of Paragraph 2, Article 13. 8. Motions: Proposer's name, proposal's resolution ways and its results, and the abstracts of speakers counterviews or reservations from directors, supervisors, specialists and others with minutes or written statements. 9. Other matters. <p>If the resolutions in the meetings of the board of directors that involved one of matters listed below, besides specified in the journal, shall also apply for announcement to the Market Observation Post System designated by the Financial Supervisory Commission, Executive</p>	<p>Article 17</p> <p>The Company's meeting of the board of directors shall be made to the journal fully and accurately with following items:</p> <ol style="list-style-type: none"> 1. The session (or year), date and time and location of the meeting. 2. Name of the Chair. 3. Attendance status of the directors, including the name and the number of the attendants, leave of absence and absentees. 4. Name and title of the attended guests. 5. Name of the recorder. 6. Report items. 7. Discussion items: Each proposal's resolution ways and its results, and the abstracts of speakers, counterviews or reservations from directors, supervisors, specialists and others with minutes or written statements, as well the written opinions present by the independent directors according to the regulation of Paragraph 2, Article 13. 8. Motions: Proposer's name, proposal's resolution ways and its results, and the abstracts of speakers counterviews or reservations from directors, supervisors, specialists and others with minutes or written statements. 9. Other matters. <p>If the resolutions in the meetings of the board of directors that involved one of matters listed below, besides specified in the journal, shall also apply for announcement to the Market Observation Post System designated by the Financial Supervisory Commission, Executive</p>	<p>Slight wording changes.</p>

Before Amendment	After Amendment	Description
<p>Yuan within two days after the date of the meeting of board of directors:</p> <p>1. The independent directors have objections or reservations with minutes or written statement.</p> <p>2. The proposals not approved by the Company's audit committee, but have been agreed to by the two thirds of the whole directors.</p> <p>The minutes of meetings must be signed or sealed by the Chair and recorder and delivered to each director and supervisor within 20 days after the meeting.</p> <p>When the board of directors discussing the significant financial actions about assets acquirements or disposal, lending funds to others, or endorse or guarantee for others, they shall fully concern the opinions from the independent directors, and specify their opinions and reasons of agreement or objection to the minutes of the meeting.</p> <p>The attendance book of the meeting of board of directors is the part of the journal, which shall be preserved permanently.</p> <p>The journals of the Company's board of directors shall be categorized on the Company's important files and shall be well preserved within the Company's duration.</p> <p>The production and delivery of the journal mentioned on the Paragraph 1, may be executed electronically.</p>	<p>Yuan within two days after the date of the meeting of board of directors:</p> <p>1. The independent directors have objections or reservations with minutes or written statement.</p> <p>2. The proposals not approved by the Company's audit committee, but have been passed by the two thirds of the whole directors.</p> <p>The minutes of meetings must be signed or sealed by the Chair and recorder and delivered to each director and supervisor within 20 days after the meeting.</p> <p>When the board of directors discussing the significant financial actions about assets acquirements or disposal, lending funds to others, or endorse or guarantee for others, they shall fully concern the opinions from the independent directors, and specify their opinions and reasons of agreement or objection to the minutes of the meeting.</p> <p>The attendance book of the meeting of board of directors is the part of the journal, which shall be well preserved within the duration of the Company.</p> <p>The journals of the Company's board of directors shall be categorized on the Company's important files and shall be well preserved within the Company's duration.</p>	

Before Amendment	After Amendment	Description
<p>Article 18</p> <p>Besides the discussions that shall be addressed to the Company's board of directors which is mentioned in Paragraph 1 of Article 13, otherwise during the adjournment, one who exercises the authority for the board of directors in conformity with the laws and regulation or the Company's Regulations, his/her authority level, contents and matters shall be specified and shall not be generally authorized.</p>	<p>Article 18</p> <p>Besides the discussions that shall be addressed to the Company's board of directors which is mentioned in Paragraph 1 of Article 13, otherwise one who exercises the authority for the board of directors in conformity with the laws and regulation or the Company's Regulations, his/her authority level, contents and matters shall be specified and shall not be generally authorized.</p>	<p>Slight wording changes.</p>

Pacific Hospital Supply Co., Ltd.
Distribution of Earnings for Fiscal Year 2007

Unit: NTD\$

Item	Amount	Remark
Undistributed earnings from prior year	5,975,193	
Loss on adjustment of prior year	0	
Gain on net profit after tax of current year	117,243,562	
Allowance to earnings distribution	123,218,755	
Apportioned legal reserve (10%)	-11,724,357	
Distribution Items:		
Remunerations to Directors and Supervisors	-1,280,000	
Employees' Bonus (Issued by cash)	-2,650,000	
Employees' Bonus (Issued according to the par value of the stock)	-10,600,000	
Shareholders' bonus NTD\$2.0000013 per share.		
(Cash dividend NTD\$0.4 per share)	-16,731,574	
(Stock dividend NTD\$1.60000013 per share, which is issuing 160.000013 new bonus shares per 1000 shares.)	-66,926,300	
Undistributed earnings on end of year	13,306,524	

Notes:

- The distribution of the remunerations of directors and supervisors and the employees' bonus is according to the regulations of Company Regulations, therefore drew to issue total amount of NTD\$98,187,874 for directors' and supervisors' remuneration NTD\$1,280,000, employees' bonus NTD\$13,250,000 and shareholders' bonus NTD\$83,657,874, in among the remunerations to directors' and supervisors' are issued by cash; the Company draws to appropriate for legal reserve NTD\$11,724,357 in conformity with the Company Regulations, the directors' and supervisors' remuneration is taken 1.30% of the total distributions of shareholders' and employees' bonus and directors' and supervisors' remuneration, and the employees' bonus taken 13.49%.
- The shares issuance of the employees' stock bonus, its proportion to the earnings out capital: 13.67%.
- The estimated EPS after drew to issue the employees' bonus and the directors' and supervisors' remuneration: NTD\$2.47.
- The distribution of earnings priors to the earnings of fiscal 2007.

Pacific Hospital Supply Co., Ltd.

Comparison Table of Before and After Amended Company Regulation

Before Amendment	After Amendment	Description
<p>Article 6</p> <p>The Company's capital is established to NTD\$6 Billion in total, divided into 60 million shares with NTD\$10 par value, and applicable of issuance in batches.</p> <p>The capital mentioned on the previous paragraph retains NTD\$34.5 million and divided into 3.45 million shares with NTD\$10 par value, which is reserved for the use of employees' stock option and may issue in batches according to the resolution of board of directors.</p>	<p>Article 6</p> <p>The Company's capital is established to NTD\$6 Billion in total, divided into 60 million shares with NTD\$10 par value, and applicable of issuance in batches.</p> <p>The capital mentioned on the previous paragraph retains NTD\$34.5 million and divided into 3.45 million shares with NTD\$10 par value, which is reserved for the use of employees' stock option and may issue in batches according to the resolution of board of directors.</p> <p>The capital mentioned on the first paragraph retains NTD\$1 billion and divided into 10 million shares with NTD\$10 par value, which is reserved for the use of issuing convertible corporate bonds transfer to shares and may issue in batches according to the resolution of board of directors.</p>	<p>Add the issuance credits for corporate bonds.</p>
<p>Article 11</p> <p>In the case that the shareholders won't attend to the shareholder's meeting due to accident, he/she may commend one representative to attendance by present the letter of authority printed by the Company and specify the authority scope with his/her signature or seal, and shall deliver the letter of authority to the Company five days before the meeting.</p>	<p>Article 11</p> <p>In the case that the shareholders won't attend to the shareholder's meeting due to accident, he/she may commend one representative to attendance by present the letter of authority printed by the Company and specify the authority scope with his/her signature or seal, and shall deliver the letter of authority to the Company five days before the meeting.</p> <p>If there's more than one letter of authority received by the Company, then only the first would be accepted. However it's not applicable if the</p>	<p>Add the principle for duplicated letters of authority.</p>

Before Amendment	After Amendment	Description
	letter is to cancel the commission.	
<p>Article 15</p> <p>The Company establishes five directors and three supervisors with three-year terms, in which they are capable and elected and appointed within the board of shareholders, reappointment is allowed if one is elected again; establishes two independent directors in the five directors and one independent director in the three supervisors. The independent directors may attend to the board of directors to express their opinions but have no voting rights. The total shares of the registered shares held by the all directors or supervisors, must not be less than the lowest criterion regulated in the “Rules and Review Procedures for Director and Supervisor Share Ownership Rations at Public Companies” issued by the Securities and Futures Bureau.</p>	<p>Article 15</p> <p>The Company establishes five directors and three supervisors with three-year terms, in which they are capable and elected and appointed within the board of shareholders, reappointment is allowed if one is elected again; establishes two independent directors in the five directors and supervisor who is capable of independent professionals in the three supervisors. The independent directors may attend to the board of directors to express their opinions but have no voting rights. The total shares of the registered shares held by the all directors or supervisors, must not be less than the lowest criterion regulated in the “Rules and Review Procedures for Director and Supervisor Share Ownership Rations at Public Companies” issued by the Securities and Futures Bureau.</p>	<p>Retitle the independent supervisor to supervisor capable of independent professionals.</p>
<p>Article 16</p> <p>The election to the independent supervisor of the Company adopts the candidate nomination system, the shareholders shall elect and appoint the independent directors from the nomination lists. Regarding the independent supervisors’ professional qualifications, restrictions of shareholding and pluralism, cognizance of independent, nomination and appointment, authority exertion and other conformities, according to the</p>	<p>Article 16</p> <p>The election to the independent supervisor of the Company adopts the candidate nomination system, the shareholders shall elect and appoint the independent directors from the nomination lists. Regarding the independent supervisors’ professional qualifications, restrictions of shareholding and pluralism, cognizance of independent, nomination and appointment, authority exertion and other conformities, according to the</p>	<p>Retitle the independent supervisor to supervisor capable of independent professionals.</p>

Before Amendment	After Amendment	Description
<p>Securities Regulation and relevant laws and regulations.</p> <p>The election to the independent supervisor of the Company adopts the candidate nomination system, applicable of the regulation of Article 192, Company Law.</p>	<p>Securities Regulation and relevant laws and regulations.</p> <p>The election to the supervisor capable of independent professionals of the Company adopts the candidate nomination system, applicable of the regulation of Article 192, Company Law.</p>	
<p>Article 19</p> <p>If a director can't attend to a meeting of board of directors by accident, he/she may commend to other director as representative, and shall present the letter of authority with indications of the authority limits; however such representative director can only represent one person.</p> <p>When the president can't exercise his/her authority when he/she takes leave of absence or by personal issues, regarding his representation executes in conformity with the regulation of Article 208, Company Law.</p>	<p>Article 19</p> <p>If a director can't attend to a meeting of board of directors by accident, he/she may commend to other director as representative, and shall present the letter of authority with indications of the authority limits; however such representative director can only represent to one person. If a meeting of board of directors is proceed in video conference, and then the directors attend to such video conference counts as attendance personally. When the president can't exercise his/her authority when he/she takes leave of absence or by personal issues, regarding his representation executes in conformity with the regulation of Article 208, Company Law.</p>	<p>Add video conference to the meeting executions of board of directors.</p>

Before Amendment	After Amendment	Description
<p>The Regulation established on June 10, 1977. The First amendment on February 25, 1983. The Second amendment on March 12, 1983. The Third amendment on April 7, 1984. The Fourth amendment on November 23, 1984. The Fifth amendment on November 21, 1985. The Sixth amendment on December 21, 1985. The Seventh amendment on October 21, 1986. The Eighth amendment on May 16, 1987. The Ninth amendment on July 25, 1987. The Tenth amendment on June 4, 1989. The Eleventh amendment on July 23, 1992. The Twelfth amendment on August 20, 1992. The Thirteenth amendment on December 16, 1992. The Fourteenth amendment on July 17, 1994. The Fifteenth amendment on October 27, 1997. The Sixteenth amendment on October 6, 1998. The Seventeenth amendment on January 30, 1999. The Eighteenth amendment on November 22, 1999. The Nineteenth amendment on April 25, 2000. The Twentieth amendment on November 10, 2000. The Twenty-first amendment on June 14, 2002. The Twenty-second amendment on June 23, 2003. The Twenty-third amendment on January 12, 2004. The Twenty-fourth amendment on June 16, 2004. The Twenty-fifth amendment on June 2, 2005. The Twenty-sixth amendment on June 8, 2006. The Twenty-seventh amendment on March 7, 2007. The Twenty-eighth amendment on June 13, 2007.</p>	<p>The Regulation established on June 10, 1977. The First amendment on February 25, 1983. The Second amendment on March 12, 1983. The Third amendment on April 7, 1984. The Fourth amendment on November 23, 1984. The Fifth amendment on November 21, 1985. The Sixth amendment on December 21, 1985. The Seventh amendment on October 21, 1986. The Eighth amendment on May 16, 1987. The Ninth amendment on July 25, 1987. The Tenth amendment on June 4, 1989. The Eleventh amendment on July 23, 1992. The Twelfth amendment on August 20, 1992. The Thirteenth amendment on December 16, 1992. The Fourteenth amendment on July 17, 1994. The Fifteenth amendment on October 27, 1997. The Sixteenth amendment on October 6, 1998. The Seventeenth amendment on January 30, 1999. The Eighteenth amendment on November 22, 1999. The Nineteenth amendment on April 25, 2000. The Twentieth amendment on November 10, 2000. The Twenty-first amendment on June 14, 2002. The Twenty-second amendment on June 23, 2003. The Twenty-third amendment on January 12, 2004. The Twenty-fourth amendment on June 16, 2004. The Twenty-fifth amendment on June 2, 2005. The Twenty-sixth amendment on June 8, 2006. The Twenty-seventh amendment on March 7, 2007. The Twenty-eighth amendment on June 13, 2007. The Twenty-ninth amendment on June 11, 2008.</p>	<p>Add the date of amended articles.</p>

Pacific Hospital Supply Co., Ltd.

Comparison Table of Before and After Amended Election Act for Directors and Supervisors

Before Amendment	After Amendment	Description
<p>Article 5 The Company establishes two independent directors and one independent supervisor, in which their appointment is not limited as a juridical person or its representative according to Article 17 of Company Law, and they shall be conducted in conformity with the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”. The qualifications of the Company’s independent directors, shall meet the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. The election and appointment of the Company’s independent directors, shall meet the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, as well the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”.</p>	<p>Article 5 The Company establishes two independent directors and one supervisor with capable of independent professionals. , in which their appointment is not limited as a juridical person or its representative according to Article 17 of Company Law, and they shall be conducted in conformity with the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”. The qualifications of the Company’s independent directors, shall meet the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. The election and appointment of the Company’s independent directors, shall meet the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, as well the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”.</p>	<p>Retitle the independent supervisor to supervisor capable of independent professionals.</p>

Before Amendment	After Amendment	Description
<p>Article 6</p> <p>The Company's board of director, or the shareholders who hold at least 1% of the total issued shares, that they can provide the recommendation lists for next election of directors and supervisors as reference to appointment.</p> <p>The election of independent directors and independent supervisors of the Company, shall be executed as the nomination procedure regulated by the Article 192, Company Law</p>	<p>Article 6</p> <p>The Company's board of director, or the shareholders who hold at least 1% of the total issued shares, that they can provide the recommendation lists for next election of directors and supervisors as reference to appointment.</p> <p>The election of independent directors and supervisor with capable of independent professionals of the Company, shall be executed as the nomination procedure regulated by the Article 192, Company Law</p>	<p>Retitle the independent supervisor to supervisor capable of independent professionals.</p>

Lee Yuan-Yong

The Present of
Pacific Hospital Supply Co., Ltd.