

Stock code : 4126



太平洋醫材股份有限公司
Pacific Hospital Supply Co.,Ltd

Regular Meeting of Shareholders 2020

Meeting Agenda

Date: June 16, 2020

Location: Tongluo Township Zhongping Meeting Hall (No. 157-5,
Zhongping, 12th Neighborhood, Zhongping Village,
Tongluo Township, Miaoli County)

Pacific Hospital Supply Co., Ltd.

Handbook for the Regular Meeting of Shareholders 2020

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Pacific Hospital Supply Co., Ltd.

Procedure for the Regular Meeting of Shareholders 2020

- I. Call the Meeting to Order
- II. Opening Speech by the Chairperson
- III. Presentation of Key Issues
- IV. Issues to Be Acknowledged
- V. Issues Proposed for Discussion
- VI. Election
- VII. Other Proposal
- VIII. Extempore Motions
- IX. Adjournment

Pacific Hospital Supply Co., Ltd.
Regular Meeting of Shareholders 2020

Agenda

Date and time: Tuesday, June 16, 2020, 9:00 a.m.

Venue and location: Tongluo Township Zhongping Meeting Hall (No. 157-5,
Zhongping, 12th Neighborhood, Zhongping Village, Tongluo Township,
Miaoli County)

Chaired by: Chairperson An-Ting Chung

- I. Promulgate the number of shares in attendance, and call the meeting to order
- II. Opening speech by the Chairperson
- III. Presentation of key issues:
 1. 2019 Business & Financial Reports
 2. Audit Committee's Review Report on the 2019 Final Accounts
 3. Report on the Distribution of 2019 Employees' and Directors' Compensation
 4. Amendment to the Rules for Repurchase and Transfer of Shares to Employees
- IV. Issues to be acknowledged:
 1. The Company's 2019 Business Report and Financial Statements
 2. The Company's 2019 Earnings Allocation
- V. Issues proposed for discussion:
 1. Amendment to the Articles of Incorporation
 2. Amendment to the Shareholders' Meeting Procedure Rules
 3. The Issue of New Shares Through Capitalization of Capital Surplus
- VI. Election: By-Election of a Director
- VII. Other proposal: Release the Prohibition on New Director from Participation in Competitive Business
- VIII. Extempore motions
- IX. Adjournment

■ Presentation of Key Issues

Issue No. I Proposed by the Board of Directors
Subject of Issue: Report on the Company's 2019 business performance and financial standing.
Descriptions: Please kindly refer to the Handbook for the Shareholders' Meeting, Attachment I.

Issue No. II Proposed by the Board of Directors
Subject of Issue: Audit Committee's Review Report on Final Accounts 2019.
Descriptions: Please kindly refer to the Handbook for the Shareholders' Meeting, Attachment II.

Issue No. III Proposed by the Board of Directors
Subject of Issue: Report on the distribution of 2019 employees' and directors' compensation.
Descriptions:

1. According to Article XXII of the Articles of Incorporation, if the Company has gained profits within a fiscal year, no less than 3% of the profits shall be reserved as the employees' compensation and no more than 2% as the directors' compensation.
2. In care of overall company operation and peer wage payout levels, there are plans to distribute employees' compensation at NT\$25,000,000 and directors' compensation at NT\$2,240,000, with both to be distributed in cash.
3. The 2019 performance evaluation results of directors and managerial officers, please kindly refer to the Handbook for the Shareholders' Meeting, Attachment III.

Issue No. IV Proposed by the Board of Directors
Subject of Issue: Amendment to the "Rules for Repurchase and Transfer of Shares to Employees."
Descriptions: Please kindly refer to the Handbook for the Shareholders' Meeting, Attachment IV.

■ Issues to Be Acknowledged

Issue No. I Proposed by the Board of Directors
Subject of Issue: Acknowledgement of the Company's 2019 Business Report and Financial Statements, please kindly acknowledge this issue as prudent.
Descriptions:

1. The Company's consolidated and individual financial statements of year 2019 have been duly audited by Certified Public Accountants Sheng-Hsiung Yao and Yi-Lung Chou of Deloitte & Touche with Audit Report duly issued.
2. The aforementioned 2019 Business Report and final accounts were already approved by the Audit Committee and the Board of Directors. Please kindly refer to the Handbook for the Shareholders' Meeting, Attachment I and Attachment V.
3. Please kindly acknowledge this issue as prudent.

Decision resolved:

Issue No. II Proposed by the Board of Directors
Subject of Issue: Acknowledgement of the Company's earnings allocation for year 2019, please kindly acknowledge this issue as prudent.

Descriptions:

1. Earnings Appropriation Table of 2019 is drafted in accordance with the Company Act and the Articles of Incorporation of the Company. Please kindly refer to the Handbook for the Shareholders' Meeting, Attachment VI.
2. The total of bonus for allocation is NT\$264,060,864 and will all be distributed in cash for NT\$4 per share pursuant to the register of shareholder on ex-dividend date. The dividend distribution should be rounded down to the nearest integer, and total amount of the fracture numbers will be aggregately recognized as other revenue of the Company.
3. The issue is proposed for adoption by Regular Meeting of Shareholders and for authorization to the Board of Directors to fix the ex-dividend date. If the number of total issued shares is changed according to the regulations and laws or repurchasing of treasury shares by the Company before the ex-dividend date and the ratios of cash dividends are affected by such change, the Board of Directors is authorized to deal with relative matters.
4. Please kindly acknowledge this issue as prudent.

Decision resolved:

■ Issues Proposed for Discussion

Issue No. I

Proposed by the Board of Directors

Subject of Issue: Amendment to the "Articles of Incorporation" of the Company is proposed to be resolved.

Descriptions:

1. In response to the amendments of the "Company Act" and in consideration of operating needs, the Company hereby proposes to amend the "Articles of Incorporation". The comparison of amendments, please kindly refer to the Handbook for the Shareholders' Meeting, Attachment VII.
2. Please resolve.

Decision resolved:

Issue No. II

Proposed by the Board of Directors

Subject of Issue: Amendment to the "Shareholders' Meeting Procedure Rules" is proposed to be resolved.

Descriptions:

1. In response to the amendments of the "Company Act" and the official documents of the competent authority, the Company hereby proposes to amend the "Shareholders' Meeting Procedure Rules". The comparison of amendments, please kindly refer to the Handbook for the Shareholders' Meeting, Attachment VIII.
2. Please resolve.

Decision resolved:

Issue No. III

Proposed by the Board of Directors

Subject of Issue: Proposal for the issue of new shares through capitalization of capital surplus.

Descriptions:

1. Considering the capital planning, the Company plans to appropriate capital reserve derived from the issuance of new shares at a premium amounting to NT\$65,847,840 for capitalization of 6,584,784 new shares at NT\$10/share. The Company will then have paid-in capital amounting to NT\$726,000,000 after the capitalization.
2. The aforementioned issuance of new shares will be assigned to shareholders registered in the shareholders' roster as of the issuing date of the shares on the basis of the number of shares held. Shareholders will be entitled to 99.746458 shares without payment for each lot (1,000 shares) of shareholdings. Shareholders may apply to the stock transfer agent of the Company for combination of fractional shares within five days from the book closure date of ex-right. If no combination is made or if the number of shares remains fractional after combination, the allotment will be made in the form of cash based on par value in a dollar amount instead (rounded down to dollar), and the Chairperson shall be authorized to arrange the subscription by specific person or persons based on par value.
3. The rights and obligations of the current issue of new shares from capitalization will be the same as the original shares.
4. We request to present this motion to the Regular Shareholders' Meeting for resolution and submit to the competent authority for approval. The Board shall be authorized to give further notice on the date of issuing new shares.
5. If the number of total issued shares is changed according to the regulations and laws or repurchasing of treasury shares by the Company and thus the ratios of stock dividends are affected by such change, the Board of Directors is authorized to deal with relative matters.
6. Please resolve.

Decision resolved:

■ Election

Subject of Issue: By-Election of a Director.

Proposed by the Board of Directors

Descriptions:

1. According to the Articles of Incorporation, the Company proposes a by-election of a director for Chairman Jin Chung passed away and was discharged ipso facto. This election adopts a candidates nomination system. The new director shall assume office on the day being elected, and the term starts from June 16, 2020 to June 30, 2022.
2. The qualification of the candidate has been reviewed by the 1st special meeting of the 15th Board of the Company. Relevant information of the candidate is as follows:

Position	Name	Educational backgrounds	Current position	Experience	Shareholding (Shares)
Director	Wu, Chang-Min	Bachelor of Arts in Economics, National Taiwan University	1. Director and Vice President of Proxene Tools Co., Ltd. 2. Supervisor of Ducrown Industrial Co., Ltd. 3. Director of Yi-Yuan Pets Co., Ltd.	1. Supervisor of Alison Investment Co., Ltd. 2. Executive Specialist of Proxene Tools Co., Ltd.	0

Voting Results:

■ Other Proposal

Subject of Issue: Proposal to release the prohibition on new director from participation in competitive business.

Proposed by the Board of Directors

Descriptions:

1. The proposal has been sought per stipulations set forth under Article 209 of the Company Act and per “Articles of Incorporation” of the Company.
2. In order to rely on company directors’ know-how and relevant experience, there are plans to secure the meeting of shareholders’ consent to release the prohibition on the new director from participation in competitive business, in case this director who also invests in or operates in other positions identical or similar to the scope of the company business.
3. The director candidate concurrently acts as:

Title	Name	Concurrent Positions
Director	Wu, Chang-Min	Director and Vice President of Proxene Tools Co., Ltd.

4. Please resolve.

Decision resolved:

■ Extempore Motions

■ Adjournment

Pacific Hospital Supply Co., Ltd. 2019 Business Report



The effect of the US-China trade war and political risk weakened the investment decisions and momentum of world trade, which slowed down global economic growth in 2019. Yet, the management team of the Company still demonstrated their professional capacity and led the Company to yield sound performance in revenue. The result of operation and financial status in 2019 will be elaborated below:

【Operating policy】

For the realization of the corporate philosophy of integrity, responsibility and professionalism, the Company persists to demand for high quality with ceaseless refinement in the production process technology and improvement of production efficiency. The Company focuses on its core business and vitalization of the organization in its operations and upgraded the added-value of the “PAHSCO” brand through good quality products and service content. This helps to lay down a solid foundation for business growth and achieving the goal of corporate sustainability. The following is the summary of business policy:

- (I) Intensify quality management to satisfy the needs of customers and seek perfection of work.
- (II) Optimize product portfolio to broaden the profit base and its eventual expansion into the global market.
- (III) Boost up research and development for technology innovation and upgrade of competitive power.
- (IV) Enlarge the scale of operations, integrate organizational functions and fortify the advantageous position.
- (V) Advocate corporate governance with a firm belief in ethical corporate management and performance of corporate social responsibility.

【Achievement and implementation of business plan】

With hard work for more than 4 decades and growth, the Company has developed a wide array of product lines to complete specifications. We marketed our products to Europe, the USA, Japan and many other countries, and have established goodwill in the market. In responding to the sustainable growth of the medical devices market, the Company will proceed to capacity expansion and integration. The transfer of products at Tongluo Science Park and relevant accreditation with applicable legal rules are incrementally in place, to the extent the utilization of the production lines become more efficient. This could likely drive forward further growth and speed up product upgrade and new product development to satisfy the diversified needs of the market and our customers.

Revenue from different regions enjoyed stable growth in 2019. The positive direction of foreign exchange rate and capacity utilization helped to improve gross margin. It was echoed in the disposal of plants to bring in non-operating income that allowed for better profit position as compared with the same period of the previous year. The consolidated business performance of the Company for the year 2019 is as follows: (Unit: NT\$ Thousand)

Item	Year	2019	2018	Growth rate
Operating revenue		2,040,643	1,822,441	11.97 %
Gross profit		578,883	468,707	23.51 %
Operating expense		231,608	215,027	7.71 %
Operating income - net		347,275	253,680	36.89 %
Non-operating income and expense		182,567	18,804	870.89%
Net profit		459,120	216,353	112.21 %

【Operating income and expense and budget implementation】

There is no significant unusual performance in the execution of the budget of 2019. The Company will continue to exercise tight control of the cost and improve operation efficiency and performance for the maximization of shareholders' equity.

【Profitability analysis】

The total consolidated assets amounted to NT\$3,949,545 thousand, the total consolidated liabilities amounted to NT\$1,397,753 thousand, and the total consolidated shareholders' equity amounted to NT\$2,551,792 thousand as of the end of 2019. The annual debt ratio was 35.39%, the return on assets was 12.50%, the return on equity was 18.88%, the net profit ratio was 22.50%, the basic earnings per share was NT\$6.95, and the profitability was good in 2019.

【Research and development】

In 2019, the consolidated expenses incurred from research and development amounted to NT\$42,690 thousand, which accounted for 2.09% of the consolidated operating revenue. For many years, the Company has pooled up the know-how in research and development and built up key technologies. In the quest for product quality as its foundation, the Company takes the customers as the prime force driving innovation forward. People have always been at the core value of the Company based on which the Company spares no effort in exploring the potential needs of the customers, keep abreast of the development trends of medical devices to upgrade its overall capacity in innovation, research and development and to create the value chain of sustainability.

In the wake of an aging society worldwide and the incremental growth of the industrial value of medical devices all over the world, the global market of medical devices will enjoy stable growth in response to the increasing awareness of public health and the rising demand for medical care. We would like to express our gratitude to all the shareholders for their support and affirmation of Pacific Hospital Supply Co., Ltd., and hope that shareholders will continue to provide encouragement and comments. We shall tackle all the problems and challenges and create a better future together with the shareholders. Finally, we would like to thank the shareholders once again with the best of lucks in the name of and on behalf of all of the Pacific Hospital Supply Co., Ltd.

Chairman

Jin Chung



General Manager

Jin Chung



Accounting Head

Yu-Shiu Huang



March 24, 2020

Audit Committee's Review Report

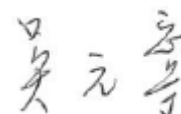
To: The Regular Meeting of Shareholders 2020

The Board of Directors compiled the Company's 2019 business report, financial statements (including consolidated and individual financial statements), and proposal of earnings distribution. The CPAs of Deloitte & Touche, Sheng-Hsiung Yao and Yi-Lung Chou, have audited the financial statements and issued an audit report relating to the financial statements.

The aforementioned business report, financial statements and proposal of earnings distribution have been audited by the Audit Committee and there is no misrepresentation. As such, the Audit Committee issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please examine.

Pacific Hospital Supply Co., Ltd.

Audit Committee Convenor Yuan-Ning Wu



March 24, 2020

Pacific Hospital Supply Co., Ltd.

2019 Performance Evaluation Results of Directors and Managerial Officers

The performance evaluation of directors and managerial officers has been conducted according to “Rules of Performance Evaluation of the Board of Directors” and the “Guidelines for Remuneration of the Management”. The evaluation results are shown as follows:

The criteria for evaluating the performance	Subject	Evaluation results
1. Familiarity with the goals and missions of the company 2. Awareness of the duties 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. Professionalism and continuing education 6. Internal control	Directors	“A” or above
1. Company operating performance 2. Departmental operating performance 3. Personal performance	Managerial officers	Excellence
Remarks: Performance evaluation with a score over 90 points is graded “Excellence”; 85~89 points is graded “A”; 75~84 points is graded “B” and less than 75 points is graded “C”.		

Pacific Hospital Supply Co., Ltd.
Rules for Repurchase and Transfer of Shares to Employees
Contents Before & After Amendment in Comparison

Before amendment	After amendment	Description
<p>Article 3</p> <p>The current repurchased shares may be transferred to the employees, at once or by increment, within three years from the share buyback date, per stipulated by the measures. The portion not transferred exceeding the cutoff is deemed as unissued company shares, which shall a share elimination change registration filed as required by law.</p>	<p>Article 3</p> <p>The current repurchased shares may be transferred to the employees, at once or by increment, within three <u>five</u> years from the share buyback date, per stipulated by the measures. The portion not transferred exceeding the cutoff is deemed as unissued company shares, which shall a share elimination change registration filed as required by law.</p>	<p>The amendment is processed in accordance with Article 28-2 of the Securities and Exchange Act.</p>

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Pacific Hospital Supply Co., Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Authenticity of Sales Revenue

The revenue of the Group mainly comes from the sales of medical equipment. Sales revenue at 2019 compared to 2018 was increased NT\$218,202 thousand. Among the top 20 customers who have increased the net sales at 2019 compared to 2018, had contributed net sales of \$996,747 thousand, which is 49% of total operating revenue in 2019. We assess that the risk of sales revenue whether actually happened is higher. Therefore, among the top 20 customers in 2019 who have increased the net sales at 2019 compared to 2018, was identified as the key audit matters.

Refer to Note 4 to the financial statements for the accounting policies related to export revenue recognition.

Our main audit procedures performed for the above-mentioned key audit matter included the following:

1. We understood and tested the design and effectiveness of the internal controls surrounding the sales revenue of above customers' recognition process.
2. We selected samples from above customers' sales records and checked whether they matched the purchase order documents, packing list and export declaration, and tested the accounts receivable is received to verify whether the authenticity of sales revenue.

Other Matter

We have also audited the parent company only financial statements of Pacific Hospital Supply Co., Ltd. as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Sheng-Hsiung, Yao and Yi-Lung Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 independent auditors' report and consolidated financial statements shall prevail.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

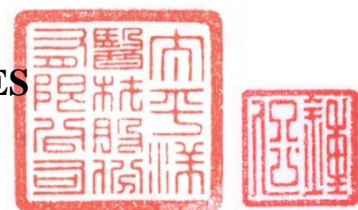
CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)



	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 535,096	14	\$ 383,708	11
Notes receivable (Notes 4 and 7)	18,277	-	26,973	1
Accounts receivable (Notes 4, 5 and 7)	146,950	4	167,229	5
Other receivables (Notes 4 and 7)	6,608	-	7,129	-
Inventories (Notes 4 and 8)	315,631	8	269,820	7
Prepayments	21,740	1	25,336	1
Non-current assets held for sale (Notes 4, 9 and 28)	256,557	6	117,564	3
Other current assets (Note 15)	6,014	-	4,844	-
Total current assets	1,306,873	33	1,002,603	28
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 9, 11, 24 and 28)	2,057,980	52	2,380,535	66
Right-of-use assets (Notes 4, 12 and 27)	420,774	11	-	-
Investment properties (Notes 4, 13 and 28)	92,490	2	92,798	3
Other intangible assets (Notes 4 and 14)	9,235	-	10,685	-
Deferred tax assets (Notes 4 and 22)	13,642	1	11,712	-
Other non-current assets (Notes 15 and 24)	48,551	1	87,192	3
Total non-current assets	2,642,672	67	2,582,922	72
TOTAL	\$ 3,949,545	100	\$ 3,585,525	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 30,000	1	\$ -	-
Contract liabilities - current	27,067	1	32,064	1
Notes payable	900	-	2,760	-
Accounts payable	143,031	3	140,156	4
Other payables (Notes 17 and 24)	184,760	5	320,274	9
Current tax liabilities (Notes 4 and 22)	45,119	1	31,133	1
Lease liabilities - current (Notes 4, 12 and 27)	12,534	-	-	-
Current portion of long-term borrowings (Notes 16 and 28)	50,000	1	113,804	3
Other current liabilities (Note 17)	2,127	-	2,145	-
Total current liabilities	495,538	12	642,336	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 28)	470,000	12	606,196	17
Lease liabilities- non-current (Notes 4, 12 and 27)	410,734	10	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	20,900	1	25,243	1
Guarantee deposits (Note 17)	581	-	581	-
Total non-current liabilities	902,215	23	632,020	18
Total liabilities	1,397,753	35	1,274,356	36
EQUITY (Note 19)				
Share capital				
Ordinary shares	660,152	17	660,152	18
Capital surplus from shares issued in excess of par value	410,354	10	410,354	11
Retained earnings				
Legal reserve	332,541	9	310,905	9
Unappropriated earnings	1,154,066	29	929,758	26
Total retained earnings	1,486,607	38	1,240,663	35
Other equity				
Exchange differences on translating the financial statements of foreign operations	(5,321)	-	-	-
	(5,321)	-	-	-
Total equity	2,551,792	65	2,311,169	64
TOTAL	\$ 3,949,545	100	\$ 3,585,525	100

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)				
Sales	\$ 2,049,720	100	\$ 1,830,606	100
Less: Sales returns and allowances	<u>(9,077)</u>	<u>-</u>	<u>(8,165)</u>	<u>-</u>
Net operating revenue	2,040,643	100	1,822,441	100
OPERATING COSTS (Notes 4, 8, 18 and 21)				
Cost of goods sold	<u>1,461,760</u>	<u>72</u>	<u>1,353,734</u>	<u>74</u>
GROSS PROFIT	<u>578,883</u>	<u>28</u>	<u>468,707</u>	<u>26</u>
OPERATING EXPENSES (Notes 18, 21 and 27)				
Selling and marketing expense	78,680	4	70,306	4
General and administrative expense	110,238	5	103,467	6
Research and development expense	<u>42,690</u>	<u>2</u>	<u>41,254</u>	<u>2</u>
Total operating expenses	<u>231,608</u>	<u>11</u>	<u>215,027</u>	<u>12</u>
OPERATING INCOME	<u>347,275</u>	<u>17</u>	<u>253,680</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 27)	15,668	1	16,680	1
Other gains and losses (Note 21)	181,657	9	12,811	1
Finance costs (Notes 21 and 27)	<u>(14,758)</u>	<u>(1)</u>	<u>(10,687)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>182,567</u>	<u>9</u>	<u>18,804</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	529,842	26	272,484	15
INCOME TAX EXPENSE (Notes 4 and 22)	<u>70,722</u>	<u>4</u>	<u>56,131</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>459,120</u>	<u>22</u>	<u>216,353</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18)				
Items that will not be reclassified subsequently to loss:				
Remeasurement of defined benefit plans	(2,409)	-	(1,153)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	482	-	604	-

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

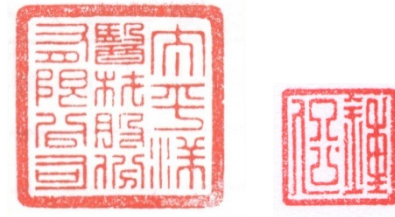
	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (6,651)	-	\$ -	-
Income tax relating to items that may be reclassified subsequently to loss	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(7,248)</u>	<u>-</u>	<u>(549)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 451,872</u>	<u>22</u>	<u>\$ 215,804</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 6.95</u>		<u>\$ 3.28</u>	
Diluted	<u>\$ 6.92</u>		<u>\$ 3.26</u>	

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

(Concluded)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)



	Share Capital		Capital Surplus	Retained Earnings (Notes 4, 19 and 22)			Exchange Differences on Translating the Financial Statements of Foreign Operations (Notes 4 and 19)	Total Equity
	Shares (In Thousands)	Ordinary Share (Note 19)	Issue of Share in Excess of Par Value (Note 19)	Legal Reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2018	66,015	\$ 660,152	\$ 410,354	\$ 287,196	\$ 902,701	\$ 1,189,897	\$ -	\$ 2,260,403
Appropriation of 2017 earnings								
Legal reserve	-	-	-	23,709	(23,709)	-	-	-
Cash dividends distributed	-	-	-	-	(165,038)	(165,038)	-	(165,038)
Net profit for the year ended December 31, 2018	-	-	-	-	216,353	216,353	-	216,353
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	(549)	(549)	-	(549)
Total comprehensive loss for the year ended December 31, 2018	-	-	-	-	215,804	215,804	-	215,804
BALANCE AT DECEMBER 31, 2018	66,015	660,152	410,354	310,905	929,758	1,240,663	-	2,311,169
Appropriation of 2018 earnings								
Legal reserve	-	-	-	21,636	(21,636)	-	-	-
Cash dividends distributed	-	-	-	-	(211,249)	(211,249)	-	(211,249)
Net profit for the year ended December 31, 2019	-	-	-	-	459,120	459,120	-	459,120
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,927)	(1,927)	(5,321)	(7,248)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	457,193	457,193	(5,321)	451,872
BALANCE AT DECEMBER 31, 2019	66,015	\$ 660,152	\$ 410,354	\$ 332,541	\$ 1,154,066	\$ 1,486,607	\$ (5,321)	\$ 2,551,792

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES



CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 529,842	\$ 272,484
Adjustments for:		
Depreciation expenses	163,287	144,265
Amortization expenses	6,625	6,533
Impairment losses recognized on accounts receivable	-	286
Interest income	(1,668)	(1,298)
Finance costs	14,758	10,687
Loss/(gain) on disposal of property, plant and equipment	5,176	(112)
Gain on disposal of non-current assets held for sale	(189,684)	-
Inventory write-downs	182	1,483
Net loss/(gain) on foreign currency exchange	9,162	(6,179)
Loss on disposal of inventories	4,542	3,801
Decrease in net defined benefit liabilities - non-current	(6,752)	(6,023)
Changes in operating assets and liabilities		
Notes receivable	8,696	(10,776)
Accounts receivable	19,392	(39,959)
Other receivables	413	15,819
Inventories	(50,535)	9,362
Prepayments	3,587	3,388
Other current assets	(1,188)	(356)
Contract liabilities	(4,997)	9,735
Notes payable	(1,860)	(5,267)
Accounts payable	2,883	(18,826)
Other payables	19,905	18,988
Other current liabilities	(18)	671
Cash generated from operations	531,748	408,706
Interest received	1,776	1,132
Interest paid	(15,351)	(10,253)
Income tax paid	(56,855)	(58,093)
Net cash generated from operating activities	<u>461,318</u>	<u>341,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(24,397)	(39,775)
Proceeds from disposal of non-current assets held for sale	307,248	-
Acquisition of property, plant and equipment	(185,601)	(247,829)
Proceeds from disposal of property, plant and equipment	2,522	27,433
Increase in refundable deposits	(1,891)	-
Decrease in refundable deposits	-	2,148
Acquisition of intangible assets	(5,178)	(4,337)
Net cash generated from/(used in) investing activities	<u>92,703</u>	<u>(262,360)</u>

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 30,000	\$ -
Decrease in short-term borrowings	-	(20,000)
Proceeds from long-term borrowings	470,000	750,000
Repayments of long-term borrowings	(670,000)	(711,612)
Repayment of the principal portion of lease liabilities	(6,652)	-
Cash dividends distributed	<u>(211,249)</u>	<u>(165,038)</u>
Net cash used in financing activities	<u>(387,901)</u>	<u>(146,650)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(14,732)</u>	<u>5,692</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	151,388	(61,826)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>383,708</u>	<u>445,534</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 535,096</u>	<u>\$ 383,708</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Pacific Hospital Supply Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Authenticity of Sales Revenue

The revenue of the Company mainly comes from the sales of medical equipment. Sales revenue in 2019 increased by NT\$218,202 thousand from 2018. Among the top 20 customers in 2019, customers which showed revenue growth from 2018 have contributed NT\$996,747 thousand of operating revenue, which accounted for 49% of total operating revenue in 2019. We assessed that the risk related to sales revenue, that is, whether the transaction actually occurred, is high. Therefore, among the top 20 customers in 2019, revenue for customers which showed growth from 2018 was identified as one of the key audit matters.

Refer to Note 4 to the financial statements for the accounting policies related to revenue recognition.

Our main audit procedures performed for the above-mentioned key audit matter included the following:

1. We understood and tested the design and operating effectiveness of the internal controls surrounding the sales revenue recognition process of the above-mentioned customers.
2. We selected samples from sales records for the above-mentioned customers and checked whether they matched the corresponding evidence such as purchase orders, packing lists and export declarations, and tested the collection of receivables to verify the authenticity of the sales transaction.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Sheng-Hsiung Yao and Yi-Lung Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and financial statements shall prevail.

PACIFIC HOSPITAL SUPPLY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)



	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 408,901	10	\$ 383,708	11
Notes receivable (Notes 4 and 7)	18,277	-	26,973	1
Accounts receivable (Notes 4, 5 and 7)	146,950	4	167,229	5
Other receivables (Notes 4 and 7)	6,608	-	7,129	-
Inventories (Notes 4 and 8)	315,631	8	269,820	7
Prepayments	21,031	1	25,336	1
Non-current assets held for sale (Notes 4, 9 and 28)	256,557	7	117,564	3
Other current assets (Note 15)	4,567	-	4,844	-
Total current assets	1,178,522	30	1,002,603	28
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	141,939	4	-	-
Property, plant and equipment (Notes 4, 9, 11, 24 and 28)	2,047,999	52	2,380,535	66
Right-of-use assets (Notes 4, 12 and 27)	418,998	11	-	-
Investment properties (Notes 4, 13 and 28)	92,490	2	92,798	3
Other intangible assets (Notes 4 and 14)	9,016	-	10,685	-
Deferred tax assets (Notes 4 and 22)	13,642	-	11,712	-
Other non-current assets (Notes 15 and 24)	44,423	1	87,192	3
Total non-current assets	2,768,507	70	2,582,922	72
TOTAL	\$ 3,947,029	100	\$ 3,585,525	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 30,000	1	\$ -	-
Contract liabilities	27,067	1	32,064	1
Notes payable	900	-	2,760	-
Accounts payable	142,631	3	140,156	4
Other payables (Notes 17 and 24)	184,434	5	320,274	9
Current tax liabilities (Notes 4 and 22)	45,119	1	31,133	1
Lease liabilities - current (Notes 4,12 and 27)	11,865	-	-	-
Current portion of long-term borrowings (Notes 16 and 28)	50,000	1	113,804	3
Other current liabilities (Note 17)	2,124	-	2,145	-
Total current liabilities	494,140	12	642,336	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 28)	470,000	12	606,196	17
Lease liabilities - non-current (Notes 4,12 and 27)	409,616	10	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	20,900	1	25,243	1
Guarantee deposits (Note 17)	581	-	581	-
Total non-current liabilities	901,097	23	632,020	18
Total liabilities	1,395,237	35	1,274,356	36
EQUITY (Note 19)				
Share capital				
Ordinary shares	660,152	17	660,152	18
Capital surplus from shares issued in excess of par value	410,354	10	410,354	11
Retained earnings				
Legal reserve	332,541	9	310,905	9
Unappropriated earnings	1,154,066	29	929,758	26
Total retained earnings	1,486,607	38	1,240,663	35
Other equity				
Exchange differences on translating the financial statements of foreign operations	(5,321)	-	-	-
Total equity	2,551,792	65	2,311,169	64
TOTAL	\$ 3,947,029	100	\$ 3,585,525	100

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

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)



	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)				
Sales	\$ 2,049,720	100	\$ 1,830,606	100
Less: Sales returns and allowances	<u>(9,077)</u>	<u>-</u>	<u>(8,165)</u>	<u>-</u>
Net operating revenue	2,040,643	100	1,822,441	100
OPERATING COSTS (Notes 4, 8, 18 and 21)				
Cost of goods sold	<u>1,461,760</u>	<u>72</u>	<u>1,353,734</u>	<u>74</u>
GROSS PROFIT	<u>578,883</u>	<u>28</u>	<u>468,707</u>	<u>26</u>
OPERATING EXPENSES (Notes 18, 21 and 27)				
Selling and marketing expense	78,680	4	70,306	4
General and administrative expense	107,800	5	103,467	6
Research and development expense	<u>42,690</u>	<u>2</u>	<u>41,254</u>	<u>2</u>
Total operating expenses	<u>229,170</u>	<u>11</u>	<u>215,027</u>	<u>12</u>
OPERATING INCOME	<u>349,713</u>	<u>17</u>	<u>253,680</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 27)	15,641	1	16,680	1
Other gains and losses (Note 21)	179,866	9	12,811	1
Finance costs (Note 21)	(14,736)	(1)	(10,687)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method (Note 4)	<u>(642)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>180,129</u>	<u>9</u>	<u>18,804</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	529,842	26	272,484	15
INCOME TAX EXPENSE (Notes 4 and 22)	<u>70,722</u>	<u>4</u>	<u>56,131</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>459,120</u>	<u>22</u>	<u>216,353</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18, 19 and 22)				
Items that will not be reclassified subsequently to loss:				
Remeasurement of defined benefit plans	(2,409)	-	(1,153)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	482	-	604	-

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

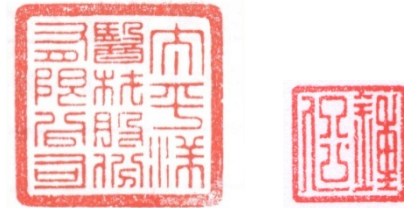
	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (6,651)	-	\$ -	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(7,248)</u>	<u>-</u>	<u>(549)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 451,872</u>	<u>22</u>	<u>\$ 215,804</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 6.95</u>		<u>\$ 3.28</u>	
Diluted	<u>\$ 6.92</u>		<u>\$ 3.26</u>	

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

(Concluded)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)



	Share Capital Ordinary Shares (Note 19)	Capital Surplus Issuance of Shares in Excess of Par Value (Note 19)	Retained Earnings (Notes 4, 19 and 22)			Exchange Differences on Translating the Financial Statements of Foreign Operations (Notes 4 and 19)	Total Equity
			Legal Reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2018	\$ 660,152	\$ 410,354	\$ 287,196	\$ 902,701	\$ 1,189,897	\$ -	\$ 2,260,403
Appropriation of 2017 earnings							
Legal reserve	-	-	23,709	(23,709)	-	-	-
Cash dividends distributed	-	-	-	(165,038)	(165,038)	-	(165,038)
Net profit for the year ended December 31, 2018	-	-	-	216,353	216,353	-	216,353
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	(549)	(549)	-	(549)
Total comprehensive income for the year ended December 31, 2018	-	-	-	215,804	215,804	-	215,804
BALANCE AT DECEMBER 31, 2018	660,152	410,354	310,905	929,758	1,240,663	-	2,311,169
Appropriation of 2018 earnings							
Legal reserve	-	-	21,636	(21,636)	-	-	-
Cash dividends distributed	-	-	-	(211,249)	(211,249)	-	(211,249)
Net profit for the year ended December 31, 2019	-	-	-	459,120	459,120	-	459,120
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	(1,927)	(1,927)	(5,321)	(7,248)
Total comprehensive income for the year ended December 31, 2019	-	-	-	457,193	457,193	(5,321)	451,872
BALANCE AT DECEMBER 31, 2019	<u>\$ 660,152</u>	<u>\$ 410,354</u>	<u>\$ 332,541</u>	<u>\$ 1,154,066</u>	<u>\$ 1,486,607</u>	<u>\$ (5,321)</u>	<u>\$ 2,551,792</u>

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

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)



	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 529,842	\$ 272,484
Adjustments for:		
Depreciation expenses	162,837	144,265
Amortization expenses	6,619	6,533
Impairment losses recognized on accounts receivable	-	286
Interest income	(1,641)	(1,298)
Finance costs	14,736	10,687
Share of loss of subsidiaries	642	-
Loss/(gain) on disposal of property, plant and equipment	5,176	(112)
Gain on disposal of non-current assets held for sale	(189,684)	-
Inventory write-downs	182	1,483
Net loss/(gain) on foreign currency exchange	7,593	(6,179)
Loss on disposal of inventories	4,542	3,801
Decrease in net defined benefit liabilities - non-current	(6,752)	(6,023)
Changes in operating assets and liabilities		
Notes receivable	8,696	(10,776)
Accounts receivable	19,392	(39,959)
Other receivables	413	15,819
Inventories	(50,535)	9,362
Prepayments	4,305	3,388
Other current assets	276	(356)
Contract liabilities	(4,997)	9,735
Notes payable	(1,860)	(5,267)
Accounts payable	2,476	(18,826)
Other payables	19,575	18,988
Other current liabilities	(21)	671
Cash generated from operations	531,812	408,706
Interest received	1,749	1,132
Interest paid	(15,328)	(10,253)
Income tax paid	(56,855)	(58,093)
Net cash generated from operating activities	<u>461,378</u>	<u>341,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(20,353)	(39,775)
Acquisition of subsidiaries accounted for using the equity method	(149,232)	-
Proceeds from disposal of non-current assets held for sale	307,248	-
Acquisition of property, plant and equipment	(175,210)	(247,829)
Proceeds from disposal of property, plant and equipment	2,522	27,433
Increase in refundable deposits	(1,755)	-
Decrease in refundable deposits	-	2,148
Acquisition of intangible assets	(4,950)	(4,337)
Net cash used in investing activities	<u>(41,730)</u>	<u>(262,360)</u>

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 30,000	\$ -
Decrease in short-term borrowings	-	(20,000)
Proceeds from long-term borrowings	470,000	750,000
Repayments of long-term borrowings	(670,000)	(711,612)
Repayment of the principal portion of lease liabilities	(6,500)	-
Cash dividends distributed	<u>(211,249)</u>	<u>(165,038)</u>
Net cash used in financing activities	<u>(387,749)</u>	<u>(146,650)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(6,706)</u>	<u>5,692</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25,193	(61,826)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>383,708</u>	<u>445,534</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 408,901</u>	<u>\$ 383,708</u>

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

(Concluded)

Pacific Hospital Supply Co., Ltd.
2019 Earnings Appropriation



Unit: NT\$

Item	Amount	Remarks
Opening undistributed earnings	696,873,057	
Add: After-tax net profit for the current period	459,119,838	
Less: Remeasurement of defined benefit plans of the current year	(1,927,024)	
Less: 10% provision for legal reserve	(45,719,281)	
Less: Special reserve	(5,320,711)	
Distributable earnings for the period	1,103,025,879	
Shareholders' dividends NT\$ 4 per share (Cash dividends NT\$ 4 per share)	(264,060,864)	
Closing undistributed earnings	838,965,015	

Note1: The Company has plans to allocate, per Articles of Incorporation, the legal reserve and special reserve, and has proposed to distribute shareholders' bonus at NT\$264,060,864, to be distributed in cash; the foresaid shareholders' bonus is compliant with Articles of Incorporation of no less than twenty percent of the total dividend amount.

Note2: The 2019 earnings are to be distributed with priority at the current earnings distribution.

Representative : Jin Chung



Manager : Jin Chung



Accounting Head : Yu-Shiu Huang



Pacific Hospital Supply Co., Ltd.
Articles of Incorporation
Contents Before & After Amendment in Comparison

Before amendment	After amendment	Description
(newly added clause)	<p><u>Article VI-II</u> <u>The Company may include the employees of parents or subsidiaries meeting certain specific requirements when transferring its treasury stock to employees, issuing employee stock warrants, reserving the issuance of common stock in cash for employees to subscribe, and issuing new restricted employee shares according to the Company Act.</u></p>	Per the requirements of the Company Act, the Company includes the employees of controlled operations or subsidiaries for entitlement to employee remuneration or rewards.
<p>Article VII The share certificates shall be affixed with the signatures or personal seals of three or more directors, duly affixed by the Company with registered specimen seal and shall be duly certified or authenticated under the laws before issuance. As requested by a centralized securities depository enterprise the Company may issue aforementioned share certificates in consolidation into large denomination. The Company shall issue non-physical shares and does not print share certificates but shall have the shares duly registered with the centralized securities depository institution(s).</p>	<p>Article VII The share certificates shall be affixed with the signatures or personal seals of <u>the director representing the company</u> three or more directors, duly affixed by the Company with registered specimen seal and shall be duly certified or authenticated under the laws before issuance. As requested by a centralized securities depository enterprise the Company may issue aforementioned share certificates in consolidation into large denomination. The Company shall issue non-physical shares and does not print share certificates but shall have the shares duly registered with the centralized securities depository institution(s).</p>	The amendment is processed in accordance with Article 162 of the Company Act.
<p>Article XIII A shareholder shall have one voting power in respect of each share, but the shares shall have no voting power under any of the circumstances listed in Article 179 of the Company Act. A juristic (corporate) person shareholder has statutory representative(s) not confined to one in number. Its voting powers shall be, nevertheless, calculated based on the number of shares so held in a consolidated basis. In case of two or more representatives, the representatives shall exercise the voting powers jointly.</p>	<p>Article XIII A shareholder shall have one voting power in respect of each share, <u>except in the circumstances otherwise provided for in the laws and regulations</u> but the shares shall have no voting power under any of the circumstances listed in Article 179 of the Company Act. A juristic (corporate) person shareholder has statutory representative(s) not confined to one in number. Its voting powers shall be, nevertheless, calculated based on the number of shares so held in a consolidated basis. In case of two or</p>	Revision to the wording.

Before amendment	After amendment	Description
	more representatives, the representatives shall exercise the voting powers jointly.	
Article XXVI These Articles were duly enacted on June 10, 1977 and were duly amended on ... June 12, 2019 as the 36th amendment.	Article XXVI These Articles were duly enacted on June 10, 1977 and were duly amended on... June 12, 2019 as the 36th amendment <u>and June 16, 2020 as the 37th amendment.</u>	Addition of the date of revision.

Pacific Hospital Supply Co., Ltd.
Shareholders' Meeting Procedure Rules
Contents Before & After Amendment in Comparison

Before amendment	After amendment	Description
<p>Article IV (section 1~ 3 omitted)</p> <p>Matters pertaining to election or discharge of directors, amendments to the Articles of Incorporation, dissolution, merger, spin-off, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions.</p> <p>A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal in writing for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Besides, where an issue proposed by a shareholder is found to have met with any situation set forth in Article 172-1, Paragraph 4, the Board of Directors may not take it into the agenda.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days. (following content omitted)</p>	<p>Article IV (section 1~ 3 omitted)</p> <p>Matters pertaining to election or discharge of directors, amendments to the Articles of Incorporation, <u>reduction of capital, application for the approval of ceasing the status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares,</u> dissolution, merger, spin-off, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described <u>and the essential contents shall be explained</u> in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions.</p> <p>A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal in writing for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>A shareholder proposal proposed for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</u> Besides, where an issue proposed by a shareholder is found to have met with any situation set forth in Article 172-1, Paragraph 4, the Board of Directors may not take it into the agenda. Prior to the date on which share transfer</p>	<p>The amendment is processed in accordance with TPEX Document No. 10900500262 of the Taipei Exchange dated January 13, 2020.</p>

Before amendment	After amendment	Description
	<p>registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal <u>in writing or by way of electronic transmission</u>, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.</p> <p>(following content omitted)</p>	
<p>Article IX</p> <p>Where a shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors. The meeting shall be duly convened exactly in accordance with the scheduled agenda which shall not be changed unless resolved in the shareholders' meeting.</p> <p>(following content omitted)</p>	<p>Article IX</p> <p>Where a shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors <u>and case-by-case voting shall be adopted for all the proposals (including extemporaneous motions and the amendment to the original proposal)</u>. The meeting shall be duly convened exactly in accordance with the scheduled agenda which shall not be changed unless resolved in the shareholders' meeting.</p> <p>(following content omitted)</p>	Same as above.
<p>Article XII</p> <p>Opportunities shall be given for proper explanation to and discussion over issues, and amendments and occasional (extemporaneous) motions proposed by shareholders, and the chairperson may, when considers a vote is proper to be made, announce conclusion of discussion and put the issue into vote for resolution forthwith.</p>	<p>Article XII</p> <p>Opportunities shall be given for proper explanation to and discussion over issues, and amendments and occasional (extemporaneous) motions proposed by shareholders, and the chairperson may, when considers a vote is proper to be made, announce conclusion of discussion, and put the issue into vote for resolution forthwith <u>and arrange adequate time for voting</u>.</p>	Same as above.
<p>Article XIII</p> <p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>Where the Company convenes a shareholders' meeting, voting power may be exercised in writing or electronically. When voting power may be exercised in writing or electronically, the method to exercise voting power in writing shall be expressly provided in the notices to the shareholders' meeting. A shareholder who</p>	<p>Article XIII</p> <p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>Where the Company convenes a shareholders' meeting, voting power <u>shall be exercised electronically and</u> may be exercised in writing or electronically.</p> <p>When voting power may be exercised in writing or electronically, the method to exercise voting power in writing shall be expressly provided in the notices to the</p>	Same as above.

Before amendment	After amendment	Description
exercises voting power in writing or electronically shall be deemed as present in the shareholders' meeting in person but shall be deemed as in abstention for the occasional (extemporaneous) motions and amendment of the original issues in that shareholders' meeting. (following content omitted)	shareholders' meeting. A shareholder who exercises voting power in writing or electronically shall be deemed as present in the shareholders' meeting in person but shall be deemed as in abstention for the occasional (extemporaneous) motions and amendment of the original issues in that shareholders' meeting. (following content omitted)	
Article XIX Minutes shall be duly worked out to cover decisions resolved in a shareholders' meeting. The minutes shall be signed, or affixed seal by the chairperson and shall be served to all shareholders within twenty days after the meeting. The minutes may be worked out and served by electronic means or through input into the Market Observation Post System (MOPS). The meeting minutes shall record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.	Article XIX Minutes shall be duly worked out to cover decisions resolved in a shareholders' meeting. The minutes shall be signed, or affixed seal by the chairperson and shall be served to all shareholders within twenty days after the meeting. The minutes may be worked out and served by electronic means or through input into the Market Observation Post System (MOPS). The meeting minutes shall <u>accurately</u> record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results <u>(including the total number of votes);</u> . <u>With respect to the election of directors, the total number of votes for the elected directors shall be disclosed. and The meeting minutes</u> shall be retained for the duration of the existence of the Company.	Same as above.

Pacific Hospital Supply Co., Ltd.

Articles of Incorporation (Before Amendment)

Chapter One General Provisions

Article I This Company is duly incorporated under the provisions set forth in the Company Act in the full name of Pacific Hospital Supply Co., Ltd. (hereinafter referred to as the “Company”).

Article II The Company shall engage in the following business lines :

- 1 CF01011 Medical Materials and Equipment Manufacturing
- 2 F108031 Wholesale of Drugs, Medical Goods
- 3 F208031 Retail sale of Medical Equipment
- 4 E601010 Electric Appliance Construction
- 5 E601020 Electric Appliance Installation
- 6 EZ05010 Apparatus Installation Construction
- 7 F401010 International Trade
- 8 I103060 Manages Consultant Business
- 9 CE01010 Precision Instruments Manufacturing
- 10 CE01990 Other Photographic and Optical Instruments Manufacturing
- 11 F113030 Wholesale of Precision Instruments
- 12 F203040 Retail Sale of Precision Instruments
- 13 E801010 Building Maintenance and Upholstery
- 14 E603050 Cybernation Equipment Construction
- 15 E603090 Illumination Equipment Construction
- 16 E604010 Machinery Installation Construction
- 17 CE01021 Metrological Instruments Manufacturing
- 18 F113060 Wholesale of Metrological Instruments
- 19 F213050 Retail Sale of Metrological Instruments
- 20 CA02050 Metal Valves Manufacturing
- 21 CQ01010 Die Manufacturing
- 22 E599010 Pipe Lines Construction
- 23 E603100 Electric Welding Construction
- 24 E605010 Computing Equipment Installation Construction
- 25 F118010 Wholesale of Computer Software
- 26 F119010 Wholesale of Electronic Materials
- 27 ZZ99999 All business items that are not prohibited or restricted by law,
except those that are subject to special approval.

Article III The Company may provide external guarantee services in line with business needs.

The Company may become a shareholder of limited liability in other companies. The total amount of its investments in such other companies is free of the restriction of 40% of the Company’s paid-in capital.

Article IV The Company is headquartered in Miaoli County Taiwan, and may have branches or institutions set up elsewhere domestically or abroad as necessary as resolved by the Board of Directors, subject to the approval of the competent authority.

Article V Public announcements of the Company shall be duly made in accordance with the Company Act and other relevant regulations.

Chapter Two Shares

Article VI The Company has the total capital amounting to one billion New Taiwan Dollars, divided into one hundred million shares at ten New Taiwan Dollars par value which may be issued in installments.

Article VI-I The Company, when transferring shares at a lower than the average actual repurchase price to the employees, or when issuing the employee share-pledging certificates at a share-pledging price lower than the company shares’ closing price on the issuing date, shall have a quorum of over one-half of the

shareholders representing the shares issues to attend the shareholder's meeting, and the proposal be voted in favor for implementation by a quotation of over two-thirds of the attending shareholders holding the voting right.

Article VII The share certificates shall be affixed with the signatures or personal seals of three or more directors, duly affixed by the Company with registered specimen seal and shall be duly certified or authenticated under the laws before issuance. As requested by a centralized securities depository enterprise the Company may issue aforementioned share certificates in consolidation into large denomination.

The Company shall issue non-physical shares and does not print share certificates but shall have the shares duly registered with the centralized securities depository institution(s).

Article VIII The Company's shareholders shall have provided their specimen seal certificate cards submitted to and archived in the Company's agent for stock affairs. A shareholder as a juristic (corporate) person shall have its specimen seal certificate card bearing the name of the juristic (corporate) person in full archived in the Company's agent for stock affairs. A juristic (corporate) person shareholder may, as well, request that its statutory representative's registered specimen seal submitted to and archived in the Company's agent for stock affairs. The registered specimen seal or signature specimens shown in the specimen seal certificate cards submitted to and archived in the Company's agent for stock affairs shall function as the grounds when shareholders receive dividend, bonus or exercise shareholder powers with the Company in writing.

Article IX No transfer of shares shall be executed within sixty days prior to a regular meeting of shareholders, or within thirty days prior to a special (extraordinary) meeting of shareholders, or within five days prior to the record (base) date scheduled to allocate dividend, bonus or other benefits. The Company's equity affairs shall be duly handled in accordance with the Regulations Governing Handling of Stock Affairs by Public Companies promulgated by the competent authority in charge of securities affairs.

Chapter Three Shareholders' Meeting

Article X The shareholders' meeting hereof is held in the form of regular meeting of shareholders and special (extraordinary) meeting of shareholders. The former is called once per annum within six months from closing of each fiscal year with notices served to all shareholders twenty days in advance and the latter may be duly called whenever necessary.

Article XI A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney with the power of attorney form printed and provided by the Company, expressly bearing the scope of the authorized powers, duly sign and affix seal thereon to entrust a proxy to be present on behalf. The power of attorney shall be submitted to the Company five days prior to the date scheduled for the shareholders' meeting. In case of double powers of attorney received simultaneously, the power of attorney shall be accepted on the "first come first served" basis unless the first submitted one is declared withdrawn.

Article XII Where the Company convenes a shareholders' meeting, shareholders may exercise voting powers in writing or electronically, and shareholders exercising their voting rights in writing or electronically shall be deemed as having attended in person, with relevant measures to be implemented per legal and regulatory stipulations.

Article XIII A shareholder shall have one voting power in respect of each share, but the shares shall have no voting power under any of the circumstances listed in Article 179 of the Company Act.

A juristic (corporate) person shareholder has statutory representative(s) not confined to one in number. Its voting powers shall be, nevertheless, calculated based on the number of shares so held in a consolidated basis. In case of two or more representatives, the representatives shall exercise the voting powers jointly.

Article XIV Unless otherwise provided for in the Company Act, decisions in the shareholders' meeting shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting in accordance with Article 183 of the Company Act.

Chapter Four Directors

- Article XV The Company has seven to nine directors, with three-year tenure of office and reelection. The directors may be duly elected under the candidate nomination system, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The aforementioned quota of directors includes at least three independent directors. The Board of Directors is authorized to determine the number of directors.
- In the event that the reelection of directors is not held upon expiry of their tenure of office, the directors shall serve continually and shall have their tenure of office extended until the newly elected directors and supervisor take office.
- The pay or remuneration to the directors shall be duly offered at the rate duly resolved in the light of participation and contribution to the Company's operation by the directors with reference to the common standard of the same industry.
- Article XVI The professional qualification requirements, shareholding numbers and determination of independence of independent directors, the methods to nominate and elect independent directors, exercise of powers and other matters concerning independent directors shall be duly determined in accordance with the Securities and Exchange Law and other laws and ordinances concerned.
- Article XVII The Board of Directors shall be duly organized by the directors. By attendance of two-thirds majority of directors and a majority vote of the attending directors, one chairman shall be duly elected. The chairman shall represent the Company externally.
- In response to the need of business operation, the Board of Directors may establish Payroll & Remuneration Committee or committee(s) of other functions.
- Article XVII-I In accordance with Securities and Exchange Act, the Company shall establish an audit committee which shall be composed of the entire number of independent directors. The audit committee shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.
- The duties and power of the audit committee are governed by Company Act, Securities and Exchange Act, other relevant laws and the Company's regulations.
- Article XVIII The following relationships may not exist among more than half of a company's directors:
1. A spousal relationship.
 2. A familial relationship within the second degree of kinship.
- Article XIX A director who is unavailable to attend a Board of Directors meeting in person may authorize another director to act as a proxy to attend on their behalf by issuing the power of attorney for each event of the meeting. The power of attorney so issued shall bear the scope of the authorized powers. A director so authorized may represent only one director. A director who attends a Board of Directors meeting through video system is deemed to have attended in person if such meeting is held through video system.
- The convention of a Board of Directors meeting must be notified to all directors at least 7 days in advance, with detailed agenda. However, meetings can be convened at anytime in case of an emergency. Notifications to directors can be delivered in writing or by means of electronic transmission.
- During the chairman's absence or unavailability for performance of duties, the substitution shall be duly handled in accordance with Article 208 of the Company Act.

Chapter Five Managerial officers

- Article XX The Company has managerial officers who shall be duly appointed, discharged and paid in accordance with Article 29 of the Company Act.

Chapter Six Accounting

- Article XXI The Company's fiscal year is beginning January 1 until December 31 of every calendar year. Upon closing of each fiscal year, the Board of Directors shall work out the following documents to be acknowledged by the shareholders' meeting in accordance with the laws:
1. Business report;

2. Financial statements
3. Proposals of profit allocation or loss coverage.

- Article XXII Earnings (meaning the pretax earnings upon deducting employee and director remunerations) derived from company fiscal audit of the current year, if any, shall have no less than a three percent allocated as employee remuneration; and no less than a two percent allocated as director remuneration. However, the Company, when still in a cumulative deficit, shall first set aside the redemption reserve funds. The foresaid employee remuneration may be distributed by stock or cash, and the subjects of stock or cash distribution may include the employees of parents or subsidiaries of the company meeting certain specific requirements. The distribution of employee remuneration and director remuneration shall be heard by over two-thirds of the Board of Directors, be voted in favor for implementation by over one-half of the directors present and represented, and also be reported at the shareholders' meeting.
- Article XXIII Earnings derived from company yearly audit, if any, shall first set aside for remitting taxes and government dues, and offsetting accumulated deficit, before allocating a ten percent as the legal earning reserve. However, when the legal earnings reserve reaches the company's share capital level, it is not applicable. Any residual earnings is subject to other government authorities-specified allocation or special earnings reserve, and the remaining should be combined with the previous period's cumulative undistributed earnings for the Board of Directors to propose an earnings distribution resolution, which to be presented at the shareholders' meeting for motioning to distribute the shareholders' stock dividends. The company, when reporting no deficit, may distribute, the entire or a portion of the legal earnings reserve or capital reserve per legal stipulations, to distribute new shares or cash dividend in proportion to the shareholders. The Company, in care of its overall operating condition, capital requirement, industry competitiveness, and shareholders' equity, may distribute the shareholders' dividends in cash or shares, of which the cash dividends may not be less than twenty-percent of the total dividend amount.
- Article XXIV The organizational rules and operational rules shall be separately enacted.
- Article XXV Any matters insufficiently provided for in these Articles of Incorporation shall be subject to the Company Act and other laws and ordinances concerned.
- Article XXVI These Articles were duly enacted on June 10, 1977 and were duly amended on February 25, 1983 as the 1st amendment; March 12, 1983 as the 2nd amendment; April 7, 1984 as the 3rd amendment; November 23, 1984 as the 4th amendment, November 21, 1985 as the 5th amendment; December 21, 1985 as the 6th amendment; October 21, 1986 as the 7th amendment; May 16, 1987 as the 8th amendment; July 25, 1987 as the 9th amendment; June 4, 1989 as the 10th amendment; July 23, 1992 as the 11th amendment; August 20, 1992 as the 12th amendment; December 16, 1992 as the 13th amendment; July 17, 1994 as the 14th amendment; October 27, 1997 as the 15th amendment; October 6, 1998 as the 16th amendment; January 30, 1999 as the 17th amendment; November 22, 1999 as the 18th amendment; April 25, 2000 as the 19th amendment; November 10, 2000 as the 20th amendment; June 14, 2002 as the 21st amendment; June 23, 2003 as the 22nd amendment; January 12, 2004 as the 23rd amendment; June 16, 2004 as the 24th amendment; June 2, 2005 as the 25th amendment; June 8, 2006 as the 26th amendment; March 7, 2007 as the 27th amendment; June 13, 2007 as the 28th amendment; June 11, 2008 as the 29th amendment; June 10, 2009 as the 30th amendment; June 10, 2009 as the 31st amendment; May 18, 2011 as the 32nd amendment; May 30, 2012 as the 33rd amendment; June 10, 2015 as the 34th amendment; June 15, 2016 as the 35th amendment and June 12, 2019 as the 36th amendment.

Pacific Hospital Supply Co., Ltd.

Shareholders' Meeting Procedure Rules (Before Amendment)

- Article I** These Shareholders' Meeting Procedure Rules are duly enacted by Pacific Hospital Supply Co., Ltd. (hereinafter referred to as the Company) in accordance with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies in an effort to set up sound shareholders' meeting governance system, assure sound supervisory functions and strengthen performance of sound management.
- The Company shall handle shareholders' meeting and shareholders' meeting related affairs exactly in accordance with these Shareholders' Meeting Procedure Rules unless otherwise prescribed the Articles of Incorporation or laws and ordinances concerned.
- Article II** The term "shareholders' meeting" as set forth herein includes regular meeting of shareholders and temporary (extraordinary) meeting of shareholders.
- The Company shall note in the notice to the shareholders' meeting the time period of and the place of sign-in and other pertinent precautions.
- Acceptance of sign-in shall begin at least thirty minutes before the shareholders' meeting; distinct signs to the sign-in desk and sufficient appropriate personnel shall be arranged.
- The shareholders or the proxies authorized by shareholders (hereinafter "shareholders") shall present a certification for attendance, a sign-in card, or other qualified certification to attend the meeting, and the Company shall not require additional certificate without advance notice; the solicitor of proxies shall present ID certification for admittance.
- The Company shall provide the sign-in book through which the shareholders or proxies authorized by shareholders (hereinafter referred to as "shareholders") may sign in upon their presence in a shareholders' meeting. A shareholder or a proxy may submit the sign-in card instead of going through the sign-in process.
- Upon convening a shareholders' meeting, the Company shall hand over to the present shareholders the Handbook for the Shareholders' Meeting, Annual Report, attendance certificates, speaking floor notes, voting ballots and other documents for the meeting, as well as election ballots in case of directors election.
- In case of a shareholder as the government or a juristic (corporate) person, the number of its representative(s) is not confined to one. When a juristic (corporate) person is authorized to attend a shareholders' meeting, such juristic (corporate) person may appoint only one representative to attend the meeting.
- Article III** For each shareholder's meeting, a shareholder may duly issue the power of attorney with the power of attorney format printed and provided by the Company to authorize a proxy to attend the meeting.
- A shareholder may issue only one power of attorney and may authorize only one proxy. The power of attorney shall be submitted to the Company five days prior to the date scheduled for the shareholders' meeting. In case of duplicate powers of attorney are found, the case shall be managed by means of "first in, first out" basis unless the preceding power of attorney is declared withdrawn.
- In the event that a shareholder intends to participate in a shareholders' meeting to exercise his or her vote in person or electronically after his or her proxy has been served to the Company, such shareholder shall apply to the Company in writing to revoke the proxy two days before the date scheduled to convene the shareholders' meeting. In the event that he or she fails to withdraw the power of attorney within the specified time limit, the voting power cast by his or her proxy shall govern.
- Article IV** The shareholders' meeting shall be convened by the Board of Directors unless otherwise prescribed by laws and ordinances concerned.
- The Company shall work out the notices to the shareholders' meeting, the form papers for proxies, issues to be acknowledged, discussed, election or discharge of directors and other information concerned for the shareholders' meeting into electronic files and transmit all such information and data into the Market Observation Post System (MOPS) thirty (30) days in advance of a regular meeting of shareholders or

fifteen (15) days in advance of a temporary (extraordinary) meeting of shareholders. The Company shall work out the Meeting Agenda Handbook and supplementary information of the shareholders' meeting into the electronic files and transmit them into the Market Observation Post System (MOPS) twenty-one (21) days in advance of a regular meeting of shareholders or fifteen (15) days in advance of a temporary (extraordinary) meeting of shareholders. The Company shall prepare the Meeting Agenda Handbook and supplementary information and data of the meeting in papers readily available to shareholders, on display at this Company and at the professional agent for stock affairs mandated by the Company fifteen (15) days in advance of the date scheduled to convene the shareholders' meeting, and shall disseminate such information and data on-the-spot at the place where the shareholders' meeting is convened.

The notices and public announcements shall expressly note the subjects of the shareholders' meeting to be convened. Subject to consent by the counterparts of the notices, the notices and public announcements may be issued in electronic means.

Matters pertaining to election or discharge of directors, amendments to the Articles of Incorporation, dissolution, merger, spin-off, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions.

A shareholder holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Besides, where an issue proposed by a shareholder is found to have met with any situation set forth in Article 172-1, Paragraph 4, the Board of Directors may not take it into the agenda.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.

An issue proposed by a shareholder shall be confined to three hundred Chinese characters maximum. An issue proposed by a shareholder that exceeds three hundred Chinese characters shall not be included in the agenda. A proposing shareholder shall participate in the regular meeting of shareholders and shall participate in the discussion process of the proposed issue either in person or through his or her proxy.

The Company shall keep the proposing shareholders informed of the results of handling before the date on which the notices to convene the shareholders' meeting are to be served and shall have the issues which are satisfactory the present Article covered in the notice to the meeting. To a shareholder whose proposal is not included in the agenda, the Board of Directors shall explain the reason of why it was not included during the process of the shareholders' meeting.

Article V A shareholders' meeting shall be convened at a location within the Company, a place where the Company's factory is located or a site convenient and appropriate to shareholders to participate in the meeting. The shareholders' meeting shall not be convened at a time earlier than 9:00 a.m. or later than 3:00 p.m. The opinions of the independent directors shall be taken into adequate consideration regarding determination of the location and time to convene the shareholders' meeting.

Article VI The shareholders who attend the shareholders' meeting shall be calculated based on the number of shares represented by them. The number of shares represented by present shareholders shall be calculated based on the number of shares shown through the sign-in book, sign-in cards along with the number of voting powers which are exercised in writing or electronically.

The chairperson shall call the meeting to order when the scheduled time is due. If the meeting is attended by not up to a half of the total number of outstanding shares by then, nevertheless, the chairperson may announce a postponement of the meeting. The total number of the postponements shall, nevertheless, not exceed the maximum of two. The total of the postponed time shall not exceed

one hour. In the event that the meeting is still attended by present shareholders who represent less than one-third of the total issued shares after two postponements, the chairperson may announce that the meeting be aborted.

In the event that when the number of shareholders' present does not constitute the quorum at one-third the total issued shares after two postponements, a tentative resolution may be passed by a majority of those present in accordance with Article 175 of the Company Act. A notice of such tentative resolution shall be given to each of the shareholders, and the Company shall reconvene a Shareholders' meeting within one month.

In the aforesaid meeting of shareholders, if the present shareholders represent up to a majority of the total number of outstanding shares, the chairperson may propose the tentative resolution to the shareholders' meeting for resolution in accordance with Article 174 of the Company Act.

Article VII For a shareholders' meeting convened by the Board of Directors, the shareholders' meeting shall be chaired by the chairman. If the chairman is on leave or unavailable, the vice chairman shall act on his behalf. Where the chairman does not appoint a substitute, one director shall be elected from among themselves to act in the place.

If the meeting is chaired by a director pursuant to the former paragraph, the director shall have served as a director for over six months and shall have financial and business knowledge of the Company; the same qualifications shall also be met by the chairperson when the meeting is chaired by a representative of juristic (corporate) person as a shareholder.

A shareholders' meeting convened by the Board of Directors shall be chaired by the chairperson and shall be attended in person by a majority of the directors (including at least one independent director) and at least one member of other functional committees attend as representative.

In the event that a shareholders' meeting is convened by any other person beyond the Board of Directors having the convening right, such another person shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairperson of the meeting shall be elected from among themselves.

Article VIII The Company may appoint the retained Attorney(s)-at-Law, Certified Public Accountant(s) or other personnel concerned to participate in the shareholders' meeting. The entire process of the meeting shall be videotaped and sound recorded which shall be archived for a minimum of one year or until after any litigious action is concluded in the event that a shareholder institute a litigious action in accordance with Article 189 of the Company Act.

Article IX Where a shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors. The meeting shall be duly convened exactly in accordance with the scheduled agenda which shall not be changed unless resolved in the shareholders' meeting.

In the event that a shareholders' meeting is convened by any other person beyond the Board of Directors having the convening right, the provision set forth in the preceding paragraph is *mutatis mutandis* applicable.

Until the issues set forth in the agenda in the two preceding paragraphs (including extempore motions) are concluded, the chairperson shall not announce adjournment of the meeting. In the event that the chairperson violates the rules of the meeting by announcing adjournment of the meeting straightaway in such a manner, other members of the Board of Directors shall promptly help the present shareholders by electing another chairperson to preside over the meeting continually through a majority vote.

Article X A shareholder present in the shareholders' meeting shall fill out and submit the speech floor note which shall expressly bear the subject of a speech, shareholder account code (or code of the participation certificate) and name of the shareholder so that the chairperson may determine the order of the speeches. A present shareholder who does not speak after having submitted the speech note is deemed as having not delivered a speech.

Where the content set forth in the speech note is found inconsistent with the content of actual speech, the content of actual speech shall be counted.

Where a present shareholder speaks, other shareholders shall not speak or interfere with the speech

unless having obtained consent from the chairperson and the speaking shareholder, otherwise the chairperson shall stop the offender from speaking.

Where a juristic (corporate) person shareholder appoints two or more representatives participating in the meeting, only one representative among them may be appointed to speak up.

After a present shareholder speaks, the chairperson shall reply in person or by appointing the relevant personnel to reply.

Article XI On a same issue, each shareholder shall not speak more than twice unless agreed upon by the chairperson. Each speech shall not exceed five minutes.

Whenever a shareholder speaks beyond the aforementioned provision or beyond the specified issue, the chairperson may stop him or her from continual speaking.

Article XII Opportunities shall be given for proper explanation to and discussion over issues, and amendments and extempore motions proposed by shareholders, and the chairperson may, when considers a vote is proper to be made, announce conclusion of discussion and put the issue into vote for resolution forthwith.

Article XIII Each share held by a shareholder is entitled to one voting power except a case restricted from voting power or a case under Article 179, Paragraph 2 of the Company Act where the Company has no voting power.

Where the Company convenes a shareholders' meeting, voting power may be exercised in writing or electronically. When voting power may be exercised in writing or electronically, the method to exercise voting power in writing shall be expressly provided in the notices to the shareholders' meeting. A shareholder who exercises voting power in writing or electronically shall be deemed as present in the shareholders' meeting in person but shall be deemed as in abstention for the occasional (extemporaneous) motions and amendment of the original issues in that shareholders' meeting.

A shareholder who intends to exercise voting power in writing or electronically in accordance with the provision set forth in the preceding paragraph shall have his or her expression of intent served to the Company two days prior to the date scheduled for the meeting. In case of duplicate expressions of a same intent, it shall be managed on the "first come, first served" basis unless the preceding expression of intent is withdrawn.

In the event that a shareholder intends to participate in a shareholders' meeting in person after he or she exercises the vote in writing or electronically, he or she shall revoke the expression of the intent to exercise the vote in a manner the same as the exercise of the vote two (2) days prior to a date scheduled to convene the meeting. In the event that he or she withdraws beyond such time limit, the voting power exercised in writing or electronically shall be counted. In the event that a shareholder exercises voting power in writing or electronically and, meanwhile, participates in the shareholders' meeting through a proxy by issuing the power of attorney in writing, the voting power exercised by his or her proxy shall be counted.

Unless otherwise provided for in the Company's Articles of Incorporation and laws and ordinances concerned, decisions in the shareholders' meeting shall be resolved by a majority vote balloted by the present shareholders.

During voting, the chairperson or the designee thereof shall, first of all, announce the total numbers of shareholders and the voting rules before the shareholders vote on issues through balloting on a case-by-case basis. On the day after the temporary (extraordinary) meeting of shareholders is convened, the results of pros, cons, and waivers by shareholders shall be input into the Market Observation Post System (MOPS).

Where a same issue has its amendment or substitute, the chairperson shall consolidate it into the initial proposal to fix the balloting order. If one amongst them is resolved, other issue(s) proposed shall be deemed as vetoed and no voting is required therefor.

For the balloting process, the ballot scrutinizer and calculator shall be appointed by the chairperson. The scrutinizer shall, nevertheless, be appointed out of the shareholders.

The ballots of shareholders' meetings or elections shall be counted in public within the venue of the shareholders' meeting. The outcome of balloting and the number of shares which voted shall be

- announced on the spot and recorded in writing.
- Article XIV Voting in a shareholders' meeting shall be calculated based on the number of shares.
In the voting process of a shareholders' meeting, the number of shares which are not entitled to voting powers shall not be counted into the total of the outstanding shares.
The number of shares not entitled to voting power shall not be counted into the voting power of the present shareholders.
Except for a trust business or an agent for stock affairs which has been approved by the competent authority of securities, when a proxy is authorized by two or more shareholders simultaneously, the total voting powers in his/her proxy shall not exceed 3% of the total voting powers based on the issued shares. The excess in the voting power shall be discarded, if any.
- Article XV In a shareholders' meeting, a shareholder shall not join the voting process on an issue where he or she is involved in interests that are likely to impair the Company's interests and shall not exercise the voting power for and on behalf of another shareholder.
The number of shares where the holder cannot exercise the voting powers as mentioned in the preceding paragraph shall not be counted into the number of voting powers of the present shareholders.
- Article XVI Election of directors shall be duly handled in a shareholders' meeting in accordance with the election rules concerned enacted by the Company. The outcome of the election shall be announced on-the-spot.
The ballots of election mentioned in the preceding paragraph shall be duly signed by the scrutinizer and be put into sound custody for a minimum of one year or until after the litigious action is concluded in the event that a shareholder institute a litigious action in accordance with Article 189 of the Company Act.
- Article XVII The staff serving in a shareholders' meeting venue shall wear identification certificates or armbands.
The chairperson may command the disciplinary personnel (or security personnel) to help maintain the order of the venue. The disciplinary personnel so appointed shall bear "disciplinary personnel" armbands.
Where a loudspeaker is provided in the shareholders' meeting venue, the chairperson shall stop a shareholder who is speaking through a loudspeaker equipment not provided by the Company.
Where a shareholder violates the meeting rules or disobeys the chairperson in the disciplinary instruction, or where a shareholder impedes the meeting in progress and challenges the disciplinary order, the chairperson may command the disciplinary or security personnel to have the offender ejected from the site.
- Article XVIII During the process of a shareholders' meeting, the chairperson may announce a recess in due time. Upon the occurrence of force majeure, the chairperson may rule temporary suspension from the process and may announce the time to resume the meeting as the actual requirements may justify.
In the venue for the shareholders' meeting cannot be continually used until the issues arranged in the agenda (including extempore motions) are concluded, another venue shall be arranged to continue the meeting as resolved in the shareholders' meeting.
In accordance with Article 182 of the Company Act, a decision may be resolved in a shareholders' meeting to postpone or to renew the meeting within five days.
- Article XIX Minutes shall be duly worked out to cover decisions resolved in a shareholders' meeting. The minutes shall be signed, or affixed seal by the chairperson and shall be served to all shareholders within twenty days after the meeting. The minutes may be worked out and served by electronic means or through input into the Market Observation Post System (MOPS).
The minutes shall bear the month, date, year, the venue location of the meeting, the chairperson's name, method of resolution and shall the progress and highlights of the meeting and shall be archived permanently throughout the period while the Company is existent.
- Article XX For the number of shares and proxy shares obtained by the solicitors, the Company shall work out statistics at the specified format and shall display the statistics in a conspicuous place at the shareholders' meeting venue on the date of shareholders' meeting.
The issues resolved in the shareholders' meeting, where required by law as the major information promulgated by the GreTai Securities Market ("GTSM"), the Company shall transmit such issues to the Market Observation Post System (MOPS) within the specified time limit.

- Article XXI Any matters insufficiently provided for herein shall be subject to the Company Act, the Company's Articles of Incorporation and other laws and ordinances concerned.
- Article XXII These Regulations and any amendment hereof shall be implemented after being resolved in the shareholders' meeting.

Pacific Hospital Supply Co., Ltd.

Regulations Governing Election of Directors

- Article I These Regulations are duly enacted by Pacific Hospital Supply Co., Ltd. (hereinafter referred to as the Company) in accordance with “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies” in order to elect directors in a fair, impartial and open manner.
- Article II Except as otherwise provided by law and regulation or by this Company's Articles of Incorporation, elections of directors shall be conducted in accordance with these Procedures.
- Article III The overall composition of the Board of Directors shall be taken into consideration in the selection of this Company's directors. Diversity shall be concerned in composition of the Board of Directors, and policy of diversity shall be adopted with reference to mode of operation and needs of development of the company. The policy may conclude, but not limited to, the following aspects of standards:
1. Basic requirements and positions: gender, age, nationality, culture background, etc.
 2. Professional knowledge or skills: professional background in fields such as law, accountance, industry, financial affairs, marketing, technology, and etc., professional skills, experiences in the industry, and the like.
- Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. The ability to make judgments about operations.
 2. Accounting and financial analysis ability.
 3. Business management ability.
 4. Crisis management ability.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. Leadership ability.
 8. Decision-making ability.
- The composition of the Board of Directors may be adjusted by the Board of Directors in concerns of the performance evaluation of the Company.
- Article IV The Company's independent directors shall be duly handled in accordance with the requirements set forth in “Regulations Governing Public Companies in Establishment and Compliance of Independent Directors” and “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”.
- Article V Elections of directors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.
- When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- When the number of independent directors falls below that required under the proviso of laws and regulations, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- Article VI A majority of the seats of elected directors shall be banned from the existence of any one of the relationships below:
1. Spouse.
 2. Relative within the second degree of kinship.
- Article VII The cumulative voting institute will be used for election of the directors at this Company,. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or multiple candidates.

Article VIII	The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
Article IX	Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.
Article X	If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot, and the candidate's shareholder account number may also be noted; for a non-shareholder, the voter shall enter the candidate's full name, and the identity number. However, when the candidate is a governmental organization or juristic person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the "candidate" column for account name of the ballot, or the name of the representative may be entered instead. When there are multiple representatives, the names of each respective representative shall be entered.
Article XI	The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
Article XII	A ballot is deemed as null and void if meeting any one of the following: <ol style="list-style-type: none"> 1. Not a ballot provided in accordance with these Regulations. 2. A blank ballot is cast into the box. 3. A ballot bearing ambiguous wording or wording that has been tampered with. 4. A same ballot bears the names or titles of more than one candidate. 5. A ballot that bears unnecessary words other than the name, shareholder account number or ID Card # or Corporate Identity Code of the shareholder. 6. The name of candidate entered is not the name in full, but an abbreviated name instead. 7. Where the ballot is not cast into the ballot box within the time frame announced by the shareholders' meeting chairperson. 8. Where the candidate, as a shareholder, is found inconsistent with the entries of name, shareholder account number in the Register (Roster) of Shareholders; where the candidate, as a non-shareholder, is found inconsistent in name, identity certificate code. 9. Where the name of candidate entered is found the same as another shareholder's but there is no shareholder account code or identity certificate code available to identify.
Article XIII	The voting rights shall be calculated on site immediately after the end of the poll, and the chair shall announce on the site the conclusion of calculation which consists list of persons elected as directors, and the number of voting rights they won. The voted ballot shall be sealed with signature by the vote monitoring personnel and kept properly for at least one year or until after any litigious action is concluded in the event that a shareholder institute a litigious action in accordance with Article 189 of the Company Act.
Article XIV	Upon closure of the shareholders' meeting, the elected directors shall be given the Electee Certificates.
Article XV	Any matters insufficiently provided for herein shall be subject to the Company Act, Civil Code and other laws and ordinances concerned.
Article XVI	These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Pacific Hospital Supply Co., Ltd.

Information on Shareholder Proposals

- I. As expressly provided for in Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and the number of words of a proposal to be submitted shall be limited to not more than three hundred (300) words. Accordingly, the Company accepted written proposals from shareholders starting from April 10, 2020 to April 20, 2020, 5:00 p.m.
Location for accepting proposals: 4F, No. 160, Daye Road, Beitou District, Taipei (The Company's Board of Directors).
- II. As of April 20, 2020, 5:00 p.m., the Company had received no application from shareholders to exercise the right of proposal.
- III. The proposals submitted by shareholders but not included in the agenda of the meeting: N/A.

Pacific Hospital Supply Co., Ltd.

Current Shareholding of Directors

Total number of shares: 66,015,216

Date: April 18, 2020

Position	Name	Date starting the tenure of office	Shareholding while elected			Current shareholding		
			Type	Shares	% of the total issued shares	Type	Shares	% of the total issued shares
Chairperson	An-Ting Chung	2019/7/1	Common shares	680,164	1.03%	Common shares	755,164	1.14%
Director	Min-Chih Chang	2019/7/1	Common shares	1,777,653	2.69%	Common shares	1,777,653	2.69%
Director	Meng-Kang Chang	2019/7/1	Common shares	0	0.00%	Common shares	0	0.00%
Independent director	Kui-Kai Chou	2019/7/1	Common shares	0	0.00%	Common shares	0	0.00%
Independent director	Yuan-Ning Wu	2019/7/1	Common shares	181	0.00%	Common shares	181	0.00%
Independent director	Yann-Fen C. Chao	2019/7/1	Common shares	0	0.00%	Common shares	0	0.00%
Number of shares held by all directors (Note 2)							2,532,817	3.83%
The minimum required shareholding of all directors							5,281,217	

Note 1: Total number of issued shares when the 15th term of directors were elected: 66,015,216.

Note 2: The shareholding of independent directors were not counted in the total.

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate:

Unit: NT\$ thousands, except that EPS and cash dividend are NT\$

Item			Year	2020 (Estimation)
Initial paid-in capital (NT\$ thousands)				660,152
Dividend distribution of this year (Note 1)	Cash dividend per share (NT\$)			4
	Stock dividend per share through capitalization of retained earnings (NT\$)			0
	Stock dividend per share through capitalization of capital reserves (NT\$)			0.99746458
The change of business performance	Operating income			NA (Note 2)
	Operating income, YoY (%)			
	Net profit after tax			
	Net profit after tax, YoY (%)			
	EPS			
	EPS, YoY (%)			
	Annual average ROI (A reciprocal of annual average P/E ratio)			
Pro forma EPS and P/E ratio	If turning all capitalization of retained earnings to distributing cash dividend	Pro forma EPS (NT\$)		
		Pro forma annual average ROI		
	If not conducting capitalization of capital reserve	Pro forma EPS (NT\$)		
		Pro forma annual average ROI		
	If not conducting capitalization of capital reserve but turning capitalization of retained earnings to distributing cash dividend	Pro forma EPS (NT\$)		
		Pro forma annual average ROI		

Note 1: The cash distribution is to be approved by the resolution of 2020 shareholders' meeting.

Note 2: Under the government rules, the Company was not required to publish the Year 2020 financial forecast. The information of change in business performance, proforma earnings per share (EPS) price-earnings (P/E) ratio is not applicable to the Company.