SCINOPHARM TAIWAN, LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of ScinoPharm Taiwan, Ltd.

We have audited the accompanying non-consolidated balance sheets of ScinoPharm Taiwan, Ltd. as of December 31, 2012 and 2011, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of ScinoPharm Taiwan, Ltd. and its subsidiaries (not presented herein) as of and for the years ended December 31, 2012 and 2011. In our report dated March 22, 2013, we expressed a modified unqualified opinion and an unqualified opinion on the 2012 and 2011 financial statements, respectively.

PricewaterhouseCoopers, Taiwan

March 22, 2013

The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	2012	2011
Current Assets			
Cash and cash equivalents	4(1)	$ 2,584,773	$ 3,080,455
Financial assets at fair value through profit or loss - current	4(2) and 10	473	2,066
Accounts receivable, net	3 and 4(3)	841,334	843,817
Other receivables	3	3,470	14,524
Other receivables - related parties	3 and 5	9,040	4,752
Other financial assets - current	6	-	15,552
Inventories, net	4(4)	1,733,533	1,449,852
Prepayments	4(5)	204,762	168,631
Deferred income tax assets - current	4(18)	854	13,974
Total Current Assets		5,378,239	5,593,623
Funds and Investments			
Financial assets carried at cost - non-current	4(6)(7)(11)	149,555	-
Long-term investments accounted for under the equity method	4(6)(7)	1,242,315	1,131,951
Other financial assets - non-current	6	39,369	23,817
Total Funds and Investments		1,431,239	1,155,768
Property, Plant and Equipment	4(8)		
Cost			
Buildings		1,777,768	1,711,896
Machinery and equipment		3,526,151	3,322,654
Transportation equipment		11,309	9,007
Office equipment		63,452	57,665
Leased assets		-	14,970
Other equipment		5,030	5,030
Cost and Revaluation Increments		5,383,710	5,121,222
Less: Accumulated depreciation		(2,945,429)	(2,665,658)
Construction in progress and prepayments for equipment		570,348	136,222
Total Property, Plant and Equipment, Net		3,008,629	2,591,786
Intangible Assets			
Deferred pension costs	4(12)	-	959
Other intangible assets	4(9)(11)	1,538	2,026
Total Intangible Assets		1,538	2,985
Other Assets			
Idle assets	4(10)(11)	6,445	9,849
Refundable deposits		2,719	2,525
Deferred income tax assets - non-current	4(18)	100,815	61,779
Total Other Assets		109,979	74,153
TOTAL ASSETS		$ 9,929,624	$ 9,418,315

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SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2012	2011
Current Liabilities			
Notes payable		$ 1,045	$ 83
Accounts payable		125,220	183,521
Accounts payable - related parties	5	18,017	77,872
Income tax payable	4(18)	169,991	112,898
Accrued expenses	5	363,042	329,855
Other payables		126,075	40,852
Receipts in advance		2,183	16,946
Capital lease payable - current	5	-	964
Other current liabilities		-	19,804
Total Current Liabilities		805,573	782,795
Other Liabilities			
Accrued pension liabilities	4(12)	30,179	27,709
Guarantee deposits received		-	250
Total Other Liabilities		30,179	27,959
Total Liabilities		835,752	810,754
Stockholders' Equity			
Capital			
Common stock	1, 4(13)(16)	6,499,300	6,310,000
Capital Reserves	4(13)(14)(15)		
Additional paid-in capital in excess of par - common stock		1,233,286	1,233,286
Capital reserve from stock warrants		13,691	13,691
Retained Earnings	4(13)(16)		
Legal reserve		103,897	7,962
Undistributed earnings		1,224,246	970,012
Other Adjustment to Stockholders' Equity			
Cumulative translation adjustments	4(6)	19,452	72,610
Total Stockholders' Equity		9,093,872	8,607,561
Commitments	7		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 9,929,624	$ 9,418,315

The accompanying notes are an integral part of these non-consolidated financial statements.

SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	2012	2011
Operating Revenue			
Sales		$ 4,676,959	$ 3,947,294
Sales returns		(58,552)	(55,846)
Sales discounts		(83,706)	(5,045)
Net Sales		4,534,701	3,886,403
Technical service revenues	5	37,497	62,052
Net Operating Revenues		4,572,198	3,948,455
Operating Costs	4(4)(17) and 5		
Cost of goods sold		(2,333,778)	(2,038,896)
Cost of technical service		(13,297)	(24,405)
Net Operating Costs		(2,347,075)	(2,063,301)
Gross profit		2,225,123	1,885,154
Operating Expenses	4(17) and 5		
Sales and marketing expenses		(173,012)	(157,461)
General and administrative expenses		(366,679)	(326,912)
Research and development expenses		(262,709)	(256,307)
Total Operating Expenses		(802,400)	(740,680)
Operating income		1,422,723	1,144,474
Non-operating Income and Gains			
Interest income		24,111	16,683
Foreign exchange gain, net		-	21,705
Reversal of impairment loss	4(10)(11)	5,857	1,841
Gain on valuation of financial assets	4(2) and 10	13,300	-
Other non-operating income	5	80,042	40,548
Total Non-operating Income and Gains		123,310	80,777
Non-operating Expenses			
Interest expense		(29)	(108)
Investment loss accounted for under the equity method	4(7)	(93,167)	(63,550)
Loss on disposal of property, plant and equipment		(933)	(888)
Foreign exchange loss, net		(43,341)	-
Depreciation on idle assets		(6,796)	(7,394)
Loss on valuation of financial assets	4(2) and 10	-	(21,172)
Other non-operating losses		(1,373)	(8,004)
Total Non-operating Expenses and Losses		(145,639)	(101,116)
Income before income tax		1,400,394	1,124,135
Income tax expense	4(18)	(229,925)	(164,780)
Net Income		$ 1,170,469	$ 959,355

		2012 Before Tax	2012 After Tax	2011 Before Tax	2011 After Tax
Basic Earnings Per Share (in dollars)					
Net income	4(19)	$ 2.15	$ 1.80	$ 1.77	$ 1.51
Diluted Earnings Per Share (in dollars)					
Net income	4(19)	$ 2.15	$ 1.80	$ 1.77	$ 1.51

The accompanying notes are an integral part of these non-consolidated financial statements.

SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in thousands of New Taiwan dollars)

	Common stock	Capital Reserves	Retained Earnings: Legal Reserve	Retained Earnings: Undistributed earnings	Cumulative translation adjustments	Total
2011						
Balance at January 1, 2011	$ 6,100,000	$ 499,012	$ -	$ 79,619	($ 1,359)	$ 6,677,272
Distribution of 2010 net income (Note)						
Legal reserve	-	-	7,962	(7,962)	-	-
Cash dividends	-	-	-	(61,000)	-	(61,000)
Issuance of common stock	210,000	747,020	-	-	-	957,020
Employee compensation costs by issuance of common stock	-	945	-	-	-	945
Net income for 2011	-	-	-	959,355	-	959,355
Cumulative translation adjustment	-	-	-	-	73,969	73,969
Balance at December 31, 2011	$ 6,310,000	$ 1,246,977	$ 7,962	$ 970,012	$ 72,610	$ 8,607,561
2012						
Balance at January 1, 2012	$ 6,310,000	$ 1,246,977	$ 7,962	$ 970,012	$ 72,610	$ 8,607,561
Distribution of 2011 net income (Note)						
Legal reserve	-	-	95,935	(95,935)	-	-
Cash dividends	-	-	-	(631,000)	-	(631,000)
Stock dividends	189,300	-	-	(189,300)	-	-
Net income for 2012	-	-	-	1,170,469	-	1,170,469
Cumulative translation adjustment	-	-	-	-	(53,158)	(53,158)
Balance at December 31, 2012	$ 6,499,300	$ 1,246,977	$ 103,897	$ 1,224,246	$ 19,452	$ 9,093,872

(Note) The employees' bonuses were $143 and $1,727, and directors' and supervisors' remuneration were $1,433 and $17,268 in 2010 and 2011, respectively, which had been deducted from net income for the year.

The accompanying notes are an integral part of these non-consolidated financial statements.

SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,170,469	$ 959,355
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on valuation of financial assets	1,593	5,323
Write-off of allowance for doubtful accounts	-	(228)
Reversal of allowance for doubtful accounts	(4,115)	(59)
Loss on inventory market price decline	41,191	11,055
Provision for obsolescence of supplies	-	6,620
Reversal of allowance for obsolescence of supplies	(11,009)	-
Investment loss accounted for under the equity method	93,167	63,550
Depreciation	325,839	332,433
Loss on disposal of property, plant and equipment and idle assets	933	1,602
Reversal of impairment loss	(5,857)	(1,841)
Amortization	858	1,049
Realized gain between affiliated companies	(19,804)	(2,273)
Employee compensation costs through issuance of common stock	-	945
Effect of exchange rate changes on cash	40,788	23,977
Changes in assets and liabilities		
Notes receivable	-	4,866
Accounts receivable	6,598	(112,508)
Other receivables	11,054	(7,829)
Other receivables - related parties	(4,288)	(260)
Inventories	(324,872)	(216,576)
Prepayments	(25,122)	(51,566)
Deferred income tax assets - current	13,120	19,471
Deferred pension costs	959	(959)
Deferred income tax assets - non-current	(39,036)	31,074
Notes payable	962	(3,005)
Accounts payable	(58,301)	70,343
Accounts payable - related parties	(59,855)	53,281
Income tax payable	57,093	67,965
Accrued expenses	33,187	39,910
Other payables	72	(1,051)
Receipts in advance	(14,763)	(12,562)
Accrued pension liabilities	2,470	3,264
Net cash provided by operating activities	1,233,331	1,285,366

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SCINOPHARM TAIWAN, LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in time deposits pledged	$ -	($ 20,309)
Increase in long-term investments - subsidiaries	(406,244)	(454,128)
Proceeds from liquidation of long-term investment	-	3,897
Cash paid for acquisition of property, plant and equipment	(650,167)	(345,866)
Increase in other intangible assets	(370)	(2,574)
(Increase) decrease in refundable deposits	(194)	292
Net cash used in investing activities	(1,056,975)	(818,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	(250)	-
Cash dividends paid	(631,000)	(61,000)
Issuance of common stock	-	957,020
Net cash (used in) provided by financing activities	(631,250)	896,020
Effect of exchange rate changes on cash	(40,788)	(23,977)
(Decrease) increase in cash and cash equivalents	(495,682)	1,338,721
Cash and cash equivalents at beginning of year	3,080,455	1,741,734
Cash and cash equivalents at end of year	$ 2,584,773	$ 3,080,455
Supplemental disclosures of cash flow information		
1.Interest paid (excluding capitalized interest)	$ 29	$ 108
2.Income tax paid	$ 198,748	$ 46,270
Investing activities with partial cash payment		
Acquisition of property, plant and equipment	$ 734,354	$ 330,938
Add: Other payables, beginning of year	37,545	50,592
Capital lease payable, beginning of year	964	2,845
Less: Other payable, end of year	(122,696)	(37,545)
Capital lease payable, end of year	-	(964)
Cash paid for acquisition of property, plant and equipment	$ 650,167	$ 345,866
Other activities with no cash flow effect		
Long-term equity investments accounted for under the equity method and cumulative translation adjustments transferred to financial assets carried at cost	$ 149,555	$ -

The accompanying notes are an integral part of these non-consolidated financial statements.

SCINOPHARM TAIWAN, LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(a)ScinoPharm Taiwan, Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China on November 11, 1997, with a paid-in capital of $675,000. As of December 31, 2012, the Company's authorized capital was $10,000,000 and the paid-in capital was $6,499,300, consisting of 649,930,000 shares of common stock with a par value of $10 (NT dollars) per share. The Company is engaged in the research and development and manufacture of materials for medicine, as well as the provision of related consulting, technical services and international trade. The Company's investment plan for the manufacturing of medicine materials was approved by the Industrial Development Bureau of MOEA on May 13, 1998 and complies with the standards of important technical industry application.

(b)As of December 31, 2012, the Company had approximately 710 employees.

(c)The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2011.

(d)Uni-President Enterprises Corp., the Company's ultimate parent company, holds 37.94% equity interest in the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China. The Company's significant accounting policies are summarized as follows:

(1) Foreign currency transactions and translation

(a)Transactions arising in foreign currencies, except for derivative financial instruments, are translated into functional currency at the exchange rates prevailing at the dates of the transactions. The difference is recognized as foreign exchange gain or loss upon actual receipts and disbursements.

(b)Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are in nature, deemed long term is accounted for as a reduction in stockholders' equity.

(c)When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

(2) Classification of current and non-current items

(a)Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(i)Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

(ii)Assets held mainly for trading purposes;

(iii)Assets that are expected to be realized within 12 months from the balance sheet date;

(iv)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

(b)Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(i)Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(ii)Liabilities arising mainly from trading activities;

(iii)Liabilities to be paid off within 12 months from the balance sheet date; and

(iv)Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

(3) Cash equivalents

(a)Cash equivalents represent short-term, highly liquid investments that are readily convertible into fixed amounts of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

(b)The Company's statement of cash flows is prepared on the basis of cash and cash equivalents.

(4) Financial assets and financial liabilities at fair value through profit or loss

(a)Equity investments are recognized using trade date accounting. Debt instruments, beneficiary certificates and derivative financial instruments are recognized and derecognized using settlement date accounting. All are recognized initially at fair value.

(b)These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

(c)For derivatives that do not qualify for hedge accounting, if the derivative is an option, then the transaction is recognized at fair value on the trade date, and if the derivative is not an option, then the transaction is recognized at zero fair value on the trade date.

(d)Financial assets and financial liabilities at fair value through profit or loss are classified into asset or liability held for trading and those designated at fair value through profit or loss at inception. Financial assets and financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets and financial liabilities designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Company's investment strategy. Information about these financial assets and financial liabilities are provided internally on a fair value basis to the Company's management. The Company's investment strategy is to invest free cash resources in equity securities or convertible bonds as part of the Company's long-term capital growth strategy. The Company has designated almost all of its compound debt instruments as financial liabilities at fair value through profit or loss.

(5) Notes receivable and accounts receivable, other receivables

(a)Notes receivable and accounts receivable are claims generated from the sale of goods or services. Other receivables are those receivables arising from transactions other than the sale of goods or services. Notes receivable, accounts receivable and other receivables are recognized initially at fair value, and are subsequently measured at amortized cost less impairment using the effective interest method.

(b)The Company recognizes impairment loss on the financial instruments when there is an objective evidence of impairment. The amount of impairment is the book value less the present value of estimated future cash flows, discounted by original effective interest rate. If, subsequently, an event, directly related to impairment, indicates a decrease in impairment, the impairment loss recognized in prior years shall be recovered. The book value of the financial instruments after recovering the impairment shall not exceed the amortized cost that would have been had no impairment been previously recognized.

(6) Inventories

The perpetual inventory system is adopted for inventory recognition. The cost is determined using the weighted average method. Allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. At the end of year, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories is recognized as cost of sales during the period; and the amount of any reversal of inventory write-down is recognized as a reduction in cost of sales during the period.

(7) Financial assets carried at cost

(a)Investment in unquoted equity instruments is recognized or derecognized using trade date accounting, and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(b)If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

(8) Long-term equity investments accounted for under the equity method

(a)Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of investee is attributable to goodwill.

(b)Long-term investments in which the Company owns at least 50% of the investee company's voting rights, or in which the Company has the ability to exercise significant influence, are included in the consolidated financial statements.

(c)Effective January 1, 2005, investment loss on the non-controlled entities over which the Company has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees. In the case of controlled entities, the Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the profits shall be allocated to the Company to the extent that the amount of losses previously recognized by the Company is fully recovered.

(d)For foreign innvestments accounted for under the equity method, the Company's proportionate share for the investee company's cumulative translation adjustment, resulting from translating the foreign investee company's financial statements into New Taiwan Dollars, is recognized by the Company and included as "cumulative translation adjustment" under stockholders' equity.

(9) Property, plant and equipment and idle assets

(a)Property, plant and equipment and idle assets are stated at cost. Interest incurred in connection with the acquisition or construction required to bring the asset to the condition and location for its intended use is capitalized. Major renewals, betterments and additions are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

(b)Depreciation is determined using the straight-line method over the estimated economic useful lives. The useful lives of major depreciable assets and idle assets are 2-12 years, except for machinery and equipment which is 2-35 years.

(c) Idle assets are stated at the lower of book value or net realizable value and are reclassified as other assets. The difference between the book value and net realizable value is recorded as a loss in the current period. Depreciation recognized for the period is recorded as non-operating expenses and losses.

(d) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss on disposal is recorded as non-operating income or loss.

(10) Other intangible assets

Other intangible assets consist of technology know-how and computer software costs which are capitalized and amortized on the straight-line basis over the estimated useful life of 3-10 years.

(11) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

(12) Retirement plan and net periodic pension cost

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, unrecognized net transition asset (obligation), and amortization of gains or losses on plan assets and prior service cost. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(13) Income tax

(a) The Company adopted R.O.C. SFAS No. 22, "Accounting for Income Tax", whereby income tax is provided based on accounting income after adjusting for permanent differences, and inter-period and intra-period allocation of income tax was adopted. The tax effects of taxable temporary differences are recorded as deferred tax liabilities; while the tax effects of deductible temporary differences, net operating loss carryforwards and income tax credits are recorded as deferred tax assets. A valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. Deferred tax assets or liabilities are classified into current or non-current items in accordance with the nature of the balance sheet account or the period realization is expected. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is reported as an adjustment to current income tax expense (benefit). Adjustments of prior years' income tax liabilities are included in the current year's income tax expense.

(b)The Company adopted R.O.C. SFAS No. 12, “Accounting for Investment Tax Credits”, whereby investment tax credits from the acquisition of machinery and equipment, research and development expenditures and investments in stocks are recognized in the year the related expenditures are incurred.

(c)In accordance with R.O.C. Income Tax Law, the Company’s undistributed earnings is subject to an additional 10% corporate income tax. The tax is charged to income tax expense after the appropriation of earnings is approved by the stockholders in the following year.

(d)Effective January 1, 2006, the Company adopted the "Income Basic Tax Act". If the amount of regular income tax is more than or equal to the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the income tax payable shall also include the difference between the amount of regular income tax and basic tax, in addition to the amount as calculated in accordance with the "Income Tax Act" and other relevant laws. The balance calculated in accordance with the provisions shall not allow for deductions claimed in regard to investment tax credits granted under the provisions of other laws.

(14) Share-based payment – Employee compensation plan

For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

(15) Employees’ bonuses and directors’ and supervisors’ remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses and directors’ and supervisors’ remuneration are different from the actual distributed amounts resolved by the stockholders at the annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(16) Use of estimates

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

(17) Revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Related costs are recognized to match the timing of revenue recognition. Expenses are recorded as incurred.

(18) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial assets or financial liabilities classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

(19) Operating segments

The segment information reported is consistent with the internal management reports provided to the Company's chief operating decision maker. The chief operating decision maker is responsible for allocating resources to operating segments and evaluating their performance. The Company discloses the operating segments information in the consolidated financial statements in accordance with R.O.C. SFAS No. 41, "Operating Segments".

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes receivable, accounts receivable and other receivables

Effective January 1, 2011, the Company prospectively adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The Company recognizes impairment loss on notes receivable, accounts receivable and other receivables when there is an objective evidence of impairment. This accounting change had no significant effect on the Company's financial statements as of and for the year ended December 31, 2011.

(2) Operating segments

Effective January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments" which supersedes SFAS No. 20, "Segment Reporting." This accounting change had no significant effect on the net income and earnings per common share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash:		
Cash on hand	$ 92	$ 30
Checking accounts	1,245	194
Demand deposits	44,392	50,514
Time deposits	2,393,288	2,969,883
	2,439,017	3,020,621
Cash equivalents:		
Bills under repurchase agreement	145,756	59,834
	$ 2,584,773	$ 3,080,455

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2012	December 31, 2011
Current items:		
Financial assets held for trading		
Derivative-Foreign currency forward contracts	$ 473	$ 2,066

(a)The Company recognized a net gain (loss) of $13,300 and ($21,172) for the years ended December 31, 2012 and 2011, respectively.

(b)The trading items and contract information of derivatives are as follows:

	December 31, 2012		December 31, 2011	
	Contract Amount	Contract Period	Contract Amount	Contract Period
Forward exchange contracts	USD14,820,000	2012.11.19～2013.2.22	USD 7,323,000	2011.11.25～2012.2.17
			EUR 1,100,000	2011.11.21～2012.1.20

The forward exchange contracts were entered into to hedge the change in exchange rate due to import and export, but not adopting hedge accounting. The fair value was recognized as financial assets held for trading.

3. ACCOUNTS RECEIVABLE, NET

	December 31, 2012	December 31, 2011
Accounts receivable	$ 841,359	$ 847,957
Less: Allowance for doubtful accounts	(25)	(4,140)
	$ 841,334	$ 843,817

4. INVENTORIES, NET

	December 31, 2012		
	Cost	Allowance	Book Value
Raw materials	$ 466,556	($ 34,618)	$ 431,938
Supplies	11,319	(856)	10,463
Work in process	742,616	(39,375)	703,241
Finished goods	751,779	(163,888)	587,891
	$ 1,972,270	($ 238,737)	$ 1,733,533

	December 31, 2011		
	Cost	Allowance	Book Value
Raw materials	$ 450,773	($ 45,596)	$ 405,177
Supplies	10,336	(1,167)	9,169
Work in process	610,817	(30,835)	579,982
Finished goods	575,472	(119,948)	455,524
	$ 1,647,398	($ 197,546)	$ 1,449,852

Expenses and losses of inventories recognized:

	For the years ended December 31,	
	2012	2011
Cost of inventories sold	$ 2,154,985	$ 1,917,890
Loss on inventory market price decline	41,191	11,055
Idle capacity	36,635	30,261
Loss on production stoppage	16,468	12,572
Loss on discarding inventory	80,099	66,226
Loss on physical inventory	4,400	892
Cost of goods sold	$ 2,333,778	$ 2,038,896

5. PREPAYMENTS

	December 31, 2012	December 31, 2011
Supplies	$ 122,850	$ 106,336
Prepayment for materials	72,346	68,865
Prepaid expense	38,972	33,845
	234,168	209,046
Less: Allowance for obsolescence of supplies	(29,406)	(40,415)
	$ 204,762	$ 168,631

6. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2012	December 31, 2011
Non-current items:		
Unlisted stocks		
Tanvex Biologics, Inc.	$ 149,555	$ -
SYNGEN, INC.	4,620	4,620
	154,175	4,620
Less: Accumulated impairment	(4,620)	(4,620)
	$ 149,555	$ -

(a)The above investments were measured at cost since its fair value cannot be measured reliably.

(b)Tanvex Bioloics, Inc. ("Tanvex") increased its capital on January 19, 2012. The Company did not subscribe to the capital increase proportionately. Accordingly, the Company lost its significant influence in Tanvex as its ownership percentage decreased from 36.36% to 17.02%. The Company then reclassified Tanvex from long-term investment accounted for under the equity method to financial assets carried at cost.

(c)For details of the accumulated impairment, please refer to Note 4 (11).

7. LONG–TERM INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

(a) Details of long-term equity investments accounted for under the equity method are set forth below:

	December 31, 2012		December 31, 2011	
Name of subsidiaries	Book value	Percentage owned	Book value	Percentage owned
SPT International, Ltd.	$ 1,239,905	100.00%	$ 957,265	100.00%
ScinoPharm Singapore Pte Ltd.	5	100.00%	-	100.00%
President ScinoPharm (Cayman), Ltd.	2,405	60.00%	2,579	60.00%
Tanvex Biologics, Inc.	-	-	172,107	36.36%
	$ 1,242,315		$ 1,131,951	

(b)Long-term investment loss accounted for under the equity method were $93,167 and $63,550 for the years ended December 31, 2012 and 2011, respectively. As of and for the years ended December 31, 2012 and 2011, the Company's long-term investments in the investee companies accounted for under the equity method were measured based on the investees' financial statements which were audited by independent auditors.

(c)Please refer to Note 4(6) for the details of long-term investment accounted for under the equity method reclassified to financial assets carried at cost.

8. PROPERTY, PLANT AND EQUIPMENT, NET

(a) As of December 31, 2012 and 2011, accumulated depreciation of property, plant and equipment are listed as follows:

Assets	December 31, 2012	December 31, 2011
Buildings	$ 483,338	$ 418,816
Machinery and equipment	2,405,784	2,183,951
Transportation equipment	7,386	6,507
Office equipment	43,891	36,384
Leased assets	-	14,970
Other equipment	5,030	5,030
	$ 2,945,429	$ 2,665,658

(b) As of December 31, 2012 and 2011, no interest was capitalized in property, plant and equipment.

9. OTHER INTANGIBLE ASSETS

As of December 31, 2012 and 2011, other intangible assets are as follows:

December 31, 2012	Technology know-how	Computer software costs	Total
Balance at January 1, 2012 Initial cost	$ 413,042	$ 12,407	$ 425,449
Accumulated amortization	(405,000)	(10,381)	(415,381)
Accumulated impairment	(8,042)	-	(8,042)
January 1, 2012 net book value	-	2,026	2,026
Addition	-	370	370
Amortization	-	(858)	(858)
Balance at December 31, 2012 Initial cost	413,042	12,777	425,819
Accumulated amortization	(405,000)	(11,239)	(416,239)
Accumulated impairment	(8,042)	-	(8,042)
December 31, 2012 net book value	$ -	$ 1,538	$ 1,538

December 31, 2011	Technology know-how	Computer software costs	Total
Balance at January 1, 2011 Initial cost	$ 413,042	$ 9,833	$ 422,875
Accumulated amortization	(405,000)	(9,332)	(414,332)
Accumulated impairment	(8,042)	-	(8,042)
January 1, 2011 net book value	-	501	501
Addition	-	2,574	2,574
Amortization	-	(1,049)	(1,049)
Balance at December 31, 2011 Initial cost	413,042	12,407	425,449
Accumulated amortization	(405,000)	(10,381)	(415,381)
Accumulated impairment	(8,042)	-	(8,042)
December 31, 2011 net book value	$ -	$ 2,026	$ 2,026

For details of the accumulated impairment, please refer to Note 4(11).

10. IDLE ASSETS

Assets	December 31, 2012 Cost	Accumulated depreciation	Net book value
Machinery and equipment	$ 85,218	($ 57,504)	$ 27,714
Less: Accumulated impairment			(21,269)
			$ 6,445

Assets	December 31, 2011 Cost	Accumulated depreciation	Net book value
Machinery and equipment	$ 99,874	($ 62,899)	$ 36,975
Less: Accumulated impairment			(27,126)
			$ 9,849

For details of the accumulated impairment, please refer to Note 4(11).

11. IMPAIRMENT OF ASSETS

The Company has recognized an accumulated impairment loss of $33,931 and $39,788 as of December 31, 2012 and 2011, respectively. Details are set forth below:

Item	December 31, 2012 Statement of income	Stockholders' equity
Recorded as impairment loss:		
Financial asset carried at cost-non-current	$ 4,620	$ -
Other intangible assets	8,042	-
Idle assets	21,269	-
	$ 33,931	$ -

Item	December 31, 2011 Statement of income	Stockholders' equity
Recorded as impairment loss:		
Financial asset carried at cost-non-current	$ 4,620	$ -
Other intangible assets	8,042	-
Idle assets	27,126	-
	$ 39,788	$ -

The accumulated impairment summarized by segment is as follows:

	December 31, 2012	
Segment	Statement of income	Stockholders' equity
The Company	$ 33,931	$ –

	December 31, 2011	
Segment	Statement of income	Stockholders' equity
The Company	$ 39,788	$ –

(Note) Certain idle assets have been disposed during the years ended December 31, 2012 and 2011. As such, the reversal of impairment loss of $5,857 and $1,841 were recognized for the years ended December 31, 2012 and 2011, respectively.

12. RETIREMENT PLAN

(a)The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees before the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and the employees who choose to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. In accordance with the Company's retirement plan, an employee may retire when the employee either (i) attains the age of 55 with 15 years of service, (ii) has more than 25 years of service, (iii) has reached the age of 65, or (iv) is incapacitated to work (compulsory retirement).

The employees earn two units for each year of service for the first 15 years, and one unit for each additional year thereafter up to a maximum of 45 units. Any fraction of a year equal to or more than six months shall be counted as one year of service, and any fraction of a year less than six months shall be counted as half a year. Pension payments are based on the number of units earned and the average salary of the last six months prior to retirement. Calculation of average salary is in accordance with the Labor Standards Law of the R.O.C. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee.

(b) The information relative to the Company's defined benefit pension plan is set forth below:

A.The actuarial assumptions used to measure the funded status of the plan are as follows:

	2012	2011
Discount rate	1.75%	1.90%
Rate of increase in compensation levels	3.00%	3.00%
Expected return on plan assets	1.75%	1.90%

B.The funded status of the plan at December 31, 2012 and 2011 is as follows:

	2012	2011
Benefit obligation:		
Vested benefit obligation	($ 2,145)	($ 1,751)
Non-vested benefit obligation	(75,461)	(70,338)
Accumulated benefit obligation	(77,606)	(72,089)
Additional benefit based on future salaries	(32,915)	(33,630)
Projected benefit obligation	(110,521)	(105,719)
Fair value of plan assets	48,020	44,380
Plan funded status	(62,501)	(61,339)
Unrecognized net transition obligation	917	1,223
Unrecognized service cost	862	928
Unrecognized loss on plan assets	30,543	32,438
Minimum pension liability	-	(959)
Accrued pension liabilities	($ 30,179)	($ 27,709)
Vested benefit	$ 2,145	$ 1,751

C.The net periodic pension cost for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Service cost	$ 3,453	$ 2,704
Interest cost	2,008	1,768
Expected return on plan assets	(843)	(774)
Amortization of unrecognized net transition obligation	306	306
Amortization of unrecognized prior service cost	66	66
Amortization of unrecognized loss on plan assets	1,682	1,517
Net periodic pension cost	$ 6,672	$ 5,587

(3)As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect on July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount of not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pensions are paid by monthly installments or in lump sum based on the accumulated balances of the employees' individual pension accounts. The net pension costs recognized under the defined contribution plan for the years ended December 31, 2012 and 2011 were $25,055 and $22,258, respectively.

13. COMMON STOCK AND STOCK DIVIDEND DISTRIBUTABLE

(a) For the purpose for initial public offering, the Board of Directors during its meeting on August 3, 2011 adopted a resolution to increase capital by issuing common stocks of 21 million shares at a premium price of $46 (in NT dollars) per share. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, the capital increase was effective on September 27, 2011. After the capital increase, the authorized capital was $10,000,000, and paid-in capital was $6,310,000, consisting of 631 million shares with a par value of $10 (in NT dollars) per share.

(b) The stockholders at their annual stockholders' meeting on June 13, 2012 adopted a resolution to increase capital through unappropriated retained earnings of $189,300. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, the capital increase was effective on August 16, 2012. After the capital increase, the authorized capital was $10,000,000, and the paid-in capital was $6,499,300, consisting of 649,930 thousand shares with a par value of $10 (in NT dollars) per share.

14. CAPITAL RESERVE

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations shall be exclusively used to cover accumulated deficit or, distribute cash or stocks in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

15. SHARE-BASED PAYMENT – EMPLOYEE COMPENSATION PLAN

The Company adopted a resolution to increase capital by cash, and reserved 2,249 thousand shares for employees granted on September 27, 2011 at a price of $46 (in NT dollars) per share. The amount of employee compensation costs of cash capital increase reserved for employees was $945 for the year ended December 31, 2011.

The employee preemption above is estimated by using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Expected dividend yield	0%
Expected volatility	36.54%
Risk-free interest rate	0.60%
Expected life	0.14 year
Weighted-average fair value (per share) (in NT dollars)	$0.42

16. RETAINED EARNINGS

(a) Pursuant to the amended R.O.C. Company Law, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

(b)Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' bonuses shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Directors' and supervisors' remuneration shall comprise 2% and at least 0.2% for employees' bonuses.

(c)(i)The appropriations of 2011 and 2010 earnings had been resolved at the stockholders' meeting on June 13, 2012 and June 30, 2011, respectively. Details are summarized below:

	2011		2010	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 95,935		$ 7,962	
Cash dividends	631,000	$ 1.00	61,000	$ 0.10
Stock dividends	189,300	0.30	-	
Directors' and supervisors' remuneration	17,268		1,433	
Employees' cash bonus	1,727		143	
	$ 935,230		$ 70,538	

(ii)The appropriations of 2012 earnings had been proposed by the Board of Directors on March 22, 2013. Details are summarized below:

	2012	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 117,047	
Cash dividends	779,916	$ 1.20
Stock dividends	259,972	0.40
Directors' and supervisors' remuneration	21,068	
Employees' cash bonus	2,107	
	$ 1,180,110	

As of March 22, 2013, the appropriations of 2012 earnings had not been resolved by the stockholders.

(d)The estimated amounts of employees' bonus and directors' and supervisors' remuneration for the years ended December 31, 2012 and 2011 are $23,180 and $19,029, respectively. The basis of estimates is based on a certain percentage of 2012 and 2011 net income after taking into account the legal reserve and other factors, as prescribed under the Company's Articles of Incorporation. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The actual amounts approved at the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration for 2011 and 2010 were $19,029 and $2,000, which were different from the estimated amounts recognized in the 2011 and 2010 financial statements by $34 and $424, respectively. Such differences were recognized in profit or loss for the years ended December 31, 2012 and 2011, respectively.

(e)As of December 31, 2012 and 2011, the balance of unappropriated earnings were as follows:

	December 31, 2012	December 31, 2011
Unappropriated earnings in and after 1998	$ 1,224,246	$ 970,012

(f)As of December 31, 2012 and 2011, the imputation tax credit account balance amounted to $11,793 and $65,847, respectively. The Company distributed unappropriated earnings in 2011 and 2010 as dividends in accordance with the resolution adopted at the stockholders' meeting on June 13, 2012 and June 30, 2011, respectively, and the date of dividends distribution was on August 16, 2012 and August 1, 2011, respectively. The 2011 and 2010 creditable ratio was 18.47% and 20.48%, respectively. The expected creditable ratio for 2012 is 14.85%. The amount of deductible tax distributable by the Company to its shareholders shall be limited to an amount not exceeding the amount of the imputation tax credit account balance on the date of distribution of the dividends. Accordingly, the actual creditable ratio for the distribution of 2012 undistributed earnings will be based on the imputation tax credit account balance up to the date of distribution of the dividends.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

For the years ended December 31, 2012 and 2011, the personnel, depreciation and amortization expenses were as follows:

	2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries and wages	$ 396,312	$ 284,607	$ 680,919
Insurance	29,002	15,182	44,184
Pension	18,286	13,441	31,727
Others	10,026	12,470	22,496
	$ 453,626	$ 325,700	$ 779,326
Depreciation	$ 266,492	$ 52,551	$ 319,043
Amortization	$ 135	$ 723	$ 858

	2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries and wages	$ 346,252	$ 253,898	$ 600,150
Insurance	24,313	13,739	38,052
Pension	16,242	11,603	27,845
Others	8,243	11,959	20,202
	$ 395,050	$ 291,199	$ 686,249
Depreciation	$ 270,778	$ 54,261	$ 325,039
Amortization	$ 289	$ 760	$ 1,049

18. DEFERRED INCOME TAX AND INCOME TAX EXPENSE

(a)Adjustments for corporate income tax expense and income tax payable are as follows:

	2012	2011
Income tax at the statutory tax rate	$ 238,067	$ 191,103
Tax effect of permanent differences	(26,512)	10,800
Tax effect of investment tax credits	(6,675)	(5,050)
Tax effect of five-year tax-free project	(4,732)	(4,475)
Under (over) provision of prior year's income tax	20,335	(318)
10% tax on unappropriated earnings	4,312	1,066
Tax effect of valuation allowance	5,130	(28,346)
Income tax expense	229,925	164,780
Net changes of deferred income tax assets (liabilities)	25,916	(50,545)
(Under) over provision of prior year's income tax	(20,335)	318
Unpaid income tax under provision of prior year	21,548	-
Prepaid income tax	(87,063)	(1,655)
Income tax payable	$ 169,991	$ 112,898

(b)The details of deferred income tax assets or liabilities resulting from temporary differences and investment tax credits are as follows:

	December 31, 2012		December 31, 2011	
	Amount	Tax effect	Amount	Tax effect
Current Items:				
Temporary differences				
Unrealized decline in value of inventories	$ 238,737	$ 40,585	$ 197,546	$ 33,583
Unrealized obsolescence of supplies	29,406	4,999	40,415	6,871
Unrealized loss on foreign currency translation	5,497	934	3,207	545
Unrealized gain on valuation of financial assets	(473)	(80)	(2,066)	(351)
Unrealized gain between affiliated companies	-	-	19,804	3,367
Investment tax credits		-		10,413
		46,438		54,428
Less: Valuation allowance		(45,584)		(40,454)
		$ 854		$ 13,974
Non-Current Items:				
Temporary differences				
Pension cost	$ 30,179	$ 5,130	$ 26,750	$ 4,547
Technology know-how	192,140	32,664	213,892	36,362
Investment loss	349,440	59,405	95,643	16,259
Impairment loss	21,269	3,616	27,126	4,611
		$ 100,815		$ 61,779

(c)The Company's income tax returns through 2009 have been assessed and approved by the Tax Authority. As of March 22, 2013, there were no disputes existing between the Company and the Tax Authority.

19. EARNINGS PER COMMON SHARE ("EPS")

	2012				
	Amount		Weighted average number of shares outstanding during the year	EPS (in NT Dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Net income	$1,400,394	$1,170,469			
Basic earnings per share					
Net income of common stockholders	$1,400,394	$1,170,469	649,930	$ 2.15	$ 1.80
Dilutive effect of common stock equivalents:					
Employees' bonuses	-	-	31		
Diluted earnings per share					
Effect on the net income of common stockholders plus dilutive effect of common stock equivalents	$1,400,394	$1,170,469	649,961	$ 2.15	$ 1.80

	2011				
	Amount		Weighted average number of shares outstanding during the year	EPS (in NT Dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Net income	$1,124,135	$ 959,355			
Basic earnings per share					
Net income of common stockholders	$1,124,135	$ 959,355	633,989	$ 1.77	$ 1.51
Dilutive effect of common stock equivalents:					
Employees' bonuses	-	-	32		
Diluted earnings per share					
Effect on the net income of common stockholders plus dilutive effect of common stock equivalents	$1,124,135	$ 959,355	634,021	$ 1.77	$ 1.51

(a)The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings as of December 31, 2011.

(b)As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

5. RELATED PARTY TRANSACTIONS

A.Related parties and their relationship with the Company

Name of related parties	Relationship with the Company
Uni-President Enterprises Corp.	The Company's ultimate parent company
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	An investee of the Company’s wholly-owned subsidiary, SPT International, Ltd., accounted for under the equity method
ScinoPharm (Changshu) Pharmaceuticals Ltd.	〃
ScinoPharm Shanghai Biochemical Technology, Ltd.	〃
President Tokyo Corp.	An investee of Uni-President Enterprises Corp. accounted for under the equity method
President Securities Corp.	〃
Tanvex Biologics Corp.	An associate company of Tanvex Biologics, Inc., an investee company carried at cost.
Taiwan Sugar Corp.	A director of the Company

Other related parties did not have material transactions with the Company for the years ended December 31, 2012 and 2011. Please refer to Note 11 for related information.

B.Transactions and balances with related parties

(1)Technical service revenues

	2012		2011	
	Amount	Percentage of technical service revenues	Amount	Percentage of technical service revenues
Tanvex Biologics Corp.	$ 2,615	7	$ -	-

The terms of providing technical services to and receivables from related parties were the same with regular customers. The above related parties close its accounts 60 days from the end of each month.

(2)Purchases

	2012		2011	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$326,510	21	$292,083	22
ScinoPharm (Changshu) Pharmaceuticals Ltd.	24,975	2	-	-
	$351,485	23	$292,083	22

The terms of purchases from and payments (wire transfer) to related parties were the same with regular suppliers. The above related parties close its accounts 90 days from the end of each month.

(3)Other expenses

	2012		2011	
Repair fees:				
President Tokyo Corp.	$	2,919	$	2,829
Management consultancy fees:				
Uni-President Enterprises Corp.	$	3,015	$	12
Taiwan Sugar Corp.		2,281		2,180
	$	5,296	$	2,192
Research & Development fees:				
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$	8,304	$	2,747
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.		4,412		7,896
	$	12,716	$	10,643
Rental expense:				
President Tokyo Corp.	$	990	$	1,410
Other outsourcing services				
ScinoPharm Shanghai Biochemical Technology, Ltd.	$	5,396	$	-
President Securities Corp.		1,484		843
	$	6,880	$	843

(4)Income from management and technical consultancy

	2012		2011	
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$	17,148	$	11,484
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.		2,349		8,971
	$	19,497	$	20,455

(5)Other receivables

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$ 8,090	65	$ 4,727	25
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	924	7	-	-
Others	26	-	25	-
	$ 9,040	72	$ 4,752	25

(6)Accounts payable

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 16,338	12	$ 77,872	30
ScinoPharm (Changshu) Pharmaceuticals Ltd.	1,679	1	-	-
	$ 18,017	13	$ 77,872	30

(7)Accrued expenses

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
ScinoPharm Shanghai Biochemical Technology ,Ltd.	$ 1,452	-	$ -	-

(8)Capital lease payable

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
President Tokyo Corp.	$ -	-	$ 964	100

(9)Compensation of directors and key management personnel

	2012	2011
Salaries	$ 27,750	$ 20,466
Bonuses	11,637	11,600
Service execution fees	11,319	10,492
Earnings distribution	21,089	17,325
	$ 71,795	$ 59,883

(i)Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.

(ii)Bonuses include various bonuses and rewards.

(iii)Service execution fees include travel allowances, special expenditures, various dorms and vehicles offering, etc.

(iv)Earnings distribution represent directors' and supervisors' remuneration and employees' bonus accrued in current year.

6. PLEDGED ASSETS

As of December 31, 2012 and 2011, the details of pledged assets for various purposes were as follows:

Assets	December 31, 2012	December 31, 2011	Purpose of collateral
Time deposits (recorded as 「other financial assets – current」 and 「other financial assets – non-current」)	$ 39,369	$ 39,369	Performance guarantee and customs duty

7. CONTINGENT LIABILITIES AND COMMITMENTS

(a)As of December 31, 2012 and 2011, the unused letters of credit amounted to $8,203 and $42,028, respectively.

(b)As of December 31, 2012 and 2011, the remaining balance due for construction in progress and prepayments for equipment was $101,248 and $140,180, respectively.

(c)Major agreement

Nature	Party concerned	Term	Major content
Land lease	Science Park Management	2011.6.1～2018.2.28	The lease term is less than 20 years.

As of December 31, 2012, the amounts of future rental payments are listed as follows:

Term of lease contract	Total rental payments
2013	$ 18,516
2014	18,516
2015	18,516
2016	18,516
2017	18,516
2018 (Present value of $2,864)	3,086
	$ 95,666

8. SIGNIFICANT CATASTROPHE: None.

9. SIGNIFICANT SUBSEQUENT EVENT: None.

10. OTHERS

(1) Fair values of the financial instruments

	December 31, 2012			December 31, 2011		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method	Book value	Quotations in an active market	Estimated using a valuation method
Non–derivative financial instruments						
Assets						
Financial assets with book value equal to fair value	$ 3,438,617	$ -	$ 3,438,617	$ 3,959,100	$ -	$ 3,959,100
Financial assets carried at cost-non-current	149,555	-	-	-	-	-
Other financial assets - non-current	39,369	-	39,369	23,817	-	23,817
Refundable deposits	2,719	-	2,719	2,525	-	2,525
Liabilities						
Financial liabilities with book value equal to fair value	633,399	-	633,399	633,147	-	633,147
Guarantee deposits received	-	-	-	250	-	250
Derivative financial instruments						
Assets						
Foreign currency forward contracts	473	-	473	2,066	-	2,066

The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

A.For short-term financial instruments, the fair values were determined based on their carrying amount because of short maturities of the instruments. This was applied to cash and cash equivalents, accounts receivable, other receivables, other financial assets–current, notes and accounts payable, accrued expenses, other payables and capital lease payable–current.

B.The fair value of other financial assets–non-current and refundable deposits is based on the discounted value of expected future cash inflows, and the discount rate is based on the fixed rate of one year time deposit of the post office at December 31, 2012 and 2011.

C.The fair value of guarantee deposits received is based on the discounted value of expected future cash flows, and the discount rate is based on the interest rates of similar long-term loans at December 31, 2012 and 2011.

D.The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming the contracts were settled as of the reporting date.

(2) Significant gains and losses of financial instruments

The Company recognized a loss of $1,593 and $5,323 for the changes in financial assets at fair value through profit or loss for the years ended December 31, 2012 and 2011, respectively.

(3) Financial risk management and hedging strategy

The Company adopt a comprehensive control system to identify all risks (including market risk, credit risk, liquidity risk and cash flow risk), which enables the Company to control and measure the market risk, credit risk, liquidity risk and cash flow risk effectively. The target of the market risk management is to appropriately consider the economic environment, competition, and impact of market value risks, to optimize risk exposure, to sustain liquidity, and to manage all the foreseen market risk collectively.

In order to achieve the target of risk management, the hedge strategies of the Company are concentrated in the market value risk and cash flow risk.

(4) Information of financial risk

A.Market risk

(A)Exchange rate risk

(a) The Company has set a “stop loss” amount to limit its market risk on forward contracts that are affected by foreign exchange risk.

(b) The Company’s major import and export transactions are in US dollars. The change in fair value will be caused by foreign exchange rate changes, however, the amounts and periods of the Company’s accounts receivable and accounts payable are the same, so the market risk would be offset.

(B)The Company carries on business transactions involving non-functional currency which would be affected by fluctuations in exchange rates. Certain foreign currency denominated assets and liabilities affected by significant fluctuations in exchange rates are shown below:

(Foreign currency: functional currency)	December 31, 2012		December 31, 2011	
Financial assets	Foreign currency amount (in thousands)	Exchange rate	Foreign currency amount (in thousands)	Exchange rate
Monetary items				
USD:NTD	$ 32,101	29.04	$ 27,410	30.28
EUR:NTD	232	38.49	2,354	39.18
GBP:NTD	3	46.83	35	46.77
JPY:NTD	69	0.34	-	-
CNY:NTD	13	4.76	-	-
Long-term investments accounted for under the equity method				
USD:NTD	46,190	29.04	37,606	30.28
Financial liabilities				
Monetary items				
USD:NTD	1,310	29.04	5,178	30.28
EUR:NTD	135	38.49	56	39.18

(C) Interest rate risk

The Company issues debt financial instruments with fixed interest rate. The fair value of debt financial instruments would change due to changes in market interest rate.

(D) Price risk

The Company is exposed to equity securities price risk because the investments held by the Company are classified either as available-for-sale or at fair value through profit or loss. The Company sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

B.Credit risk

(A)The Company entered into derivative financial instruments with financial institutions with good credit ratings. The possibility of default by those parties is very low. The maximum market value is the carrying amount of derivative financial instruments.

(B)The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The maximum loss to the Company is the book value of accounts receivable.

C.Liquidity risk

(A)The available-for-sale financial assets are publicly traded stocks which have active markets and the Company can sell these assets near their fair value. The liquidity risk exposure is low.

(B)The Company is exposed to a higher liquidity risk since investment securities have no active market. However, the Company has no intention to hold these financial assets for trading and does not expect to sell these financial assets frequently. Therefore, the exposure to liquidity risk would be effectively reduced.

D.Interest rate change cash flow risk

The Company has no long-term loans at the end of year. Therefore, the Company has no interest rate change cash flow risk.

(5) Financial statement presentation

Certain accounts in the 2011 financial statements were reclassified to conform with the 2012 financial statement presentation.

11.ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1)Related information of significant transactions for the year ended December 31, 2012

(A) Financing activities with any company or person: None.

(B) The Company provided endorsements and guarantees to other entities: None.

(C) The balance of securities held as of December 31, 2012 are summarized as follows (Units in thousands of New Taiwan Dollars or currencies indicated):

				December 31, 2012				
Investor	Type and name of securities	Relationship with the issuer	Accounts (Note)	Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note
ScinoPharm Taiwan, Ltd.	Bills under repurchase agreement:							
	Mega Bills Finance Co., Ltd.	—	1	-	$ 85,794	-	$ 85,794	—
	Taishin International Bank	—	1	-	59,962	-	59,962	—
	Stock:							
	Tanvex Biologics, Inc.	The Company is a dirctor of Tanvex Biologics, Inc.	2	28,800	149,555	17.02%	-	—
	SYNGEN, INC.	—	2	245	-	7.40%	-	—
	SPT International, Ltd.	An investee company accounted for under the equity method	3	43,545	1,239,905	100.00%	1,338,960	—
	ScinoPharm Singapore Pte Ltd.	An investee company accounted for under the equity method	3	-	5	100.00%	5	—
	President ScinoPharm (Cayman), Ltd.	An investee company accounted for under the equity method	3	102	2,405	60.00%	2,405	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	An investee company accounted for under the equity method by the investor	3	-	USD 14,405	100.00%	USD 14,405	—
	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company accounted for under the equity method by the investor	3	-	USD 30,829	100.00%	USD 30,829	—
	ScinoPharm Shanghai Biochemical Technology, Ltd.	An investee company accounted for under the equity method by the investor	3	-	USD 618	100.00%	USD 618	—

(Note) The code number explanation is as follows:

1. Cash equivalents
2. Financial assets carried at cost－non-current
3. Long-term investments accounted for under the equity method

(D)The cumulative buying or selling amount of one specific security exceeding the lower of $100,000 or 20 percent of the contributed capital (Unit in thousands of New Taiwan Dollars or currencies indicated):

					Beginning balance		Addition		Disposal				Other increase (decrease)		Ending balance	
Investor	Type of securities	General ledger account	Name of the counter -party	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sale Price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
ScinoPharm Taiwan, Ltd.	Bills under repurchase agreement:															
	China Trust Commercial Bank	Cash equivalents	–	–	–	$ 49,846	–	$ 602,771	–	$ 652,684	($ 652,617)	$ 67	–	$ –	–	$ –
	International Bills Finance Corporation	Cash equivalents	–	–	–	9,988	–	501,252	–	511,294	(511,240)	54	–	–	–	–
	China Bill Finance Corporation	Cash equivqlents	–	–	–	–	–	661,975	–	662,052	(661,975)	77	–	–	–	–
	Mega Bills Finance Co., Ltd.	Cash equivqlents	–	–	–	–	–	2,529,716	–	2,444,207	(2,443,922)	285	–	–	–	85,794
	Taishin International Bank	Cash equivalents	–	–	–	–	–	1,758,198	–	1,698,444	(1,698,236)	208	–	–	–	59,962
	Stocks:															
	SPT International, Ltd.	Long-term investment accounted for under the equity method	Capital Increase	–	29,825	957,265	13,720	406,243	–	–	–	–	–	(123,603)	43,545	1,239,905
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Long-term investment accounted for under the equity method	Capital Increase	–	–	USD 24,053	–	USD 13,000	–	–	–	–	–	(USD6,224)	–	USD 30,829

(E) Acquisition of real estate with an amount exceeding $100,000 or 20 percent of the contributed capital (Unit in thousands of New Taiwan Dollars or currencies indicated):

Company name	Type of property	Transaction date	Transaction amount	Payment	Name of the counterparty	Relationship	Prior transaction of related counterparty: Owner	Relationship	Transfer date	Amount	Price reference	Purpose of Acquisition	Other terms
ScinoPharm Taiwan, Ltd.	Plant	2012.6	Approximately $ 1,100,000	—	—	—	—	—	—	—	Negotiation	Building for operation use	None
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Plant (Phase I)	2010.4～2012.12	CNY 58,758	CNY 55,616	Zhejiang Meiyang International Engineering Design Co., Ltd. etc.	〃	〃	〃	〃	〃	〃	〃	〃
	Plant (Phase II)	2012.11～2012.12	CNY1,130,000	CNY 15,372	Jiangsu Qian Construction Group Co., Ltd.	〃	〃	〃	〃	〃	〃	〃	〃

(F) Disposal of real estate with an amount exceeding $100,000 or 20 percent of the contributed capital : None.

(G) Purchases or sales transactions with related parties amounting to $100,000 or 20 percent of the contributed capital (Unit in thousands of New Taiwan Dollars or currencies indicated):

Company name	Name of the counterparty	Relationship	Description of transaction: Purchases/(sales)	Amount	Percentage of net purchases /(sales)	Credit terms	Description and reasons for difference in transaction terms compared to non-related party transactions: Unit Price	Credit Period	Notes or accounts receivable / (payable): Amount	Percentage of notes or accounts receivable / (payable)	Note
ScinoPharm Taiwan, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	An investee company of SPT International Ltd. accounted for under the equity method	Purchases	$ 326,510	21%	(Note)	$ -	—	($ 16,338)	(11%)	-
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(CNY 70,083)	(97%)	90 days after delivery	-	—	CNY 3,536	29%	-

(Note) Please refer to Note 5 for the terms of purchases.

(H) Receivable from related parties exceeding $100,000 or 20 percent of the contributed capital : None.

(I) Derivative financial instrument transactions : For the Company’s derivative financial instrument transactions, please refer to Note 4(2).

(2)Disclosure information of investee company

Related information on investee companies for the year ended December 31, 2012 (Units in thousands of currencies indicated)

				Original investments				Holding status				Net income (loss) of the investee		Income (loss) recognized by the Company		
Investors	Name of investees	Address	Main Business	Currency	Ending balance of the current year	Currency	Ending balance of prior year (Note 1)	Shares	Percentage of ownership	Currency	Book value	Currency	Amount	Currency	Amount (Note 2)	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	TWD	$ 1,328,662	TWD	$ 922,419	43,544,644	100.00	TWD	$1,239,905	TWD	($ 91,485)	TWD	($ 88,667)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	TWD	–	TWD	–	2	100.00	TWD	5	TWD	5	TWD	5	Subsidiary
ScinoPharm Taiwan, Ltd.	President ScinoPharm (Cayman), Ltd.	Grand Cayman, Cayman Islands	Professional investment	TWD	3,541	TWD	3,541	101,700	60.00	TWD	2,405	TWD	(118)	TWD	(71)	Subsidiary
ScinoPharm Taiwan, Ltd.	Tanvex Biologics, Inc.	California, U.S.A	Research, biomedical and related production, etc.	TWD	225,980	TWD	225,980	28,800,000	17.02	TWD	149,555	TWD	(19,898)	TWD	(4,434)	(Note 3)
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	China	Research, development and manufacture of API and new drug, etc.	USD	3,724	USD	3,724	–	100.00	USD	14,405	USD	3,583	USD	–	Subsidiary of subsidiary
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	China	Research, development and manufacture of API and new drug, etc.	USD	38,000	USD	25,000	–	100.00	USD	30,829	USD	(6,559)	USD	–	Subsidiary of subsidiary
SPT International, Ltd.	ScinoPharm Shanghai Biochemical Technology, Ltd.	China	Import, export and sales of active pharmaceutical ingredients and intermediates, etc.	USD	720	USD	–	–	100.00	USD	618	USD	(112)	USD	–	Subsidiary of subsidiary

(Note 1) Ending balance as of December 31, 2011.

(Note 2) According to the related regulations, it is only required to disclose income (loss) of subsidiary recognized by the Company.

(Note 3)Reclassified as financial assets carried at cost in January, 2012.

(3)Disclosure of information on indirect investments in Mainland China

Related information on investee companies for the year ended December 31, 2012 (Units in thousands of currencies indicated)

(A) The basic information of investments in Mainland China as of December 31, 2012 are as follows:

Name of investee in Mainland China	Main Business	Capital	Investment method	Beginning investment balance from Taiwan	Investment Amount Remited	Investment Amount Received	Ending investment balance from Taiwan	Percentage of ownership held by the Company (direct or indirect)	Investment gain (loss) (Note 2)	Investment balance as of December 31, 2012	Accumulated remittance	Note
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of API and new drug, etc.	$ 116,160	(Note 1)	$ 108,145	-	-	$ 108,145	100.00	$104,050	$ 418,321	$ -	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	〃	1,103,520	(Note 1)	726,000	377,520	-	1,103,520	100.00	(190,473)	895,274	-	—
ScinoPharm Shanghai Biochemical Technology, Ltd.	Import, export and sales of Active Pharmaceutical Ingredients and intermediates, etc.	20,909	(Note 1)	−	20,909	-	20,909	100.00	(3,252)	17,947	-	—

(B) The ceiling amount of investment in Mainland China (Units in thousands of New Taiwan Dollars or currencies indicated)

Name of Company	Accumulated investment balance from Taiwan to Mainland China	Amount approved by MOEA	Ceiling amount of investment in Mainland China by MOEA (Note 3)
ScinoPharm Taiwan, Ltd.	$ 1,277,486	$ 1,496,686	$ 5,457,285

(Note 1) Indirect investment in PRC through existing companies located in the third area.

(Note 2) Recognized based on the respective financial statements of the investee companies which were not audited by independent accountants.

(Note 3) The ceiling amount is set as 60% of the net worth.

(Note 4) Foreign currencies were translated into New Taiwan Dollars at exchange rate of $29.04 (US dollars to NT dollars).

(C)Significant transactions with investees in Mainland China, directly, indirectly or through companies located in the third region:

(a)Purchase amount and percentage of net purchases, the ending balance of the respective accounts payable and percentage:

(i)Purchases

Third region Company's name	Name of investee in Mainland China	2012 Amount	2012 Percentage of net purchases
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 326,510	21
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	24,975	2
		$ 351,485	23

Please refer to Note 5 for the terms of purchases.

(ii)Accounts payable

Third region Company's name	Name of investee in Mainland China	December 31, 2012 Amount	December 31, 2012 %
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 16,338	12
—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	1,679	1
		$ 18,017	13

(b)Sales amount and percentage of net sales, the ending balance of respective accounts receivable and percentage: None.

(c)Property transaction amount and related gain or loss: None.

(d)Endorsement, guarantee and security’s ending balance and purpose: None.

(e)Maximum balance, ending balance, range of interest rates and interest expense for financing transactions: None.

(f)Other events having significant effects on the operating results and financial condition:

Transaction description	Third region Company's name	Name of investee in Mainland China	2012	
Research & development fees	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 8,304	
		ScinoPharm (Kunshan) Biochemical Technology, Co., Ltd.	4,412	
			$ 12,716	
Outsourcing severice fees	—	ScinoPharm Shanghai Biochemical Technology Ltd.	$ 5,396	
Management consultancy revenue	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 17,148	
		ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	2,349	
			$ 19,497	
			December 31, 2012	
			Amount	%
Other receivables	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 8,090	65
		ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	924	7
			$ 9,014	72

Transaction description	Third region Company's name	Name of investee in Mainland China	December 31, 2012 Amount	%
Accrued expense	—	ScinoPharm Shanghai Biochemical Technology, Ltd.	$ 1,452	-

12.SEGMENT INFORMATION

In accordance with SFAS No. 41, “Operating Segments”, the Company has disclosed the operating segments information in the consolidated financial statements.

13.DISCLOSURES RELATING TO THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In accordance with the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company has provided the required disclosures relating to the adoption of IFRSs in the consolidated financial statements.