SCI PHARMTECH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

TOGETHER WITH INDEPENDENT

AUDITORS' REPORT

Company: SCI PHARMTECH, INC.

Address: 186-2, HAI-HU-TSUN, LU CHU HSIANG,
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INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of SCI PHARMTECH, INC. as of December 31, 2008 and 2007, 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 the "Rules Governing the Audit of Financial Statements by Certified Public Accountants" and auditing standards generally accepted 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 December 31, 2008 and 2007, 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 with respect to financial accounting standards", and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, effective January 1, 2008, SCI PHARMTECH, INC. adopted Interpretation 2007-052, "Accounting for Bonuses to Employees and Remuneration to Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China.

We have also audited the consolidated financial statements of SCI PHARMTECH, INC. as of and for the year ended December 31, 2008, and have expressed a modified unqualified opinion on such consolidated financial statements.

BDO TAIWAN UNION & CO.

January 23, 2009

SCI PHARMTECH, INC.
BALANCE SHEETS
December 31,2008 and 2007

UNIT：NTD (In Thousands)

Assets	Note	2 0 0 8	%	2 0 0 7	%
Current assets					
Cash and cash equivalents	2,4	$4,752	0.42	$27,081	2.55
Financial assets measured at fair value through profit or loss	2,5	13,706	1.21	-	-
Notes receivable -net	2,6	29,522	2.61	34,072	3.21
Accounts receivable -net	2,7	189,355	16.72	188,644	17.75
Accounts receivable - related parties -net		-	-	5,019	0.47
Other receivables		1,542	0.14	1,391	0.13
Inventories - net	2,8	180,829	15.97	167,433	15.75
Prepaid expenses		588	0.05	709	0.07
Prepayment		90	0.01	491	0.05
Temporary debits		24	-	25	-
Deferred income tax assets-current	2,17	12,224	1.08	9,221	0.86
Other current assets - other		484	0.04	38	-
Sub-total		433,116	38.25	434,124	40.84
Funds and investments					
Long-term investments	2,9				
Long-term investments in stocks(equity method)		30,732	2.71	-	-
Sub-total		30,732	2.71	-	-
Property, Plant and Equipment	2,10				
Cost					
Land		69,563	6.14	42,736	4.02
Land improvements		5,025	0.44	4,855	0.46
Buildings		323,293	28.55	307,534	28.93
Machinery and equipment		884,231	78.09	788,313	74.17
Transportation equipment		1,640	0.14	1,640	0.15
Office equipment		16,518	1.46	14,952	1.41
Cost and Revaluation increment		1,300,270	114.82	1,160,030	109.14
Less:Accumulated depreciation		(675,147)	(59.63)	(621,646)	(58.49)
Construction in progress		29,636	2.63	42,550	4.00
Prepayments for equipment		12,588	1.12	42,775	4.03
Sub-total		667,347	58.94	623,709	58.68
Other Assets					
Guarantee deposits paid		13	-	13	-
Deferred charges		401	0.04	560	0.05
Deferred income tax assets-noncurrent	2,17	413	0.04	-	-
Other assets - other		257	0.02	4,469	0.43
Sub-total		1,084	0.10	5,042	0.48
Total assets		$1,132,279	100.00	$1,062,875	100.00

Liabilities & Stockholders' Equity	Note	2 0 0 8	%	2 0 0 7	%
Current liabilities					
Short-term borrowings	11	$22,185	1.96	$15,140	1.42
Financial liabilities measured at fair value through profit or loss	2,12	766	0.07	-	-
Notes payable		3,485	0.31	5,256	0.49
Accounts payable		21,926	1.94	54,094	5.09
Income tax payable	2,17	22,979	2.03	24,718	2.33
Accrued expenses		83,217	7.35	56,149	5.28
Other payables		14,287	1.26	9,368	0.88
Advance receipts		18,898	1.67	11,396	1.07
Receipts under custody		633	0.05	450	0.05
Sub-total		188,376	16.64	176,571	16.61
Other liabilities					
Accrued pension liability		1,396	0.11	-	-
Deferred income tax liabilities-noncurrent	2,17	-	-	164	0.03
Sub-total		1,396	0.11	164	0.03
Total liabilities		189,772	16.75	176,735	16.64
Stockholders' equity					
Capital stock	13				
Common stock		361,617	31.94	325,107	30.59
Capital surplus	14				
Additional paid-in capital		87,197	7.70	87,197	8.20
Gain on sale of fixed assets		980	0.09	980	0.09
Retained earnings	15				
Legal reserve		69,725	6.16	54,673	5.14
Unappropriated retained earnings(accumulated deficits)		425,349	37.57	418,183	39.34
Equity adjustments					
Cumulative translation adjustments	2,9	2,292	0.20	-	-
Net loss not recognized as pension cost		(4,653)	(0.41)	-	-
Total stockholders' equity		942,507	83.25	886,140	83.36
Total liabilities and stockholders' equity		$1,132,279	100.00	$1,062,875	100.00

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, 2008 and 2007

UNIT：NTD (In Thousands)

Item	Note	2008	%	2007	%
Operating income	2				
Sales		$956,285	101.15	$804,892	100.25
Sales returns		(7,028)	(0.74)	(1,731)	(0.22)
Sales discounts and allowances		(3,838)	(0.41)	(297)	(0.03)
Sub-total		945,419	100.00	802,864	100.00
Operating costs	2				
Cost of goods sold		(623,343)	(65.93)	(536,690)	(66.85)
Sub-total		(623,343)	(65.93)	(536,690)	(66.85)
Gross profit(loss)		322,076	34.07	266,174	33.15
Operating expenses					
Selling expenses		(30,423)	(3.22)	(25,200)	(3.14)
General and administrative expenses		(49,845)	(5.27)	(34,406)	(4.29)
Research and development expenses		(27,826)	(2.95)	(27,665)	(3.44)
Net operating income(loss)		213,982	22.63	178,903	22.28
Non-operating income					
Interest income		164	0.02	161	0.02
Valuation gains of financial assets	2,5	6	-	-	-
Gains on disposal of fix assets		40	-	38	-
Gains on disposal of investments		447	0.05	1,218	0.15
Foreign exchange gain		23,087	2.44	7,317	0.91
Miscellaneous income		4,604	0.49	8,634	1.08
Sub-total		28,348	3.00	17,368	2.16
Non-operating expenses					
Interest expenses		(295)	(0.03)	(1,543)	(0.19)
Valuation losses of financial liabilities	2,12	(766)	(0.08)	-	-
Investment losses recognized under equity method	2,9	(2,527)	(0.27)	-	-
Losses on disposal of properties		(187)	(0.02)	(1,207)	(0.15)
Foreign exchange loss		(26,766)	(2.83)	(4,315)	(0.54)
Losses on inventory valuation loss and obsolescence		(15,903)	(1.68)	(9,334)	(1.16)
Losses on idle assets depreciation and valuation loss		(262)	(0.03)	(253)	(0.03)
Miscellaneous expenses		(2,269)	(0.24)	(2,176)	(0.27)
Sub-total		(48,975)	(5.18)	(18,828)	(2.34)
Income(loss)before income tax from continuing operations		193,355	20.45	177,443	22.10
Income tax expenses	2,17	(36,756)	(3.89)	(26,930)	(3.35)
Income(loss) from continuing operations		156,599	16.56	150,513	18.75
Net income (loss)		$156,599	16.56	$150,513	18.75

Item	Note	2008 PreTax	2008 AfterTax	2007 PreTax	2007 AfterTax
Primary earnings per share	2,18	PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax		$5.35	$4.33	$4.91	$4.16
Net income(loss)		$5.35	$4.33	$4.91	$4.16
Fully-diluted earnings per share	2,18	PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax		$5.23	$4.23	$4.88	$4.14
Net income(loss)		$5.23	$4.23	$4.88	$4.14

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 Years Ended December 31,2008 and 2007

UNIT：NTD (In Thousands)

			Retained Earnings		Equity Adjustments		
Summary	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings	Cumulative Translation Adjustments	Net loss not yet recognized as net pension cost	Total
Balance on January 1,2007	$325,107	$88,177	$50,076	$313,647	$0	$0	$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 January 1,2008	$325,107	$88,177	$54,673	$418,183	$0	$0	$886,140
Appropriations and distributions for 2007							
Legal reserve	-	-	15,051	(15,051)	-	-	-
Cash dividends	-	-	-	(94,281)	-	-	(94,281)
Stock Dividends	32,511	-	-	(32,511)	-	-	-
Remuneration to directors and supervisions	-	-	-	(2,709)	-	-	(2,709)
Bonus to employees	-	-	-	(881)	-	-	(881)
Bonus to employees converted into capital stock	4,000	-	-	(4,000)	-	-	-
Cumulative translation adjustments	-	-	-	-	2,292	-	2,292
Net loss not recognized as pension costs	-	-	-	-	-	(4,653)	(4,653)
Net income after tax for the Year 2008	-	-	-	156,599	-	-	156,599
Rounding	(1)	-	1	-	-	-	-
Balance on December 31,2008	$361,617	$88,177	$69,725	$425,349	$2,292	$(4,653)	$942,507

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 Years Ended December 31, 2008 and 2007

UNIT：NTD (In Thousands)

Items	2008	2007
Cash flows from operating activities		
Net income(loss)	$156,599	$150,513
Adjusted items:		
Bad debts losses	-	1,190
Reverse for doubtful accounts	(1,034)	-
Depreciation	87,194	76,051
Amortization	158	144
Fix assets transfer to other expenses	1,176	1,479
Valuation losses(gains) of financial assets	(6)	-
Valuation losses (gains) of financial liabilities	766	-
Losses on idle assets valuation loss	262	253
Losses on disposal of assets	187	1,207
Gain on disposal of assets	(40)	(38)
Losses on assets obsolescence	1,928	183
Losses on inventory obsolescence	733	1,375
Losses on inventory valuation loss	15,170	7,960
Investment income recognized by equity-method over cash dividends received from investee company	2,527	-
(Increase)decrease in notes receivable	4,550	(7,139)
(Increase)decrease in accounts receivable	323	(104,380)
(Increase)decrease in accounts receivable - related parties	5,019	(5,019)
(Increase)decrease in other receivable	(151)	(277)
(Increase)decrease in inventories	(29,299)	(52,334)
(Increase)decrease in prepaid expenses	121	(121)
(Increase)decrease in prepayments	402	(430)
(Increase)decrease in other current assets	(3,448)	2,710
(Increase)decrease in deferred income tax assets - noncurrent	(413)	-
Increase(decrease) in notes payable	(1,771)	2,134
Increase(decrease) in accounts payable	(32,168)	21,701
Increase(decrease) in income tax payable	(1,739)	24,213
Increase(decrease) in accrued expenses	27,068	31,139
Increase(decrease) in other payables	4,919	9,298
Increase(decrease) in advance receipts	7,502	6,165
Increase(decrease) in other current liabilities	183	(39)
Increase(decrease) in accrued pension liabilities	954	873
Increase(decrease) in deferred income tax liabilities - non-current	(163)	(405)
Net cash flows provided by operating activities	247,509	168,406
Cash flows from investing activities		
(Increase)decrease in financial assets measured at fair value through profit or loss	(13,700)	65,891
Acquisition of long-term investments	(30,967)	-
Proceed from disposal of fixed assets	60	162
Acquisition of fixed assets	(134,405)	(167,208)
(Increase)decrease in deferred charges	-	(519)
Net cash provided by investing activities	(179,012)	(101,674)
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	7,045	(3,611)
Increase(decrease) in guarantee deposit received	-	(126)
Remuneration to directors and supervisions	(2,709)	(828)
Bonus paid to employees	(881)	(1,539)
Dividends paid	(94,281)	(39,013)
Net cash provided by financing activities	(90,826)	(45,117)
Net increase(decrease)in cash and cash equivalents	(22,329)	21,615
Cash and cash equivalents at the beginning of year	27,081	5,466
Cash and cash equivalents at the end of year	$4,752	$27,081
Supplemental disclosure of cash flow information		
Interest paid	$1,278	$1,554
Capitalized interest	$(1,029)	-
Cash paid for interest expense excluding interest capitalized	$249	$1,554
Income taxes paid	$42,072	$519

The accompanying notes are an integral part of financial statements

English Translation of Financial Statements Originally Issued in Chinese

SCI PHARMTECH, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007
(Expressed in Thousands of New Taiwan dollars, unless otherwise stated)

1. GENERAL

SCI PHARMTECH, INC. (the “Company”), named Siegfried Chemicals, Inc. before May 2002, was incorporated in the Republic of China (R.O.C.) on September 18, 1987. The Company is mainly engaged in：

(1) Manufacturing and selling of active pharmaceutical ingredients, pharmaceutical intermediates, specialty and fine chemicals (for such items as are approved by the competent government agency).

(2) Acting as an agent providing price quotations, bidding and distribution services for domestic and overseas companies.

(3) Acting as an agent providing research and development services for the products stated in the preceding paragraphs.

(4) Conducting any business that is not prohibited or restricted by the laws and regulations except for those requiring special approvals.

As of December 31, 2008 and 2007, the Company had 149 and 137 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

(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 the disclosures of contingencies at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(2)Classification of Current and Noncurrent Assets and Liabilities

Current assets are cash and other assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. All other assets are classified as noncurrent. Current liabilities are obligations expected to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

(3) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks on changes in value resulting from changes in interest rates, including commercial paper with original maturities of three months or less.

The Cash Flow Statement is prepared on the basis of cash and cash equivalents.

(4) Financial Assets and Financial Liabilities

In accordance with R.O.C Statement of Financial Accounting Standard (SFAS) No. 34, “Financial Instruments: Recognition and Measurement” and the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, financial assets 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, available-for-sale financial assets, or financial assets carried at cost. Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging purposes or financial liabilities accounted for by the cost method.

a. Financial Assets Measured 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 the statement of income. 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 subsequently (including those received in the year of investment) are recorded as current income.

b. Held-to-maturity Financial Assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Investments intended to be held to maturity are 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 for any difference between the cost and the maturity amount, and less any loss on impairment or for unrecoverable amounts. While determining cash flow associated with he 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 costs, 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 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 designated as effective hedging instruments. Such assets are measured at fair value.

d. Debt Investments with No Active Market:

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as debt investment with no active market and are carried at amortized cost using the effective interest method. Gains or losses arising from changes in fair value are recognized when such investments are derecognized, impaired, or amortized.

e. Available-for-sale Financial Assets:

Available-for-sale financial assets are non-derivative financial instruments not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Subsequent measurement is calculated at fair value. Investments in listed companies are measured at closing prices as of the balance sheet date. Any gain or loss arising from the change in fair value, excluding impairment loss and exchange gain or loss arising from monetary financial assets denominated in foreign currencies, is recognized as an adjustment to stockholders' equity until such investment is reclassified or disposed of, upon which the cumulative gain or loss previously charged to stockholders' equity will be recorded in the statement of income.

Cash dividends are recognized as investment income upon resolution of the stockholders 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 stockholders' 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

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including non-publicly traded and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial asset carried at cost is the same as that for an available-for-sale financial asset. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment losses is not allowed.

The fair value of listed stocks is based on the closing price on the balance sheet date and the fair value of open-end mutual funds is based on the net asset value on the balance sheet date.

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 current profits or losses.

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 stockholders 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.

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 stockholders equity through the statement of changes in equity. Profits or losses are recognized when such foreign operation is disposed.

(6) Accounts Receivable and Allowance for Doubtful Accounts

Imputed rate of interest should be applied to determine its fair value of accounts receivable. If receivables from sales are collectable within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

Allowance for doubtful accounts is provided on the basis of past experiences and an evaluation of the aging and collectability of all receivables on the balance sheet date.

(7) Inventories

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

(8) Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the "equity in earnings/losses of equity method investees, net" account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method", the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentages in the investees until such gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through subsequent sales of the related products to third parties. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of stockholders' equity.

(9) Property, Plant and Equipment

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

Idle assets are transferred to other assets at the lower of the net realizable value or carrying amount. Depreciation is provided continuously and recorded as non-operating expense.

Significant betterments, renewals and additions incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Upon sale or retirement of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, with any gain or loss recorded as non-operating gain or loss in the period of sale or disposal.

Depreciation is computed using the straight-line method over the estimated service lives. Salvage value of fully depreciated assets still in use is depreciated over the remaining estimated useful lives. Estimated service lives are: buildings – 3 to 55 years; and other fixed assets – 2.5 to 15 years.

(10)Interest Capitalization

In accordance with R.O.C. Statement of Financial Accounting Standard (SFAS) No. 3, "Capitalization of Interest Cost", interest incurred on the construction of property, plant, and equipment is capitalized and depreciated over their estimated useful lives accordingly.

(11)Deferred Charges

Deferred charges are stated at cost and amortized using straight-line method over the following estimated service lives: auxiliary power lines charges - five years.

(12)Pension Costs

In compliance with R.O.C. Securities and Futures Bureau (SFB) regulations, the Company implemented R.O.C. Statement of Financial Accounting Standards (SFAS) No. 18, "Accounting for Pensions". When providing defined benefit plans, 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.

The Labor Pension Act of R.O.C. ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism under the Labor Standards Act. For employees choosing the pension scheme under the Act, the Company shall make monthly contributions to individual pension accounts on a basis no less than 6% of the employees' monthly wages.

(13)Employee Stock Option Plan

For the grant date of the employee stock options which falls on or after January 1, 2008 should apply SFAS No. 39 - “Accounting for Share-based Payment”. The value of stock option granted, the product of the number of vested stock options multiplies by the fair value of the option on grant date, shall be expensed over the vesting period, and to increase “capital surplus - employee stock options” by the same amount accordingly.

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any remuneration cost determined using this method is recognized as expenses over the employee vesting period.

(14)Bonuses to Employees and Remuneration to Directors and Supervisors

In accordance with Accounting Research and Development Foundation Interpretation No. 2007-052 “Accounting for Bonuses to Employees, Directors and Supervisors” effective from January 1, 2008, employee bonuses and remunerations paid to directors and supervisors are charged to expense at fair value and are no longer accounted for as an appropriation of retained earnings.

The bonuses to employees and remuneration to directors and supervisors were accrued based on management’s evaluation. The significant difference between annual accruals and the amount approved by the Board shall be adjusted in the current year. However, if the accrued amounts for bonuses to employees and remuneration to directors and supervisors are significantly different from the actual distributed amounts resolved by the stockholders subsequently, the differences shall be recognized as gain or loss in the following year.

(15) Assets Impairment

Pursuant to R.O.C. SFAS No. 35, “Impairment of Assets”, the Company assesses indicators of impairment for all its assets (except for goodwill) within the scope of the standard at each balance sheet date. If impairment is indicated, the Company compares the asset’s carrying amount with the recoverable amount of the assets or the cash-generating unit (CGU) associated with the asset and writes down the carrying amount to the recoverable amount where applicable.

For previously recognized losses, the Company assesses at the balance sheet date if any indication that the impairment loss no longer exists or may have diminished. If there is any such indication, the Company recalculates the recoverable amount of the asset, and if the recoverable amount has increased as a result of the increase in the estimated service potential of the assets, the Company reverses the impairment loss so that the resulting carrying amount of the asset does not exceed the amount (net of amortization or depreciation) that would otherwise result had no impairment loss been recognized for the assets in prior years.

(16)Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

The Company maintains its accounting records and prepares its financial statements in New Taiwan dollars. Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the exchange rates prevailing on the dates of transactions. Monetary assets or liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are included in profit or loss for the current year. Non-monetary assets or liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date when the fair value was determined, and the resulting exchange differences are included in profit or loss for the current period except for the differences arising on the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity.

In the case that a foreign currency is not the functional currency of a foreign subsidiary, items involving such a foreign currency are first converted into the functional currency. As such re-measurements affect the cash flows of the foreign subsidiary; any difference due to re-measurement is treated as an exchange gain or loss of the current period. If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee’s financial statements into the reporting currency of the Company. These adjustments are accumulated and reported as a separate component of stockholders’ equity.

(17) Income Tax

The Company adopted R.O.C. SFAS No. 22, "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. The provision for income taxes includes deferred income tax assets and liabilities that are a result of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, loss carry-forward and investment tax credits. A 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. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, its classification is based on the expected reversal date of the temporary difference.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year when the stockholders have resolved that the earnings shall be retained. 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.

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

(18)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 recognized 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.

(19)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.

(20)Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the current reporting period. Diluted earnings per share is computed by taking basic earning per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued but the adverse dilutive share hadn't computed.

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

3. CHANGES IN ACCOUNTING PRINCIPLES AND ITS EFFECTS

(1)Effective from January 1, 2008, the Company adopted Accounting Research and Development Foundation interpretation No. 2007-052 to account for employee bonus and remuneration paid to directors and supervisors as expenses rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income from operation of NT$26,050 thousand, net income after tax of NT$19,538 thousand and earnings per share after tax of NT$0.54 for the year ended December 31, 2008.

(2)Effective from January 1, 2008, the Company adopted the newly released SFAS No. 39, “Accounting for Share-Based Payment” to account for employee stock options. This change in accounting principles had no significant effect on the Company’s financial statements for the year ended December 31, 2008.

(3) Effective from January 1, 2007, the Company adopted the newly released SFAS No. 37, “Accounting for Intangible Asset”. This change in accounting principles had no significant effect on the Company’s financial statements for the year ended December 31, 2007.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2008	2007
Cash on hand………..	$91	$109
Petty cash/ revolving funds………......................................	260	462
Deposit in banks………...	4,401	26,510
Total……………………...................................	$4,752	$27,081

5. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2008	2007
Financial asset - beneficiary certificates	$13,700	$-
Valuation adjustment on financial assets………...................	6	-
Net………………………....................................	$13,706	$-

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

6. NOTES RECEIVABLE – NET

	December 31	
	2008	2007
Notes receivable	$29,522	$27,607
Other notes receivable	-	6,465
Total	$29,522	$34,072

7. ACCOUNTS RECEIVABLE -NET

	December 31	
	2008	2007
Accounts receivable	$191,770	$192,093
Less: Allowance for doubtful accounts	(2,415)	(3,449)
Net	$189,355	$188,644

8. INVENTORIES

	December 31	
	2008	2007
Finished goods	$71,086	$75,608
Work in process	88,564	63,019
Raw materials	71,919	64,376
Less: Allowance for Loss on decline in market value and obsolescence	(50,740)	(35,570)
Net	$180,829	$167,433

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(a) Details of long-term equity investments are as follows:

	December 31			
	2008		2007	
Name of subsidiaries	Amount	Percentage owned	Amount	Percentage owned
SCI HOLDING UNIVERSAL LTD.	$28,440	100	$-	-
Add(Less): Cumulative Translation Adjustment	2,292		-	
Net long-term investments	30,732		-	
Total	$30,732		$-	

(b) The gains or losses for 2008 and 2007 arising from long-term equity investments accounted for by the equity method are recognized based on the investees' respective audited financial statements for the same periods, as follows:

	Years Ended December 31	
Investee	2008	2007
SCI HOLDING UNIVERSAL LTD.	$(2,527)	$-

(c) The Company held a meeting of the Board of Directors in March, 2008 and resolved to establish SCI Holding Universal Ltd. with NT$30,967 thousand (US$1,010 thousand). Besides, the Company resolved to reinvest Nanjing SCI Pharmtech Ltd. through SCI Holding Universal Ltd. The investment was authorized by the Investment Commission of the Ministry of Economic Affairs of R.O.C.; please refer to the description in Note 25-3.

(d) The Company has prepared the 2008 consolidated financial statements.

(e) For other related information, please refer to Note 25 for details.

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2008	2007
Accumulated Depreciation- Land improvements……………	$3,411	$2,905
Accumulated Depreciation-Buildings……………………….……	110,980	96,609
Accumulated Depreciation- Machinery and equipment……	546,679	509,042
Accumulated Depreciation-Transportation equipment..........	1,640	1,640
Accumulated Depreciation-Office equipment......................	12,437	11,450
Total……………………………………………..	$675,147	$621,646

(a) In May, 2008, the Company's Board of Directors approved the purchase of a farmland nominally using a natural person as the landholder in consideration of the restriction of current regulations. The Company's ownership has been secured through a trust agreement between the nominal landholder and the Company.

(b) Part of the property, plant and equipment has been pledged for short-term borrowings. Please refer to Note 20 for details.

11. SHORT-TERM BORROWINGS

	December 31	
	2008	2007
L/C loans..	$17,429	$12,140
Unsecured loans	4,756	3,000
Total	$22,185	$15,140
Interest rates..	2.57%~5.93%	2.62%~6.16%

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

12. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2008	2007
Valuation adjustment on financial liabilities	$766	$-

(a) For the years ended December 31, 2008 and 2007, net gains (losses) arising from financial liabilities at fair value through profit or loss were net losses NT$766 thousand and NT$0, respectively.

(b)The information of derivative financial instrument contracts is as follows:

	December 31,2008		December 31,2007	
Financial Instrument	Contract Amount (Thousand)	Contract Period	Contract Amount (Thousand)	Contract Period
Forward Contract (buy NT/sell CHF)	CHF770	2008.12.18 ~2009.03.18	$-	—
Forward Contract (buy NT/sell JPY)	JPY38,000	2008.12.08 ~2009.03.06	$-	—

13. CAPITAL STOCK

(a) The Company's outstanding common stock as of December 31, 2008 amounted to NT$361,617 thousand, divided into 36,162 thousand shares at NT$10 par value.

(b) On June 13, 2008, the stockholders meeting approved an increase of share capital by issuing 3,651 thousand new shares out of retained earnings of NT$32,511 thousand and employee's bonus of NT$4,000 thousand respectively. The related competent authorities approved the issuance and the issued capital stock registration was completed on August 13, 2008.

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

14. CAPITAL SURPLUS

Pursuant to the R.O.C. Company Law, capital surplus can only be used to offset a deficit or, to the extent such capital surplus arises from paid-in capital in excess of par or donated surplus, used to increase share capital. Capital surplus cannot be distributed as cash dividends. According to R.O.C. Securities and Futures Bureau (SFB) regulations, capital increases from capital surplus per year may not exceed 10% of total paid-in capital and in so far as the capital surplus increase from paid-in capital in excess of par, the capital increase may only commence in the year after the capital surplus is incurred.

The Company's capital surplus is as follows:

	December 31	
	2008	2007
Additional paid-in capital	$87,197	$87,197
Gains on disposal of assets (after tax)	980	980
Total	$88,177	$88,177

15. RETAINED EARNINGS

(1)Legal Reserve

Pursuant to the R.O.C. Company Law, 10% of the annual after-tax net income of each company must be appropriated as legal reserve until the total amount of the legal reserve equals the share capital. Such reserve can only be used to offset a deficit and cannot be distributed as cash dividends. When the legal reserve has reached 50% of the company's issued share capital, up to 50% thereof can be used to increase share capital in accordance with resolutions of a stockholders' meeting.

(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. Offsetting previous deficit;

   C. Appropriating 10% of the remaining net income as legal reserve;

   D. Appropriating special reserve pursuant to legal requirements;

   E. Appropriation of the remainder of the net income as follows:

      (a)Bonus to employees of at least 3% of the remaining net income; and

      (b)Consideration to the directors and supervisors: 2%

   F. Distributing dividends to stockholders as proposed by Board of directors and resolved by the stockholders meeting.

2. (a)For the year ended December 31, 2008, the bonuses to employees and remuneration to directors and supervisors were accrued based on 16.5% of net income. The significant difference between annual accruals and the amounts approved by the Board shall be adjusted in the current year. If the actual amounts subsequently resolved by the stockholders meeting differ from the proposed amounts by the Board, the differences are recorded in the year of stockholders meeting's resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the stockholders' meeting.

   (b)The Board of Directors had not passed a resolution to apportion the 2008 earnings as of the date of this report. The information on board and shareholder resolutions in respect of earnings appropriation can be accessed through "the Market Observation Post System" on the Web Site of the Taiwan Stock Exchange.

(c)Details of the 2007 employees' bonus and directors' and supervisors' remuneration are as follows:

Distribution	As approved by the stockholders' meeting	As approved by the board of directors	Difference
a. Employees' cash bonus	$881	$881	—
b. Employee's stock bonus			
Number of shares (in thousands)	400	400	—
Amount	4,000	4,000	—
Percentage of total number of outstanding common shares as of December 31, 2007	—	—	—
c. Remuneration of directors and supervisors	2,709	2,709	—
Effect on basic earnings per share before retroactive adjustments.			
Original EPS	$4.63	$4.63	—
Pro forma EPS(note)	$4.4	$4.4	—

(b)Details of the 2006 employees' bonus and directors' and supervisors' remuneration are as follows:

Distribution	As approved by the stockholders' meeting	As approved by the board of directors	Difference
a. Employees' cash bonus	$1,538	$1,538	—
b. Employee's stock bonus			
Number of shares (in thousands)	—	—	—
Amount	—	—	—
Percentage of total number of outstanding common shares as of December 31, 2006	—	—	—
c. Remuneration of directors and supervisors	$828	$828	—
Effect on basic earnings per share before retroactive adjustments.			
Original EPS	$1.41	$1.41	—
Pro forma EPS(note)	$1.34	$1.34	—

Note: Pro forma EPS = (Net income - employees' bonus - directors' and supervisors' remuneration) / weighted average outstanding common shares

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

16. THE INFORMATION OF PERSONNEL COST, DEPRECIATION AND AMORTIZATION is AS FOLLOWS:

Function / Item	2008			2007		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Personnel cost						
Salary and wages	$88,826	$60,439	$149,265	$68,018	$41,073	$109,091
Labor and health insurance expense	4,595	2,002	6,597	4,111	1,739	5,850
Pension cost	4,439	1,967	6,406	4,091	1,772	5,863
Other personnel cost	499	5,204	5,703	422	4,459	4,881
Depreciation	76,579	10,615	87,194	65,368	10,683	76,051
Amortization	158	0	158	144	0	144

Note 1：Employee bonus and remuneration paid to directors and supervisors amounted to NT$26,050 thousand, which was included in the salary and wages expense.

Note 2：Meal expenses, employee benefits and insurance of group were included in the other personnel cost.

Note 3：The depreciation expense of idle assets was recognized as non-operating expenses.

17. INCOME TAX

(1) Income tax expenses (benefits) consisted of:

	2008	2007
Income tax expense - current.........………………….........	$38,502	$24,727
Deferred income tax expense (benefits)……………...	(3,577)	2,197
Prior year’s adjustment……………………	1,704	(8)
Tax on short-term bills	19	14
Additional tax at 10% on unappropriated earnings	108	-
Income tax expenses…………………………......	$36,756	$26,930

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

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

	December 31	
	2008	2007
A. Total deferred income tax assets……….………………..	$14,405	$10,350
Total deferred income tax liabilities…………….	1,768	1,291
B. Components of deferred income taxes liabilities and assets resulting from temporary difference		
Deductible temporary difference from bad debt loss…	$1,107	$1,107
Deductible temporary difference from inventory valuation loss ……………………………………………..	50,740	35,570
Taxable temporary difference from unrealized exchange gain and loss..	(3,603)	(865)
Taxable temporary difference from recognition of pension expense...	(3,345)	(4,299)
Deductible temporary difference from interest capitalization..	137	182
Deductible temporary difference from losses on idle assets valuation loss..	1,577	1,979
Deductible temporary difference from other expenses.	1,405	2,562
Deductible temporary difference from investment loss recognized under equity method………………………	2,527	-
C. Deferred tax assets - current……………………..........	$13,156	$9,438
Deferred tax liabilities - current…..……..…………….	(932)	(217)
Net balance of deferred tax assets (liabilities) - current.	$12,224	$9,221
D. Deferred tax assets - noncurrent……………………….	$1,249	$912
Deferred tax liabilities - noncurrent……………………..	(836)	(1,076)
Net balance of deferred tax assets (liabilities) - noncurrent. …………………………………………	$413	($164)

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

E. Adjustments between accrued income tax and income tax for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Accrued income tax expense-current.	$49,309	$42,328
Deferred income tax expense (benefits)	($3,577)	$2,197
Prior year's adjustment………………..	$1,704	($8)
Tax on short-term bills	$19	$14
Additional tax at 10% on unappropriated earnings	$108	$-
Investment tax credits….……………….	($10,807)	$(17,601)
Income tax expenses……………………………..	$36,756	$26,930

(3)Imputation credit account (ICA)

	December 31	
	2008	2007
Balance of ICA	$50,116	$35,276

	2008(Estimate)	2007 (Actual)
Imputation tax credit ratio	21.54%	18.23%

As the Company had no actual Imputation tax credit ratios for 2008, an estimated amount is disclosed. The 2007 net income was appropriated in 2008. Accordingly, an actual Imputation tax credit ratio was available.

(4)Unappropriated retained earnings:

	December 31	
Year	2008	2007
Prior to 1997...	$86,063	$86,063
After 1998...	339,286	332,120
Total.....................................	$425,349	$418,183

(5)As of December 31, 2008, unused investment tax credits were as follows:

Year	Creditable Amounts	Deducted amounts	Remaining Creditable Amounts	Expiry Year
2006	$7,480	$(7,480)	$-	2006~2010
2007	12,588	(12,588)	-	2007~2011
2008	10,807	(10,807)	-	2008~2012
	$30,875	$(30,875)	$-	

(6)In accordance with Article 9-2 (II) of Statute for Upgrading Industry and Article 9 (I) of Five-Year Income Tax Exemption Reward for Additional Investment on Manufacturing Industry and the Related Technical Service Industry, the Company's income from additional capital invested for the manufacturing and sales of products is exempt from income tax for five consecutive years commencing from January 1, 2006.

(7)The Company's income tax returns through 2006 have already been examined and cleared by the tax authorities.

18. EARNINGS PER SHARE

	Year ended December 31,2008				
	Amount (Numerator)		Number of Shares (Denominated in Thousands)	EPS(NT$)	
	Pretax	After tax		Pretax	After tax
Net Income (loss)	$193,355	$156,599			
Basic EPS					
Earnings available to common stockholders	$193,355	$156,599	36,162	$5.35	$4.33
Effect of dilutive potential common shares					
Stock options	-	-	456		
Bonus to employees	-	-	384		
Diluted EPS					
Earnings available to common stockholders (including effect of dilutive potential common shares)	$193,355	$156,599	37,002	$5.23	$4.23

	Year ended December 31,2007				
	Amount (Numerator)		Number of Shares	EPS(NT$)	
	Pretax	After tax	(Denominated in Thousands)	Pretax	After tax
Net Income (loss)	$177,443	$150,513			
Basic EPS					
Earnings available to common stockholders	$177,443	$150,513	36,162	$4.91	$4.16
Effect of dilutive potential common shares					
Stock options	-	-	215		
Diluted EPS					
Earnings available to common stockholders(including effect of dilutive potential common shares)	$177,443	$150,513	36,377	$4.88	$4.14

Potential shares from bonus to employees should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the fair value of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the stockholders' meeting in the following year, and thus the shares of employee bonus resolved will be included in the Basic EPS.

The weighted average outstanding common shares set forth above were calculated as follows:

	December 31,2008	December 31,2007
Beginning balance– common shares	32,511	32,511
Add：Issuance of stockholders' stock dividends and employee stock bonus	3,651	3,651
Total	36,162	36,162

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

19.RELATED PARTY TRANSACTIONS

(1) Related Parties

Name of the related parties	Relationship with the Company
Siegfried Ltd.	Director of the Company
Siegfried (USA), Inc	Affiliated company of the director of the Company
MERCURIES & ASSOCIATES, LTD.	The Company's major investor using equity method

(2) Significant transactions with related parties

(A) Sale

	Years ended December 31	
	2008	2007
Siegfried Ltd.	$3,798	$6,242
Siegfried (USA), Inc.	34,388	40,758
Total	$38,186	$47,000

The pricing was not materially different from that with unrelated parties, and the payment term was 2-3 months.

(B) Accounts Receivable

	December 31	
	2008	2007
Siegfried Ltd.	$-	$5,019

(C) Accrued expenses

	December 31	
	2008	2007
Siegfried Ltd.	$779	$-

(D) Advertisement expense

	Years ended December 31	
	2008	2007
MERCURIES & ASSOCIATES, LTD.	$952	$-

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(3) Remuneration of director , supervisors and managers

In 2008 and 2007, remunerations to directors, supervisors and managers were $22,691 thousand and $23,322 thousand, respectively. Please refer to the Company's annual report for details of remunerations including estimated bonuses to employees and remuneration to directors for the year ended December 31, 2008.

20. PLEDGED ASSETS

Item	December 31, 2008	December 31, 2007
Land	$42,736	$42,736
Buildings	37,643	42,545
Total	$80,379	$85,281

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

(2) The above assets were pledged for the short-term borrowings.

21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

	December 31	
	2008	2007
Unused letters of credit for purchase of materials	$30,151	$9,499

22. SERIOUS DAMAGES: None

23. SUBSEQUENT EVENTS: None

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

24. OTHER IMPORTANT EVENTS

The Company had a defined benefit pension plan and made monthly contributions to a pension fund in the Bank of Taiwan. The balances of the pension fund were NT$46,592 thousand and NT$44,003 thousand on December 31, 2008 and 2007, respectively.

A. Pension Information - defined benefit pension plan

In compliance with R.O.C. Statement of Financial Accounting Standards (SFAS) No. 18, "Accounting for Pensions", the details of the actuarial valuation of pension liability are disclosed as follows:

(1) Components of net periodic pension cost：

	Years ended	
	2008	2007
Service cost	$2,283	$2,372
Interest cost	1,698	1,637
Projected return on plan assets	(1,122)	(1,125)
Amortization	301	251
Net periodic pension cost	$3,160	$3,135

(2)Reconciliation of funded status of the plans and accrued pension cost at December 31, 2008 and 2007：

	December 31	
	2008	2007
Benefit obligation		
Vested benefit obligation	($7,869)	($5,335)
Nonvested benefit obligation	(41,353)	(35,822)
Accumulated benefit obligation	(49,222)	(41,157)
Additional benefits based on future salaries	(10,050)	(8,834)
Projected benefit obligation	(59,272)	(49,991)
Fair value of plan assets	47,826	45,124
Funded status	(11,446)	(4,867)
Unrecognized net transition obligation (asset)	257	288
Unrecognized net (gain) and loss	14,703	9,048
Minimum pension liability	(4,910)	-
(Accrued pension cost) prepaid pension cost	($1,396)	$4,469
Deferred pension costs	$257	-
Unrecognized net loss	$4,653	-
Vested benefit	($9,065)	($5,798)

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(3) Actuarial assumptions

	Years ended	
	2008	2007
Discount rate	2.50%	3.50%
Future salary increase rate	1.50%	2.00%
Expected rate of return on plan assets	2.50%	2.50%

B. FINANCIAL INSTRUMENTS RELATED INFORMATION:

	December 31,2008			December 31,2007		
		Fair value			Fair value	
	Book value	Fair value based on Quotations in an active market	Fair value based on valuation technique	Book value	Fair value based on Quotations in an active market	Fair value based on valuation technique
Non-derivative financial instruments						
Financial assets：						
Financial assets measured at fair value through profit or loss	$13,706	$13,706	$-	$-	$-	$-
Derivative financial instruments						
Financial Liabilities：						
Foreign currency forward contracts	$766	$-	$766	$-	$-	$-

Fair values of financial instruments are determined as follows:

(1) The carrying amount of cash and cash equivalents, accounts receivable/payable (including related parties), pledged time deposits, and other payable approximates their fair value due to the short-term nature of these items.

(2)The fair values of financial instruments at fair value through profit or loss and the available-for-sale financial assets are based on quoted market prices, if available, in active markets. If market prices are unavailable, fair values are determined using a valuation technique, with estimates and assumptions consistent with those made by market participants. The fair values of respective foreign currency forward contracts and option contracts of derivative financial instruments are computed by daily settlement prices of contract banks.

(3)The fair values of the Company's refundable deposits are their carrying values.

(4)The fair values of the Company's guarantee deposits are their carrying values.

Procedures of financial risk control and hedge

The Company identifies all the risks, including market risk, credit risk, liquidity risk and cash flow risk, through the operation of exchange and interest rate monitoring and counter parties' credit management. Thus, the Company could efficiently control and evaluate all the aforesaid risks. The purpose of the Company's market risk management is to contemplate on economic situations, conditions of competition and the effects of market value risk. Therefore, the Company could minimize the exposure position, maintain the liquidity and keep all the market risks under control.

Information about financial risks

a. Exchange rate

(a) Market risk：

Parts of the Company's purchases and sales are priced in U.S. dollars or other foreign currencies, the fair values of which will fluctuate with the changes of market exchange rates. However, the Company will execute hedges in accordance with its net foreign exchange positions and the market conditions. Therefore, the market risk deriving from foreign exchanges will be partially reduced.

(b) Credit risk：

The counter parties are reputable financial institutions. The Company believes the credit risk of those parties is not significant.

(c) Liquidity risk：

The Company's assets and liabilities in foreign currencies will be received and paid in a short-time period, so the liquidity risk is minimal.

(d) Cash flow interest rate risk：

None

b. Receivables

(a) Market risk

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

(b) Credit risk

In general, the debtors of the Company are reputable. The Company believes its exposure to the potential default by its debtors is not significant.

(c) Liquidity risk

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

(d) Cash flow interest rate risk

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

c. Equity-related financial instruments

(a) Market risk

The Company engages in equity-related financial instruments which are affected by changes in market prices. The Company has set a stop-loss point for these transactions. Therefore, the Company believes its exposure to market risk is not significant.

(b) Credit risk

The counter parties are reputable financial institutions. The Company believes its exposure to default by those parties is not significant.

(c) Liquidity risk

The Company invests in equity-related instruments which have active market prices. Thus, the liquidity risk is not significant.

(d) Cash flow interest rate risk

The Company mainly invests in non-interest-rate securities. Therefore, no cash flow interest rate will take place.

d. Liability financial instruments

(a) Market risk

The Company does not have liability financial instruments.

e. Loan

(a) Market risk

The interest rates of the Company's debts are floating. Thus, the Company believes that market risk is not significant.

(b) Credit risk

The Company does not have credit risk.

(c) Liquidity risk

The Company arranges financing activities according to operating capital needs and utilization plans. Thus, the Company believes that liquidity risk is not significant.

(d) Cash flow interest rate risk

The interest rates of the Company's debts are floating in line with the market rates. Thus, the fluctuations of the market rates will influence the effective interest rates of the Company's debts and its future cash flows.

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

f. Derivative Transactions

Item	December 31,2008		December 31,2007	
	Book value	Nominal amount (thousand)	Book value	Nominal amount (thousand)
Forward foreign exchange contracts	$642	CHF770	－	－
Forward foreign exchange contracts	$124	JPY38,000	－	－

(a) The Company concluded the foreign currency forward contracts of CHF(Swiss Franc) and JPY(Japanese Yen) with Mega International Commercial Bank, which are mainly for hedging the adverse effects of changes in exchange rates. As ended by December 31, 2008, the nominal amounts of the contracts are CHF 770 thousand and JPY 38,000 thousand respectively.

(b) Market risk

The foreign currency forward contracts are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange changes of these hedged items.

(c) Credit risk

The Company concluded the foreign currency forward contracts with different reputable financial institutions to minimize the credit risk. The Company believes its exposure to default by those parties is not significant.

(d) Liquidity risk

The Company has sufficient operating capital to meet cash requirements for delivery. Thus, the Company does not have liquidity risk.

(e) Cash flow interest rate risk

The Company's forward contracts were unrelated with interest rate. Therefore, the Company has no cash flow interest rate risk.

C. MATERIAL CONTRACTS: None

D. EMPLOYEE STOCK OPTIONS

(1)The Company's Employee Stock Option Plan was approved by the SFB on April 27, 2007, to issue employee stock options of 1,500 thousand units. As resolved by the Board on June 28, 2007, the Company issued 1,100 thousand units on July 4, 2007 with each option eligible to subscribe for one common share when exercisable Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date. The option is valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

(2)Detailed information relevant to the employee stock options is disclosed as follows：

	Years ended December 31			
	2008		2007	
	Options (in thousand)	Weighted-average Exercise Price per share(NTD)	Options (in thousand)	Weighted-average Exercise Price per share(NTD)
Outstanding at beginning of period	1,100	$37.04	1,100	$39.65
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of period	1,100	$37.04	1,100	39.65
Exercisable at end of period	1,100	-	1,100	-

(3)Information about the Company's outstanding stock options as of December 31, 2008, is as follows：

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NTD)	Number of Options (in thousands)	Weighted-average Remaining Contractual Life	Weighted-average Exercise Price (NTD)	Number of Options (in thousands)	Weighted-average Exercise Price (NTD)
$37.04	1,100	4.58	$37.04	-	$-

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

(4)No compensation cost was recognized under the intrinsic value method for the year ended December 31, 2008. Had the Company used the fair-value-based method to evaluate the options, using the Black-Scholes model, the assumptions and pro forma results of the Company for the year ended December 31, 2008 would have been as follows:

Evaluation model	Black-Scholes options pricing model
Expected dividend yield	4.9107%
Expected volatility	16.6083%
Risk-free interest rate	2.477675%
Expected life	4.58 years

		Years ended December 31	
		2008	2007
Net income	Net income as reported	$156,599	$150,513
	Pro forma net income	155,535	149,981
Earnings per share(EPS)-after income tax	Basic EPS as reported	$4.33	$4.16
	Pro forma EPS	$4.30	$4.15
Diluted earnings per share(EPS)-after income tax	Diluted EPS as reported	$4.23	$4.14
	Pro forma diluted EPS	$4.20	$4.12

E. RECLASSIFICATIONS: None

25. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees：

a. Financing provided: None；

b. Endorsement/guarantee provided: None；

c. Marketable securities held: Please refer to Table 1 attached；

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: None;

e. Acquisition of individual real estate properties at costs of at least NT$100 million or 20% of the paid-in capital: None;

f. Disposal of individual real estate properties at prices of at least NT$100 million or 20% of the paid-in capital: None;

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

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

i. Names, locations, and related information of investees on which the Company exercises significant influence: Please refer to Table 2 attached；

j. Information about derivatives of investees over which the Company has a controlling interest: please refer to Note 24.

Information on investment in China

a. As resolved by the Board in March, 2008, the Company established SCI Holding Universal Ltd to invest US$1,500 thousand in Nanjing SCI Pharmtech Ltd. The investment had been approved by the Investment Commission of the Ministry of Economic Affairs of R.O.C. As of December 31, 2008, the investment amounting to US$1,010 thousand had been wired to SCI Holding Universal Ltd., and thus SCI Holding Universal Ltd. invested US$1,000 thousand into Nanjing SCI Pharmtech Ltd. For other related information, please refer to Table 3 attached.

b. Significant direct or indirect transactions with the investees, their prices and terms of payment, unrealized gain or loss, and other related information: None

(Expressed in Thousands of New Taiwan dollars unless otherwise stated)

26. SEGMENT FINANCIAL INFORMATION

(1) Industry financial information

The Company operates principally in manufacturing and selling pharmaceuticals-related products. Therefore, the disclosure of industry financial information is not applicable to the Company.

(2) Geographic financial information

The Company has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Company.

(3) Export sales information ：

The Company's information on export sales in 2008 and 2007 is as below:

	Years ended December 31	
	2008	2007
ASIA	$148,302	$154,553
AMERICA	180,387	227,080
EUROPE	407,505	241,163
Total	$736,194	$622,796

(4) Major customers：

Major customers representing at least 10% of gross sales are as bellow:

	Years ended December 31			
	2008		2007	
Name	Amount	%	Amount	%
Client A	$119,664	12.66	$-	-
Client B	99,513	10.53	82,719	10.30
Client C	-	-	113,851	14.18
Total	$219,177	23.19	$196,570	24.48

Table 1

SCI PHARMTECH, INC.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Guarantee or pledge information
					Shares／units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
SCI PHARMTECH, INC.	Beneficiary Certificate	NITC Taiwan Bond Fund	—	Financial assets measured at fair value through profit or loss - current	942	13,706	—	14.5528	None
SCI PHARMTECH, INC.	Stocks	SCI HOLDING UNIVERSAL LTD.	Investee accounted for using equity method	Investments accounted for using equity method	1,010	30,732	100.00%	30.42 (Note 1)	None
SCI HOLDING UNIVERSAL LTD.	Stocks	NANJING SCI PHARMTECH LTD.	Investee accounted for using equity method	Investments accounted for using equity method	—	30,521	100.00%	Carrying Value (Note 1)	None

Note 1：The calculation was based on audited financial statements as of December 31, 2008.

SCI PHARMTECH, INC

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2008

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2008			Percentage of Ownership∗ Net Carrying Value ending	Net Income (Losses) of the Investee	Equity in the Earinings(Losses)	Dividend distribution of the Investee		Note
				December 31,2008	December 31,2007	Shares	Percentage of Ownership	Carrying Value				Stock dividends	Cash dividends	
SCI PHARMTECH, INC.	SCI HOLDING UNIVERSAL LTD.	British Virgin Islands	manufacture and research pharmaceuticals, pharmaceutical intermediates	$30,967	$0	1,010	100.00%	$30,732	$30,732	($2,527)	($2,527)	—	—	Subsidiary Company
SCI HOLDING UNIVERSAL LTD.	NANJING SCI PHARMTECH LTD.	NANJING	manufacture and research pharmaceuticals, pharmaceutical intermediates	$30,335	$0	—	100.00%	$30,521	$30,521	($2,412)	($2,412)	—	—	Subsidiary Company

Table 3

SCI PHARMTECH, INC.
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (NT in Thousand)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31,2008	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31,2008	Accumulated Inward Remittance of Earnings as of December 31,2008
					Outflow	Inflow					
NANJING SCI PHARMTECH LTD.	manufacture and research pharmaceuticals, pharmaceutical intermediates	$30,335	Note 1	$0	$30,335	—	$30,335	100.00%	2.($2,412)	$30,521	$0

Accumulated Investment in Mainland China as of December 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment(Note 3)
$30,335	USD1,500	$565,504

Note 1：The Company made the investment through a company registered in a third region.

Note 2：Amount was recognized based on the audited financial statements.

Note 3：Based on the limit, which is 60% of the Company's net worth, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA, ROC.