

SCI PHARMTECH, INC.
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
AS OF DEC. 31, 2007 AND 2006

Name of the Company: SCI PHARMTECH, INC.

**Address: 186-2,HAI-HU-TSUN, LU CHU HSIANG,
TAOYUAN, TAIWAN**

Telephone: 886-3-354-3133

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors' Report	3
Balance Sheets as of Dec. 31, 2007 and 2006	4
Statements of Income for the years ended Dec. 31, 2007 and 2006	5
Statements of Changes in Stockholders' Equity for the years ended Dec. 31, 2007 and 2006	6
Statements of Cash Flows for the years ended Dec. 31, 2007 and 2006	7
Notes to Financial Statements	8-32

INDEPENDENT AUDITORS' REPORT

To: Board of Directors and Stockholders
SCI PHARMTECH, INC.

We have audited the accompanying balance sheets of SCI PHARMTECH, INC. as of Dec. 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

As disclosed in Note 3 to the financial statements, from January 1, 2006, the Corporation adopted the recently released Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

BDO TAIWAN UNION & CO.
January 18, 2008

English Translation of Financial Statements Originally Issued in Chinese
 SCI PHARMTECH, INC.
 BALANCE SHEETS
 December 31, 2007 and 2006

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2007	%	December 31, 2006	%	Liabilities & Stockholders' Equity	Notes	December 31, 2007	%	December 31, 2006	%
Current assets						Current liabilities					
Cash and cash equivalents	(2,4)	\$27,081	2.55	\$5,466	0.63	Short-term borrowings	(10)	\$15,140	1.42	\$18,751	2.15
Financial assets whose changes in fair value are recognized in earnings - current	(2,3,5)	-	-	65,891	7.56	Notes payable		5,256	0.49	3,122	0.36
Notes receivable -net	(2,6)	34,072	3.21	26,933	3.09	Accounts payable		54,094	5.09	32,393	3.71
Accounts receivable -net	(2,7)	188,644	17.75	85,453	9.80	Income tax payable	(2,15)	24,718	2.33	505	0.06
Accounts receivable - related parties -net		5,019	0.47	-	-	Accrued expenses		56,149	5.28	25,010	2.87
Other receivables		1,391	0.13	1,113	0.13	Other payables		9,368	0.88	8,751	1.00
Inventories - net	(2,8)	167,433	15.75	124,433	14.27	Advance receipts		11,396	1.07	5,231	0.60
Prepaid expenses		709	0.07	588	0.07	Receipts under custody		450	0.05	488	0.06
Prepayment		491	0.05	61	0.01	Sub-total		<u>176,571</u>	<u>16.61</u>	<u>94,251</u>	<u>10.81</u>
Temporary debits		25	-	108	0.01						
Deferred income tax assets-current	(2,15)	9,221	0.86	11,825	1.35	Other liabilities					
Other current assets - other		38	-	63	-	Guarantee deposits received		-	-	126	0.01
Sub-total		<u>434,124</u>	<u>40.84</u>	<u>321,934</u>	<u>36.92</u>	Deferred income tax liabilities-noncurrent	(2,15)	164	0.03	568	0.08
Fixed assets	(2,9)					Sub-total		<u>164</u>	<u>0.03</u>	<u>694</u>	<u>0.09</u>
Cost						Total liabilities		<u>176,735</u>	<u>16.64</u>	<u>94,945</u>	<u>10.90</u>
Land		42,736	4.02	42,736	4.90	Stockholders' equity					
Land improvements		4,855	0.46	4,651	0.53	Capital stock					
Buildings		307,534	28.93	270,248	30.99	Common stock	(11)	325,107	30.59	325,107	37.28
Machinery and equipment		788,313	74.17	631,040	72.37	Capital surplus	(12)				
Transportation equipment		1,640	0.15	2,085	0.24	Additional paid-in capital		87,197	8.20	87,197	10.00
Office equipment		14,952	1.41	14,507	1.66	Gain on sale of fixed assets		980	0.09	980	0.11
Cost and Revaluation increment		1,160,030	109.14	965,267	110.69	Retained earnings	(13)				
Less: Accumulated depreciation		(621,646)	(58.49)	(554,375)	(63.58)	Legal reserve		54,673	5.14	50,076	5.74
Construction in progress		42,550	4.00	76,949	8.82	Unappropriated retained earnings (accumulated deficits)		418,183	39.34	313,647	35.97
Prepayments for equipment		42,775	4.03	56,638	6.51	Total stockholders' equity		<u>886,140</u>	<u>83.36</u>	<u>777,007</u>	<u>89.10</u>
Sub-total		<u>623,709</u>	<u>58.68</u>	<u>544,479</u>	<u>62.44</u>						
Other Assets						Total liabilities and stockholders' equity		<u>\$1,062,875</u>	<u>100.00</u>	<u>\$871,952</u>	<u>100.00</u>
Guarantee deposits paid		13	-	13	-						
Deferred charges		560	0.05	184	0.02						
Other assets - other		4,469	0.43	5,342	0.62						
Sub-total		<u>5,042</u>	<u>0.48</u>	<u>5,539</u>	<u>0.64</u>						
Total assets		<u>\$1,062,875</u>	<u>100.00</u>	<u>\$871,952</u>	<u>100.00</u>						

The accompanying notes are an integral part of financial statements

English Translation of Financial Statements Originally Issued in Chinese
SCI PHARMTECH, INC.
STATEMENTS OF INCOME
For the Years Ended December 31, 2007 and 2006

UNIT : NTD (In Thousands)

Item	Notes	2007	%	2006	%
Operating income	(2)				
Sales		\$804,892	100.25	\$520,234	101.03
Sales returns		(1,731)	(0.22)	(5,295)	(1.03)
Sales discounts and allowances		(297)	(0.03)	-	-
Sub-total		<u>802,864</u>	<u>100.00</u>	<u>514,939</u>	<u>100.00</u>
Operating costs	(2)				
Cost of goods sold		(536,690)	(66.85)	(405,707)	(78.79)
Sub-total		<u>(536,690)</u>	<u>(66.85)</u>	<u>(405,707)</u>	<u>(78.79)</u>
Gross profit(loss)		<u>266,174</u>	<u>33.15</u>	<u>109,232</u>	<u>21.21</u>
Operating expenses					
Selling expenses		(25,200)	(3.14)	(20,559)	(3.99)
General and administrative expenses		(34,406)	(4.29)	(24,033)	(4.67)
Research and development expenses		(27,665)	(3.44)	(22,606)	(4.39)
Net operating income(loss)		<u>178,903</u>	<u>22.28</u>	<u>42,034</u>	<u>8.16</u>
Non-operating income					
Interest income		161	0.02	334	0.06
Valuation gains of financial assets	(2,3)	-	-	1,176	0.23
Gains on disposal of fix assets		38	-	-	-
Gains on disposal of investments		1,218	0.15	737	0.14
Foreign exchange gain		7,317	0.91	7,003	1.36
Gains on inventory value recoveries		-	-	418	0.08
Miscellaneous income		8,634	1.08	3,877	0.76
Sub-total		<u>17,368</u>	<u>2.16</u>	<u>13,545</u>	<u>2.63</u>
Non-operating expenses					
Interest expenses		(1,543)	(0.19)	(2,076)	(0.40)
Losses on disposal of properties		(1,207)	(0.15)	-	-
Losses on physical inventory		-	-	(70)	(0.01)
Foreign exchange loss		(4,315)	(0.54)	(5,255)	(1.02)
Losses on inventory valuation loss and obsolescence		(9,334)	(1.16)	-	-
Losses on idle assets depreciation and valuation loss		(253)	(0.03)	(1,022)	(0.20)
Miscellaneous expenses		(2,176)	(0.27)	(1,476)	(0.29)
Sub-total		<u>(18,828)</u>	<u>(2.34)</u>	<u>(9,899)</u>	<u>(1.92)</u>
Income(loss)before income tax from continuing operations		<u>177,443</u>	<u>22.10</u>	<u>45,680</u>	<u>8.87</u>
Income tax expenses	(2,15)	(26,930)	(3.35)	(627)	(0.12)
Income(loss) from continuing operations		<u>150,513</u>	<u>18.75</u>	<u>45,053</u>	<u>8.75</u>
Cumulative effect of changes in accounting principles, net of tax	(2,3)	-	-	924	0.18
Income tax					
Net income		<u>\$150,513</u>	<u>18.75</u>	<u>\$45,977</u>	<u>8.93</u>
Primary earnings per share	(16)	PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax		\$5.46	\$4.63	\$1.41	\$1.39
Cumulative effect of changes in accounting principle, net of tax		-	-	0.02	0.02
Net income(loss)		<u>\$5.46</u>	<u>\$4.63</u>	<u>\$1.43</u>	<u>\$1.41</u>

The accompanying notes are an integral part of financial statements

English Translation of Financial Statements Originally Issued in Chinese
 SCI PHARMTECH, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the Year Ended December 31, 2007 and 2006

UNIT : NTD (In Thousands)

Summary	Common Stock	Capital Surplus	Retained Earnings		Total
			Legal Reserve	Unappropriated Retained Earnings	
Balance on January 1, 2006	\$325,107	\$88,177	\$46,099	\$307,410	\$766,793
Appropriations and distributions for 2005					
Legal reserve	-	-	3,977	(3,977)	-
Cash dividends	-	-	-	(33,974)	(33,974)
Remuneration to directors and supervisions	-	-	-	(716)	(716)
Bonus to employees	-	-	-	(1,073)	(1,073)
Net income after tax for the Year 2006	-	-	-	45,977	45,977
Balance on January 1, 2007	\$325,107	\$88,177	\$50,076	\$313,647	\$777,007
Appropriations and distributions for 2006					
Legal reserve	-	-	4,598	(4,598)	-
Cash dividends	-	-	-	(39,013)	(39,013)
Remuneration to directors and supervisions	-	-	-	(828)	(828)
Bonus to employees	-	-	-	(1,538)	(1,538)
Net income after tax for the Year 2007	-	-	-	150,513	150,513
Rounding	-	-	(1)	-	(1)
Balance on December 31, 2007	<u>\$325,107</u>	<u>\$88,177</u>	<u>\$54,673</u>	<u>\$418,183</u>	<u>\$886,140</u>

The accompanying notes are an integral part of financial statements

English Translation of Financial Statements Originally Issued in Chinese

SCI PHARMTECH, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2007 and 2006

UNIT : NTD (In Thousands)

Items	2007	2006
Cash flows from operating activities		
Net income(loss)	\$150,513	\$45,977
Adjusted items:		
Bad debts losses	1,190	508
Depreciation	76,051	73,472
Amortization	144	101
Fix assets transfer to other expenses	1,479	452
Valuation losses(gains) of financial assets	-	(1,176)
Gain on inventory value recoveries	-	(418)
Losses on idle assets valuation loss	253	1,022
Losses on disposal of assets	1,207	-
Gain on disposal of assets	(38)	-
Losses on assets obsolescence	183	566
Losses on inventory obsolescence	1,375	-
Losses on inventory valuation loss	7,960	-
Cumulative effect of changes in accounting principale, net of tax	-	(925)
(Increase)decrease in notes receivable	(7,139)	(5,715)
(Increase)decrease in accounts receivable	(104,380)	(4,758)
(Increase)decrease in accounts receivable - related parties	(5,019)	-
(Increase)decrease in other receivable	(277)	1,786
(Increase)decrease in inventories	(52,334)	7,681
(Increase)decrease in prepaid expenses	(121)	(64)
(Increase)decrease in prepayments	(430)	(60)
(Increase)decrease in other current assets	2,710	(3,967)
Increase(decrease) in notes payable	2,134	(6,155)
Increase(decrease) in accounts payable	21,701	11,847
Increase(decrease) in income tax payable	24,213	(1,521)
Increase(decrease) in accrued expenses	31,139	1,928
Increase(decrease) in other payables	9,298	5,526
Increase(decrease) in advance receipts	6,165	5,231
Increase(decrease) in other current liabilities	(39)	212
Increase(decrease) in deferred income tax liabilities - non-current	(406)	66
Net cash flows provided by operating activities	167,532	131,616
Cash flows from investing activities		
(Increase)decrease in financial assets whose changes in fair value are recognized in earnings	65,891	15,734
Proceed from disposal of fixed assets	162	35
Acquisition of fixed assets	(167,208)	(162,004)
(Increase)decrease in guarantee deposits paid	-	1,040
(Increase)decrease in deferred charges	(519)	-
Increase (decrease) in other assets	873	123
Net cash provided by investing activities	(100,801)	(145,072)
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	(3,611)	(7,575)
Increase(decrease) in guarantee deposit received	(126)	(3)
Increase(decrease) in other liabilities	-	(723)
Remuneration to directors and supervisions	(828)	(716)
Bonus paid to employees	(1,539)	(1,074)
Dividends paid	(39,012)	(33,973)
Net cash provided by financing activities	(45,116)	(44,064)
Net increase(decrease)in cash and cash equivalents	21,615	(57,520)
Cash and cash equivalents at the beginning of year	5,466	62,986
Cash and cash equivalents at the end of year	\$27,081	\$5,466
Supplemental disclosure of cash flow information		
Interest paid	\$1,554	\$2,134
Cash paid for interest expense excluding interest capitalized	\$1,554	\$2,134
Income taxes paid	\$519	\$6,063

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

1. ORGANIZATION AND BUSINESS SCOPE

SCI PHARMTECH, INC. (the "Company"), named Siegfried Chemicals, Inc. before May 2002, was incorporated under the Company Law of the Republic of China on September 18, 1987. The Company is engaged mainly in :

- (1) To manufacture and sell bulk pharmaceuticals, pharmaceutical intermediates, specialty and fine chemicals (in such items as approved by the competent government agency).
- (2) To act as an agent providing price quotations, bidding and distribution services for domestic and overseas companies.
- (3) To provide research and development services for the products stated in the preceding paragraphs.
- (4) To conduct such other businesses related to the above.

As of December 31, 2007 and 2006, the Company had 137 and 119 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in New Taiwan dollars and prepares statutory financial statements in the Chinese language in conformity with the accounting principles generally accepted in the Republic of China. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Chinese language financial statements. Certain information included in the Chinese language financial statements, but not required for a fair presentation of the Company's financial positions, results of operations or cash flows, is not presented in the accompanying financial statements.

(1) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues, and expenses during the reporting period. Actual results could differ from those estimates.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(2) Distinction between Current and Noncurrent Asset and Liability

Current assets are cash and other assets that are reasonably expected to be realized in cash, or sold, or consumed during the normal operating cycle of the business within one year, exclude from the classification of current assets are noncurrent assets. Current liabilities are obligation that are due on demand or will be due on demand within one year or the operating cycle, if longer. Exclude from the classification of current liabilities are noncurrent liabilities.

(3) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and so near their maturity that there is little risk of changes in value because of changes in interest rates. Generally, only investments with maturity dates of three months or less from the date acquired by the holder are cash equivalents.

(4) Financial assets and financial liabilities

Financial assets in the scope of SFAS No. 34 and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, derivative financial assets held for hedging purposes, bond portfolio with no active market bonds, available-for-sale financial assets, or financial assets carried at cost, as appropriate. Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging purposes and financial liabilities accounted for by the cost method.

When financial assets and financial liabilities are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value and changes in fair value are recognized in profit and loss. Held for trading and designated by the Company as at fair value through profit or loss are classified as financial assets at fair value through profit or loss.

Cash dividends received (including those received in the year of investing) are recorded as current income.

b. Held-to-Maturity Financial Assets

Investment in bonds with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Company has the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses are recognized in the income statement when the investments are derecognized, impaired, or amortized. The amortized cost is calculated as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any loss on impairment or unrecoverable amount. While determining cash flows associated with the financial instruments for calculating the effective interest rate, the Company takes into consideration the contract terms of financial instruments including transaction fees paid or received, premiums or discounts and transaction cost...etc.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

c. Derivative financial assets held for hedging purposes:

Derivative financial assets held for hedging purposes refer to derivative financial assets that meet all hedge accounting criteria and are designate as effective hedging instruments. Such assets are measured at fair value.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

d. Debt investments with no active market:

Debt investments with fixed or determinable payments that are not quoted in an active market are carried at amortized cost using the effective interest method. These Debt investments are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or the issuance of the financial asset. Profit or loss are recognized when such investments are derecognized, impaired, or amortized.

e. Available-for-Sale Financial Assets:

Available-for-sale financial assets include assets that are available for sale and all other non-derivative financial assets that do not fit into any of the categories of financial assets like as held-to-maturity financial assets, Financial assets or liabilities at fair value through profit or loss, or loan and receivables . Available-for-sale assets are measured at fair value. All changes in fair value, except impairment losses and foreign exchange rate losses for monetary financial assets, are recognized directly in equity until the asset is derecognized. When the financial asset is derecognized, the cumulative gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement.

Cash dividends are recognized as investment income upon resolution of the shareholders of an investee but are accounted for as reductions to the original cost of investment if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new number of shares.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

f. Financial assets carried at cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost, such as non-publicly traded stocks and stocks trading on emerging stock market. The costs of funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in the fair value is allowed.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

Fair value for beneficiary certificates of open-end funds and publicly traded stocks are determined using the net asset value and the closing – price at the balance sheet date, respectively.

Financial liabilities are subsequently measured at amortized cost. Financial liabilities at fair value through profit or loss and derivative financial liabilities held for hedging purposes are measured at fair value.

(5) Derivative Transactions

The Company entered into forward exchange contract transactions and interest rate swap contract transactions to hedge its exposures to fluctuations of foreign-exchange rates and interest rates. Such derivative transactions are initially and subsequently measured at fair value. When derivative transactions do not meet the criteria for hedge accounting, the derivative transactions are remeasured at fair value with the changes in fair value recognized in earnings.

Hedge Accounting

a. Fair value hedges

The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument or, non-derivative hedging instrument shall be recognized in profit or loss. Gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item.

b. Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in shareholders equity through the statement of changes in equity and the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity shall be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

c. Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in shareholders equity through the statement of changes in equity. Profit or loss are recognized when such foreign operation are disposed.

The Company uses interest rate swaps to hedge cash flow risk from interest rate fluctuations.

(6) Allowance for Bad and Doubtful Debts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of collectibility and aging analysis of accounts and other receivables.

(7) Inventories

Inventories are recorded at cost when purchased and follow the perpetual inventory system. The average cost method is adopted in determining costs of inventories. On the balance sheet date, lower of cost or market method is adopted. Any defective, damaged, or obsolete inventories are stated at net realizable value.

(8) Property, Plant and Equipment

Property and equipment are stated at cost, significant renewals and improvements are capitalized, while repairs and maintenance are expensed currently.

Upon sale or disposal of properties and equipment, the related cost and accumulated depreciation are removed from the accounts. The gain or loss resulting from such a disposal is recorded as a non-operating gain or expense. Idle assets are transferred to other assets according to the lower of book value or net realizable value, with the difference charged to earnings. The corresponding depreciation expenses provided for the year are classified as non-operating expenses.

Depreciation is computed using the average method over the estimated service lives. The remaining book values of the properties still used in operations after they have reached their original estimated service lives are further depreciated over their new estimated service lives. The following estimated service lives: building – 3 to 55 years, other fixed assets – 2.5 to 15 years.

(9) Interest Capitalization

The accounting treatments of interest capitalization follow the Statements of Financial Accounting Standards (SFAS) No. 3, "Capitalization of Interest Cost".

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(10) Deferred Charges

Deferred charges are stated at cost and amortized over five years on the straight-line method.

(11) Retirement plan

The Company established a retirement plan for all of its employees. Pension plan benefits are based primarily on participants' compensation and years of credited service.

In compliance with ROC SFB regulations, the Company implemented ROC Statement of Financial Accounting Standards (SFAS) No. 18, "Accounting for Pensions". An actuarial valuation of pension liability is performed as of the balance sheet date, and a minimum pension liability in the amount of the excess of the accumulated benefit obligation over the fair value of plan assets is recognized in the financial statements. In accordance with SFAS No. 18, the unrecognized transitional net benefit obligation and pension gain or loss is amortized on a straight-line basis over the average remaining service period.

Pursuant to the new "Labor Pension Act" enacted July 1, 2006, the Company set up a defined contribution pension plan. For domestic employees who select to participate in the defined contribution pension plan, the Company contributes an amount no less than 6% of the employees' salaries and wages paid each month to employees' individual pension accounts at the Bureau of Labor Insurance. Benefit accrued are portable upon service. Pension payments to employees are made either by monthly installments or in lump sum from the accumulated contributions and earnings in employees' individual accounts.

(12) Assets impairment

The Company records asset impairment and recovery pursuant to ROC SFAS No.35 "Accounting for Assets Impairment", which requires an impairment be recognized in the amount of the excess of the carrying amount of certain assets or assets in cash generating unit over the recoverable amount of such assets.

Following the date of the immediately preceding impairment recognition, if there is evidence that the impairment to the assets (other than goodwill) during the prior periods no longer exists or has decreased, the excess of recoverable amount over the carrying amount of the impaired assets is estimated and recognized as a recovery of impairment loss and the carrying amount of the impaired assets is increased by such excess, but in no event shall the carrying amount of the assets following such increase be greater than the carrying amount of such assets, reduced by any depreciations or amortizations, prior to any impairment.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

The recoverable amount is the greater of an asset's net fair value or its value in use. If there is no indication that the value in use of an asset materially exceeds its fair value less costs to sell, then the fair value less costs to sell is used as the recoverable amount. Otherwise, the value in use is used as the recoverable amount if the fair value less costs to sell cannot be determined.

Goodwill derived from enterprise merge should amortize its value to each cash generating unit of the Company since acquisition date. The recoverable amount of each cash generating unit is calculated and compared with the good will allocated to that unit. If the recoverable amount is less than the carrying value, an impairment write-down must be made. Recognized goodwill impairment loss may not be reversed for previous write-downs in goodwill.

Assets which recognized impairment should be adjusted using its book value minus required salvage value and amortized over the economic useful life by straight-line method.

(13) Foreign Currency Transactions

The Company maintains its accounts in New Taiwan dollars. Transactions in foreign currency are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction dates. Gains or losses realized upon the settlement are included in the period in which the transaction is settled. At the balance sheet dates, foreign currency assets and liabilities (other than those arising from forward contracts) are adjusted to reflect the prevailing exchange rates with the related gains and losses reflected in income.

(14) Estimated Income Tax

The Company adopted the R.O.C. SFAS No. 22 "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

Income tax (10%) on unappropriated earnings is recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

Income Basic Tax Act took effect on January 1, 2007. If the amount of regular income tax is less than the amount of basic tax, the amount of income tax payable shall also include the balance of the amount of basic tax and regular income tax.

(15) Recognition of Revenue and Expense

Revenue is recognized when titles to products and risks of ownership are transferred to customers, primarily upon shipment; When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the balance sheet date; expenses thereof are recognized as current expenses when the rights and obligations from the transaction arise.

(16) Capital Expenditure and Expenses

Expenditure is capitalized and amortized over its useful life if it involves a significant amount and benefits future periods. Otherwise, it is expensed in the year of expenditure.

3.CHANGES IN ACCOUNTING PRINCIPLES AND ITS EFFECTS

(1)Effective from January 1, 2007, the Company adopted the ROC SFAS No. 37, "Accounting for Intangible Asset". The change in accounting principle had no significant effect on the Company's financial statements for the year ended December 31, 2006.

(2)Effective from January 1, 2006, the Company adopted the ROC SFAS No. 34 and No. 36.

a. Effect of adopting the newly released SFASs and related revisions of previously released SFASs

The Company had properly categorized its financial assets and liabilities (included derivative financial instruments) when initially adoption of the newly released and amended SFASs. The adjustments in original carrying amount for financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss are included in the cumulative effect of change in accounting principles; on the other hand, the adjustments in original carrying amount for those categorized as available-for-sale financial assets are recognized as adjustments to shareholders' equity. The effect of the aforementioned changes in accounting principles is summarized as follows:

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

Accounting Item	Increase/Decrease
Financial assets whose changes in fair value are recognized in earnings – current	\$2,100
Valuation gain of financial assets	\$1,176
Cumulative effect of changes in accounting principles	\$924
Net income	\$2,100
Adjusted per share	\$0.06(NT\$)

4.CASH AND CASH EQUIVALENTS

	December 31,	
	2007	2006
Cash on hand.....	\$571	\$211
Cash in banks.....	26,510	5,255
Cash equivalents.....	0	0
Total.....	<u>\$27,081</u>	<u>\$5,466</u>

5.FINANCIAL ASSETS WHOSE CHANGES IN FAIR VALUE ARE RECOGNIZED IN EARNINGS - CURRENT

	December 31,	
	2007	2006
Mutual funds.....	\$-	\$65,891

6.NOTES RECEIVABLE - NET

	December 31,	
	2007	2006
Notes receivable.....	\$27,607	\$26,933
Other notes receivable	6,465	-
Less: Allowance for bad and doubtful debts	(0)	(0)
Net.....	<u>\$34,072</u>	<u>\$26,933</u>

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

7.ACCOUNTS RECEIVABLE -NET

	December 31,	
	2007	2006
Accounts receivable.....	\$192,093	\$87,712
Less: Allowance for doubtful debts.....	(3,449)	(2,259)
Net.....	<u>\$188,644</u>	<u>\$85,453</u>

8.INVENTORIES

	December 31,	
	2007	2006
Raw materials.....	\$64,376	\$34,654
Work in process.....	63,019	86,251
Finished goods.....	75,608	31,138
Total.....	<u>203,003</u>	<u>152,043</u>
Less: Allowance for Loss on decline in market value and obsolescence	(35,570)	(27,610)
Net.....	<u>\$167,433</u>	<u>\$124,433</u>

9.PROPERTY, PLANT AND EQUIPMENT

Item	December 31, 2007		
	Cost	Accumulated Depreciation	Net Value
Land.....	\$42,736	\$0	\$42,736
Land improvements.....	4,855	2,905	1,950
Buildings.....	307,534	96,609	210,925
Machinery and equipment.....	788,313	509,042	279,271
Transportation equipment.....	1,640	1,640	0
Office equipment.....	14,952	11,450	3,502
Sub-total.....	<u>1,160,030</u>	<u>621,646</u>	<u>538,384</u>
Construction in progress.....	42,550	0	42,550
Prepayment for equipment.....	42,775	0	42,775
Total.....	<u>\$1,245,355</u>	<u>\$621,646</u>	<u>\$623,709</u>

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

Item	December 31, 2006		
	Cost	Accumulated Depreciation	Net Value
Land.....	\$42,736	\$0	\$42,736
Land improvements.....	4,651	3,062	1,589
Buildings.....	270,248	82,990	187,258
Machinery and equipment.....	631,040	455,677	175,363
Transportation equipment.....	2,085	2,079	6
Office equipment.....	14,507	10,567	3,940
Sub-total.....	965,267	554,375	410,892
Construction in progress.....	76,949	0	76,949
Prepayment for equipment.....	56,638	0	56,638
Total.....	<u>\$1,098,854</u>	<u>\$554,375</u>	<u>\$544,479</u>

Part of the property, plant and equipment had been pledged for short-term borrowings. Please refer to Note 17 for details.

10.SHORT-TERM BORROWINGS

	December 31,	
	2007	2006
L/C loan.....	\$12,140	\$18,751
Unsecured loans	3,000	-
Total	<u>\$15,140</u>	<u>\$18,751</u>
Interest rates.....	2.62%~6.16%	6.17%

11.CAPITAL STOCK

(1)As of December 31, 2007 and 2006, the capital issued were \$325,107 thousand for 32,511 thousand ordinary shares.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

12.CAPITAL SURPLUS

Pursuant to the ROC Company Law, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. According to the SFB regulations, capital increases from capital surplus per year cannot exceed 10% of total capital surplus and can only commence in the year following the capital surplus incurred.

The Company's capital surplus is as follows:

	December 31	
	2007	2006
Additional paid-in capital	\$87,197	\$87,197
Gains on disposal of assets (after tax).....	980	980
Total.....	\$88,177	\$88,177

13.RETAINED EARNINGS

(1)Legal Reserve

Pursuant to the Company Law, 10% of the annual after-tax net income of the Company must be appropriated as legal reserve until the total amount of the legal reserve equals to the issued share capital. Such reserve can only be used to offset a deficit. When the reserve has reached 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

(2)Retained Earnings

1.As stipulated in the Company's Articles of Incorporation, the restrictions and sequences for distributing annual net income are as follows:

- A.Paying income tax;
- B.Covering previous deficit;
- C.Appropriating 10% of the remaining net income as legal reserve;
- D.Appropriating special reserve
- E.Appropriation of the remainder of the net income as proposed by the board of directors and approved by the stockholders as follows:
 - (a)Bonus to employees at least 3% of the remaining net income; and
 - (b)Consideration to the directors and supervisors: 2%
 - (c)Distributing dividends to stockholders.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

2.Distributions Information of 2006:

Details of the settlements of 2006 employees' bonus and remuneration of directors and supervisors are as follows:

For the year ended December 31, 2006	As approved by the stockholders' meeting	As recommended by the board of directors	Difference
a.Settlement of employees' bonus by Cash	\$1,538	\$1,538	-
b.Settlement of employee's bonus by issuance of new shares			
Number of shares (in thousands)	-	-	-
Amount	-	-	-
Percentage on total number of outstanding shares at end of year	-	-	-
c.Remuneration of directors and supervisors	\$828	\$828	-
Effect on earnings per share before retroactive adjustments			
Original primary earnings per share	\$1.41	\$1.41	-
Revised primary earnings per share taking into consideration of the employees' bonus	\$1.34	\$1.34	-

The appropriation of 2007 retained earnings has not yet been recommended by the board of directors as of the date of the Report of Independent Auditors. Information on board of directors' recommendations and stockholders' approvals can be obtained from the "Market Observation Post System" on the website of Taiwan Stock Exchange Corporation.

14.THE INFORMATION OF PERSONNEL COST, DEPRECIATION AND AMORTIZATION ARE AS FOLLOWS:

Function Item	December 31, 2007			December 31, 2006		
	Classified to operating costs	Classified to operating expenses	Total	Classified to operating costs	Classified to operating expenses	Total
Personnel cost						
Salary and wages	\$68,018	\$41,073	\$109,091	\$50,445	\$26,744	\$77,189
Labor and health insurance expense	4,111	1,739	5,850	3,711	1,611	5,322
Pension cost	4,091	1,772	5,863	3,420	1,829	5,249
Other personnel cost	422	4,459	4,881	407	3,934	4,341
Depreciation	65,368	10,683	76,051	62,639	10,689	73,328
Amortization	144	0	144	101	0	101

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

15. ESTIMATED INCOME TAX

(1) Income tax expenses include the followings:

	2007	2006
Income tax expense-current.....	\$24,727	\$4,630
Deferred income tax expense (benefits).....	2,197	(3,915)
Prior year's over (under) estimates.....	(8)	(143)
Separation tax.....	14	54
10% additional income tax based on undistributed earnings..	-	1
Total Income tax expenses.....	\$26,930	\$627

(2) Deferred income tax liabilities and assets are as follows:

	December 31,	
	2007	2006
A. Total deferred income tax liabilities.....	\$1,291	\$1,293
Total deferred income tax assets.....	10,350	12,550
B. Components of deferred income taxes liabilities and assets resulting from temporary difference		
Deductible temporary difference from bad debt loss.....	\$1,107	\$1,018
Deductible temporary difference from inventory valuation loss	35,570	27,610
Taxable temporary difference from unrealized exchange gain and loss.....	(865)	-
Taxable temporary difference from recognition of pension expense.....	(4,299)	(5,172)
Deductible temporary difference from other expenses	182	937
Deductible temporary difference from losses on idle assets valuation loss.....	1,979	2,717
Deductible temporary difference from other expenses	2,562	-
Deductible temporary difference from investment tax credits..	-	4,480

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

	December 31,	
	2007	2006
C. Deferred tax assets current.....	\$9,438	\$11,825
Deferred tax liabilities current.....	(217)	0
Net balance of deferred tax assets (liabilities) current.....	<u>\$9,221</u>	<u>\$11,825</u>
D. Deferred tax assets noncurrent.....	\$912	\$725
Deferred tax liabilities noncurrent.....	(1,076)	(1,293)
Net balance of deferred tax assets (liabilities) noncurrent.	<u>(\$164)</u>	<u>(\$568)</u>
E. Adjustments between accrued income tax and income tax for the years ended Dec.31, 2007 and 2006 are as follows:		
	2007	2006
Accrued income tax.....	(\$42,328)	(\$4,630)
Deferred income tax expenses (benefits) on other expenses	(\$2,197)	(\$564)
Prior year's over (under) estimates.....	\$8	\$143
Separation tax.....	(\$14)	(\$55)
10% additional income tax based on undistributed earnings	\$-	(\$1)
Deferred income tax expenses (benefits) on recognition of investment tax credits.....	\$17,601	\$4,480
Total income tax expenses.....	<u>(\$26,930)</u>	<u>(\$627)</u>

(3) Imputation credit account (ICA)

	December 31,	
	2007	2006
Balance of ICA	<u>\$35,276</u>	<u>\$43,686</u>
	<u>2007(Estimate)</u>	<u>2006 (Actual)</u>
Imputation tax credit ratio	<u>18.07%</u>	<u>19.42%</u>

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(4) Unappropriated retained earnings:

Year	December 31,	
	2007	2006
Prior to 1997.....	\$86,063	\$86,063
After 1998.....	181,607	181,607
Total.....	<u>\$267,670</u>	<u>\$267,670</u>

(5) The Company's income tax returns of 2005 have been reapplied and reexamined by the Tax Authority.

(6) As of December 31, 2007, the Company's unused investments tax credit is as follows:

Year	Deductible amounts	Deducted amounts	Residual amounts	Expiration year
2006	\$9,110	\$(4,621)	\$ (4,489)	2006~2010
2007	13,112	-	(13,112)	2007~2011
	<u>\$22,222</u>	<u>\$(4,621)</u>	<u>\$(17,601)</u>	

(7) Income from additional capital invested for the manufacturing and sales of semiconductor products is exempt from income tax for five consecutive years commencing in 2006.

16. EARNINGS PER SHARE

項 目	2007		2006	
	Pretax	After tax	Pretax	After tax
Net income (loss)				
Income (loss) before income tax from continuing operations	\$177,443	\$150,513	\$45,680	\$45,053
Cumulative effect of changes in accounting principles.	-	-	924	924
Net income (loss)	<u>\$177,443</u>	<u>\$150,513</u>	<u>\$46,604</u>	<u>\$45,977</u>
Adjusted weighted average outstanding number of shares	32,510,675	32,510,675	32,510,675	32,510,675
Adjusted primary earnings per share (NT\$)				
Income (loss) before income tax from continuing operation	\$5.46	\$4.63	\$1.41	\$1.39
Cumulative effect of changes in accounting principles.	-	-	0.02	0.02
Net income (loss)	<u>\$5.46</u>	<u>\$4.63</u>	<u>\$1.43</u>	<u>\$1.41</u>

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

17. RELATED PARTY TRANSACTIONS

(1) Related Parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Siegfried Ltd.	Affiliated company
Siegfried (USA), Inc	Affiliated company

(2) Significant transactions with related parties

(A) Operating Revenues

	<u>For the years ended Dec. 31,</u>	
	<u>2007</u>	<u>2006</u>
Siegfried Ltd.	\$6,242	\$12,613
Siegfried (USA), Inc.	40,758	33,265
Total	<u>\$47,000</u>	<u>\$45,878</u>

The sales between related parties were made at regular purchase prices compared with other clients.

(B) Accounts Receivable

	<u>For the years ended Dec. 31,</u>	
	<u>2007</u>	<u>2006</u>
Siegfried Ltd.	\$5,019	\$-

18. ASSETS PLEDGED AS COLLATERAL

<u>Item</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Land	\$42,736	\$42,736
Buildings	42,545	47,260
Total	<u>\$85,281</u>	<u>\$89,996</u>

(1) The pledged assets are disclosed at their net carrying values.

(2) The above assets were pledged or mortgaged as collateral for the short-term borrowings.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

19. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

Issued and unused L/C for purchase of materials amounted to USD\$9,499 thousand and NTD\$7,346 thousand as of Dec. 31, 2007 and 2006, respectively.

20. SIGNIFICANT DISASTER LOSS: None

21. SIGNIFICANT SUBSEQUENT EVENTS: None

22. OTHER IMPORTANT EVENTS

(1) PENSION RELATED INFORMATION

1. Net periodic pension cost:

	For the years ended	
	2007	2006
(1) Service cost	\$2,372	\$2,431
(2) Interest cost	1,637	1,417
(3) Actual return on plan assets	(1,125)	(1,025)
(4) Deferred pension gain and loss	31	31
(5) Projected return on plan assets (3)+(4)	(1,094)	(994)
(6) Net amortization cost	220	112
(7) Net periodic pension cost (1)+(2)+(5)+(6)	3,135	\$2,966

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

2. Pension funded status:

	December 31,	
	2007	2006
(1) Vested benefit obligation	(\$5,335)	(\$6,766)
① Nonvested benefit obligation	(35,822)	(32,971)
② Accumulated benefit obligation	(41,157)	(39,737)
③ Additional benefits based on future salaries	(8,834)	(8,760)
④ Projected benefit obligation	(49,991)	(48,497)
(2) Fair value of plan assets	45,124	45,374
(3) Funded status	(4,867)	(3,123)
(4) Unrecognized net transition obligation (asset)	288	319
(5) Unrecognized prior service cost	-	-
(6) Unrecognized net (gain) and loss	9,048	8,146
(7) Accrued pension cost /prepaid pension cost	\$4,469	\$5,342
(8) Vested benefit	(\$5,798)	(\$7,307)

	December 31,	
	2007	2006
3. Actuarial assumptions		
(1) Discount rate	3.50%	3.50%
(2) Rate of increase in compensation	2.00%	2.00%
(3) Projected return on plan assets	2.50%	2.50%

(2) FINANCIAL INSTRUMENTS RELATED INFORMATION:

A. Derivative financial instruments related information: None

B. Non-Derivative Financial Instruments related information

As of December 31, 2007 and 2006, the carrying values of non-derivative financial instruments are equal to their market values.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

Fair values of financial instruments were determined as follows:

- a. Short-term financial instruments (other than short-term investments) – the carrying value reported on the balance sheets for notes, including cash equivalents, receivables, interest receivables and payables, pledged time deposits, notes and accounts payable are approximate to their fair values because of the short maturities of these instruments.
- b. If the financial instruments at fair value through profit or loss and the available-for-sale financial assets have active market and quotation price, the price will be the fair value; if not, valuation technique is used. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Corporation uses that technique.
- c. The fair values of the Company's refundable deposits are also their carrying values.
- d. The fair values of the Company's guarantee deposits are also their carrying values.

C. Procedures of financial risk control and hedge

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

D. Information about financial risks

a. Exchange rate

(a) Market risk :

Partial purchase is valued in US dollars, the fair value changes with market exchange rate. The Company held equivalent assets and liabilities in foreign currencies, and the period of collection and payment is equivalent to offset the market risk, thus the risk is minimal.

(b) Credit risk :

The counter parties are reputable financial institutions. Management believes its exposure to default by those parties is low.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(c) Liquidity risk :

The Company's equivalent assets and liabilities in foreign currencies held by the Company are received and paid in short time period, thus the risk is minimal.

(d) Cash flow interest rate risk :

None

b.Receivables

(a) Market risk

No significant market risk is expected about the Company's receivables.

(b) Credit risk

The Debtor of the Company's receivables are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

(c) Liquidity risk

No significant liquidity risk is expected about the Company's receivables.

(d) Cash flow interest rate risk

No significant cash flow interest rate risk is expected about the Company's receivables.

c.Equity financial instruments

(a) Market risk

The Company engaged in equity derivative financial instruments which are affected by changes in market price. The Company has set a stop-loss point in these transactions, therefore, the Company does not expect to have significant market risk.

(b) Credit risk

The counter parties are reputable financial institutions. Management believes its exposure to default by those parties is low.

(c) Liquidity risk

The company invested in equity instruments that have quoted prices in active market. Thus, Thus, the liquidity risk is low.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(d) Cash flow interest rate risk

The Company mainly engages in investments in non-interest-rate securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rate.

d.Liability financial instruments

(a) Market risk

Liabilities held by the Company are mainly fixed-interest-rate debt securities. Because the contract will be expired and the Company has evaluated the expected volatility of the market interest rate, thus, the market risk is low.

(b) Credit risk :

The Company do not have liquidity risk.

(c) Liquidity risk :

The Company has sufficient operating capital to meet cash requirement. Thus, the liquidity risk is low.

(d) Cash flow interest rate risk :

The Company mainly engages in investments in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rate.

e.Loan

(a) Market risk

The loans are debts with floating interest rates, however, the risk is minimal due to the minimal fluctuations.

(b) Credit risk

The Company do not have liquidity risk.

(c) Liquidity risk

The Company has sufficient operating capital to meet cash requirement. Thus, the Company do not have liquidity risk.

(d) Cash flow interest rate risk

The Company interest rate risk arises from loans. Loans issued at variable rates expose the Company to cash flow interest-rate risk.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

f. Derivative Transactions

(a) Market risk

Foreign exchange forward contracts are influenced by the fluctuation in currency exchange rate. Thus, the Company do not have liquidity risk.

(b) Credit risk

The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

(c) Liquidity risk

The Company has sufficient operating capital to meet cash requirement. Thus, the Company do not have liquidity risk.

(d) Cash flow interest rate risk

The Company mainly engages in investments in non-interest-rate financial instruments.. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rated.

(3) MATERIAL CONTRACT: None

(4) RECLASSIFICATIONS

Certain accounts in the financial statements as of and for the year ended Dec. 31, 2006 have been reclassified to conform to the financial statements as of Dec.31, 2007.

23. SEGMENT FINANCIAL INFORMATION

(1) Segment financial information by industry

The Company operates principally in one industry. The Company's major business activities are manufacture and sell pharmaceuticals.

(2) Geographic financial information

The Company has no significant foreign operations.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(3) Export sales information :

The Company's export sales information in 2007 and 2006 are shown below:

	For the years ended December 31,	
	2007	2006
ASIA	\$154,553	\$122,541
AMERICA	227,080	65,300
EUROPE	241,163	207,114
Total	<u>\$622,796</u>	<u>\$394,955</u>

(4) Disclosures of major customers :

Customers in excess of 10% sales are shown below

Name	For the years ended December 31,	
	2007	2006
Client A	\$113,851	\$-
Client B	-	106,141
Client C	82,719	74,692
Total	<u>\$196,570</u>	<u>\$180,833</u>