Pacific Hospital Supply Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2015 and 2014 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Pacific Hospital Supply Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

April 30, 2015

<u>*Notice to Readers*</u>

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 review such consolidated financial statements are those generally applied in the Republic of China.

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)		March 31, 2014 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 760,449	34	$ 780,329	35	$ 700,835	33
Notes receivable (Notes 4 and 7)	19,874	1	19,022	1	13,491	1
Accounts receivable (Notes 4, 5 and 7)	113,178	5	142,622	6	145,777	7
Other receivables (Notes 4 and 7)	9,414	-	10,906	1	7,101	-
Inventories (Notes 4 and 8)	197,291	9	187,627	8	167,970	8
Prepayments and other current assets (Notes 12 and 20)	58,201	2	43,686	2	55,874	3
Total current assets	1,158,407	51	1,184,192	53	1,091,048	52
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 4, 10, 20, 24 and 25)	1,056,292	47	1,018,032	45	973,108	47
Other intangible assets (Notes 4 and 11)	17,298	1	18,766	1	17,104	1
Deferred tax assets (Notes 4 and 18)	6,619	-	6,056	-	8,293	-
Refundable deposits (Notes 12 and 24)	15,634	1	16,241	1	4,309	-
Total non-current assets	1,095,843	49	1,059,095	47	1,002,814	48
TOTAL	$ 2,254,250	100	$ 2,243,287	100	$ 2,093,862	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 13 and 25)	$ -	-	$ 26,989	1	$ -	-
Notes payable	6,362	-	9,728	-	4,945	-
Accounts payable	143,153	7	130,370	6	127,033	6
Other payables (Notes 14 and 20)	80,746	4	131,428	6	93,618	5
Current tax liabilities (Notes 4 and 18)	51,349	2	37,933	2	36,277	2
Advances and other current liabilities (Note 14)	28,601	1	29,969	1	28,440	1
Total current liabilities	310,211	14	366,417	16	290,313	14
NON-CURRENT LIABILITIES						
Accrued pension liabilities (Notes 4 and 15)	33,171	1	33,957	2	35,422	2
Total liabilities	343,382	15	400,374	18	325,735	16
EQUITY (Note 16)						
Share capital						
Ordinary shares	660,152	30	660,152	29	660,152	31
Capital surplus from shares issued in excess of par value	410,354	18	410,354	18	410,354	20
Retained earnings						
Legal reserve	186,100	8	186,100	9	153,910	7
Special reserve	-	-	-	-	11,621	1
Unappropriated earnings	654,262	29	586,307	26	532,090	25
Total retained earnings	840,362	37	772,407	35	697,621	33
Total equity	1,910,868	85	1,842,913	82	1,768,127	84
TOTAL	$ 2,254,250	100	$ 2,243,287	100	$ 2,093,862	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
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)				
Sales	$ 364,568	100	$ 372,745	100
Less: Sales returns and allowances	(1,081)	-	(933)	-
Net operating revenue	363,487	100	371,812	100
OPERATING COSTS (Notes 4, 8, 15 and 17)				
Cost of goods sold	230,200	63	237,463	64
GROSS PROFIT	133,287	37	134,349	36
OPERATING EXPENSES (Notes 15, 17 and 24)				
Selling and marketing expense	15,743	4	17,643	5
General and administrative expense	23,537	7	24,095	6
Research and development expense	7,970	2	6,699	2
Total operating expenses	47,250	13	48,437	13
OPERATING INCOME	86,037	24	85,912	23
NON-OPERATING INCOME AND EXPENSES (Notes 17 and 24)				
Other income (Notes 17 and 24)	1,292	-	2,161	1
Other gains and losses (Note 17)	(6,431)	(2)	10,719	3
Finance costs (Note 17)	(77)	-	(73)	-
Total non-operating income and expenses	(5,216)	(2)	12,807	4
PROFIT BEFORE INCOME TAX	80,821	22	98,719	27
INCOME TAX EXPENSE (Notes 4 and 18)	12,866	3	13,418	4
NET PROFIT FOR THE PERIOD	67,955	19	85,301	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 67,955	19	$ 85,301	23
EARNINGS PER SHARE (Note 19)				
Basic	$1.03		$1.29	
Diluted	$1.02		$1.29	

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital Ordinary Shares (Note 16)	Capital Surplus - Issue of Shares in Excess of Par Value (Note 16)	Retained Earnings (Notes 4, 16, 17 and 18)				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	
BALANCE AT JANUARY 1, 2014	$ 660,152	$ 410,354	$ 153,910	$ 11,621	$ 446,789	$ 612,320	$ 1,682,826
Net profit for the three months ended March 31, 2014	-	-	-	-	85,301	85,301	85,301
BALANCE AT MARCH 31, 2014	$ 660,152	$ 410,354	$ 153,910	$ 11,621	$ 532,090	$ 697,621	$ 1,768,127
BALANCE AT JANUARY 1, 2015	$ 660,152	$ 410,354	$ 186,100	$ -	$ 586,307	$ 772,407	$ 1,842,913
Net profit for the three months ended March 31, 2015	-	-	-	-	67,955	67,955	67,955
BALANCE AT MARCH 31, 2015	$ 660,152	$ 410,354	$ 186,100	$ -	$ 654,262	$ 840,362	$ 1,910,868

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 80,821	$ 98,719
Adjustments for:		
Depreciation expenses	13,705	12,872
Amortization expenses	2,388	2,056
Impairment loss recognized (reversal of impairment loss) on accounts receivable	(205)	1,002
Finance costs	77	73
Loss (gain) on disposal of property, plant and equipment	26	(269)
Reversal of write-down of inventories	(532)	(339)
Net loss (gain) on foreign currency exchange	585	(719)
Decrease in accrued pension liabilities	(786)	(751)
Changes in operating assets and liabilities		
Notes receivable	(852)	(1,409)
Accounts receivable	29,064	(9,562)
Other receivables	1,492	(5)
Inventories	(9,132)	3,241
Prepayments and other current assets	(11,005)	(7,268)
Notes payable	(3,366)	202
Accounts payable	12,783	11,980
Other payables	(46,619)	(32,002)
Advances and other current liabilities	(1,368)	(9,924)
Cash generated from operations	67,076	67,897
Interest paid	(77)	(73)
Income tax paid	(13)	(72)
Net cash generated from operating activities	66,986	67,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for equipment	(3,510)	(13,049)
Acquisition of property, plant and equipment	(56,054)	(193,296)
Proceeds from disposal of property, plant and equipment	-	3,068
Decrease in refundable deposits	607	1,870
Acquisition of intangible assets	(920)	(117)
Net cash used in investing activities	(59,877)	(201,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(26,989)	-

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	**2014**
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (19,880)	$ (133,772)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	780,329	834,607
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 760,449	$ 700,835

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

1. GENERAL INFORMATION

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

The Company's shares have been traded on the Taiwan GreTai Securities Market (GTSM) since February 2004.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on April 30, 2015.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group's accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit for the period, other comprehensive income for the period (net of income tax), and total comprehensive income for the period.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

3) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the consolidated financial statement is less than those required in a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 9 and Table 2 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of intangible assets

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   1) Measurement category

      Financial assets are classified into the following categories: Loans and receivables.

      Loans and receivables (including accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

      Cash equivalents include time deposits that are highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

   2) Impairment of financial assets

      Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

      For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

      For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

b. Financial liabilities

1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns and allowances are subtracted from gross sales, and the related costs of goods returned are reversed.

a. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

b. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings/other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of March 31, 2015, December 31, 2014 and March 31, 2014, the carrying amount of accounts receivable was $113,178 thousand, $142,622 thousand and $145,777 thousand, respectively (the net receivables including deducting allowance of $1,492 thousand, $1,697 thousand and $1,305 thousand, respectively).

b. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014	March 31, 2014
Cash on hand	$ 521	$ 710	$ 632
Checking accounts and demand deposits	759,928	750,619	562,948
Cash equivalents			
Time deposits that are highly liquid, readily convertible into cash and are subject to an insignificant risk of changes in value	-	29,000	137,255
	$ 760,449	$ 780,329	$ 700,835

The market interest rate intervals of cash in bank at the end of the reporting period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Bank deposits	0.17%	0.17%-1.345%	0.17%-3%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	March 31, 2015	December 31, 2014	March 31, 2014
Accounts receivable			
Accounts receivable	$ 114,670	$ 144,319	$ 147,082
Less: Allowance for impairment loss	(1,492)	(1,697)	(1,305)
	$ 113,178	$ 142,622	$ 145,777
Other receivables			
Value-added tax refund receivable	$ 9,414	$ 10,873	$ 6,963
Others	-	33	138
	$ 9,414	$ 10,906	$ 7,101

As of March 31, 2015, December 31, 2014 and March 31, 2014, notes receivable were assessed as not impaired and therefore no allowance was recognized.

In determining the recoverability of accounts receivable and notes receivable, the Group considered any change in the credit quality of accounts receivable and notes receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all accounts receivable and notes receivable over 365 days because historical experience had been that accounts receivable and notes receivable that are past due beyond 365 days were not recoverable. Allowance for impairment loss were recognized against accounts receivable and notes receivable between 181 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balance that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements over these balances.

The aging analysis of receivables was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Less than 90 days	$ 108,537	$ 137,947	$ 143,498
90-180 days	2,632	3,628	1,604
181-365 days	2,219	1,130	748
More than 365 days	1,282	1,614	1,232
	$ 114,670	$ 144,319	$ 147,082

The aging analysis of receivables that were past due but not impaired was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
0-180 days	$ 42,948	$ 54,442	$ 51,424

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful accounts receivable were as follows:

	For the Three Months Ended March 31	
	2015	2014
Balance at January 1	$ 1,697	$ 1,630
Add: Impairment loss recognized	-	1,002
Less: Impairment loss reversed	(205)	-
Less: Amounts written off as uncollectible	-	(1,327)
Balance at March 31	$ 1,492	$ 1,305

The Group recognized impairment loss on accounts receivable amounting to $3,418 thousand, $2,665 thousand and $1,965 thousand as of March 31, 2015, December 31, 2014 and March 31, 2014, respectively. These balances were considered individually impaired based on aging. The Group did not hold any collateral over these balances.

The aging analysis of individually impaired accounts receivable was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
181-365 days	$ 2,140	$ 1,075	$ 733
Over 365 days	1,278	1,590	1,232
	$ 3,418	$ 2,665	$ 1,965

The above aging analysis of accounts receivable before deducting the allowance for impairment loss was presented based on the past due date.

8. INVENTORIES

	March 31, 2015	December 31, 2014	March 31, 2014
Finished goods	$ 34,565	$ 47,588	$ 36,571
Work in process	57,346	27,426	36,301
Raw materials	105,380	112,613	95,098
	$ 197,291	$ 187,627	$ 167,970

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2015 and 2014 was $230,200 thousand and $237,463 thousand, respectively.

The amount of cost of goods sold related inventories for the three months ended March 31, 2015 and 2014 included $532 thousand and $339 of thousand reversal of inventory write-downs, respectively. Previous write-downs were reversed as a result of sales and disposals of inventories for which write-downs had been recognized in prior periods.

9. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Percentage of Ownership March 31, 2015	Percentage of Ownership December 31, 2014	Percentage of Ownership March 31, 2014	Remark
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Manufacturing rubbers	100	100	100	1

Remark 1: The Company established a 100% subsidiary, Pacific Precision Technology Co., Ltd., the investment for which was resolved by the board of directors in January 2013, and was registered by the Ministry of Economic Affairs, R.O.C. on February 7, 2013.

10. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2015	December 31, 2014	March 31, 2014
Carrying amount			
Freehold land	$ 223,155	$ 223,155	$ 223,155
Buildings	498,312	503,285	516,077
Machinery and equipment	226,114	217,526	174,062
Transportation equipment	3,265	3,400	3,830
Miscellaneous equipment	64,741	64,110	55,984
Property under construction	40,705	6,556	-
	$ 1,056,292	$ 1,018,032	$ 973,108

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold Improvement	Miscellaneous Equipment	Property Under Construction	Total
Cost								
Balance at January 1, 2014	$ 110,767	$ 539,820	$ 285,037	$ 14,732	$ 6,486	$ 148,641	$ -	$ 1,105,483
Additions	112,388	73,580	5,643	187	-	2,249	-	194,047
Disposals	-	-	(2,500)	(339)	(5,227)	(4,774)	-	(12,840)
Reclassification	-	1,259	8,853	-	(1,259)	2,064	-	10,917
Balance at March 31, 2014	$ 223,155	$ 614,659	$ 297,033	$ 14,580	$ -	$ 148,180	$ -	$ 1,297,607
Accumulated depreciation								
Balance at January 1, 2014	$ -	$ 93,131	$ 120,592	$ 10,660	$ 5,315	$ 91,970	$ -	$ 321,668
Disposals	-	-	(2,321)	(291)	(4,739)	(2,690)	-	(10,041)
Depreciation expenses	-	4,875	4,700	381	-	2,916	-	12,872
Reclassification	-	576	-	-	(576)	-	-	-
Balance at March 31, 2014	$ -	$ 98,582	$ 122,971	$ 10,750	$ -	$ 92,196	$ -	$ 324,499
Carrying amounts at March 31, 2014	$ 223,155	$ 516,077	$ 174,062	$ 3,830	$ -	$ 55,984	$ -	$ 973,108
Cost								
Balance at January 1, 2015	$ 223,155	$ 617,075	$ 356,458	$ 14,954	$ -	$ 163,583	$ 6,556	$ 1,381,781
Additions	-	217	8,174	-	-	2,161	34,149	44,701
Disposals	-	-	(66)	-	-	(139)	-	(205)
Reclassification	-	-	6,233	-	-	1,057	-	7,290
Balance at March 31, 2015	$ 223,155	$ 617,292	$ 370,799	$ 14,954	$ -	$ 166,662	$ 40,705	$ 1,433,567

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold Improvement	Miscellaneous Equipment	Property Under Construction	Total
Accumulated depreciation								
Balance at January 1, 2015	$ -	$ 113,790	$ 138,932	$ 11,554	$ -	$ 99,473	$ -	$ 363,749
Disposals	-	-	(51)	-	-	(128)	-	(179)
Depreciation expenses	-	5,190	5,842	135	-	2,538	-	13,705
Reclassification	-	-	(38)	-	-	38	-	-
Balance at March 31, 2015	$ -	$ 118,980	$ 144,685	$ 11,689	$ -	$ 101,921	$ -	$ 377,275
Carrying amounts at December 31, 2014 and January 1, 2015	$ 223,155	$ 503,285	$ 217,526	$ 3,400	$ -	$ 64,110	$ 6,556	$ 1,018,032
Carrying amounts at March 31, 2015	$ 223,155	$ 498,312	$ 226,114	$ 3,265	$ -	$ 64,741	$ 40,705	$ 1,056,292

(Concluded)

On December 25, 2013, the Company's board of directors resolved the acquisition of property from a related party, Zhi-Qun Co., Ltd. The purchase agreement was entered into on January 6, 2014, and the delivery of property was completed on February 5, 2014. The total payment amount was $184,790 thousand (tax excluded).

No impairment assessment was performed for the three months ended March 31, 2015 and 2014 as there was no indication of impairment.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Plant	27-51 years
Electrical power equipment	15-30 years
Others	2-51 years
Machinery and equipment	2-26 years
Transportation equipment	5-11 years
Leasehold improvement	2-6 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 25.

11. OTHER INTANGIBLE ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
Carrying amount			
Computer software	$ 17,298	$ 18,766	$ 17,104

	Computer Software
Cost	
Balance at January 1, 2014	$ 32,198
Additions	117
Balance at March 31, 2014	$ 32,315

(Continued)

	Computer Software
Accumulated amortization	
Balance at January 1, 2014	$ (13,155)
Amortization expenses	(2,056)
Balance at March 31, 2014	$ (15,211)
Carrying amounts at March 31, 2014	$ 17,104
Cost	
Balance at January 1, 2015	$ 37,059
Additions	920
Balance at March 31, 2015	$ 37,979
Accumulated amortization	
Balance at January 1, 2015	$ (18,293)
Amortization expenses	(2,388)
Balance at March 31, 2015	$ (20,681)
Carrying amounts at December 31, 2014 and January 1, 2015	$ 18,766
Carrying amounts at March 31, 2015	$ 17,298

(Concluded)

The computer software costs were amortized on a straight-line basis over the estimated useful lives of 1 to 5 years.

12. OTHER ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
Current			
Prepayments for equipment	$ 31,408	$ 27,898	$ 31,630
Prepaid expenses	9,792	9,489	11,039
Prepayments for purchases	9,275	2,682	6,314
Input tax	6,542	1,410	5,060
Others	1,184	2,207	1,831
	$ 58,201	$ 43,686	$ 55,874
Non-current			
Refundable deposits	$ 15,634	$ 16,241	$ 4,309

13. SHORT-TERM BORROWINGS

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured borrowings			
Line of credit borrowings	$ -	$ 26,989	$ -

The range of weighted average effective interest rate on bank loans was from 1.7418% to 1.7454% as of December 31, 2014.

14. OTHER LIABILITIES

	March 31, 2015	December 31, 2014	March 31, 2014
Current			
Other payables			
Payables for purchase of equipment	$ 3,624	$ 7,687	$ 8,219
Accrued salary and compensation	30,383	68,280	32,094
Accrued vacation compensation	-	2,145	-
Accrual amounts for bonuses to employees	23,750	19,000	23,750
Accrual amounts for remuneration to directors and supervisors	2,650	2,120	2,650
Other accrued expenses	18,684	32,119	25,425
Others	1,655	77	1,480
	$ 80,746	$131,428	$ 93,618
Other liabilities			
Advance receipts	$ 27,200	$ 28,889	$ 27,307
Others	1,401	1,080	1,133
	$ 28,601	$ 29,969	$ 28,440

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Pacific Precision Technology Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. From July 1, 2005 onwards, the contribution amounts were changed to 6% and 3%, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31, 2014
Present value of defined benefit obligation	$ 80,694
Fair value of plan assets	(46,737)
Net defined benefit liability	$ 33,957

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended March 31	
	2015	**2014**
Operating costs	$ 238	$ 272
Selling and marketing expenses	$ 30	$ 40
General and administrative expenses	$ 52	$ 56
Research and development expenses	$ 17	$ 19

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Therefore, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2014
Discount rate	2.00%
Expected rate of salary increase	2.00%

16. EQUITY

a. Share capital

Ordinary shares

	March 31, 2015	December 31, 2014	March 31, 2014
Number of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	66,015	66,015	66,015
Shares issued	$ 660,152	$ 660,152	$ 660,152

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including share premium from issuance of ordinary shares and conversion of bonds) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

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

The Company has adopted the equalization dividend policy for the payment of dividends, which may be paid either in the form of share dividends (including dividends from earnings and capital surplus) or cash dividends. Dividend payments are made from current year earnings of the Company after the appropriation for remuneration to directors and supervisors and bonus to employees. In determining distribution of dividends, the board of directors shall take into consideration the general business and financial conditions of the Company, and shall be approved in the shareholders' meetings. The distribution method shall take into consideration the Company's operational needs and both divend equality and shareholder rights protection policies; therefore distributions of cash dividends shall not be less than 20% of total dividends.

For the three months ended March 31, 2015 and 2014, the bonus to employees was both $4,750 thousand and the remuneration to directors and supervisors was both $530 thousand. The bonus to employees and remuneration to directors and supervisors were estimated based on net profit (net of the bonus and remuneration) multiplied by a percentage in accordance with the Company's Articles of Incorporation. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in-capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in-capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings, bonus to employees and remuneration to directors and supervisors for 2014 have been proposed by the board of directors on March 16, 2015. The appropriations of earnings, bonus to employees and remuneration to directors and supervisors for 2013 were approved in shareholders' meeting on June 11, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 32,699	$ 32,190		
Special reserve	-	(11,621)		
Cash dividends	165,038	165,038	$2.5	$2.5

	Cash Bonus	
	For the Year Ended December 31	
	2014	**2013**
Bonus to employees	$ 19,000	$ 19,000
Remuneration to directors and supervisors	2,120	2,120

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors proposed by the board of directors on March 16, 2015 and approved in the shareholders' meetings on June 11, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, remuneration to directors and supervisors proposed by the Company's board of directors and approved in the shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

17. PROFIT BEFORE INCOME TAX

a. Other income

	For the Three Months Ended March 31	
	2015	2014
Operating lease rental income	$ 217	$ 202
Interest income - bank deposits	71	806
Others	1,004	1,153
	$ 1,292	$ 2,161

b. Other gains and losses

	For the Three Months Ended March 31	
	2015	2014
(Loss) gain on disposal of property, plant and equipment	$ (26)	$ 269
Net foreign currency exchange (losses) gains	(6,405)	10,450
	$ (6,431)	$ 10,719

c. Finance costs

	For the Three Months Ended March 31	
	2015	2014
Interest on bank borrowings	$ 77	$ 73

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2015	2014
Property, plant and equipment	$ 13,705	$ 12,872
Intangible assets	2,388	2,056
	$ 16,093	$ 14,928
An analysis of depreciation by function		
Operating costs	$ 12,736	$ 11,776
Selling and marketing expenses	22	35
General and administrative expenses	661	873
Research and development expenses	286	188
	$ 13,705	$ 12,872

(Continued)

	For the Three Months Ended March 31	
	2015	2014
An analysis of amortization by function		
Operating costs	$ 1,331	$ 1,076
Selling and marketing expenses	152	191
General and administrative expenses	245	240
Research and development expenses	660	549
	$ 2,388	$ 2,056

(Concluded)

e. Employee benefits expense

	For the Three Months Ended March 31	
	2015	2014
Short-term benefits	$ 78,790	$ 81,540
Post-employment benefits		
Defined contribution plans	2,691	2,708
Defined benefit plans	337	387
	$ 81,818	$ 84,635
An analysis of employee benefits expense by function		
Operating costs	$ 54,127	$ 55,901
Operating expenses	27,691	28,734
	$ 81,818	$ 84,635

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2015	2014
Foreign exchange gains	$ -	$ 14,414
Foreign exchange losses	(6,405)	(3,964)
Net (losses) gains	$ (6,405)	$ 10,450

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2015	2014
Current tax		
In respect of the current period	$ 13,429	$ 11,775
Deferred tax		
In respect of the current period	(563)	1,643
Income tax expense recognized in profit or loss	$ 12,866	$ 13,418

b. The Company has expansion projects and sales from such projects, based on the Tax Law, are exempt from income tax for the five-year period beginning January 1, 2011. Such sales were summarized as follows:

Approval Date and Reference Number	Expansion Commencement Date	Tax Exemption Period	Tax Exemption Cost
April 20, 2011 (Ref No. 10005108240)	January 1, 2011	January 1, 2011 to December 31, 2015	$ 100,813

c. Integrated income tax

	March 31, 2015	December 31, 2014	March 31, 2014
Unappropriated earnings generated on and after January 1, 1998	$ 654,262	$ 586,307	$ 532,090
Imputation credits accounts	$ 68,231	$ 68,231	$ 51,669

	For the Year Ended December 31	
	2014 (Expected)	2013 (Actual)
Creditable ratio for distribution of earning	11.64%	16.87%

d. Income tax assessments

The tax returns through 2013 have been assessed by the tax authorities.

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2015	**2014**
Basic earnings per share	$ 1.03	$ 1.29
Diluted earnings per share	$ 1.02	$ 1.29

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended March 31	
	2015	**2014**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 67,955	$ 85,301

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended March 31	
	2015	**2014**
Weighted average number of ordinary shares in computation of basic earnings per share	66,015	66,015
Effect of dilutive potential ordinary shares:		
Bonus issue to employee	358	304
Weighted average number of ordinary shares used in computation of diluted earnings per share	66,373	66,319

If the Group offered to settle bonuses paid to employees in cash or shares, the Group assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. NON-CASH TRANSACTIONS

During the three months ended March 31, 2015 and 2014, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

a. The Group reclassified prepayments for equipment (included in prepayments and other current assets) of $7,290 thousand and $10,917 thousand to property, plant and equipment during the three months ended March 31, 2015 and 2014, respectively.

b. The amount of cash paid for acquisition of property, plant and equipment included decrease of $4,063 thousand and increase of $751 thousand of payable for equipment purchased (included in other payables) during the three months ended March 31, 2015 and 2014, respectively.

21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office parking lot and land with lease terms between 1 and 20 years.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Not later than 1 year	$ 7,693	$ 7,577	$ 276
Later than 1 year and not later than 5 years	30,190	30,135	44
Later than 5 years	111,122	113,005	-
	$ 149,005	$ 150,717	$ 320

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt and equity of the Group (comprising issued capital, capital surplus, and retained earnings).

The Group is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

a. Fair value and categories of financial instruments

	March 31, 2015	December 31, 2014	March 31, 2014
Financial assets			
Loans and receivables (Note a)	$ 902,915	$ 952,879	$ 867,204
Financial liabilities			
Measured at amortized cost (Note b)	$ 230,261	$ 298,515	$ 225,596

Note a: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable and other receivables.

Note b: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable and other payables.

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable and accounts payable. The Group's Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk) and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

Refer to Note 27 for the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of U.S. dollars, Japanese yen, Euros and Chinese yuan.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

For 1% appreciation of New Taiwan dollar against the relevant currency, post-tax profit for the three months ended March 31, 2015 and 2014 would have decreased by $3,605 thousand and $3,901 thousand, respectively. For a 1% depreciation of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit.

2) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Property, plant and equipment acquired

	Price	
	For the Three Months Ended March 31	
Related Party Categories	2015	2014
Common chairman with the Company	$ -	$ 184,790

b. Other transactions with related parties

Zhi-Qun Co., Ltd. (common chairman with the Company) performed certain rental services for the Company. For the three months ended March 31, 2015 and 2014, a rental fee of $0 thousand and $595 thousand, respectively, were charged and paid.

The Company provided rental services for Zhi-Qun Co., Ltd. For the three months ended March 31, 2015 and 2014, a rental revenue of $6 thousand and $4 thousand, respectively, were billed and received.

The Company provided rental services for Ren-Choi Assets Co., Ltd. (common chairman with the Company). For the three months ended March 31, 2015, a rental revenue of $5 thousand were billed and received.

The Company provided rental services for Berkeway Assets Co., Ltd. (chairman of which is the Company's executive president). For the three months ended March 31, 2015, a rental revenue of $5 thousand were billed and received.

Ren Chung (chairman of the Company) provided certain rental services for the Company. For the three months ended March 31, 2015 and 2014, a rental fee of both $18 thousand were charged and paid.

c. Compensation of key management personnel

	For the Three Months Ended March 31	
	2015	**2014**
Short-term benefits	$ 7,653	$ 6,629

The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collaterals for unused short-term and long-term bank loan facilities.

	March 31, 2015	**December 31, 2014**	**March 31, 2014**
Land and building, net	$ 516,094	$ 518,866	$ 342,093

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2015, December 31, 2014 and March 31, 2014 were as follows:

Significant Commitments

Unrecognized commitments are as follows:

	March 31, 2015	**December 31, 2014**	**March 31, 2014**
Acquisition of property, plant and equipment	$ 1,199,000	$ 15,000	$ -
Acquisition of investment property	$ 93,621	$ -	$ -

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2015		
	Foreign Currencies (Thousands)	**Exchange Rate**	**Carrying Amount (Thousands)**
Financial assets			
Monetary items			
USD	$ 11,716	31.3	$ 366,700
JPY	175,322	0.2604	45,654
EUR	364	33.65	12,221
RMB	2,369	5.044	11,950
			$ 436,525
Financial liabilities			
Monetary items			
USD	190	31.3	$ 5,942
EUR	1	33.65	47
			$ 5,989

	December 31, 2014		
	Foreign Currencies (Thousands)	**Exchange Rate**	**Carrying Amount (Thousands)**
Financial assets			
Monetary items			
USD	$ 13,230	31.65	$ 418,745
JPY	149,837	0.2646	39,647
EUR	324	38.47	12,477
RMB	1,989	5.092	10,125
			$ 480,994
Financial liabilities			
Monetary items			
JPY	102,000	0.2646	$ 26,989
USD	166	31.65	5,266
EUR	15	38.47	577
			$ 32,832

	March 31, 2014		
	Foreign Currencies (Thousands)	Exchange Rate	Carrying Amount (Thousands)
Financial assets			
Monetary items			
USD	$ 10,818	30.47	$ 329,625
RMB	13,921	4.90	68,213
JPY	184,556	0.296	54,629
EUR	311	41.93	13,041
			$ 465,508
Financial liabilities			
Monetary items			
USD	67	30.47	$ 2,041
EUR	21	41.93	881
			$ 2,922

For the three months ended March 31, 2015 and 2014, realized net foreign exchange gains (losses) were $435 thousand and $4,343 thousand, respectively, and unrealized net foreign exchange gains (losses) were $(6,840) thousand and $6,107 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

28. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and investees:

a. Financing provided to others: None.

b. Endorsements or guarantees provided for others: None.

c. Marketable securities held at the end of the period (excluding investments in subsidiaries): None.

d. Acquisition or disposal of the same marketable securities amounting to at least NT$300 million or 20% of paid-in capital: None.

e. Acquisition of individual real estate at cost of at least NT$300 million or 20% of paid-in capital: None.

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of paid-in capital: None.

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of paid-in capital: None.

h. Receivables from related parties amounting to at least NT$100 million or 20% of paid-in capital: None.

i. Transactions of derivative instruments: None.

j. Others: Intercompany relationships and significant intercompany transactions: Table 1.

k. Information for investees: Table 2.

Information on investments in mainland China: None.

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In accordance with the provisions under IFRS 8, “Operating Segments,” the Group’s operating decision was mainly based on the Group’s overall operating performance and economic resource; therefore, it was determined that the Group had only one reportable segment.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	a.	Cost of goods sold	$ 4,190	Transaction terms are same as third parties	1.15
		Pacific Precision Technology Co., Ltd.	a.	Cost of goods sold	120	Transaction terms are same as third parties	0.03
		Pacific Precision Technology Co., Ltd.	a.	Rental income	273	Transaction terms are same as third parties	0.75
		Pacific Precision Technology Co., Ltd.	a.	Inventories	2,491	Transaction terms are same as third parties	0.11
		Pacific Precision Technology Co., Ltd.	a.	Accounts payable	5,350	Transaction terms are same as third parties	0.24
1	Pacific Precision Technology Co., Ltd.	Pacific Hospital Supply Co., Ltd.	b.	Sales	6,680	Transaction terms are same as third parties	1.84
		Pacific Hospital Supply Co., Ltd.	b.	Sales	120	Transaction terms are same as third parties	0.03
		Pacific Hospital Supply Co., Ltd.	b.	Cost of goods sold	1	Transaction terms are same as third parties	-
		Pacific Hospital Supply Co., Ltd.	b.	Rental expense	273	Transaction terms are same as third parties	0.75
		Pacific Hospital Supply Co., Ltd.	b.	Accounts receivable	5,350	Transaction terms are same as third parties	0.24

Note 1: Significant transactions between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the parent company.
b. Subsidiaries are numbered from “1”.

Note 2: Related party transactions are divided into two categories as follows:

a. The parent company to subsidiaries.
b. Subsidiaries to the parent company.

Note 3: Balance sheet items are shown as a percentage to consolidated total assets as of March 31, 2015, while income statement items are shown as a percentage to consolidated total operating revenue for the three months ended March 31, 2015.

Note 4: The above transaction amounts were eliminated upon consolidation.

TABLE 2

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

INFORMATION FOR INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 31, 2015	December 31, 2014	Shares	%	Carrying Amount			
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Taiwan	Manufacturing rubbers	$ 100,000	$ 100,000	10,000,000	100	$ 95,635	$ (533)	$ (817)	Notes 1 and 2

Note 1: Investment income (loss) was recognized based on the investee’s financial statements for the same period, which were reviewed by auditors.

Note 2: The difference between investee company’s net profit (loss) and recognized loss was due to deferral of unrealized gain from upstream transaction.

Note 3: In preparing the consolidated financial statements, gains and losses between the investor and investee, investor’s long-term equity investment account, and investee’s equity were eliminated in full.