SCINOPHARM TAIWAN, LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, in our report dated March 26, 2012, we expressed an unqualified opinion on those statements.

PricewaterhouseCoopers, Taiwan
March 26, 2012

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 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	2011	2010
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 3,080,455	$ 1,741,734
Financial assets at fair value through profit or loss - current (Notes 4(2) and 10)	2,066	7,389
Notes receivable, net (Note 3)	—	4,866
Accounts receivable, net (Notes 3 and 4(3))	843,817	731,022
Other receivables (Note 3)	14,524	6,695
Other receivables - related parties (Notes 3 and 5)	4,752	4,492
Other financial assets - current (Note 6)	19,927	3,508
Inventories, net (Note 4(4))	1,449,852	1,244,331
Prepayments (Note 4(5))	168,631	123,685
Deferred income tax assets - current (Note 4(18))	13,974	33,445
Total Current Assets	5,597,998	3,901,167
Funds and Investments		
Long-term equity investments accounted for under the equity method (Note 4(7))	1,131,951	671,301
Other financial assets - non-current (Note 6)	19,442	15,552
Total Funds and Investments	1,151,393	686,853
Property, Plant and Equipment, Net (Notes 4(8) and 5)		
Cost		
Buildings	1,711,896	1,662,958
Machinery and equipment	3,322,654	3,172,693
Transportation equipment	9,007	7,453
Office equipment	57,665	52,122
Leased assets	14,970	17,815
Other equipment	5,030	5,030
Cost and Revaluation Increment	5,121,222	4,918,071
Less: Accumulated depreciation	(2,665,658)	(2,405,670)
Construction in progress and prepayments for equipment	136,222	79,845
Total Property, Plant and Equipment, Net	2,591,786	2,592,246
Intangible Assets		
Deferred pension costs (Note 4(12))	959	—
Other intangible assets (Notes 4(9)(11))	2,026	501
Total Intangible Assets	2,985	501
Other Assets		
Idle assets (Notes 4(10)(11))	9,849	10,645
Refundable deposits	2,525	2,817
Deferred income tax assets - non-current (Note 4(18))	61,779	92,853
Total Other Assets	74,153	106,315
TOTAL ASSETS	$ 9,418,315	$ 7,287,082

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2010
Current Liabilities		
Notes payable	$ 83	$ 3,088
Accounts payable	183,521	113,178
Accounts payable - related party (Note 5)	77,872	24,591
Income tax payable (Note 4(18))	112,898	44,933
Accrued expenses	329,855	289,945
Other payables	40,852	54,950
Receipts in advance	16,946	29,508
Capital lease payables - current (Notes 4(8) and 5)	964	1,881
Other current liabilities (Note 5)	19,804	22,077
Total Current Liabilities	782,795	584,151
Long-term Liability		
Capital lease payables - non-current (Notes 4(8) and 5)	—	964
Other Liabilities		
Accrued pension liabilities (Note 4(12))	27,709	24,445
Guarantee deposits received	250	250
Total Other Liabilities	27,959	24,695
Total Liabilities	810,754	609,810
Stockholders' Equity		
Capital		
Common stock (Notes 1 and 4(13))	6,310,000	6,100,000
Capital Reserves (Notes 4(13)(14)(15)(16))		
Additional paid-in capital in excess of par - common stock	1,233,286	486,266
Capital reserve from stock warrants	13,691	12,746
Retained Earnings (Notes 4(14)(16))		
Legal reserve	7,962	—
Undistributed earnings	970,012	79,619
Other Adjustment to Stockholders' Equity		
Cumulative translation adjustments	72,610	(1,359)
Total Stockholders' Equity	8,607,561	6,677,272
Commitments (Note 7)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,418,315	$ 7,287,082

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 for earnings per share data)

	2011	2010
Operating Revenue (Note 5)		
Sales	$ 3,947,294	$ 3,918,564
Sales returns	(55,846)	(70,002)
Sales discounts	(5,045)	—
Net Sales	3,886,403	3,848,562
Technology service revenues	62,052	38,893
Net Operating Revenues	3,948,455	3,887,455
Operating Costs (Notes 4(4)(17) and 5)		
Cost of goods sold	(2,038,896)	(1,932,370)
Cost of technology service	(24,405)	(14,761)
Net Operating Costs	(2,063,301)	(1,947,131)
Gross profit	1,885,154	1,940,324
Operating Expenses (Notes 4(17) and 5)		
Sales and marketing expenses	(157,461)	(156,930)
General and administrative expenses	(326,912)	(295,955)
Research and development expenses	(256,307)	(291,114)
Total Operating Expenses	(740,680)	(743,999)
Operating income	1,144,474	1,196,325
Non-operating Income and Gains		
Interest income	16,683	3,741
Gain on disposal of property, plant and equipment (Note 5)	—	1,928
Foreign exchange gain, net	21,705	—
Reversal of impairment loss (Notes 4(10)(11))	1,841	10,381
Gain on valuation of financial assets (Notes 4(2) and 10)	—	4,506
Other non-operating income (Note 5)	40,548	85,905
Total Non-operating Income and Gains	80,777	106,461
Non-operating Expenses and Losses		
Interest expense (Notes 4(8) and 5)	(108)	(4,422)
Investment loss accounted for under the equity method (Note 4(7))	(63,550)	(5,083)
Loss on disposal of property, plant and equirpment	(888)	—
Foreign exchange loss, net	—	(87,428)
Depreciation on idle assets	(7,394)	(8,863)
Loss on valuation of financial assets (Notes 4(2) and 10)	(21,172)	—
Other non-operating losses	(8,004)	(11,949)
Total Non-operating Expenses and Losses	(101,116)	(117,745)
Income before income tax	1,124,135	1,185,041
Income tax expense (Note 4(18))	(164,780)	(145,038)
Net Income	$ 959,355	$ 1,040,003

	2011 Before Tax	2011 After Tax	2010 Before Tax	2010 After Tax
Basic Earnings Per Share (in dollars) (Note 4(19))				
Net income	$ 1.83	$ 1.56	$ 2.06	$ 1.81
Diluted Earnings Per Share (in dollars) (Note 4(19))				
Net income	$ 1.83	$ 1.56	$ 2.06	$ 1.81

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)

			Retained Earnings		Cumulative Translation	
2010	Common Stock	Capital Reserves	Legal Reserve	Undistributed Earnings	Adjustments	Total
Balance at January 1, 2010	$ 5,513,734	$ –	$ –	($ 1,060,384)	$ 18,654	$ 4,472,004
Issuance of common stock	586,266	586,266	–	–	–	1,172,532
Employee compensation costs by issuance of common stock	–	12,746	–	–	–	12,746
Offset of capital reserve against accumulated deficit	–	(100,000)	–	100,000	–	–
Net income for 2010	–	–	–	1,040,003	–	1,040,003
Cumulative translation adjustment	–	–	–	–	(20,013)	(20,013)
Balance at December 31, 2010	$ 6,100,000	$ 499,012	$ –	$ 79,619	($ 1,359)	$ 6,677,272
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

(Note) The directors' and supervisors' remuneration was $1,433 and employees' bonus was $143 in 2010, 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)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 959,355	$ 1,040,003
Adjustments to reconcile net income to net cash provided by operating activities		
Loss (Gain) on valuation of financial assets	5,323	(5,506)
Provision for doubtful accounts	–	4,271
Reversal of allowance for doubtful accounts	(287)	–
Provision for inventory market price decline	11,055	–
Reversal of allowance for inventory market price decline	–	(16,111)
Provision for obsolescence of supplies	6,620	2,627
Investment loss accounted for under the equity method	63,550	5,083
Depreciation	332,433	326,553
Loss (gain) on disposal of property, plant and equipment and idle assets	1,602	(1,928)
Reversal of impairment loss	(1,841)	(10,381)
Amortization	1,049	25,495
Realized gain between affiliated companies	(2,273)	–
Unrealized gain between affiliated companies	–	19,666
Employee compensation costs through issuance of common stock	945	12,746
Effect of exchange rate changes on cash	23,977	4,439
Changes in assets and liabilities		
Financial assets at fair value through profit or loss – current	–	43,013
Notes receivable	4,866	14,493
Accounts receivable	(112,508)	156,005
Other receivables	(7,829)	128
Other receivables – related party	(260)	(1,486)
Inventories	(216,576)	(286,653)
Prepayments	(51,566)	(52,495)
Deferred income tax assets – current	19,471	8,483
Deferred pension costs	(959)	–
Deferred income tax assets – non-current	31,074	92,119
Notes payable	(3,005)	3,088
Accounts payable	70,343	71,770
Accounts payable – related party	53,281	24,591
Income tax payable	67,965	38,226
Accrued expenses	39,910	30,627
Other payables	(1,051)	(4,779)
Receipts in advance	(12,562)	9,914
Accrued pension liabilities	3,264	2,201
Net cash provided by operating activities	1,285,366	1,556,202

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

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in time deposits pledged	($ 20,309)	$ –
Increase in long-term investments – subsidiaries	(454,128)	(143,681)
Increase in long-term investments – non subsidiaries	–	(225,980)
Proceeds from liquidation of long-term investment	3,897	–
Cash paid for acquisition of property, plant and equipment	(345,866)	(172,371)
Proceeds from disposal of property, plant and equipment and idle assets	–	10,273
Increase in other intangible assets	(2,574)	(495)
Decrease (increase) in refundable deposits	292	(1,725)
Net cash used in investing activities	(818,688)	(533,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term loans	–	(937,150)
Payment of cash dividends	(61,000)	–
Proceeds from issuance of common stock	957,020	1,172,532
Net cash provided by financing activities	896,020	235,382
Effect of exchange rate changes on cash	(23,977)	(4,439)
Increase in cash and cash equivalents	1,338,721	1,253,166
Cash and cash equivalents at beginning of year	1,741,734	488,568
Cash and cash equivalents at end of year	$ 3,080,455	$ 1,741,734
Supplemental disclosures of cash flow information		
1. Interest paid (excluding capitalized interest)	$ 108	$ 4,765
2. Income tax paid	$ 46,270	$ 6,210
Investing activities with partial cash payment		
Acquisition of property, plant and equipment	$ 330,938	$ 193,530
Add : Other payables, beginning of year	50,592	25,232
Capital lease payables, beginning of year	2,845	7,046
Less: Other payables, end of year	(37,545)	(50,592)
Capital lease payables, end of year	(964)	(2,845)
Cash paid for acquisition of property, plant and equipment	$ 345,866	$ 172,371

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

SCINOPHARM TAIWAN, LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Note 1. HISTORY AND ORGANIZATION

(1) 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, 2011, the Company's authorized capital was $10,000,000 and the paid-in capital was $6,310,000, consisting of 631,000,000 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 and technical services. 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.

(2) As of December 31, 2011, the Company had approximately 650 employees.

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

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

Note 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)<u>Classification of current and non-current items</u>

(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)<u>Cash equivalents</u>

(a)Cash equivalents are short, highly-liquid investments that are readily convertible to known 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)<u>Financial assets and financial liabilities at fair value through profit or loss</u>

(a)Financial assets and liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and settlement date accounting for equity and debt financial instruments, respectively, and 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)When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.

(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)<u>Notes receivable and accounts receivable, other receivables</u>

(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)<u>Inventories</u>

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 accounted for under the equity method are stated at cost. Cost is determined using the weighted average method. 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) "Cumulative Translation Adjustments" resulting from translation of all assets and liabilities of the investee foreign companies accounted for under the equity method are recognized proportionately based on the percentage of ownership of the Company and are reflected in the stockholders' equity account.

(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 fixed assets and idle assets are 2-12 years for machinery and equipment and 2-35 years for other property, plant and equipment and idle assets.

(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 shares 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)The additional 10% corporate income tax on earnings derived on or after January 1, 1998, which are not distributed in the following year, is included in income tax expense in the year when the shareholders approve the resolution to retain the earnings.

(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. Costs and 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

(a)The identification and disclosure of operating segments of the Company is on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance.

(b)The Company discloses operating segments information on the consolidated financial statements in accordance with SFAS No. 41.

Note 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 statement requires identification and disclosure of operating segments based on how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The Company conformed to the disclosure requirements as of and for the year ended December 31, 2011. The information for the year ended December 31, 2010 had been re-prepared to reflect the new segment reporting requirement. This accounting change had no significant effect on the net income and earnings per common share for the years ended December 31, 2011 and 2010.

Note 4. DETAILS OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Cash:		
Cash on hand	$ 30	$ 35
Checking accounts	194	1,722
Demand deposits	50,514	24,044
Time deposits	2,969,883	1,584,200
	3,020,621	1,610,001
Cash equivalents:		
Callable notes	59,834	—
Callable bonds	—	131,733
	$ 3,080,455	$ 1,741,734

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2011	December 31, 2010
Current items:		
Financial assets held for trading		
Derivative-Foreign currency forward contracts	$ 2,066	$ 7,389

(a) The Company recognized a net (loss) gain of ($21,172) and $4,506 for the years ended December 31, 2011 and 2010, respectively.

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

	December 31, 2011		December 31, 2010	
	Contract Amount	Contract Period	Contract Amount	Contract Period
Forward exchange contracts	USD 7,323,000	2011.11.25～2012.2.17	USD11,100,000	2010.11.17～2011.3.15
	EUR 1,100,000	2011.11.21～2012.1.20	EUR 1,770,000	2010.12.28～2011.3.4

The forward exchange contracts were entered into to hedge the change in exchange rate due to import and export, without adopting hedge accounting.

3. ACCOUNTS RECEIVABLE, NET

	December 31, 2011	December 31, 2010
Accounts receivable	$ 847,957	$ 735,449
Less: Allowance for doubtful accounts	(4,140)	(4,427)
	$ 843,817	$ 731,022

4. INVENTORIES, NET

	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

	December 31, 2010		
	Cost	Allowance	Book Value
Raw materials	$ 429,130	($ 46,777)	$ 382,353
Supplies	7,788	(461)	7,327
Work in process	510,011	(30,216)	479,795
Finished goods	483,893	(109,037)	374,856
	$ 1,430,822	($ 186,491)	$ 1,244,331

Expenses and losses of inventories recognized:

	2011	2010
Cost of inventories sold	$ 1,917,890	$ 1,723,172
Loss on inventory market price decline	11,055	—
Reversal of allowance for inventory market price decline	—	(16,111)
Idle capacity	30,261	95,116
Loss on production stoppage	12,572	12,661
Loss on discarding inventory	66,226	105,863
Loss on physical inventory	892	11,669
Cost of goods sold	$ 2,038,896	$ 1,932,370

5. PREPAYMENTS

	December 31, 2011	December 31, 2010
Supplies	$ 106,336	$ 78,368
Prepaid expense	33,845	32,410
Prepayment for materials	68,865	46,702
	209,046	157,480
Less: Allowance for obsolescence of supplies	(40,415)	(33,795)
	$ 168,631	$ 123,685

6. FINANCIAL ASSET CARRIED AT COST

	December 31, 2011	December 31, 2010
Non-current item:		
Unlisted stock		
SYNGEN, INC.	$ 4,620	$ 4,620
Less: Accumulated impairment	(4,620)	(4,620)
	$ —	$ —

(1) The above investment was measured at cost since its fair value cannot be measured reliably.

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

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

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

	December 31, 2011		December 31, 2010	
Name of subsidiaries	Book value	Percentage owned	Book value	Percentage owned
SPT International, Ltd.	$ 957,265	100.00%	$441,699	100.00%
ScinoPharm Singapore Pte Ltd.	—	〃	—	〃
President ScinoPharm (Cayman), Ltd.	2,579	60.00%	(20)	60.00%
Tanvex Biologics, Inc.	172,107	36.36%	225,694	36.36%
HanFeng (BVI), Ltd.	—	—	3,928	100.00%
	$ 1,131,951		$671,301	

(2) Long-term investment loss accounted for under the equity method was $63,550 and $5,083 for the years ended December 31, 2011 and 2010, respectively. As of and for the years ended December 31, 2011 and 2010, the Company's long-term investments in investee companies accounted for under the equity method were based on the subsidiaries' financial statements which were audited by independent auditors.

8. PROPERTY, PLANT AND EQUIPMENT, NET

(1) As of December 31, 2011 and 2010, accumulated depreciation of property, plant and equipment are listed as follows:

Assets	December 31, 2011	December 31, 2010
Buildings	$ 418, 816	$ 359, 891
Machinery and equipment	2, 183, 951	1, 989, 155
Transportation equipment	6, 507	5, 779
Furniture and fixtures	36, 384	28, 043
Leased assets	14, 970	17, 815
Other equipment	5, 030	4, 987
	$ 2, 665, 658	$ 2, 405, 670

(2) As of December 31, 2011 and 2010, interest expense before capitalization, interest capitalized and capitalized interest rates are listed as follows:

	2011	2010
Interest expense before capitalization	$ 108	$ 5, 002
Capitalized interest	$ —	$ 580
Capitalized interest rates	—	2. 49%

(3) Leased assets

The major terms of leased assets are as follows:

A. Upon the expiration of the lease contract, the titles of the leased assets accounted for under capital lease are transferred to the Company at no additional cost. The rental payments and the leased assets are listed below:

Category of property	Present value discounted on the implicit interest rate	Period
Other equipment	$ 14, 970	1. 2009-12. 2012 for 48 equal monthly installments

B. As of December 31, 2011, total amount of future rental payments and their present value are as follows:

	Rent Payable	
	Present value of future rental payments	Total future rental payments
1. 1. 2012–12. 31. 2012	$ 964	$ 993
Less: Liabilities under capital lease within one year	(964)	
Capital lease payables - non-current	$ –	

9. OTHER INTANGIBLE ASSETS

As of December 31, 2011 and 2010, other intangible assets are as follows:

2011	Technology shares	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

2010	Technology shares	Computer software costs	Total
Balance at January 1, 2010			
Initial cost	$ 413,042	$ 9,338	$ 422,380
Accumulated amortization	(381,375)	(7,462)	(388,837)
Accumulated impairment	(8,042)	–	(8,042)
January 1, 2010 net book value	23,625	1,876	25,501
Addition	–	495	495
Amortization	(23,625)	(1,870)	(25,495)
Balance at December 31, 2010			
Initial cost	413,042	9,833	422,875
Accumulated amortization	(405,000)	(9,332)	(414,332)
Accumulated impairment	(8,042)	–	(8,042)
December 31, 2010 net book value	$ –	$ 501	$ 501

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

10. IDLE ASSETS

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

	December 31, 2010		
Assets	Cost	Accumulated depreciation	Net book value
Machinery and equipment	$ 94,135	($ 54,523)	$ 39,612
Less:Accumulated impairment			(28,967)
			$ 10,645

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 $39,788 and $41,629 as of December 31, 2011 and 2010, respectively. Details are set forth below:

	December 31, 2011	
Item	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	$ —

	December 31, 2010	
Item	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	28,967	—
	$ 41,629	$ —

The accumulated impairment summarized by department is as follows:

	December 31, 2011	
Department	Statement of income	Stockholders' equity
All company	$ 39,788	$ —

	December 31, 2010	
Department	Statement of income	Stockholders' equity
All company	$ 41,629	$ —

(Note) Certain idle assets have been disposed during the year ended December 31, 2011 and 2010. As such, the reversal of impairment loss of $1,841 and $10,381 was recognized for the years ended December 31, 2011 and 2010, respectively.

12. RETIREMENT PLAN

(1)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.

(2) 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:

	2011	2010
Discount rate	1.90%	1.75%
Rate of increase in compensation levels	3.00%	3.00%
Expected return on plan assets	1.90%	1.75%

B.The funded status of the plan at December 31, 2011 and 2010 is as follows:

	2011	2010
Benefit obligation:		
Vested benefit obligation	($ 1,751)	($ 3,270)
Non-vested benefit obligation	(70,338)	(64,332)
Accumulated benefit obligation	(72,089)	(67,602)
Additional benefit based on future salaries	(33,630)	(33,422)
Projected benefit obligation	(105,719)	(101,024)
Fair value of plan assets	44,380	44,227
Plan funded status	(61,339)	(56,797)
Unrecognized net transition obligation	1,223	1,529
Unrecognized service cost	928	994
Unrecognized loss on plan assets	32,438	29,829
Minimum pension liability	(959)	—
Accrued pension liabilities	($ 27,709)	($ 24,445)
Vested benefit	$ 1,751	$ 3,386

C.The net periodic pension cost for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Service cost	$ 2,704	$ 2,865
Interest cost	1,768	2,008
Expected return on plan assets	(774)	(907)
Amortization of unrecognized net transition obligation	306	306
Amortization of unrecognized service cost	66	66
Amortization of unrecognized loss on plan asset	1,517	1,144
Net periodic pension cost	$ 5,587	$ 5,482

(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, 2011 and 2010 were $22,258 and $21,260, respectively.

13. COMMON STOCK

(1) To encourage and maintain excellent people and inspire the employees' identification, the Board of Directors during its meeting on May 27, 2010 adopted a resolution to increase capital by issuing common stocks of 58,627 thousand shares at a premium price of $20 (in NT dollars) per share. Pursuant to the approval by the Southern Taiwan Science Park Administration on August 18, 2010, the capital increase was effective on July 30, 2010. After the capital increase, the authorized and paid-in capital was $6,100,000, consisting of 610 million shares with a par value of $10 (in NT dollars) per share.

(2) The Company adopted a resolution to increase the authorized capital by $3,900,000 on December 9, 2010. After the capital increase, the authorized capital was $10,000,000.

(3) 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.

14. CAPITAL RESERVE

(1) According to the R.O.C. Company Law, the capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(2) The stockholders adopted a resolution to offset capital reserve of $100,000 against the accumulated deficit during an interim stockholders' meeting on December 9, 2010.

15. SHARE-BASED PAYMENT – EMPLOYEE COMPENSATION PLAN

(1) The Company adopted a resolution to increase capital by cash, and reserved 2,249 thousand shares for employee 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 employee above 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	0.14year
Weighted-average fair value (per share) (in NT dollars)	$ 0.42

(2)The Company adopted a resolution to increase capital by cash, and reserved 7,498 thousand shares for employee granted on May 27, 2010 at a price of $20 (in NT dollars) per share. The amount of employee compensation costs of cash capital increase reserved for employee above was $12,746 for the year ended December 31, 2010.

The employee preemption above is estimated 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	37.68%
Risk-free interest rate	0.11%
Expected life	0.18 year
Weighted-average fair value (per share) (in NT dollars)	$ 1.7

16. RETAINED EARNINGS

(1)Pursuant to the R.O.C. Company Law, the annual net income should be used initially to cover any accumulated deficit; thereafter 10% of the annual net income should be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. The legal reserve shall be exclusively used to cover accumulated deficit and distribute by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 % of the paid-in capital may be distributed.

(2)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, 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.

(3)(i)Due to the Company's accumulated deficit, no cash dividend was distributed in 2009. The appropriations of 2010 earnings had been resolved at the stockholders' meeting on June 30, 2011. Details are summarized below:

	2010	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 7,962	
Cash dividends	61,000	$ 0.10
Directors' and supervisors' remuneration	1,433	
Employees' cash bonus	143	
	$ 70,538	

(ii)The appropriations of 2011 earnings had been proposed by the Board of Directors on March 26, 2012. Details are summarized below:

	2011	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 95,935	
Cash dividends	631,000	$ 1.00
Stock dividends	189,300	0.30
Directors' and supervisors' remuneration	17,268	
Employees' cash bonus	1,727	
	$ 935,230	

As of March 26, 2012, the appropriations of 2011 earnings had not been resolved by the stockholders.

(4)The estimated amounts of employees' bonus and directors' and supervisors' remuneration for the years ended December 31, 2011 and 2010 are $19,029 and $2,000, respectively. The basis of estimates is based on a certain percentage of 2011 and 2010 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 differences between the actual distribution as approved at the stockholders' meeting and the amounts recognized in the 2010 financial statements were $424 for employees' bonus and $2,000 for directors' and supervisors' remuneration, due to differences in estimate calculation. Such differences were recognized in profit or loss for the year ended December 31, 2011.

(5)As of December 31, 2011 and 2010, the balance of unappropriated earnings were as follows:

	December 31, 2011	December 31, 2010
Unappropriated earnings in and after 1998	$ 970,012	$ 79,619

(6)As of December 31, 2011 and 2010, the imputation tax credit account balance amounted to $65,847 and $35,355, respectively. The Company distributed unappropriated earnings in 2010 as dividends in accordance with the resolution adopted at the stockholders' meeting on June 30, 2011, and the date of dividends distribution was on August 1, 2011. The 2010 creditable ratio was 20.48%. The 2011 estimated creditable ratio was 6.79%. 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 2011 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, 2011 and 2010, the personnel, depreciation and amortization expenses were as follows:

	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

	2010		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries and wages	$ 319,164	$ 236,495	$ 555,659
Insurance	21,008	11,789	32,797
Pension	14,701	12,041	26,742
Others	3,051	10,677	13,728
	$ 357,924	$ 271,002	$ 628,926
Depreciation	$ 267,332	$ 50,358	$ 317,690
Amortization	$ 694	$ 24,801	$ 25,495

18. DEFERRED INCOME TAX AND INCOME TAX EXPENSE

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

	2011	2010
Income tax at the statutory tax rate	$ 191,103	$ 201,457
Tax effect of permanent differences	10,800	—
Tax effect of operating loss carryforwards	—	8,570
Tax effect of investment tax credits	(5,050)	(2,093)
Tax effect of Five-year tax-free project	(4,475)	(57,196)
Over provision of prior year's income tax	(318)	(835)
10% tax on unappropiated earnings	1,066	—
Tax effect of change in tax rate	—	17,634
Tax effect of valuation allowance	(28,346)	(22,499)
Income tax expense	164,780	145,038
Net changes of deferred income tax assets (liabilities)	(50,545)	(100,602)
Over provision of prior year's income tax	318	835
Prepaid income taxes	(1,655)	(338)
Income tax payable	$ 112,898	$ 44,933

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

	December 31, 2011		December 31, 2010	
	Amount	Tax effect	Amount	Tax effect
Current Items:				
Temporary differences				
Unrealized decline in value of inventories	$ 197, 546	$ 33, 583	$ 186, 491	$ 31, 703
Unrealized obsolescence of supplies	40, 415	6, 871	33, 795	5, 745
Unrealized loss on foreign currency	3, 207	545	31, 768	5, 401
Unrealized gain on valuation of financial assets	(2, 066)	(351)	(7, 389)	(1, 256)
Unrealized gain or loss between affiliated companies	19, 804	3, 367	22, 077	3, 753
Investment tax credits		10, 413		25, 548
		54, 428		70, 894
Less: Valuation allowance		(40, 454)		(37, 449)
		$ 13, 974		$ 33, 445
Non-Current Items:				
Temporary differences				
Pension cost	$ 26, 750	$ 4, 547	$ 24, 445	$ 4, 156
Technology shares	213, 892	36, 362	235, 643	40, 059
Investment loss	95, 643	16, 259	53, 786	9, 144
Impairment loss	27, 126	4, 611	28, 967	4, 924
Investment tax credits		—		65, 921
		61, 779		124, 204
Less: Valuation allowance		—		(31, 351)
		$ 61, 779		$ 92, 853

(3) As of December 31, 2011, the Company's investment tax credits consisted of the following:

Regulation	Item	Amount	Unused balance	Year of expiry
Statute for Upgrading Industries	Research and development expenditures	$ 76,835	$ 10,413	2013

(4) The Company's income tax returns through 2009 have been assessed and approved by the Tax Authority. As of March 26, 2012, there were no disputes existing between the Company and the Tax Authority.

20. EARNINGS PER COMMON SHARE

	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	615,523	$ 1.83	$ 1.56
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	$1,124,135	$ 959,355	615,554	$ 1.83	$ 1.56

	2010				
	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	$1,185,041	$1,040,003			
Basic earnings per share					
Net income of common stockholders	$1,185,041	$1,040,003	576,109	$ 2.06	$ 1.81
Dilutive effect of common stock equivalents:					
Employees' bonuses	–	–	17		
Diluted earnings per share					
Effect on the net income of common stockholders plus dilutive effect of common stock equivalents	$1,185,041	$1,040,003	576,126	$ 2.06	$ 1.81

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.

Note 5. RELATED PARTY TRANSACTIONS

1. Related parties and their relationship with the Company

Name of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Stockholder of the Company
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	An investee of the Company's wholly-owned subsidiary, SPT International, Ltd.
ScinoPharm (Changshu) Pharmaceuticals Ltd.	〃
HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	An investee of the Company's wholly-owned subsidiary, HanFeng (BVI), Ltd. (Note 1)
President Tokyo Corp.	A subsidiary of Uni-President Enterprises Corp. accounted for under the equity method.
Tanvex Biologics Corp.	A subsidiary of Tanvex Biologics, Inc. (a subsidiary of the Company accounted for under the equity method) accounted for under the equity method.
La Jolla Biologics, Inc.	〃
Watson Laboratories, Inc.	An investee of the Company's stockholder, Watson Pharmaceuticals, Inc. (Note 2)
ScinoPharm International, Ltd.	Same general manager
Taiwan Sugar Corp.	A corporate supervisor of the Company

Other related parties had no material transactions with the Company for the years ended December 31, 2011 and 2010. Please refer to Note 11 for related information.

(Note 1) In September 2011, the Company had been liquidated.

(Note 2) During March 2010, Watson Pharmaceuticals, Inc. transferred all of its ownership of the Company, and became a non-related party.

2.Transactions and balances with related parties

(1)Sales

	2011		2010	
	Amount	Percentage of net sales	Amount	Percentage of net sales
Watson Laboratories, Inc.	$ —	—	$ 51,614	1

The terms of sales to and collection (wire transfer) from related parties were the same with regular customers. The term of receivables were which closes its accounts 60 days from the end of each month.

(2)Purchases

	2011		2010	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 292,083	22	$ 331,093	24

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

(3)Disposal of property, plant and equipment

		2010		
		Selling price	Book Value	Gain
Tanvex Biologics Corp.	Machinery and equipment	$ 8,161	($ 1,530)	$ 6,631

A. The Company sold property, plant and equipment to the related party at negotiated prices. The unrealized gain of $2,411 was recorded as 「Other current liabilities」.

B. No such transaction occurred for the year ended December 31, 2011.

(4)Other expenses

	2011	2010
Repair fees:		
President Tokyo Corp.	$ 2,829	$ 2,748
Management consultancy fees:		
Taiwan Sugar Corp.	$ 2,180	$ 2,135
ScinoPharm International, Ltd.	—	4,127
	$ 2,180	$ 6,262
Research & Development fees:		
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 7,896	$ 2,960
ScinoPharm (Changshu) Pharmaceuticals Ltd.	2,747	—
ScinoPharm International, Ltd.	—	13,205
HanFeng (Shanghai) Biopharmaceutical Ltd.	—	3,389
	$ 10,643	$ 19,554
Rental expense:		
President Tokyo Corp.	$ 1,410	$ 2,024

(5)Income from management and technical consultancy

	2011	2010
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$ 11,484	$ 4,787
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	8,971	9,926
HanFeng Biopharmaceutical (Shanghai) Co., Ltd	—	323
	$ 20,455	$ 15,036

(6)Other income

	2011	2010
Tanvex Biologics Corp.	$ —	$ 54,087

The Company sold other assets to Tanvex Biologics Corp. and the unrealized gain of $19,666 was recorded as 「Other current liabilities」.

(7)Other receivables

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$ 4,727	25	$ 4,346	39
Others	25	—	146	1
	$ 4,752	25	$ 4,492	40

(8)Accounts payable

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 77,872	30	$ 24,591	18

(9)Capital lease payables

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
President Tokyo Corp.	$ 964	100	$ 2,845	100

(10)Compensation of directors and management personnel

	2011	2010
Salaries	$ 20,466	$ 20,413
Bonuses	11,600	16,419
Service execution fees	10,492	7,553
Earnings distribution	17,325	1,433
	$ 59,883	$ 45,818

(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.

3.Financing

Loans payable to related party (recorded as 「Long – term liabilities – current portion」)

	For the year ended December 31, 2010				
	Maximum balance		Ending	Annual	Total
	Date	Amount	balance	interest rate	interest expense
President Tokyo Corp.	2010.1.1	$ 3,727	$ –	4.5%	$ 76

No such transaction occurred for the year ended December 31, 2011.

Note 6. PLEDGED ASSETS

As of December 31, 2011 and 2010, the details of pledged assets for various purposes were as follows:

Assets	December 31, 2011	December 31, 2010	Purpose of collateral
Time deposits (recorded as 「other financial assets – current」 and 「other financial assets – non-current」)	$ 39,369	$ 19,060	Performance guarantee and customs duty

Note 7. CONTINGENT LIABILITIES AND COMMITMENTS

1. As of December 31, 2011 and 2010, the unused letters of credit amounted to $42,028 and $－, respectively.
2. As of December 31, 2011 and 2010, the remaining balance due for construction in progress and prepayments for equipment was $140,180 and $21,248, respectively.
3. 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, 2011, the total amount of future rental payments are listed as follows:

Term of lease contract	Total rental payments
2012	$ 18,516
2013	18,516
2014	18,516
2015	18,516
2016	18,516
2017～2018 (Present value of $20,150)	21,602
	$ 114,182

Note 8. SIGNIFICANT CATASTROPHE: None.

Note 9. SIGNIFICANT SUBSEQUENT EVENT: None.

10.OTHERS

(1) Fair values of the financial instruments

	December 31, 2011								December 31, 2010					
			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	$	3,963,475	$	–	$	3,963,475		$	2,492,317	$	–	$	2,492,317	
Other financial assets - non-current		19,442		–		19,442			15,552		–		15,552	
Refundable deposits		2,525		–		2,525			2,817		–		2,817	
Liabilities														
Financial liabilities with book value equal to fair value		633,147		–		633,147			487,633		–		487,633	
Capital lease payables - non-current		–		–		–			964		–		964	
Guarantee deposits received		250		–		250			250		–		250	
Derivative financial instruments														
Assets														
Foreign currency forward contracts		2,066		–		2,066			7,389		–		7,389	

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

A.The due dates of short-term financial instruments are near the balance sheet date. Accordingly, the fair value of short-term financial instruments are estimated based on the book value at the balance sheet date which include the accounts of cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets-current, notes and accounts payable, accrued expenses, other payables and capital lease payables – 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, 2011 and 2010.

C.The fair value of capital lease payables – non-current and 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, 2011 and 2010.

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 the amount of ($5,323) and $5,548 as addition to stockholders' equity for the changes in financial assets at fair value through profit or loss for the years ended December 31, 2011 and 2010, respectively.

(3)Procedures of financial risk control and hedge

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

(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, 2011			December 31, 2010		
		Foreign currency amount (in thousands)	Exchange rate (in dollars)		Foreign currency amount (in thousands)	Exchange rate (in dollars)
Financial assets						
Monetary items						
USD:NTD	$	27,410	30.28	$	22,146	29.13
EUR:NTD		2,354	39.18		2,427	38.92
GBP:NTD		35	46.77		44	45.19
SGD:NTD		—	—		12	22.73
Long-term equity investment						
USD:NTD		37,606	30.28		23,341	29.13
Financial liabilities						
Monetary items						
USD:NTD		5,178	30.28		2,232	29.13
EUR:NTD		56	39.18		26	38.92
JPY:NTD		—	—		3,458	0.36

(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’s interest rate risk arises from long-term loans. Long-term loans are debts with floating interest rates that change with market interest rate fluctuations.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES

(1) Related information of significant transactions

(For the year ended December 31, 2011)

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

(B) The Company provided endorsmennts and guarantees to the following entities : None.

(C) The balance of securities held as of December 31, 2011 are summarized as follows (Units in thousands of currencies indicated) :

Investor	Types and name of securities	Relationship with the issuer	Accounts (Note)	December 31, 2011 Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note
ScinoPharm Taiwan,Ltd.	Callable notes :							
	China Trust Commercial Bank	—	1	-	$ 49,846	-	$ 49,846	—
	International Bill Finance Corporation	—	1	-	9,988	-	9,988	—
	Stock :							
	SYNGEN, INC.	—	2	245	-	7.40%	-	—
	SPT International, Ltd.	Subsidiary accounted for under the equity method	3	29,825	957,265	100.00%	1,059,138	—
	ScinoPharm Singapore Pte Ltd.	Subsidiary accounted for under the equity method	3	-	-	100.00%	-	—
	President ScinoPharm (Cayman), Ltd.	Subsidiary accounted for under the equity method	3	102	2,579	60.00%	2,579	—
	Tanvex Biologics, Inc.	Subsidiary accounted for under the equity method	3	28,800	172,107	36.36%	76,818	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	An investee company accounted for under the equity method	3	-	USD 10,669	100.00%	USD 10,669	—
	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	An investee company accounted for under the equity method	3	-	USD 24,053	100.00%	USD 24,053	—

(Note) The code number explanation is as follows:

1. Cash equivalents
2. Financial assets carried at cost – non-current
3. Long-term equity investments 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 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.	Callable bonds：															
	International Bills Finance Corporation	Cash equivalents	–	–	–	$ 73,038	–	$ 882,770	–	$ 955,859	($ 955,808)	$ 51	–	$ –	–	$ –
	China Bill Finance Corporation	Cash equivalents	–	–	–	58,695	–	1,185,518	–	1,244,278	(1,244,213)	65	–	–	–	–
	Callable notes：															
	China Trust Commercial bank	Cash equivalents	–	–	–	–	–	629,281	–	579,499	(579,435)	64	–	–	–	49,846
	International Bills Finance Corporation	Cash equivalents	–	–	–	–	–	768,077	–	758,168	(758,089)	79	–	–	–	9,988
	Taishin International Bank	Cash equivalents	–	–	–	–	–	789,269	–	789,362	(789,269)	93	–	–	–	–
	China Bill Finance Corporation	Cash equivqlents	–	–	–	–	–	815,995	–	816,080	(815,995)	85	–	–	–	–
	Stocks：															
	SPT International, Ltd.	Subsidiary accounted for under the equity method	Capital Increase	–	14,325	441,699	15,500	454,128	–	–	–	–	–	61,438	29,825	957,265
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Subsidiary accounted for under the equity method	Capital Increase	–	–	USD 9,122	–	USD 15,500	–	–	–	–	–	(USD 569)	–	USD 24,053

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

							Prior transaction of related counterparty					
Company name	Types of property	Transaction date	Transaction amount	Payment	Name of the counterparty	Relationship	Owner	Relationships	Transfer date	Amount	Price reference	Pudpose Acquisition
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Plant	2010.4～2011.12	RMB 57,600	RMB 49,628	Zhejiang Meiyang International Engineering Design Co., Ltd. etc.	－	－	－	－	－	Negotiation	Building for operation used

(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 currencies indicated):

			Description of transaction				Description and reasons for difference in transaction terms compared to non-related party transactions		Notes or accounts receivable / (payable)		
Purchases/(sales) company	Name of the counter party	Relationship	Purchases/ (sales)	Amount	Percentage of net purchases /(sales)	Credit terms	Unit Price	Credit Period	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	$ 292,083	22%	(Note)	$ -	－	($ 77,872)	(30%)	-
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(RMB 64,466)	(94%)	(Note)	-	－	RMB 16,161	73%	-

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

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

(I) Derivative financial instrument transactions ： For the Company's derivative financial instrument transactions, please refer to Note 4(2) and 10.

(2)Disclosure information of investee company

Related information on investee companies for the year ended December 31, 2011 (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 period	Currency	Ending balance of prior period (Note 1)	Shares	Percentage of ownership	Currency	Book value	Currency	Amount	Currency	Amount (Note3)	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	TWD	$ 922,419	TWD	$ 468,291	29,824,644	100.00	TWD	$ 957,265	TWD	($ 13,655)	TWD	($ 11,623)	Subsidiary
ScinoPharm Taiwan, Ltd.	ScinoPharm Singapore Pte Ltd.	Singapore	Professional investment	TWD	–	TWD	–	2	100.00	TWD	–	TWD	–	TWD	–	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	2,579	TWD	4,907	TWD	2,944	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	36.36	TWD	172,107	TWD	(151,691)	TWD	(55,155)	—
ScinoPharm Taiwan, Ltd.	HanFeng (BVI), Ltd. (Note 2)	Tortola, British Virgin Islands	Professional investment	TWD	–	TWD	25,590	–	–	TWD	–	TWD	284	TWD	284	Subsidiary
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	China	Research, development and manufacture of new medicine, etc.	USD	3,724	USD	3,724	–	100.00	USD	10,669	USD	938	USD	–	subsidiary of subsidiary
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	China	Research, development and manufacture of new medicine, etc.	USD	25,000	USD	9,500	–	100.00	USD	24,053	USD	(1,326)	USD	–	subsidiary of subsidiary
HanFeng (BVI), Ltd.	HanFeng Biopharmaceutical (Shanghai) Co., Ltd. (Note 4)	China	Research and sales of biomedical and related production, etc.	USD	–	USD	800	–	–	USD	–	USD	–	USD	–	subsidiary of subsidiary
President ScinoPharm (Cayman), Ltd.	Yunnan ZiyunScino Biotech, Ltd. (Note 5)	China	Plant、research, and development of natural medicine, etc.	USD	–	USD	138	–	–	USD	–	USD	–	USD	–	subsidiary of subsidiary

(Note 1) Ending balance of December 31, 2010.

(Note 2) Han Feng (BVI), Ltd. was liquidated in Dececmber, 2011.

(Note 3) According to the related regulations, it is not required to disclose income (loss) of subsidiary of subsidiary recognized by the Company.

(Note 4) Han Feng Biopharmaceutical (Shanghai) Co., Ltd. was liquidated in September, 2011.

(Note 5) Yunnan ZiyunScino Biotech, Ltd. was disposed in July, 2011.

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

Related information on investee companies for the year ended December 31, 2011 (Units in thousands of currencies indicated)

(A) The basic information of investments in Mainland China as of December 31, 2011 are as follows (Units in thousands of currencies indicated)：

Name of investee in Mainland China	Main Business	Capital	Investment method	Beginning investment balance from Taiwan	Investment Amount		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, 2011	Accumulated remittance	Note
					Payment	Remittance						
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of new medicine, etc.	$121,120	(Note1)	$ 112,763	－	－	$ 112,763	100.00	$ 28,403	$ 323,057	$ －	—
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	〃	757,000	(Note1)	287,660	469,340	－	757,000	100.00	(40,151)	728,325	－	—
HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	Research and sales of biomedical and related production, etc.	－	(Note1)	24,224	－	(3,997)	20,227	－	－	－	－	(Note 3)
Yunnan ZiyunScino Biotech, Ltd.	Plant、research, and development of natural medicine, etc.	－	(Note1)	4,179	－	－	4,179	－	－	－	－	(Note 4)

(B) The ceiling amount of investment in Mainland China (Units in thousands of 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 5)
ScinoPharm Taiwan, Ltd.	$ 918,029	$ 1,538,769	$ 5,165,568

(Note 1)Indirect investment in PRC through existing companies located in the third area.
(Note 2)Recognized based on audited by independent accountants financial statements for the year ended December 31, 2011 for each entity.
(Note 3)Liquidated in September, 2011.
(Note 4)Yunnan ZiyunScino Biotech, Ltd. was disposed in July, 2011.
(Note 5)The net capital is counted by 60%.
(Note 6)Calculated at exchange rate of $30.28(US dollars to NT dollars).

(C) The transactions across third region company with the investees in Mainland China：

(a) Purchase amount and percentage of net purchase, the ending balance of the respective account payables and percentage：

(i) Purchase

Third region Company's name	Name of investee in Mainland China	For the year ended December 31, 2011	
		Amount	Percentage of net purchase
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 292,083	22

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, 2011	
		Amount	%
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 77,872	30

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

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

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

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

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

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

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

(e)The financing of Maximum balance, ending balance, range of interest rates and interest expense： 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	For the year ended December 31, 2011
Research & Development fees	—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 7,896
		ScinoPharm (Changshu) Pharmaceuticals, Ltd.	2,747
			$ 10,643
Management consultancy revenue	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 11,484
		ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	8,971
			$ 20,455

			December 31, 2011	
			Amount	%
Other receivables	—	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	$ 4,727	25

12. SEGMENT INFORMATION

The Company has provided the operating segments disclosure 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.