

SCI PHARMTECH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of
SCI Pharmtech, Inc.:

We have audited the accompanying balance sheets of SCI Pharmtech, Inc. (the "Company") as of December 31, 2009 and 2008, 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 "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audits 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", requirements of "Business Accounting Act" and "Regulation on Business Entity Accounting Handling" 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, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards NO.10 "Accounting for Inventories "

As discussed in Note 3 to the financial statements, effective January 1, 2008, the Company adopted Interpretation No. 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. and subsidiaries as of and for the years ended December 31, 2009 and 2008, and expressed an unqualified opinion with explanatory paragraph on such consolidated financial statements.

BDO TAIWAN

February 12, 2010

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

SCI PHARMTECH, INC.
BALANCE SHEETS
December 31, 2009 and 2008

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2009	%	December 31, 2008	%	Liabilities & Stockholders' Equity	Notes	December 31, 2009	%	December 31, 2008	%
Current assets						Current liabilities					
Cash and cash equivalents	2,4	\$64,119	5.12	\$4,752	0.42	Short-term borrowings	11	\$-	-	\$22,185	1.96
Financial assets at fair value through profit or loss - current	2,5,23	813	0.06	13,706	1.21	Financial liabilities at fair value through profit or loss - current	2,23	-	-	766	0.07
Notes receivable	2,6	10,315	0.82	29,522	2.61	Notes payable		6,308	0.50	3,485	0.31
Accounts receivable	2,7	164,709	13.16	189,355	16.72	Accounts payable		41,415	3.31	21,926	1.94
Accounts receivable - related parties		14,953	1.19	-	-	Income tax payable	2,16	23,435	1.87	22,979	2.03
Other receivables		3,693	0.30	1,542	0.14	Accrued expenses		90,186	7.21	83,217	7.35
Inventories	2,8	208,285	16.64	180,829	15.97	Other payables		34,808	2.78	14,287	1.26
Prepaid expenses		4,006	0.32	588	0.05	Advanced receipts		11,492	0.92	18,898	1.67
Other prepayments		1,698	0.14	90	0.01	Receipts custody		478	0.04	633	0.05
Temporary payments		157	0.01	24	-	Sub-total		<u>208,122</u>	<u>16.63</u>	<u>188,376</u>	<u>16.64</u>
Deferred income tax assets-current	2,16	12,797	1.02	12,224	1.08						
Other current assets - other		68	0.02	484	0.04						
Sub-total		<u>485,613</u>	<u>38.80</u>	<u>433,116</u>	<u>38.25</u>						
Funds and investments						Other liabilities					
Long-term investments						Accrued pension liability	2,23	5,615	0.46	1,396	0.11
Investments accounted for using equity method	2,9	24,538	1.96	30,732	2.71	Sub-total		<u>5,615</u>	<u>0.46</u>	<u>1,396</u>	<u>0.11</u>
Sub-total		<u>24,538</u>	<u>1.96</u>	<u>30,732</u>	<u>2.71</u>	Total liabilities		<u>213,737</u>	<u>17.09</u>	<u>189,772</u>	<u>16.75</u>
Fixed assets	2,10										
Cost						Stockholders' equity					
Land		69,793	5.58	69,563	6.14	Capital stock	12				
Land improvements		7,287	0.58	5,025	0.44	Common stock		404,622	32.33	361,617	31.94
Buildings and structures		322,568	25.77	323,293	28.55	Capital Surplus	13				
Machinery and equipment		915,424	73.14	884,231	78.09	Additional paid-in capital		110,950	8.86	87,197	7.70
Transportation equipment		1,640	0.13	1,640	0.14	Gain on sale of fixed assets		980	0.08	980	0.09
Office equipment		17,619	1.41	16,518	1.46	Retained earnings	14				
Cost and Revaluation increment		1,334,331	106.61	1,300,270	114.82	Legal reserve		85,385	6.82	69,725	6.16
Less: Accumulated depreciation		(752,878)	(60.15)	(675,147)	(59.63)	Special reserve		4,653	0.37	-	-
Unfinished construction		99,609	7.96	29,636	2.63	Unappropriated retained earnings(accumulated deficits)		437,550	34.96	425,349	37.57
Prepayments for business facilities		58,387	4.66	12,588	1.12	Stockholders' equities adjustments					
Net fixed assets		<u>739,449</u>	<u>59.08</u>	<u>667,347</u>	<u>58.94</u>	Cumulative translation adjustments	2,9	1,665	0.13	2,292	0.20
Intangible assets						Net loss not recognized as pension cost	2,23	(7,967)	(0.64)	(4,653)	(0.41)
Deferred pension cost	2,23	226	0.02	257	0.02	Total stockholders' equity		<u>1,037,838</u>	<u>82.91</u>	<u>942,507</u>	<u>83.25</u>
Sub-total		<u>226</u>	<u>0.02</u>	<u>257</u>	<u>0.02</u>						
Other assets											
Guarantee deposits paid		13	-	13	-						
Deferred charges	2	268	0.02	401	0.04						
Deferred income tax assets - non-current	2,16	1,468	0.12	413	0.04						
Sub-total		<u>1,749</u>	<u>0.14</u>	<u>827</u>	<u>0.08</u>						
Total assets		<u>\$1,251,575</u>	<u>100.00</u>	<u>\$1,132,279</u>	<u>100.00</u>	Total liabilities and stockholders' equity		<u>\$1,251,575</u>	<u>100.00</u>	<u>\$1,132,279</u>	<u>100.00</u>

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
STATEMENTS OF INCOME
For the Years Ended December 31, 2009 and 2008

UNIT : NTD (In Thousands)

Item	Notes	2009	%	2008	%
Operating income	2				
Sales		\$907,971	100.25	\$956,285	101.15
Sales returns		(686)	(0.08)	(7,028)	(0.74)
Sales discounts and allowances		(1,547)	(0.17)	(3,838)	(0.41)
Net sales		<u>905,738</u>	<u>100.00</u>	<u>945,419</u>	<u>100.00</u>
Operating costs	2				
Cost of goods sold		(574,368)	(63.41)	(639,246)	(67.62)
Sub-total		<u>(574,368)</u>	<u>(63.41)</u>	<u>(639,246)</u>	<u>(67.62)</u>
Gross profit(loss)		<u>331,370</u>	<u>36.59</u>	<u>306,173</u>	<u>32.38</u>
Operating expenses					
Selling expenses		(28,087)	(3.10)	(30,423)	(3.22)
General and administrative expenses		(51,520)	(5.69)	(49,845)	(5.27)
Research and development		(31,367)	(3.47)	(27,826)	(2.94)
Net operating income(loss)		<u>220,396</u>	<u>24.33</u>	<u>198,079</u>	<u>20.95</u>
Non-operating income					
Interest income		45	-	164	0.02
Gain on valuation of financial assets	2,23	807	0.09	6	-
Gains on disposal of fix assets		-	-	40	-
Gains on disposal of investments		103	0.01	447	0.05
Foreign exchange gain		13,297	1.47	23,087	2.44
Miscellaneous income		2,582	0.29	4,604	0.49
Sub-total		<u>16,834</u>	<u>1.86</u>	<u>28,348</u>	<u>3.00</u>
Non-operating expenses					
Interest expenses		(119)	(0.01)	(295)	(0.03)
Loss on valuation of financial liabilities	2,23	-	-	(766)	(0.08)
Equity in loss of equity method investees	2,9	(5,567)	(0.61)	(2,527)	(0.27)
Loss on disposal of fixed assets		-	-	(187)	(0.02)
Foreign exchange loss		(14,153)	(1.56)	(26,766)	(2.83)
Losses on idle assets depreciation and valuation loss		(147)	(0.02)	(262)	(0.03)
Miscellaneous expenses		(3,085)	(0.35)	(2,269)	(0.24)
Sub-total		<u>(23,071)</u>	<u>(2.55)</u>	<u>(33,072)</u>	<u>(3.50)</u>
Income(loss)before income tax from continuing operations		214,159	23.64	193,355	20.45
Income tax expenses	2,16	(47,847)	(5.28)	(36,756)	(3.89)
Income(loss) from continuing operations		<u>166,312</u>	<u>18.36</u>	<u>156,599</u>	<u>16.56</u>
Net income (loss)		<u>\$166,312</u>	<u>18.36</u>	<u>\$156,599</u>	<u>16.56</u>
Basic earnings per share	2,17	PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax		\$5.36	\$4.16	\$4.86	\$3.94
Net income(loss)		<u>\$5.36</u>	<u>\$4.16</u>	<u>\$4.86</u>	<u>\$3.94</u>
Fully-diluted earnings per share	2,17	PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax		\$5.21	\$4.05	\$4.76	\$3.86
Net income(loss)		<u>\$5.21</u>	<u>\$4.05</u>	<u>\$4.76</u>	<u>\$3.86</u>

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2009 and 2008

UNIT : NTD (In Thousands)

Summary	Retained Earnings					Equity Adjustments		Total
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Cumulative Translation Adjustments	Net loss not recognized as pension cost	
Balance on January 1, 2008	\$325,107	\$88,177	\$54,673	\$0	\$418,183	\$0	\$0	\$886,140
Appropriations and distributions for 2007								
Legal reserve	-	-	15,051	-	(15,051)	-	-	-
Cash dividend	-	-	-	-	(94,281)	-	-	(94,281)
Stock dividend	32,511	-	-	-	(32,511)	-	-	-
Remuneration to directors and supervisions	-	-	-	-	(2,709)	-	-	(2,709)
Bonus to employees	-	-	-	-	(881)	-	-	(881)
Bonus to employees converted into capital	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
Balance on January 1, 2009	\$361,617	\$88,177	\$69,725	\$0	\$425,349	\$2,292	\$(4,653)	\$942,507
Appropriations and distributions for 2008								
Legal reserve	-	-	15,660	-	(15,660)	-	-	-
Special reserve	-	-	-	4,653	(4,653)	-	-	-
Cash dividend	-	-	-	-	(97,636)	-	-	(97,636)
Stock dividend	36,162	-	-	-	(36,162)	-	-	-
Bonus to employees converted into capital	3,433	15,227	-	-	-	-	-	18,660
Issuance of common stock from employee	3,410	8,526	-	-	-	-	-	11,936
Cumulative translation adjustments	-	-	-	-	-	(627)	-	(627)
Net loss not recognized as pension costs	-	-	-	-	-	-	(3,314)	(3,314)
Net income after tax for the Year 2009	-	-	-	-	166,312	-	-	166,312
Balance on December 31, 2009	\$404,622	\$111,930	\$85,385	\$4,653	\$437,550	\$1,665	\$(7,967)	\$1,037,838

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

UNIT : NTD (In Thousands)

Items	2009	2008
Cash flows from operating activities		
Net income(loss)	\$166,312	\$156,599
Adjusted items:		
Gain on reversal of allowance for doubtful accounts	(166)	(1,034)
Depreciation	92,316	87,194
Amortization	133	158
Fixed assets transfer to other expenses	687	1,176
Loss(gain) on valuation of financial assets	(807)	(6)
Revaluation loss(gain) on financial liabilities	-	766
Loss on idle assets' valuation loss	147	262
Loss on disposal of assets	-	187
Gain on disposal of assets	-	(40)
Loss on retirement of assets	3,040	1,928
Loss on inventory obsolescence	9,948	733
Loss on inventory valuation	8,433	15,170
Investment income recognized by equity-method over cash dividends received from investee company	5,567	2,527
(Increase)decrease in notes receivable	19,208	4,550
(Increase)decrease in accounts receivable	24,813	323
(Increase)decrease in accounts receivable - related parties	(14,953)	5,019
(Increase)decrease in other receivables	(2,152)	(151)
(Increase)decrease in inventories	(45,837)	(29,299)
(Increase)decrease in prepaid expenses	(3,419)	121
(Increase)decrease in other prepayments	(1,608)	402
(Increase)decrease in other current assets	(289)	(3,448)
(Increase)decrease in deferred income tax assets - non-current	(1,055)	(413)
Increase(decrease) in financial liabilities measured fair value profit loss	(766)	-
Increase(decrease) in notes payable	2,823	(1,771)
Increase(decrease) in accounts payable	19,488	(32,168)
Increase(decrease) in income tax payable	456	(1,739)
Increase(decrease) in accrued expenses	25,628	27,068
Increase(decrease) in other payables	20,521	4,919
Increase(decrease) in advanced receipts	(7,405)	7,502
Increase(decrease) in other current liabilities	(154)	183
Increase(decrease) in accrued pension liability	936	(3,515)
Increase(decrease) in deferred income tax liabilities - non-current	-	(163)
Net cash provided by (used in) operating activities	<u>321,845</u>	<u>243,040</u>
Cash flows from investing activities		
(Increase)decrease in financial assets at fair value through profit or loss	13,700	(13,700)
Acquisition of investment accounted for using equity method	-	(30,967)
Proceeds from disposal of fixed assets	-	60
Acquisition of fixed assets	(168,292)	(134,405)
Increase (decrease) in other assets	-	4,469
Net cash provided by (used in) investing activities	<u>(154,592)</u>	<u>(174,543)</u>
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	(22,185)	7,045
Remuneration to directors and supervisions	-	(2,709)
Bonus paid to employees	-	(881)
Dividends paid	(97,637)	(94,281)
Issuance of common stock from employee stock options exercised	11,936	-
Net cash provided by (used in) financing activities	<u>(107,886)</u>	<u>(90,826)</u>
Net increase(decrease)in cash and cash equivalents	59,367	(22,329)
Cash and cash equivalents at the beginning of year	4,752	27,081
Cash and cash equivalents at the end of year	<u>\$64,119</u>	<u>\$4,752</u>
Supplemental disclosure of cash flow information		
Interest paid	\$166	\$1,278
Capitalized interest	-	\$(1,029)
Cash paid for interest expenses excluding interest capitalized	\$166	\$249
Income taxes paid	<u>\$49,020</u>	<u>\$42,072</u>

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008
(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, 2009 and 2008, the Company had 151 and 149 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, 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 the accounting principles, laws and guidelines mentioned above requires management to make reasonable estimates and assumptions. Those estimates are often made based on unclear circumstances. Actual results could differ from those assumptions and estimates.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(2) Classification of Current and Noncurrent Assets and Liabilities

Current assets are those held for trading purposes and those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

(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 statement of cash flows is prepared on the basis of cash and cash equivalents.

(4) Financial Assets and Financial Liabilities

When a financial asset or financial liability is recognized initially, an entity shall measure it at its' fair value, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

All "regular way" purchases or sales of financial assets are recorded as of the trade date.

Financial assets and liabilities 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.

The markets values of listed stocks, over-the counter stocks, close-end funds, and depositary receipts are the closing market prices as of the balance sheet date. The market value of an open-end fund is based on the net asset value per unit of the beneficiary certificates as of the balance sheet date. The fair values of derivatives are estimated using valuation techniques.

Such financial assets and liabilities are classified as financial assets and financial liabilities held for trading purpose or designated by the Company as at fair value through profit or loss.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(5) Derivative Financial Instruments and Hedging Activities

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 measured at fair value with the changes in fair value recognized in current profits or losses.

Hedge Accounting is described as follows:

a. Fair value hedges:

The gain or loss from re-measuring 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.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(6)Accounts Receivable and Allowance for Doubtful Accounts

Imputed rate of interest should be applied to determine the fair value of accounts receivable. The difference between fair value and maturity value is recorded as unrealized interest revenue and will be reclassified to interest revenue in terms by interest method. If the receivable from sales is due within one year, the difference between its present value and maturity value is immaterial, and the sales transaction is frequent, the fair value method will not be used.

Allowance for doubtful accounts is provided on the basis of past experiences and the 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. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost or net realizable value. Effective January 1, 2009, inventories are stated at lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items.

Any defective, damaged, or obsolete inventories are stated at net realizable value if the values of such inventories are reduced significantly.

(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 excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is no longer amortized, but should be tested for impairment every year and for specific events or changes in circumstances which indicate that such carrying value may not be recoverable. If the fair value of investee's identifiable net assets exceeds the cost of the investment, the difference should be eliminated in proportion to the fair value of the noncurrent assets; however, if the difference is greater than the fair value of the noncurrent assets, the remaining balance is negative goodwill and should be recognized as income from extraordinary items.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

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. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentages in the investees which records gains or losses. In transactions between equity method investees over either or both of which the Company has no control, gains or losses on sales are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded 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) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Interest is capitalized during the construction period of fixed asset until an asset is substantially completed and ready for its intended use.

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 expenses.

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

Upon sale or retirement of fixed assets, 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 values of fully depreciated assets still in use are depreciated over the remaining estimated useful lives. Estimated service lives are: buildings - 3 to 55 years; and other fixed assets - 2.1 to 25 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 fixed assets 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

1. Defined benefit pension plan

The Company has established a retirement plan covering all regular employees. For employees who participate in pension plans, pension costs are recorded based on actuarial calculations. In accordance with the "Labor Standards Act", the Company made contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.

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 Company also recognizes the net periodic pension cost based on an actuarial calculation.

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2. Defined contribution pension plan

Effective July 1, 2005, the Company adopted the "Labor Pension Act" (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the "Labor Standards Act" prior to the enforcement of the Act but chose to be subject to the pension mechanism under the Act; and those employees who are employed after the enforcement of the Act. The Company contributes monthly to the employee individual pension fund accounts at the rate of 6% of the employee's monthly wages. The contributions are accounted for as current pension expense.

(13) Employee Stock Option Plans

Employee stock option plans that were granted or modified after January 1, 2008 are accounted for using fair value method in accordance with 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 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. If Board resolution is significantly different from the management's evaluation, such difference shall be adjusted in the current year. However, if the actual distributed amounts resolved by the stockholders subsequently differ, accounting estimates shall be recognized in the following year.

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(15) Assets Impairment

Pursuant to R.O.C. SFAS No. 35, "Impairment of Assets", indicators of impairment for all assets (except for goodwill) shall be assessed 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, if any indication that the impairment loss no longer exists or may have diminished. The Company recalculates the recoverable amount of the asset, and 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.

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(17)Income Tax

The Company applies an inter-period and intra-period income tax allocation for its income tax whereby deferred income tax assets and liabilities are recognized. 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.

Overestimate or underestimate provision of income tax liabilities of previous year is included in current year's income tax as an adjustment. An additional 10% income tax on earnings is included as income tax expense in the year when the stockholders resolved to retain the earnings.

According to R.O.C. SFAS No. 12 "Accounting for income tax credits", the Company's income tax credits generated from purchases of equipment or technology, research and development expenditures, personnel training expenditures, and investments are recognized in the period when the tax credits arise.

The "Income Basic Tax Act" was enforced as of January 1, 2006. According to the Act, 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.

(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.

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(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 earnings 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 had not computed.

3. CHANGES IN ACCOUNTING PRINCIPLES AND ITS EFFECTS

(1) Effective January 1, 2009, the Company adopted the newly revised SFAS NO.10, "Accounting for Inventories ". This change in accounting principles resulted in a decrease in net income from operation of NT\$17,280 thousand, net income after tax of NT\$12,960 thousand and earnings per share after tax of NT\$0.32 for the year ended December 31, 2009. Losses on inventory valuation loss and obsolescence of NT\$15,170 thousand and NT\$733 thousand for the year ended December 31, 2008 were also reclassified to cost of goods sold.

(2) 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.

(3) 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.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand.....	\$-	\$91
Petty cash/ revolving funds.....	150	260
Deposit in banks.....	63,969	4,401
Total.....	\$64,119	\$4,752

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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	2008
Financial asset - beneficiary certificates.....	\$-	\$13,700
Financial asset - derivatives.....	813	-
Valuation adjustment on financial assets.....	-	6
Net.....	<u>\$813</u>	<u>\$13,706</u>

6. NOTES RECEIVABLE - NET

	December 31	
	2009	2008
Notes receivable.....	<u>\$10,315</u>	<u>\$29,522</u>

7. ACCOUNTS RECEIVABLE -NET

	December 31	
	2009	2008
Accounts receivable.....	\$166,957	\$191,770
Less: Allowance for doubtful accounts.....	(2,248)	(2,415)
Net.....	<u>\$164,709</u>	<u>\$189,355</u>

8. INVENTORIES

	December 31	
	2009	2008
Raw materials.....	\$63,105	\$71,919
Work in process.....	92,181	88,564
Finished goods.....	109,287	71,086
Raw materials in Transit.....	2,886	-
Less: Allowance for loss on decline in market value and obsolescence.....	(59,174)	(50,740)
Net.....	<u>\$208,285</u>	<u>\$180,829</u>

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	Years Ended December 31	
	2009	2008
Cost of goods sold.....	\$555,987	\$623,343
Loss on inventory valuation.....	8,433	15,170
Loss on inventory obsolescence.....	9,948	733
Total	<u>\$574,368</u>	<u>\$639,246</u>

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Details of investments accounted for using equity method are as follows:

Name of subsidiaries	December 31			
	2009		2008	
	Amount	Percentage owned	Amount	Percentage owned
SCI HOLDING UNIVERSAL LTD.	\$22,873	100	\$28,440	100
Add(Less): Cumulative translation adjustment	1,665		2,292	
Total	<u>\$24,538</u>		<u>\$30,732</u>	

(2) The gains or losses for 2009 and 2008 arising from investments accounted for using equity method are recognized based on the investees' respective audited financial statements for the same periods, as follows:

Investee	Years Ended December 31	
	2009	2008
SCI HOLDING UNIVERSAL LTD.	<u>\$(5,567)</u>	<u>\$(2,527)</u>

(3) 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 24-(2).

(4) The Company has prepared the 2009 consolidated financial statements.

(5) For other related information, please refer to Note 24 for details.

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10. Fixed assets

	December 31	
	2009	2008
Accumulated depreciation- Land improvements.....	\$4,033	\$3,411
Accumulated depreciation-Buildings and structures.....	119,541	110,980
Accumulated depreciation- Machinery and equipment.....	613,931	546,679
Accumulated depreciation-Transportation equipment.....	1,640	1,640
Accumulated depreciation-Office equipment.....	13,733	12,437
Total.....	\$752,878	\$675,147

- (1) 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. In order to protect the right of the Company, the Company signed a trust agreement with the nominal landholder.
- (2) Part of the fixed assets has been pledged for short-term borrowings. Please refer to Note 19 for details.

11. SHORT-TERM BORROWINGS

	December 31	
	2009	2008
L/C loans.....	\$-	\$17,429
Unsecured loans.....	-	4,756
Total.....	\$-	\$22,185
Interest rates.....	-	2.57%-5.93%

12. CAPITAL STOCK

- (1) The Company's outstanding common stock as of December 31, 2009 amounted to NT\$404,622 thousand, divided into 40,462 thousand shares at NT\$10 par value.
- (2) On June 19, 2009, the stockholders' meeting approved an increase of share capital by issuing 3,959 thousand new shares from retained earnings of NT\$36,162 thousand and employee's bonus of NT\$18,659 thousand respectively. The aforementioned capital increase took effect on August 12, 2009.

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- (3) In 2009, the Company issued 341 thousand shares at NT\$10 par value with the amount of NT\$3,410 thousand from employee stock option exercise. Please refer to the description in Note 23(4).
- (4) On June 13, 2008, the stockholders' meeting approved an increase of share capital by issuing 3,651 thousand new shares from retained earnings of NT\$32,511 thousand and employee's bonus of NT\$4,000 thousand respectively. The aforementioned capital increase had taken effect on July 29, 2008.

13. 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	
	2009	2008
Additional paid-in capital.....	\$110,950	\$87,197
Gain on sale of fixed assets (after tax).....	980	980
Total.....	<u>\$111,930</u>	<u>\$88,177</u>

14. 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.

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(2) Retained Earnings and Dividend Policies

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) Bonuses 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, 2009, 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 proposed by the Board of Directors 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 of Directors, 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 has not resolved the appropriation for earnings of 2009 as of the date of the Report of Independent Auditors. The information on Board's and shareholders' resolutions in respect of earnings appropriation can be obtained from "the Market Observation Post System" on the web site of the Taiwan Stock Exchange.

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C. Details of the 2008 bonuses to employees and remuneration to directors and supervisors are as follows:

Distribution	As approved by the stockholders' meeting	As approved by the Board of Directors	Difference
a. Employees' cash bonus	\$4,665	\$4,665	-
b. Employee's stock bonus			
Number of shares (in thousands)	343	343	-
Amount	18,659	18,659	-
Percentage of total number of outstanding common shares as of December 31, 2008	0.01	0.01	-
c. Remuneration of directors and supervisors	2,726	2,726	-
Effect on basic earnings per share before retroactive adjustments.			
Original EPS	\$4.33	\$4.33	-
Pro forma EPS(note)	\$4.33	\$4.33	-

D. Details of the 2007 bonuses to employees and remuneration to directors and supervisors 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, 2006	-	-	-
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)	\$4.40	\$4.40	-

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

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15. THE INFORMATION OF PERSONNEL COST, DEPRECIATION AND AMORTIZATION IS AS FOLLOWS:

Function Item	2009			2008		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Personnel cost						
Salary and wages	\$91,970	\$60,932	\$152,902	\$88,826	\$60,439	\$149,265
Labor and health insurance expense	5,112	2,224	7,336	4,595	2,002	6,597
Pension cost	4,444	2,033	6,477	4,439	1,967	6,406
Other personnel cost(note 1)	537	4,929	5,466	499	5,204	5,703
Depreciation(note 2)	79,552	12,764	92,316	76,579	10,615	87,194
Amortization	133	0	133	158	0	158

Note 1 : Meal expenses, employee benefits and insurance of group were included in the other personnel cost.

Note 2 : The depreciation expense of idle assets was recognized as non-operating expenses.

16. INCOME TAX

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

	Years ended December 31	
	2009	2008
Income tax expense - current.....	\$47,663	\$38,502
Deferred income tax expense (benefits).....	(5,194)	(3,577)
Income tax adjustments on prior years.....	1,562	1,704
Tax on short-term bills.....	2	19
Additional tax at 10% on unappropriated earnings.....	248	108
Tax effect.....	3,566	-
Income tax expenses.....	<u>\$47,847</u>	<u>\$36,756</u>

The income tax rate of profit-seeking enterprises will be reduced from 25% to 20%, and will be effective starting in 2010. The Company recalculated its deferred tax assets and liabilities based on the amended tax rate and recognized the differences as an income tax expense.

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(2)Deferred income tax liabilities and assets of 2009 and 2008 are as follows:

	December 31	
	2009	2008
A. Total deferred income tax assets.....	\$14,753	\$14,405
B. Total deferred income tax liabilities.....	488	1,768
C. Components of deferred income tax assets and liabilities resulting from temporary difference		
Deductible (taxable) temporary difference from bad debt loss.....	\$1,107	\$1,107
Deductible (taxable) temporary difference from loss on inventory valuation.....	59,173	50,740
Deductible (taxable) temporary difference from unrealized foreign exchange gain and loss.....	2,709	(3,603)
Deductible (taxable) temporary difference from recognition of pension expense.....	(2,408)	(3,345)
Deductible (taxable) temporary difference from interest capitalization.....	-	137
Deductible (taxable) temporary difference from loss on idle assets valuation loss.....	625	1,577
Deductible (taxable) temporary difference from other expenses.....	2,024	1,405
Deductible (taxable) temporary difference from equity in loss of equity method investees.....	8,094	2,527
D. Deferred tax assets - current.....	\$12,803	\$13,156
Deferred tax liabilities - current.....	(6)	(932)
Net balance of deferred tax assets (liabilities) - current	\$12,797	\$12,224
E. Deferred tax assets - noncurrent.....	\$1,949	\$1,249
Deferred tax liabilities - noncurrent.....	(481)	(836)
Net balance of deferred tax assets (liabilities) - noncurrent.	\$1,468	\$413

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F. Adjustments between accrued income tax and income tax for the years ended December 31, 2009 and 2008 are as follows:

	Years ended December 31	
	2009	2008
Accrued income tax expense-current.....	\$57,075	\$49,309
Deferred income tax expense (benefits).....	\$(5,194)	\$(3,577)
Prior year's adjustment.....	1,562	1,704
Tax on short-term bills.....	2	19
Additional tax at 10% on unappropriated earnings...	248	108
Investment tax credits.....	(9,412)	(10,807)
Tax effect.....	3,566	-
Income tax expenses.....	<u>\$47,847</u>	<u>\$36,756</u>

(3) Imputation credit account (ICA)

	December 31	
	2009	2008
Balance of ICA	<u>\$65,318</u>	<u>\$50,116</u>
	<u>2009(Estimate)</u>	<u>2008 (Actual)</u>
Imputation tax credit ratio	<u>25.20%</u>	<u>21.95%</u>

(4) Unappropriated retained earnings:

Year	December 31	
	2009	2008
Prior to 1997.....	\$86,063	\$86,063
After 1998.....	351,487	339,286
Total.....	<u>\$437,550</u>	<u>\$425,349</u>

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(5)As of December 31, 2009, investment tax credits are as follows:

Year	Creditable Amount	Deducted amount (Prior years)	Deducted amount (2009)	Remaining Creditable Amounts	Expiry Year
2009	\$9,412	\$-	\$(9,412)	\$-	2009~2013
	<u>\$9,412</u>	<u>\$-</u>	<u>\$(9,412)</u>	<u>\$-</u>	

(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 2007 have already been examined and cleared by the tax authorities.

17. EARNINGS PER SHARE

	Year ended December 31, 2009				
	Amount (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS(NT\$)	
	Pretax	After tax		Pretax	Aftertax
Net Income (loss)	\$214,159	\$166,312			
Basic EPS					
Earnings available to common stockholders	\$214,159	\$166,312	39,961	\$5.36	\$4.16
Effect of dilutive potential common shares					
Stock options	-	-	616		
Bonus to employees	-	-	525		
Diluted EPS					
Earnings available to common stockholders (including effect of dilutive potential common shares)	\$214,159	\$166,312	41,102	\$5.21	\$4.05

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	Year ended December 31, 2008				
	Amount (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS(NT\$)	
	Pretax	After tax		Pretax	Aftertax
Net Income (loss)	\$193,355	\$156,599			
Basic EPS					
Earnings available to common stockholders	\$193,355	\$156,599	39,778	\$4.86	\$3.94
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	40,618	\$4.76	\$3.86

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 are calculated as follows:

	Years ended December 31	
	2009	2008
Beginning balance - common shares	36,162	32,511
Add : Issuance of stockholders' stock dividends	3,616	6,867
employee stock bonus	183	400
Total	39,961	39,778

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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18. 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			
	2009		2008	
	Amount	%	Amount	%
Siegfried Ltd.	\$5,123	0.57	\$3,798	0.40
Siegfried (USA), Inc.	27,795	3.07	34,388	3.64
Total	\$32,918	3.64	\$38,186	4.04

The sales prices were not significantly different from those of sales to third parties, and the payment term was 2-3 months.

(B) Accounts Receivable

	December 31			
	2009		2008	
	Amount	%	Amount	%
Siegfried (USA), Inc.	\$14,953	8.22	\$-	-

(C) Accrued expenses

	December 31			
	2009		2008	
	Amount	%	Amount	%
Siegfried Ltd.	\$-	-	\$779	0.94

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NOTES TO FINANCIAL STATEMENTS (Continued)
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(D) Advertisement expense

	December 31			
	2009		2008	
	Amount	%	Amount	%
Mercuries & Associates, Ltd.	\$952	92.88	\$952	98.96
	\$952	92.88	\$952	98.96

(3) Remuneration of directors, supervisors and managers

In 2009 and 2008, remunerations to directors, supervisors and managers were \$26,568 thousand and \$26,440 thousand, respectively. The total remuneration for the year ended December 31, 2009 includes estimated bonuses to employees and remuneration to directors of the Company that relate to 2009 but will be paid in the following year. The actual amount which will be finalized, approved and paid in accordance with the resolution of the stockholders' meeting in 2010. The total remuneration for the year ended December 31, 2008 included the remuneration and bonuses appropriated from earnings of 2008 which was approved by the stockholders' meeting held in 2009. The information about the remuneration of directors, supervisors and managers is available in the annual report for the stockholders' meeting.

19. PLEDGED ASSETS

Item	December 31	
	2009	2008
Land	\$42,736	\$42,736
Buildings	30,260	37,643
Total	\$72,996	\$80,379

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

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

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

	December 31	
	2009	2008
Unused letters of credit for purchase of materials	\$645	\$30,151
	\$645	\$30,151

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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21. SERIOUS DAMAGES: None

22. SUBSEQUENT EVENTS: None

23. OTHER IMPORTANT EVENTS

(1) Pension Information

- A. The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions no less than 6% of each employee's monthly salary to employee's pension accounts and recognized pension costs of NT\$3,370 thousand and NT\$3,247 thousand for the years ended December 31, 2009 and 2008, respectively.
- B. The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the fifteenth year. The total units shall not exceed 45 units. The fraction year of more than six months is counted as a full year, and that of less than six months is regarded as one-half year. The Company contributes an amount equal to 5% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

Pension information on the defined benefit plan is summarized as follows :

(a) Components of net periodic pension cost :

	Years ended December 31	
	2009	2008
Service cost	\$2,334	\$2,283
Interest cost	1,463	1,698
Projected return on plan assets	(1,209)	(1,122)
Amortization	519	301
Net periodic pension cost	<u>\$3,107</u>	<u>\$3,160</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
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(b) Reconciliation of funded status of the plans and accrued pension cost at December 31, 2009 and 2008 :

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	(\$9,239)	(\$7,869)
Nonvested benefit obligation	(45,179)	(41,353)
Accumulated benefit obligation	(54,418)	(49,222)
Additional benefits based on future salaries	(10,879)	(10,050)
Projected benefit obligation	(65,297)	(59,272)
Fair value of plan assets	48,803	47,826
Funded status	(16,494)	(11,446)
Unrecognized net transition obligation (asset)	226	257
Unrecognized net gain and loss	18,846	14,703
Minimum pension liability	(8,193)	(4,910)
Accrued pension cost) prepaid pension cost	(\$5,615)	(\$1,396)
Deferred pension costs	\$226	\$257
Net loss not recognized as pension cost	\$7,967	\$4,653
Vested benefit	(\$10,414)	(\$9,065)

(c) Actuarial assumptions

	Years ended December 31	
	2009	2008
Discount rate	2.25%	2.50%
Future salary increase rate	1.50%	1.50%
Expected rate of return on plan assets	2.00%	2.50%

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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(2) THE INFORMATION FOR FINANCIAL INSTRUMENTS:

	December 31					
	2009			2008		
	Book value	Fair value		Book value	Fair value	
Fair value based on quotations in an active market		Fair value based on valuation technique	Fair value based on quotations in an active market		Fair value based on valuation technique	
<u>Non-derivative financial instruments</u>						
Financial assets :						
Financial assets at fair value through profit or loss-current	\$-	\$-	\$-	\$13,706	\$13,706	\$-
<u>Derivative financial instruments</u>						
Financial assets (liabilities) :						
Financial assets (liabilities) at fair value through profit or loss-current	\$813	\$-	\$813	\$(766)	\$-	\$(766)

A. Fair values of financial instruments are determined as follows:

- (a) The carrying amount of cash and cash equivalents, accounts receivable/payable (including related parties), short-term borrowings, accrued expenses, and other payable approximates their fair value due to the short-term nature of these items.
- (b) 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.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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B. 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.

C. Information about financial risks

(a) Market risk :

Exchange rate: 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 :

I. Receivables: In general, the debtors of the company are reputable. The Company has periodically evaluated the credit position of the debtors and believed the exposure to credit risk is not significant.

II. Financial market: The Company believes it has no significant credit risk exposure since it has entered forward exchange contracts and futures trading transactions with creditworthy international financial institutions and default on contracts is unlikely to happen.

(c) Liquidity risk :

I. Receivables: In general, the debtors of the Company are reputable. The receivables are due within one year and paid on a regular basis. No significant liquidity risk is expected from the Company's receivables.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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- II. Foreign currency transaction: The Company has entered forward exchange contracts for currencies with huge trade volume resulting in high market liquidity. There are many traders quoting currency prices aggressively. Therefore, no significant liquidity risk is expected from the Company's foreign currency transactions.
- III. Fund arrangement: The Company has good operating performance and sufficient operating capital to support all business activities. In addition, the Company has excellent credits in the money market and bank industry. Therefore, the liquidity risk from insufficient funds to cover all obligations of the Company is not expected.

(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. As the loan amount of the Company is not huge; therefore, the Company expects the exposure to cash flow interest rate risk is not significant.

(e) Derivative transactions

Item	December 31, 2009			December 31, 2008		
	Book value	Nominal amount (thousand)	Contract Period	Book value	Nominal amount (thousand)	Contract Period
Forward exchange Contracts	-			\$642	CHF770	2008.12.18 -2009.03.18
(Buy NTD/Sell CHF)						
Forward exchange Contracts	\$813	JPY28,948	2009.11.27 -2010.02.25	\$124	JPY38,000	2008.12.08 -2009.03.06
(Buy NTD/Sell JPY)						

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, 2009 and 2008, the nominal amounts of the contracts are JPY 28,948 thousand and CHF 770 thousand respectively, and JPY 38,000 thousand. For the years ended December 31, 2009 and 2008, net gain is NT\$813 thousand and net loss was NT\$766 thousand.

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(3). MATERIAL CONTRACTS: None

(4). EMPLOYEE STOCK OPTIONS

A. 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.

B. Detailed information relevant to the employee stock options is disclosed as follows :

	Years ended December 31			
	2009		2008	
	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	\$37.04
Granted	-	-	-	-
Exercised	(341)	-	-	-
Forfeited	-	-	-	-
Outstanding at end of period	759	\$30.99	1,100	37.04
Exercisable at end of period	209	-	1,100	-

C. Information about the Company's outstanding stock options as of December 31, 2009, is as follows :

Range of exercise price (NTD)	Options Outstanding			Options Exercisable	
	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)
\$30.99	759	3.5	\$30.99	209	\$30.99

SCI PHARMTECH, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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D. No compensation cost was recognized under the intrinsic value method for the year ended December 31, 2009. 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, 2009 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	3.5 years

		Years ended December 31	
		2009	2008
Net income	Net income as reported	\$166,312	\$156,599
	Pro forma net income	165,605	155,535
Earnings per share(EPS)-after income tax	Basic EPS as reported	\$4.16	\$3.94
	Pro forma EPS	\$4.14	\$3.91
Diluted earnings per share(EPS)-after income tax	Diluted EPS as reported	\$4.05	\$3.86
	Pro forma diluted EPS	\$4.03	\$3.83

(5). RECLASSIFICATIONS:

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2009.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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24. ADDITIONAL DISCLOSURES

- (1) 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. Financial instruments and derivative transactions: please refer to Note 23-(2).
- (2) Information on investment in Mainland 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, 2009, 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, terms of payment, unrealized gain or loss, and other related information: None

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25. 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 2009 and 2008 is as below:

	Years ended December 31	
	2009	2008
ASIA	\$230,905	\$148,302
AMERICA	70,038	180,387
EUROPE	442,884	407,505
Total	<u>\$743,827</u>	<u>\$736,194</u>

(4) Major customers :

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

Name	Years ended December 31			
	2009		2008	
	Amount	%	Amount	%
Client A	\$127,002	14.02	\$119,664	12.66
Client B	-	-	99,513	10.53
Client C	100,094	11.05	-	-
Total	<u>\$227,096</u>	<u>25.07</u>	<u>\$219,177</u>	<u>23.19</u>

Table 1

SCI PHARMTECH, INC.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

(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, 2009				Guarantee or pledge information
					Shares / units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
SCI PHARMTECH, INC.	Stocks	SCI HOLDING UNIVERSAL LTD.	Investee accounted for using equity method	Investments accounted for using equity method	-	24,538	100.00%	Carrying Value (Note 1)	None
SCI HOLDING UNIVERSAL LTD.	Stocks	NANJING SCI PHARMTECH LTD.	Investee accounted for using equity method	Investments accounted for using equity method	-	24,386	100.00%	Carrying Value (Note 1)	None

Note 1 : The calculation was based on audited financial statements as of December 31, 2009.

SCI PHARMTECH, INC

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

DECEMBER 31, 2009

(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, 2009			Percentage of Ownership * Net Carrying Value ending	Net Income (Losses) of the Investee	Equity in the Earnings(Losses)	Dividend Distribution of the Investee		Note
				December 31,2009	December 31,2008	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	\$30,967	-	100.00%	\$24,538	\$24,538	(\$5,567)	(\$5,567)	-	-	Subsidiary Company
SCI HOLDING UNIVERSAL LTD.	NANJING SCI PHARMTECH LTD.	NANJING	manufacture and research pharmaceuticals, pharmaceutical intermediates	\$30,335	\$30,335	-	100.00%	\$24,386	\$24,386	(\$5,511)	(\$5,511)	-	-	Subsidiary Company

Table 3

SCI PHARMTECH, INC.
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31,2009	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31,2009	Accumulated Inward Remittance of Earnings as of December 31,2009
					Outflow	Inflow					
NANJING SCI PHARMTECH LTD.	manufacture and research pharmaceuticals, pharmaceutical intermediates	\$30,335	Note 1	\$30,335	-	-	\$30,335	100.00%	(\$5,511)	\$24,386	\$0
Accumulated Investment in Mainland China as of December 31, 2009				Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment(Note 3)					
\$30,335				USD1,500		\$622,703					

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, R.O.C.