SCI PHARMTECH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Company: SCI PHARMTECH, INC.

Address: 186-2, HAI-HU-TSUN, LU CHU HSIANG,
TAOYUAN, R.O.C.

Telephone: 886-3-354-3133

INDEX TO FINANCIAL STATEMENTS

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, 2010 and 2009, 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, 2010 and 2009, 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 "

We have also audited the consolidated financial statements of SCI Pharmtech, Inc. and subsidiaries as of and for the years ended December 31, 2010 and 2009, and expressed an unqualified opinion and unqualified opinion with explanatory paragraph on such consolidated financial statements, respectively.

BDO TAIWAN

January 25, 2011

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, 2010 and 2009

UNIT：NTD (In Thousands)

Assets	Notes	December 31,2010	%	December 31,2009	%
Current assets					
Cash and cash equivalents	2,4	$36,070	2.40	$64,119	5.12
Financial assets at fair value through profit or loss - current	2,5,24	122	0.01	813	0.06
Notes receivable	2,6	14,039	0.93	10,315	0.82
Accounts receivable	2,7	182,362	12.12	164,709	13.16
Accounts receivable - related parties	2,18	4,299	0.29	14,953	1.19
Other receivables		2,212	0.15	3,693	0.30
Inventories	2,8	260,212	17.30	208,285	16.64
Prepaid expenses		6,494	0.43	4,006	0.32
Other prepayments		-	-	1,698	0.14
Temporary payments		261	0.02	157	0.01
Deferred income tax assets-current	2,17	10,666	0.71	12,797	1.02
Other current assets - other		248	0.01	68	0.02
Sub-total		516,985	34.37	485,613	38.80
Funds and investments					
Financial assets carried at cost - non-current	2,9	127,320	8.46	-	-
Long-term investments					
Investments accounted for using equity method	2,10	33,299	2.22	24,538	1.96
Sub-total		160,619	10.68	24,538	1.96
Fixed assets	2,11				
Cost					
Land		69,793	4.64	69,793	5.58
Land improvements		4,750	0.32	7,287	0.58
Buildings and structures		380,220	25.28	322,568	25.77
Machinery and equipment		1,018,032	67.68	915,424	73.14
Transportation equipment		1,640	0.11	1,640	0.13
Office equipment		17,225	1.15	17,619	1.41
Cost and revaluation increment		1,491,660	99.18	1,334,331	106.61
Less:Accumulated depreciation		(816,618)	(54.29)	(752,878)	(60.15)
Unfinished construction		133,943	8.90	99,609	7.96
Prepayments for business facilities		14,885	0.98	58,387	4.66
Net fixed assets		823,870	54.77	739,449	59.08
Intangible assets					
Deferred pension cost	2,24	195	0.01	226	0.02
Sub-total		195	0.01	226	0.02
Other assets					
Guarantee deposits paid		13	-	13	-
Deferred charges	2	460	0.03	268	0.02
Deferred income tax assets - non-current	2,17	2,133	0.14	1,468	0.12
Sub-total		2,606	0.17	1,749	0.14
Total assets		$1,504,275	100.00	$1,251,575	100.00

Liabilities & Stockholders' Equity	Notes	December 31,2010	%	December 31,2009	%
Current liabilities					
Short-term borrowings	12	$175,000	11.63	$-	-
Notes payable		10,290	0.68	6,308	0.50
Accounts payable		51,011	3.39	41,415	3.31
Income tax payable	2,17	9,736	0.65	23,435	1.87
Accrued expenses		94,448	6.28	90,186	7.21
Other payables		15,750	1.05	34,808	2.78
Advanced receipts		7,954	0.53	11,492	0.92
Receipts custody		559	0.04	478	0.04
Sub-total		364,748	24.25	208,122	16.63
Other liabilities					
Accrued pension liability	2,24	8,293	0.55	5,615	0.46
Sub-total		8,293	0.55	5,615	0.46
Total liabilities		373,041	24.80	213,737	17.09
Stockholders' equity					
Capital stock	13				
Common stock		452,671	30.09	404,622	32.33
Capital Surplus	14				
Additional paid-in capital		134,074	8.91	110,950	8.86
Gain on sale of fixed assets		980	0.07	980	0.08
Retained earnings	15				
Legal reserve		102,016	6.78	85,385	6.82
Special reserve		7,967	0.53	4,653	0.37
Unappropriated retained earnings(accumulated deficits)		443,185	29.46	437,550	34.96
Stockholders' equities adjustments					
Cumulative translation adjustments	2,10	(200)	(0.01)	1,665	0.13
Net loss not recognized as pension cost	2,23	(9,459)	(0.63)	(7,967)	(0.64)
Total stockholders' equity		1,131,234	75.20	1,037,838	82.91
Total liabilities and stockholders' equity		$1,504,275	100.00	$1,251,575	100.00

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2010 and 2009

UNIT：NTD (In Thousands)

Item	Notes	2010	%	2009	%
Operating income					
Sales	2	$996,091	100.14	$907,971	100.25
Sales returns		(1,415)	(0.14)	(686)	(0.08)
Sales discounts and allowances		-	-	(1,547)	(0.17)
Net sales		994,676	100.00	905,738	100.00
Operating costs					
Cost of goods sold	2	(665,718)	(66.93)	(574,368)	(63.41)
Sub-total		(665,718)	(66.93)	(574,368)	(63.41)
Gross profit(loss)		328,958	33.07	331,370	36.59
Operating expenses					
Selling expenses		(27,318)	(2.75)	(28,087)	(3.10)
General and administrative expenses		(49,436)	(4.97)	(51,520)	(5.69)
Research and development expenses		(34,660)	(3.48)	(31,367)	(3.47)
Net operating income(loss)		217,544	21.87	220,396	24.33
Non-operating income					
Interest income		17	-	45	-
Gain on valuation of financial assets	2,24	122	0.01	807	0.09
Gains on disposal of fix assets		95	0.01	-	-
Gains on disposal of investments		-	-	103	0.01
Foreign exchange gain		7,101	0.71	13,297	1.47
Miscellaneous income		2,471	0.26	2,582	0.29
Sub-total		9,806	0.99	16,834	1.86
Non-operating expenses					
Interest expenses		(540)	(0.05)	(119)	(0.01)
Equity in losses of equity method investees	2,10	(5,015)	(0.50)	(5,567)	(0.61)
Loss on disposal of fixed assets		(75)	(0.01)	-	-
Foreign exchange loss		(19,692)	(1.98)	(14,153)	(1.56)
Losses on idle assets depreciation and valuation loss		-	-	(147)	(0.02)
Miscellaneous expenses		(351)	(0.04)	(3,085)	(0.35)
Sub-total		(25,673)	(2.58)	(23,071)	(2.55)
Income(loss)before income tax from continuing operations		201,677	20.28	214,159	23.64
Income tax expenses	2,17	(30,433)	(3.06)	(47,847)	(5.28)
Income(loss) from continuing operations		171,244	17.22	166,312	18.36
Net income (loss)		$171,244	17.22	$166,312	18.36
Basic earnings per share		PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax	2,18	$4.50	$3.82	$4.81	$3.74
Net income(loss)		$4.50	$3.82	$4.81	$3.74
Fully-diluted earnings per share		PreTax	AfterTax	PreTax	AfterTax
Income(loss) from continuing operations, net of tax	2,18	$4.42	$3.76	$4.71	$3.66
Net income(loss)		$4.42	$3.76	$4.71	$3.66

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, 2010 and 2009

UNIT：NTD (In Thousands)

Summary	Common Stock	Capital Surplus	Retained Earnings			Equity Adjustments		Total
			Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	
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 stock	3,433	15,227	-	-	-	-	-	18,660
Issuance of common stock from employee stock options exercised	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 January 1,2010	$404,622	$111,930	$85,385	$4,653	$437,550	$1,665	$(7,967)	$1,037,838
Appropriations and distributions for 2009								
Legal reserve	-	-	16,631	-	(16,631)	-	-	-
Special reserve	-	-	-	3,314	(3,314)	-	-	-
Cash dividend	-	-	-	-	(105,202)	-	-	(105,202)
Bonus to employees converted into capital stock	3,622	16,117	-	-	-	-	-	19,739
Issuance of common stock from employee stock options exercised	3,965	7,008	-	-	-	-	-	10,973
Stock dividend	40,462	-	-	-	(40,462)	-	-	-
Cumulative translation adjustments	-	-	-	-	-	(1,865)	-	(1,865)
Net loss not recognized as pension costs	-	-	-	-	-	-	(1,492)	(1,492)
Net income after tax for the Year 2010	-	-	-	-	171,244	-	-	171,244
Rounding	-	(1)	-	-	-	-	-	(1)
Balance on December 31,2010	$452,671	$135,054	$102,016	$7,967	$443,185	$(200)	$(9,459)	$1,131,234

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

UNIT：NTD (In Thousands)

Items	2010	2009
Cash flows from operating activities		
Net income(loss)	$171,244	$166,312
Adjusted items:		
Provision for doubtful accounts	612	-
Gain on reversal of allowance for doubtful accounts	-	(166)
Depreciation	104,099	92,316
Amortization	143	133
Fixed assets transferred to other expenses	953	687
Loss(gain) on valuation of financial assets	(122)	(807)
Gain on inventory value recoveries	(6,373)	-
Loss on idle assets' valuation loss	-	147
Loss on disposal of assets	75	-
Gain on disposal of assets	(95)	-
Loss on obsolescence of assets	305	3,040
Loss on inventory obsolescence	5,542	9,948
Loss on inventory valuation	-	8,433
Investment income recognized by equity-method over cash dividends received from investee company	5,015	5,567
(Increase)decrease in notes receivable	(3,725)	19,208
(Increase)decrease in accounts receivable	(18,265)	24,813
(Increase)decrease in accounts receivable - related parties	10,654	(14,953)
(Increase)decrease in other receivables	1,482	(2,152)
(Increase)decrease in inventories	(51,096)	(45,837)
(Increase)decrease in prepaid expenses	(2,487)	(3,419)
(Increase)decrease in other prepayments	1,698	(1,608)
(Increase)decrease in other current assets	1,845	(289)
(Increase)decrease in deferred income tax assets - non-current	(665)	(1,055)
Increase(decrease) in financial liabilities at fair value through profit or loss	-	(766)
Increase(decrease) in notes payable	3,982	2,823
Increase(decrease) in accounts payable	9,596	19,488
Increase(decrease) in income tax payable	(13,699)	456
Increase(decrease) in accrued expenses	24,001	25,628
Increase(decrease) in other payables	(19,058)	20,521
Increase(decrease) in advanced receipts	(3,538)	(7,405)
Increase(decrease) in other current liabilities	79	(154)
Increase(decrease) in accrued pension liability	1,217	936
Net cash provided by (used in) operating activities	223,419	321,845
Cash flows from investing activities		
(Increase)decrease in financial assets at fair value through profit or loss	813	13,700
(Increase) decrease in financial assets measured at cost	(127,320)	-
Acquisition of investment accounted for using equity method	(15,640)	-
Proceeds from disposal of fixed assets	130	-
Acquisition of fixed assets	(189,887)	(168,292)
(Increase)decrease in deferred charges	(335)	-
Net cash provided by (used in) investing activities	(332,239)	(154,592)
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	175,000	(22,185)
Dividends paid	(105,202)	(97,637)
Issuance of common stock from employee stock options exercised	10,973	11,936
Net cash provided by (used in) financing activities	80,771	(107,886)
Net increase(decrease)in cash and cash equivalents	(28,049)	59,367
Cash and cash equivalents at the beginning of year	64,119	4,752
Cash and cash equivalents at the end of year	$36,070	$64,119
Supplemental disclosure of cash flow information		
Interest paid	$1,490	$166
Capitalized interest	(1,010)	-
Cash paid for interest expenses excluding interest capitalized	$480	$166
Income taxes paid	$42,665	$49,020

The accompanying notes are an integral part of financial statements

SCI PHARMTECH, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(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.

In 2010 and 2009, the Company had 156 and 151 employees in average, 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.

(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.

a. Financial Assets and Liabilities at Fair Value through Profit or Loss

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.

b. 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. 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.

(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.

(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.

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.

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 – 2 to 55 years; and other fixed assets – 3 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 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: five years for auxiliary power lines charges.

(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 makes 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.

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.

(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.

(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.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(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 (Loss) 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 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.

4.CASH AND CASH EQUIVALENTS

	December 31	
	2010	2009
Cash on hand	$52	$-
Petty cash/ revolving funds	150	150
Deposit in banks	35,868	63,969
Total	$36,070	$64,119

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	2009
Financial asset - derivatives	$122	$813

6. NOTES RECEIVABLE – NET

	December 31	
	2010	2009
Notes receivable	$14,039	$10,315

7. ACCOUNTS RECEIVABLE - NET

	December 31	
	2010	2009
Accounts receivable	$185,222	$166,957
Less: Allowance for doubtful accounts	(2,860)	(2,248)
Net	$182,362	$164,709

8. INVENTORIES

	December 31	
	2010	2009
Raw materials	$64,429	$63,105
Work in process	117,741	92,181
Finished goods	128,179	109,287
Raw materials in Transit	2,663	2,886
Less: Allowance for loss on decline in market value and obsolescence	(52,800)	(59,174)
Net	$260,212	$208,285

	Years Ended December 31	
	2010	2009
Cost of goods sold	$666,549	$555,987
Loss (Gain) on inventory valuation	(6,373)	8,433
Loss on inventory obsolescence	5,542	9,948
Total	$665,718	$574,368

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

9. FINANCIAL ASSETS CARRIED AT COST – NON-CURRENT

	December 31			
	2010		2009	
Name of investees	Amount	Percentage owned	Amount	Percentage owned
Preferred Stock:				
Asan Laboratories Co., Ltd.	$127,320	19.94	$-	-

(1)The investments held by the Company are carried at cost because there are no published price quotations in active markets and their fair values could not be reliably measured.

(2)The Company's Board of Directors approved an investment in Asan Laboratories Co., Ltd. to acquire 6,862 thousand-share preferred stock amounting to NT$127,320 thousand (US$3,980 thousand) in January, 2010. As indicated in the contract, the preferred stock with liquidation preference initially converts 1:1 to common stock at any time at option of holder. Non-cumulative dividends will be paid on the preferred stock in an amount equal to US$0.04 per share of the preferred stock when and if declared by the Board.

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	December 31			
	2010		2009	
Name of subsidiaries	Amount	Percentage owned	Amount	Percentage owned
SCI Holding Universal Ltd.	$33,499	100	$22,873	100
Add(Less): Cumulative translation adjustment	(200)		1,665	
Total	$33,299		$24,538	

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(2)The gains or losses for 2010 and 2009 arising from investments accounted for using equity method are recognized based on the investees' respective audited financial statements for the same periods, as follows:

	Years ended December 31	
Investee	2010	2009
SCI Holding Universal Ltd.	$(5,015)	$(5,567)

(3)The Company increased the investment in SCI Holding Universal Ltd. with NT$15,640 thousand (US$490 thousand) in March 2010 and reinvested Nanjing SCI Pharmtech Ltd. through SCI Holding Universal Ltd. Please refer to the description in Note 25(3) for details.

(4)The Company has prepared 2010 and 2009 consolidated financial statements.

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

11.FIXED ASSETS

	December 31	
	2010	2009
Accumulated depreciation- Land improvements……………	$2,089	$4,033
Accumulated depreciation-Buildings and structures……..	131,694	119,541
Accumulated depreciation- Machinery and equipment…..	667,019	613,931
Accumulated depreciation-Transportation equipment…..	1,640	1,640
Accumulated depreciation-Office equipment…………..	14,176	13,733
Total………………………………………………………………..	$816,618	$752,878

(1)In May, 2008, the Company's Board of Directors approved the purchase of a farmland parcel 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 20 for details.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

12.SHORT-TERM BORROWINGS

	December 31	
	2010	2009
Unsecured loans…………………………………………	$175,000	$-
Interest rates	1.17%~1.35%	-

For information related to pledged assets for short-term borrowings, please refer to Note 20.

13.CAPITAL STOCK

(1)The Company's outstanding common stock as of December 31, 2010 amounted to NT$452,671 thousand, divided into 45,267 thousand shares at NT$10 par value.

(2)On June 9, 2010, the stockholders' meeting of the Company approved a capital increase by issuing 4,408 thousand new shares from retained earnings of NT$40,462 thousand and employee's bonus of NT$19,738 thousand respectively. The base date of the aforementioned capital increase was on August 12, 2010, approved by the Board of Directors.

(3)In 2010, the Company issued 397 thousand shares at NT$10 par value with the amount of NT$3,970 thousand from employee stock options exercise. Please refer to the description in Note 24(4).

(4)On June 19, 2009, the stockholders' meeting approved a capital increase 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 base date of the aforementioned capital increase was on August 12, 2009, approved by the Board of Directors.

(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	
	2010	2009
Additional paid-in capital	$134,074	$110,950
Gain on sale of fixed assets (after tax)	980	980
Total	$135,054	$111,930

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 and dividend policies

A. 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:

I. Bonuses to employees of at least 3% of the remaining net income; and

II. Consideration to directors and supervisors: 2%

f. Distributing dividends to stockholders as proposed by Board of Directors and resolved by the stockholders' meeting.

B. a. For the year ended December 31, 2010, the bonuses to employees and remuneration to directors and supervisors were accrued based on 16.37% 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. Distributions for the bonuses to employees and remunerations to directors and supervisors for years 2009 and 2008 had been proposed by Board of Directors and resolved by the stockholders' meetings, respectively. Please take the information about Board of Directors and stockholders' resolutions in respect of earnings appropriation from "the Market Observation Post System" on the website of the Taiwan Stock Exchange.

c. There were no differences between estimations and approved bonuses to employees and remunerations to directors and supervisors for years 2009 and 2008. Detailed distributions are as follows:

Distribution	2009	2008
I. Employees' cash bonus	$4,935	$4,665
II. Employee's stock bonus		
Number of shares (in thousands)	362	343
Amount	$19,738	$18,659
Percentage of total number of outstanding common shares as of December 31, 2009 and 2008, respectively	1%	1%
III. Remuneration of directors and supervisors	$2,927	$2,726

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

Function / Item	2010			2009		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Personnel cost						
Salary and wages	$94,800	$62,695	$157,495	$91,970	$60,932	$152,902
Labor and health insurance expense	5,609	2,481	8,090	5,112	2,224	7,336
Pension cost	4,770	2,190	6,960	4,444	2,033	6,477
Other personnel cost(note 1)	543	5,057	5,600	537	4,929	5,466
Depreciation(note 2)	91,005	13,094	104,099	79,552	12,764	92,316
Amortization	143	-	143	133	-	133

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.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

17. INCOME TAX

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

	Years ended December 31	
	2010	2009
Income tax payable - current	$27,724	$47,663
Deferred income tax expense (benefits)	(673)	(5,194)
Income tax adjustments on prior years	1,173	1,562
Tax on short-term bills	-	2
Additional tax at 10% on unappropriated earnings	70	248
Tax effect	2,139	3,566
Income tax expenses	$30,433	$47,847

Effective in May 2009 and June 2010, the Article 5 of the Income Tax Law of the Republic of China was amended, in which the income tax rate of profit-seeking enterprises would be reduced from 25% to 20% and from 20% to 17%, respectively. The Company recalculated its deferred tax assets and liabilities in accordance with the newly amended Article and adjusted the resulting difference as an income tax expense in 2010 and 2009, respectively.

(2) Deferred income tax liabilities and assets of 2010 and 2009 are as follows:

	December 31	
	2010	2009
A. Total deferred income tax assets	$13,001	$14,753
B. Total deferred income tax liabilities	$202	$488

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

C. Components of deferred income tax assets and liabilities resulting from temporary difference

	December 31	
	2010	2009
Deductible (taxable) temporary difference from bad debt loss	$1,107	$1,107
Deductible (taxable) temporary difference from loss on inventory valuation	$52,800	$59,173
Deductible (taxable) temporary difference from unrealized foreign exchange gain and loss	$6,076	$2,709
Deductible (taxable) temporary difference from recognition of pension expense	$(1,191)	$(2,408)
Deductible (taxable) temporary difference from loss on idle assets valuation loss	$625	$625
Deductible (taxable) temporary difference from other expenses	$2,757	$2,024
Deductible (taxable) temporary difference from equity in loss of equity method investees	$13,109	$8,094

	December 31	
	2010	2009
D. Deferred income tax assets - current	$10,666	$12,803
Deferred income tax liabilities - current	-	(6)
Net balance of deferred income tax assets (liabilities) - current	$10,666	$12,797

	December 31	
	2010	2009
E. Deferred income tax assets - noncurrent	$2,335	$1,949
Deferred income tax liabilities - noncurrent	(202)	(481)
Net balance of deferred income tax assets (liabilities) -noncurrent.	$2,133	$1,468

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

F. Adjustments between accrued income tax expenses and income tax expenses for the years ended December 31, 2010 and 2009 are as follows:

	Years ended December 31	
	2010	2009
Accrued income tax expenses-current	$34,250	$57,075
Deferred income tax expense (benefits) from loss on inventory valuation	1,083	(2,108)
Deferred income tax expense (benefits) from unrealized foreign exchange (gain) and loss	(572)	(1,578)
Deferred income tax expense (benefits) from pension expense	(207)	(234)
Deferred income tax expense (benefits) from loss on idle assets valuation loss	-	238
Deferred income tax expense (benefits) from depreciation expenses	(119)	(97)
Deferred income tax expense (benefits) from equity in loss of equity method investees	(853)	(1,392)
Deferred income tax expense (benefits) from other expenses	(5)	(23)
Prior year's adjustment	1,173	1,562
Tax on short-term bills	-	2
Additional tax at 10% on unappropriated earnings	70	248
Investment tax credits	(6,526)	(9,412)
Tax effect	2,139	3,566
Income tax expenses	$30,433	$47,847

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(3)Imputation credit account (ICA)

	December 31	
	2010	2009
Balance of ICA	$66,235	$65,318

	2010(Estimate)	2009(Actual)
Imputation tax credit ratio	18.55%	25.20%

As the Company had no actual Imputation tax credit ratio for 2010, an estimated amount is disclosed. The 2009 net income was appropriated in 2010. Accordingly, an actual Imputation tax credit ratio was available.

(4)Unappropriated retained earnings:

	December 31	
Year	2010	2009
Prior to 1997	$86,063	$86,063
After 1998	357,122	351,487
Total	$443,185	$437,550

(5)As of December 31, 2010, investment tax credits are as follows:

Year	Creditable amount	Deducted amount (Prior years)	Deducted amount (2010)	Remaining creditable amounts	Expiry year
2010	$6,526	$-	($6,526)	$-	2010

(6)In accordance with 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)Under Article 10 of the Statute for Industrial Innovation (SII) legislated and effective in May 2010, a company may deduct up to 15% of its research and development expenditures from its income tax payable for the year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for the same year. Article 10 is effective from January 1, 2010 to December 31, 2019.

(8)The Company's income tax returns through 2008 have been examined and cleared by the tax authority. However, regarding the income tax return of year 2008, the non-operating expenses of NT$312 thousand, tax-exempt income of NT$76 thousand, and investment tax credit of NT$3,061 thousand were not approved by the tax authority and the tax authority made a tax adjustment. The Company refused to accept the adjustments and requested a reexamination in accordance with the Tax Collection Act.

18.EARNINGS PER SHARE

	Year ended December 31, 2010				
	Amount (Numerator)		Number of shares (Denominator) (In thousands)	EPS(NT$)	
	Pretax	Aftertax		Pretax	Aftertax
Net Income (loss)	$201,677	$171,244			
Basic EPS					
Earnings available to common stockholders	$201,677	$171,244	44,808	$4.50	$3.82
Effect of dilutive potential common shares					
Stock options	-	-	209		
Bonus to employees	-	-	580		
Diluted EPS					
Earnings available to common stockholders (including effect of dilutive potential common shares)	$201,677	$171,244	45,597	$4.42	$3.76

	Year ended December 31, 2009				
	Amount (Numerator)		Number of shares (Denominator) (In thousands)	EPS(NT$)	
	Pretax	Aftertax		Pretax	Aftertax
Net Income (loss)	$214,159	$166,312			
Basic EPS					
Earnings available to common stockholders	$214,159	$166,312	44,508	$4.81	$3.74
Effect of dilutive potential common shares					
Stock options	-	-	425		
Bonus to employees	-	-	499		
Diluted EPS					
Earnings available to common stockholders (including effect of dilutive potential common shares)	$214,159	$166,312	45,432	$4.71	$3.66

Potential shares from bonus to employees should be included in the weighted average number of outstanding shares 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	
	2010	2009
Beginning balance – common shares	40,462	36,162
Add： Employee stock options exercised	164	341
Issuance of stockholders’ stock dividends	4,046	7,662
Employee stock bonus	136	343
Total	44,808	44,508

(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			
	2010		2009	
	Amount	%	Amount	%
Siegfried Ltd.	$-	-	$5,123	0.57
Siegfried (USA), Inc.	19,484	1.96	27,795	3.07
Total	$19,484	1.96	$32,918	3.64

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

B.Accounts receivables

	December 31			
	2010		2009	
	Amount	%	Amount	%
Siegfried (USA), Inc.	$4,299	2.27	$14,953	8.22

C.Advertisement expense

	Years ended December 31			
	2010		2009	
	Amount	%	Amount	%
Mercuries & Associates, Ltd.	$190	15.74	$952	92.88

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

(3)Remuneration of directors, supervisors and managers

In 2010 and 2009, remunerations to directors, supervisors and managers were $30,336 thousand and $26,568 thousand, respectively. The total remuneration for the year ended December 31, 2010 includes estimated bonuses to employees and remuneration to directors and supervisors of the Company that relate to 2010 but will be paid in the following year. The actual amount will be finalized, approved, and paid in accordance with the resolution of the stockholders' meeting in 2011. The total remuneration for the year ended December 31, 2009 included the remuneration and bonuses estimated on 2009 profit was approved by the stockholders' meeting held in 2010. The information about the remuneration of directors, supervisors and managers is available in the annual report for the stockholders' meeting.

20.PLEDGED ASSETS

	December 31	
Item	2010	2009
Land	$42,736	$42,736
Buildings	26,150	30,260
Total	$68,886	$72,996

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

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

21.SIGNIFICANT COMMITMENTS AND CONTINGENCIES

	December 31	
	2010	2009
Unused letters of credit for purchase of materials	$11,257	$645

22.SERIOUS DAMAGES: None

23.SUBSEQUENT EVENTS: None

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

24.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$3,582 thousand and NT$3,370 thousand for the years ended December 31, 2010 and 2009, 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. Net periodic pension cost：

	Years ended December 31	
	2010	2009
Service cost	$2,197	$2,334
Interest cost	1,449	1,463
Projected return on plan assets	(984)	(1,209)
Amortization	715	519
Net periodic pension cost	$3,377	$3,107

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2010 and 2009：

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$(17,040)	$(9,239)
Nonvested benefit obligation	(41,865)	(45,179)
Accumulated benefit obligation	(58,905)	(54,418)
Additional benefits based on future salaries	(11,361)	(10,879)
Projected benefit obligation	(70,266)	(65,297)
Fair value of plan assets	50,612	48,803
Funded status	(19,654)	(16,494)
Unrecognized net transition obligation (asset)	195	226
Unrecognized net gain and loss	20,820	18,846
Minimum pension liability	(9,654)	(8,193)
(Accrued pension cost) prepaid pension cost	$(8,293)	$(5,615)
Deferred pension costs	$195	$226
Net loss not recognized as pension cost	$9,459	$7,967
Vested benefit	$(19,669)	$(10,414)

c. Actuarial assumptions

	Years ended December 31	
	2010	2009
Discount rate	2.25%	2.25%
Future salary increase rate	1.50%	1.50%
Expected rate of return on plan assets	2.00%	2.00%

(2) The Information for financial instruments:

	December 31					
	2010			2009		
		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 carried at cost-non current	$127,320	$-	$-	$-	$-	$-
Derivative financial instruments						
Financial assets ：						
Financial assets at fair value through profit or loss-current	$122	$122	$-	$813	$813	$-

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.

A. 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.

B. 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.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

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, 2010			December 31, 2009		
	Book value	Nominal amount (Thousands)	Contract period	Book value	Nominal amount (Thousands)	Contract period
Forward exchange contracts (Buy NTD/Sell JPY)	$122	JPY28,000	2010.10.20 ~2011.1.18	$813	JPY28,948	2009.11.27 ~2010.02.25

The Company concluded the foreign currency forward contracts of 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, 2010 and 2009 the nominal amounts of the contracts are JPY 28,000 thousand and 28,948 thousand, respectively. For the years ended December 31, 2010 and 2009, net gains are NT$122 thousand and NT$813 thousand, respectively.

(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 plan, the options were 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 options are 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			
	2010		2009	
	Options (Thousands)	Weighted-average exercise price per share(NTD)	Options (Thousands)	Weighted-average exercise price per share(NTD)
Outstanding at beginning of period	759	$31.30	1,100	$37.04
Granted	-	-	-	-
Exercised	(397)	-	(341)	-
Forfeited	-	-	-	-
Outstanding at end of period	363	$26.10	759	$31.30
Exercisable at end of period	87	-	209	-

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

C. Information about the Company's outstanding stock options as of December 31, 2010, is as follows：

	Options Outstanding			Options Exercisable	
Range of exercise price (NTD)	Number of options (Thousands)	Weighted-average remaining contractual life	Weighted-average exercise price (NTD)	Number of options (Thousands)	Weighted-average exercise price (NTD)
$26.10	363	2.5	$26.10	87	$26.10

D. No compensation cost was recognized under the intrinsic value method for the year ended December 31, 2010. 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, 2010 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	2.5 years

		Years ended December 31	
		2010	2009
Net income	Net income as reported	$171,244	$166,312
	Pro forma net income	170,895	165,605
Earnings per share(EPS)-after income tax	Basic EPS as reported	3.82	3.74
	Pro forma EPS	3.81	3.72
Diluted earnings per share(EPS)-after income tax	Diluted EPS as reported	3.76	3.66
	Pro forma diluted EPS	3.75	3.65

(5) The significant financial assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2010		2009	
	Foreign currency	Exchange rate	Foreign currency	Exchange rate
Financial assets				
Monetary assets				
USD	$4,111	29.08	$5,099	32.04
EUR	$529	38.72	$60	45.90
Investments accounted for using equity method				
USD	$1,143	29.13	$766	32.03
Financial liabilities				
Monetary liabilities				
USD	$914	29.18	$657	32.04

(6) Reclassifications:

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2010.

25. 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: Please refer to Table 2 attached;

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. Financial instruments and derivative transactions: Please refer to Note 24(2);

J. Names, locations, and related information of investees on which the Company exercises significant influence: Please refer to Table 3 attached;

(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, 2010, the investment amounting to US$1,500 thousand had been wired to SCI Holding Universal Ltd., and thus SCI Holding Universal Ltd. invested US$1,490 thousand into Nanjing SCI Pharmtech Ltd. For other related information, please refer to Table 4 attached.

B. Significant direct or indirect transactions with the investees, their prices, 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 financial information is not applicable to the Company.

(3) Export sales information ：

The Company's information on export sales in 2010 and 2009 is as below:

	Years ended December 31	
	2010	2009
ASIA	$184,400	$230,905
AMERICA	163,199	70,038
EUROPE	412,325	442,884
Total	$759,924	$743,827

(4) Major customers：

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

	Years ended December 31			
	2010		2009	
Name	Amount	%	Amount	%
Client A	$54,579	5.49	$127,002	14.02
Client B	114,082	11.47	74,877	8.27
Client C	53,464	5.38	100,094	11.05
Client D	175,141	17.61	63,399	7.00
Total	$397,266	39.95	$365,372	40.34

Table 1

SCI PHARMTECH, INC.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(Amounts in thousands of New Taiwan Dollars and shares (units), unless otherwise specified)

Held Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Guarantee or Pledge Information
					Shares／units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
SCI PHARMTECH, INC.	Stocks	ASAN LABORATORIES CO., LTD.	-	Financial assets carried at cost-non current	6,862	127,320	19.94%	US$0.12 (Note 1)	None
SCI PHARMTECH, INC.	Stocks	SCI HOLDING UNIVERSAL LTD.	Investee accounted for using equity method	Investments accounted for using equity method	-	33,299	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	-	33,210	100.00%	Carrying Value (Note 1)	None

Note 1：The calculation was based on audited financial statements as of December 31, 2010.

SCI PHARMTECH, INC.

Table 2

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in thousands of New Taiwan Dollars and shares (units), unless otherwise specified)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount (NT$ in Thousands)	Shares/Units (In Thousands)	Amount (NT$ in Thousands)	Shares/Units (In Thousands)	Amount (NT$ in Thousands)	Carrying Value (NT$ in Thousands)	Gain(Loss) of Disposal (NT$ in Thousands)	Shares/Units (In Thousands)	Amount (NT$ in Thousands)
SCI PHARMTECH, INC.	ASAN LABORATORIES CO., LTD.	Financial assets carried at cost- non current	-	-	-	-	6,862	$127,320	-	-	-	-	6,862	$127,320

Table 3

SCI PHARMTECH, INC

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

DECEMBER 31, 2010

(Amounts in thousands of New Taiwan Dollars and shares (units), unless otherwise specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2010			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 31,2010	December 31,2009	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	$46,607	$30,967	-	100.00%	$33,299	$33,299	($5,015)	($5,015)	-	-	Subsidiary Company
SCI HOLDING UNIVERSAL LTD.	NANJING SCI PHARMTECH LTD.	Nanjing	manufacture and research pharmaceuticals, pharmaceutical intermediates	$45,975	$30,335	-	100.00%	$33,210	$33,210	($4,961)	($4,961)	-	-	Subsidiary Company

Table 4

SCI PHARMTECH, INC.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts in thousands of New Taiwan Dollars and shares (units), 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, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
NANJING SCI PHARMTECH LTD.	manufacture and research pharmaceuticals, pharmaceutical intermediates	$45,975	Note 1	$30,335	$15,640	-	$45,975	100.00%	($4,961)	$33,210	$0

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment(Note 3)
$45,975	USD1,500 thousand	$678,740

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.