SCINOPHARM TAIWAN, LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2010 AND 2009

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, 2010 and 2009, 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 in the first paragraph present fairly, in all material respects, the financial position of ScinoPharm Taiwan, Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2009, the Company adopted the amendments of R.O.C. Statement of Financial Accounting Standards No. 10, "Accounting for Inventories". As a result of the adoption of such amendments, net income decreased by $173,376,000 and earnings per share decreased by $0.31 for the year ended December 31, 2009.

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, 2010 and 2009 in our report dated March 21, 2011, we expressed an unqualified opinion with explanatory paragraph on those consolidated financial statements.

PricewaterhouseCoopers, Taiwan
March 21, 2011

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	2010	2009
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 1,741,734	$ 488,568
Financial assets at fair value through profit or loss - current (Notes 4(2) and 10)	7,389	44,896
Notes receivable, net	4,866	19,359
Accounts receivable, net (Notes 4(3) and 5)	731,022	891,298
Other receivables	6,695	6,823
Other receivables - related parties (Note 5)	4,492	3,006
Other financial assets - current (Note 6)	3,508	700
Inventories, net (Notes 3 and 4(4))	1,244,331	941,567
Prepayments (Note 4(5))	123,685	73,817
Deferred income tax assets - current (Note 4(19))	33,445	41,928
Total Current Assets	3,901,167	2,511,962
Funds and Investments		
Long-term equity investments accounted for under the equity method (Note 4(7))	671,301	326,736
Other financial assets - non-current (Note 6)	15,552	18,360
Total Funds and Investments	686,853	345,096
Property, Plant and Equipment, Net (Notes 4(8), 5 and 6)		
Costs		
Buildings	1,662,958	1,650,912
Machinery and equipment	3,172,693	3,022,870
Transportation equipment	7,453	7,453
Office equipment	52,122	30,906
Leased assets	17,815	17,815
Other equipment	5,030	5,160
Cost and Revaluation Increment	4,918,071	4,735,116
Less: Accumulated depreciation	(2,405,670)	(2,130,690)
Construction in progress and prepayments for equipment	79,845	108,012
Total Property, Plant and Equipment, Net	2,592,246	2,712,438
Intangible Asset		
Other intangible assets (Notes 4(9)(11))	501	25,501
Other Assets		
Idle assets (Notes 4(10)(11) and 6)	10,645	19,029
Refundable deposits	2,817	1,092
Deferred income tax assets - non-current (Note 4(19))	92,853	184,972
Total Other Assets	106,315	205,093
TOTAL ASSETS	$ 7,287,082	$ 5,800,090

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009
Current Liabilities		
Notes payable	$ 3,088	$ —
Accounts payable	113,178	41,408
Accounts payable - related party (Note 5)	24,591	—
Income tax payable (Note 4(19))	44,933	6,707
Accrued expenses (Note 5)	289,945	259,318
Other payables	54,950	34,369
Receipts in advance	29,508	19,594
Long-term liabilities - current portion (Notes 4(12), 5, 6 and 7)	—	293,151
Capital lease payables - current (Notes 4(8) and 5)	1,881	4,200
Other current liabilities (Note 5)	22,077	—
Total Current Liabilities	584,151	658,747
Long-term Liabilities		
Long-term loans (Notes 4(12), 6 and 7)	—	643,999
Capital lease payables - non-current (Notes 4(8) and 5)	964	2,846
Total Long-term Liabilities	964	646,845
Other Liabilities		
Accrued pension liabilities (Note 4(13))	24,445	22,244
Guarantee deposits received	250	250
Total Other Liabilities	24,695	22,494
Total Liabilities	609,810	1,328,086
Stockholders' Equity		
Capital		
Common stock (Notes 1 and 4(14))	6,100,000	5,513,734
Capital Reserves (Notes 4(14)(15)(16))		
Additional paid-in capital in excess of par - common stock	486,266	—
Capital reserve from stock warrants	12,746	—
Retained Earnings		
Accumulated surplus (deficit) (Notes 4(15)(17))	79,619	(1,060,384)
Other Adjustment to Stockholders' Equity		
Cumulative translation adjustments	(1,359)	18,654
Total Stockholders' Equity	6,677,272	4,472,004
Contingent Liabilities and Commitments (Note 7)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,287,082	$ 5,800,090

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 21, 2011.

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)

	2010	2009
Operating Revenue (Note 5)		
Sales	$ 3,918,564	$ 3,746,885
Sales returns	(70,002)	(2,167)
Sales discounts	—	(29,872)
Net Sales	3,848,562	3,714,846
Technology service revenues	38,893	75,939
Net Operating Revenues	3,887,455	3,790,785
Operating Costs (Notes 3, 4(4)(18) and 5)		
Cost of goods sold	(1,932,370)	(1,888,117)
Cost of technology service	(14,761)	(23,561)
Net Operating Costs	(1,947,131)	(1,911,678)
Gross profit	1,940,324	1,879,107
Operating Expenses (Notes 4(18) and 5)		
Sales and marketing expenses	(156,930)	(82,558)
General and administrative expenses	(295,955)	(296,961)
Research and development expenses	(291,114)	(311,398)
Total Operating Expenses	(743,999)	(690,917)
Operating income	1,196,325	1,188,190
Non-operating Income and Gains		
Interest income	3,741	3,314
Gain on disposal of property, plant and equipment (Note 5)	1,928	19
Reversal of impairment loss (Note 4(11))	10,381	132
Gain on valuation of financial assets (Note 4(2))	4,506	—
Other non-operating income (Note 5)	85,905	32,325
Total Non-operating Income and Gains	106,461	35,790
Non-operating Expenses		
Interest expense (Notes 4(8) and 5)	(4,422)	(32,220)
Investment loss accounted for under the equity method (Note 4(7))	(5,083)	(41,245)
Foreign exchange loss	(87,428)	(17,435)
Depreciation on idle assets	(8,863)	(10,077)
Loss on valuation of financial assets (Note 4(2))	—	(4,279)
Other non-operating losses	(11,949)	(13,435)
Total Non-operating Expenses and Losses	(117,745)	(118,691)
Income before income tax	1,185,041	1,105,289
Income tax expense (Note 4(19))	(145,038)	(64,256)
Net Income	$ 1,040,003	$ 1,041,033

	2010 Before Tax	2010 After Tax	2009 Before Tax	2009 After Tax
Basic Earnings Per Share (in dollars) (Note 4(20))				
Net income	$ 2.06	$ 1.81	$ 2.00	$ 1.89
Diluted Earnings Per Share (in dollars) (Note 4(20))				
Net income	$ 2.06	$ 1.81	$ 2.00	$ 1.89

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

See report of independent accountants dated March 21, 2011.

SCINOPHARM TAIWAN, LTD.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars)

2009	Common Stock	Capital Reserves	Accumulated Surplus (Deficit)	Cumulative Translation Adjustments	Total
Balance at January 1, 2009	$ 5,513,734	$ —	($ 2,101,417)	$ 26,264	$ 3,438,581
Net income for 2009	—	—	1,041,033	—	1,041,033
Cumulative translation adjustment	—	—	—	(7,610)	(7,610)
Balance at December 31, 2009	$ 5,513,734	$ —	($ 1,060,384)	$ 18,654	$ 4,472,004
2010					
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 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

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

See report of independent accountants dated March 21, 2011.

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,040,003	$ 1,041,033
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on valuation of financial assets	(5,506)	(1,883)
Gain on valuation of financial liabilities	—	(1,513)
Provision for doubtful accounts	4,271	—
Reversal of allowance for doubtful accounts	—	(4,211)
Reversal of allowance for inventory market price decline	(16,111)	(73,829)
Provision for obsolescence of supplies	2,627	5,099
Investment loss accounted for under the equity method	5,083	41,245
Depreciation	326,553	319,941
Gain on disposal of property, plant and equipment	(1,928)	(19)
Reversal of impairment loss	(10,381)	(132)
Amortization	25,495	42,803
Unrealized gain between affiliated companies	19,666	—
Employee compensation costs through issuance of common stock	12,746	—
Effect of exchange rate changes on cash	4,439	15,207
Changes in assets and liabilities		
Financial assets at fair value through profit or loss – current	43,013	(43,013)
Notes receivable	14,493	(16,917)
Accounts receivable	156,005	(521,211)
Other receivables	128	3,982
Other receivables – related party	(1,486)	124
Inventories	(286,653)	378,350
Prepayments	(52,495)	14,912
Deferred income tax assets – current	8,483	92,786
Deferred income tax assets – non-current	92,119	(35,419)
Notes Payable	3,088	—
Accounts payable	71,770	16,055
Accounts payable – related party	24,591	(6,987)
Income tax payable	38,226	(16,862)
Accrued expenses	30,627	7,839
Other payables	(4,779)	5,045
Receipts in advance	9,914	12,988
Accrued pension liabilities	2,201	1,130
Net cash provided by operating activities	1,556,202	1,276,543

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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)

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in time deposits pledged	$ —	($ 14,459)
Increase in long-term investments – subsidiaries	(143,681)	(165,339)
Increase in long-term investments – non subsidiaries	(225,980)	—
Cash paid for acquisition of property, plant and equipment	(172,371)	(182,292)
Proceeds from disposal of property, plant and equipment	10,273	19
Increase in other intangible assets	(495)	—
Increase in refundable deposits	(1,725)	(212)
Net cash used in investing activities	(533,979)	(362,283)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term loans	(937,150)	(1,000,704)
Proceeds from issuance of common stock	1,172,532	—
Net cash provided by (used in) financing activities	235,382	(1,000,704)
Effect of exchange rate changes on cash	(4,439)	(15,207)
Increase (decrease) in cash and cash equivalents	1,253,166	(101,651)
Cash and cash equivalents at beginning of year	488,568	590,219
Cash and cash equivalents at end of year	$ 1,741,734	$ 488,568
Supplemental disclosures of cash flow information		
1.Interest paid (excluding capitalized interest)	$ 4,765	$ 33,084
2. Income tax paid	$ 6,210	$ 23,751
Investing activities with partial cash payment		
Acquisition of property, plant and equipment	$ 193,530	$ 193,816
Add : Other payables, beginning of year	25,232	9,258
Capital lease payables, beginning of year	7,046	11,496
Less: Other payables, end of year	(50,592)	(25,232)
Capital lease payables, end of year	(2,845)	(7,046)
Cash paid for acquisition of property, plant and equipment	$ 172,371	$ 182,292

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 21, 2011.

SCINOPHARM TAIWAN, LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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, 2010, the Company's authorized capital was $10,000,000 and the paid-in capital was $6,100,000, consisting of 610,000,000 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, 2010, the Company had approximately 570 employees.

(3)Uni-President Enterprises Corp., the Company's ultimate parent company, holds 39.24% 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", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" 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)The Company maintains its accounts in New Taiwan dollars. Transactions arising in foreign currencies, except for derivative financial instruments, are translated into New Taiwan dollars 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 and 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>Allowance for doubtful accounts</u>

Allowance for doubtful accounts is determined based on past experience of occurrence of bad debts and evaluation of the collectability and the aging of notes and accounts receivable.

(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)<u>Financial assets carried at cost</u>

(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)<u>Long-term equity investments accounted for under the equity method</u>

(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 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)<u>Property, plant and equipment and idle assets</u>

(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. Fully depreciated assets still in use are depreciated based on the residual value over the estimated remaining useful lives. The useful lives of fixed assets and idle assets are: machinery and equipment 2-12 years, others 2-50 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 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, personnel training 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 the Jin-Guan-Zheng (6) Letter No.0960013218 of the Financial Supervisory Commission, Executive Yuan, R.O.C., dated March 30, 2007, the Company calculates the number of shares of employees' stock bonus based on the net asset value per share in the latest audited financial statements.

(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.

Note 3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2009, the Company adopted the amendments of R.O.C. SFAS No. 10, “Accounting for Inventories”. As a result of this change in accounting principle, net income decreased by $173,376 and earnings per share decreased by $0.31 (in NT dollars) for the years ended December 31, 2009.

Note 4. DETAILS OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009
Cash:		
Cash on hand	$ 35	$ 35
Checking accounts	1,722	85
Demand deposits	24,044	22,270
Time deposits	1,584,200	446,678
	1,610,001	469,068
Cash equivalents:		
Callable bonds	131,733	19,500
	$ 1,741,734	$ 488,568

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2010	December 31, 2009
Current items:		
Financial assets held for trading		
Mutual funds	$ —	$ 43,013
Derivative-Foreign currency forward contracts	7,389	1,841
	7,389	44,854
Financial assets held for trading fair value adjustment	—	42
	$ 7,389	$ 44,896

(a) The Company recognized a net gain (loss) of $4,506 and ($4,279) for the years ended December 31, 2010 and 2009, respectively.

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

	December 31, 20010		December 31, 2009	
	Contract Amount	Contract Period	Contract Amount	Contract Period
Forward exchange contracts	USD11,100,000	2010.11.17～2011.03.15	USD 4,489,000	2009.11.26～2010.02.12
	EUR 1,770,000	2010.12.28～2011.03.04	EUR 1,160,000	2009.11.10～2010.01.15

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, 2010	December 31, 2009
Accounts receivable	$ 735,449	$ 891,454
Less: Allowance for doubtful accounts	(4,427)	(156)
	$ 731,022	$ 891,298

4. INVENTORIES, NET

	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

	December 31, 2009		
	Cost	Allowance	Book Value
Raw materials	$ 221,398	($ 59,476)	$ 161,922
Supplies	2,507	(664)	1,843
Work in process	386,175	(41,850)	344,325
Finished goods	534,089	(100,612)	433,477
	$ 1,144,169	($ 202,602)	$ 941,567

Expenses and losses of inventories recognized:

	2010	2009
Cost of inventories sold	$ 1,723,172	$ 1,684,958
Reversal of allowance for inventory market price decline	(16,111)	(73,829)
Idle capacity	95,116	137,813
Loss on production stoppage	12,661	8,445
Loss on discarding inventory	105,863	127,959
Loss on physical inventory	11,669	2,771
Cost of goods sold	$ 1,932,370	$ 1,888,117

5. PREPAYMENTS

	December 31, 2010	December 31, 2009
Supplies	$ 78,368	$ 72,808
Prepaid expense	32,410	22,871
Prepayment for materials	46,702	9,306
	157,480	104,985
Less: Allowance for obsolescence of supplies	(33,795)	(31,168)
	$ 123,685	$ 73,817

6. FINANCIAL ASSET CARRIED AT COST

	December 31, 2010	December 31, 2009
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:

Name of subsidiaries	December 31, 2010 Book value	December 31, 2010 Percentage owned	December 31, 2009 Book value	December 31, 2009 Percentage owned
SPT International, Ltd.	$441,699	100.00%	$310,632	100.00%
HanFeng (BVI), Ltd.	3,928	〃	16,054	〃
ScinoPharm Singapore Pte Ltd.	—	〃	—	〃
President ScinoPharm (Cayman), Ltd.	(20)	60.00%	50	60.00%
Tanvex Biologics, Inc.	225,694	36.36%	—	—
	$671,301		$326,736	

(2) Long-term investment loss accounted for under the equity method was $5,083 and $41,245 for the years ended December 31, 2010 and 2009, respectively. As of and for the years ended December 31, 2010 and 2009, the Company's long-term investments in investee companies accounted for under the equity method were based on the investees' financial statements which were audited by independent auditors.

(3) As a result of the adoption of R.O.C. SFAS No. 10, "Accounting for Inventories", the Company recognized investment loss on financial instruments of $5,194 for the year ended December 31, 2009.

8. PROPERTY, PLANT AND EQUIPMENT, NET

(1) As of December 31, 2010 and 2009, accumulated depreciation of property, plant and equipment are listed as follows:

Assets	December 31, 2010	December 31, 2009
Buildings	$ 359,891	$ 304,711
Machinery and equipment	1,989,155	1,779,441
Transportation equipment	5,779	5,070
Furniture and fixtures	28,043	22,352
Leased assets	17,815	14,103
Other equipment	4,987	5,013
	$ 2,405,670	$ 2,130,690

(2)As of December 31, 2010 and 2009, interest expense before capitalization, interest capitalized and capitalized interest rates are listed as follows:

	2010	2009
Interest expense before capitalization	$ 5,002	$ 33,725
Capitalized interest	$ 580	$ 1,505
Capitalized interest rates	2.49%	2.06%

(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	$ 17,815	1.2007-12.2012 for 72 equal monthly installments

B. As of December 31, 2010, 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
1.1.2011-12.31.2011	$ 1,881	$ 1,989
1.1.2012-12.31.2012	964	993
	2,845	$ 2,982
Less: Liabilities under capital lease within one year	(1,881)	
Capital lease payables - non-current	$ 964	

9. OTHER INTANGIBLE ASSETS

As of December 31, 2010 and 2009, other intangible assets are as follows:

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

2009	Technology shares	Computer software costs	Total
Balance at January 1, 2009			
Initial cost	$ 413,042	$ 9,338	$ 422,380
Accumulated amortization	(340,875)	(5,159)	(346,034)
Accumulated impairment	(8,042)	－	(8,042)
January 1, 2009 net book value	64,125	4,179	68,304
Amortization	(40,500)	(2,303)	(42,803)
Balance at December 31, 2009			
Initial cost	413,042	9,338	422,380
Accumulated amortization	(381,375)	(7,462)	(388,837)
Accumulated impairment	(8,042)	－	(8,042)
December 31, 2009 net book value	$ 23,625	$ 1,876	$ 25,501

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

10. IDLE ASSETS

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

Assets	December 31, 2009 Cost	Accumulated depreciation	Net book value
Machinery and equipment	$ 115,415	($ 57,038)	$ 58,377
Less:Accumulated impairment			(39,348)
			$ 19,029

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 $41,629 and $52,010 as of December 31, 2010 and 2009, respectively. Details are set forth below:

Item	December 31, 2010 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	$ —

Item	December 31, 2009 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	39,348	—
	$ 52,010	$ —

The accumulated impairment summarized by department are as follows:

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

	December 31, 2009	
Department	Statement of income	Stockholders' equity
All company	$ 52,010	$ —

(Note) Certain idle assets have been disposed during the year ended December 31, 2010 and 2009. As such, the reversal of impairment loss of $10,381 and $132 was recognized for the year ended December 31, 2010 and 2009.

12. LONG-TERM LOANS

	December 31, 2010	December 31, 2009
Secured bank loans (Note 1)	$ —	$ 933,499
Other secured loan (Note 2)	—	3,727
	—	937,226
Less: Prepaid interest	—	(76)
Current portion of long-term loans	—	(293,151)
	$ —	$ 643,999
Range of maturity dates	—	2010.11.5～2013.7.23
Range of interest rates	—	1.82%～4.50%

(Note 1)The bank loan is secured by buildings, machinery and equipment, and idle assets.

(Note 2)The other secured loan pertains to property, plant and equipment which were sold to and then leased back from the leasing company. Said transaction is considered a loan, and is secured by machinery and equipment.

13. 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:

	2010	2009
Discount rate	1.75%	2.25%
Rate of increase in compensation levels	3.00%	3.00%
Expected return on plan assets	1.75%	2.25%

B.The funded status of the plan at December 31, 2010 and 2009 is as follows:

	2010	2009
Benefit obligation:		
Vested benefit obligation	($ 3,270)	($ 2,940)
Non-vested benefit obligation	(64,332)	(56,057)
Accumulated benefit obligation	(67,602)	(58,997)
Additional benefit based on future salaries	(33,422)	(30,255)
Projected benefit obligation	(101,024)	(89,252)
Fair value of plan assets	44,227	40,312
Plan funded status	(56,797)	(48,940)
Unrecognized net transition obligation	1,529	1,835
Unrecognized service cost	994	1,060
Unrecognized loss on plan assets	29,829	23,801
Accrued pension liabilities	($ 24,445)	($ 22,244)
Vested benefit	$ 3,386	$ 3,115

C.The net periodic pension cost for the years ended December 31, 2010 and 2009 consists of the following:

	2010	2009
Service cost	$ 2,865	$ 2,902
Interest cost	2,008	1,770
Expected return on plan assets	(907)	(542)
Amortization of the unrecognized net transition obligation	306	306
Amortization of the unrecognized service cost	66	66
Amortization of unrecognized loss on plan assets	1,144	—
Net periodic pension cost	$ 5,482	$ 4,502

(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, 2010 and 2009 were $21,260 and $18,805, respectively.

14. COMMON STOCK

(1)To inviting and holding excellent people and inspiring the employees' identification, the Board of Directors during its meeting on May 27, 2010 adopted a resolution to increase capital by issuing common stocks 58,627 thousand shares at a premium price of $20 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. After the capital increase, the authorized capital was $10,000,000.

15. CAPITAL RESERVE

(1)The R.O.C. Company Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.

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

16. SHARE-BASED PAYMENT – EMPLOYEE COMPENSATION PLAN

The Company adopted a resolution to increase capital by cash, and reserved 7,498 thousand shares for employee rendered 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. No similar situation occurred for the year ended December 31, 2009.

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

17. RETAINED EARNINGS

(1) In accordance with the original Company's Articles of Incorporation, 10% of the annual net earnings, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net earnings shall be distributed in accordance with a resolution passed during the Board of Directors' meeting and approved at the stockholders' meeting. Of the amount distributed by the Company, 2% shall be distributed as directors' and supervisors' remuneration and not less than 0.2% as employees' bonuses. 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’ dividends 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.

(2) Due to the Company’s accumulated deficit, no cash dividend distributed in 2009 and 2008. As of March 21, 2011, the Company had not yet held the Board of Directors’ meeting to discuss the earnings distribution proposal for 2010. The related information will be available in the Market Observation Post System website of the Taiwan Stock Exchange Corporation once the resolution is approved by the Board of Directors and stockholders.

(3) The estimated amounts of employees' bonus and directors' and supervisors' remuneration for the year ended December 31, 2010 is $2,000. The estimated are based on a certain percentage of 2010 net income after taking into account the legal reserve and other factors, as prescribed under the Company's Articles of Incorporation. Due to the Company's accumulated deficit, the Company did not estimate the employees' bonus and directors' and supervisors' remuneration of for the year ended December 31, 2009. 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.

(4) As of December 31, 2010 and 2009, the balance of unappropriated earnings were as follows:

	December 31, 2010	December 31, 2009
(A) Unappropriated earnings before 1998	$ —	($ 4,388)
(B) Unappropriated earnings in and after 1998	79,619	(1,055,996)
	$ 79,619	($ 1,060,384)

(5) As of December 31, 2010 and 2009, the imputation tax credit account balance amounted to $35,355 and $29,160, respectively. There is no distribution for the imputation tax credit account due to the Company's accumulated deficit. As of December 31, 2010, the estimated creditable ratio was 33.33%. 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 2010 undistributed earnings will be based on the imputation tax credit account balance up to the date of distribution of the dividends.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

For the years ended December 31, 2010 and 2009, the personnel, depreciation and amortization expenses were as follows:

	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

	2009		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries and wages	$ 301,119	$ 195,369	$ 496,488
Insurance	20,275	10,537	30,812
Pension	14,630	8,677	23,307
Others	7,749	6,504	14,253
	$ 343,773	$ 221,087	$ 564,860
Depreciation	$ 270,729	$ 39,135	$ 309,864
Amortization	$ 2,753	$ 40,050	$ 42,803

19. DEFERRED INCOME TAX AND INCOME TAX EXPENSE

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

	2010	2009
Income tax at the statutory tax rate	$ 201,457	$ 276,312
Tax effect of permanent differences	—	(826)
Tax effect of operating loss carryforwards	8,570	31,530
Tax effect of investment tax credits	(2,093)	(48,780)
Tax effect of Five-year tax-free project	(57,196)	(91,603)
Over provision of prior year's income tax	(835)	(344)
Tax effect of tax rate difference of temporary difference between the reporting date and year of realization	—	(49)
Tax effect of change in tax rate	17,634	29,438
Tax effect of valuation allowance	(22,499)	(131,422)
Income tax expense	145,038	64,256
Net changes of deferred income tax assets	(100,602)	(57,367)
Over provision of prior year's income tax	835	344
Prepaid income taxes	(338)	(526)
Income tax payable	$ 44,933	$ 6,707

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

	December 31, 2010		December 31, 2009	
	Amount	Tax effect	Amount	Tax effect
Current Items:				
Temporary differences				
Unrealized decline in value of inventories	$ 186,491	$ 31,703	$ 202,602	$ 40,520
Unrealized obsolescence of supplies	33,795	5,745	31,168	6,234
Unrealized loss on foreign currency	31,768	5,401	11,789	2,358
Unrealized gain on valuation of financial assets	(7,389)	(1,256)	(1,841)	(368)
Unrealized gain or loss between affiliated companies	22,077	3,753	—	—
Net operating loss carryfowards	—	—	104,942	20,988
Investment tax credits		25,548		18,950
		70,894		88,682
Less: Valuation allowance		(37,449)		(46,754)
		$ 33,445		$ 41,928
Non-Current Items:				
Temporary differences				
Pension cost	$ 24,445	$ 4,156	$ 22,244	$ 4,449
Technology shares	235,643	40,059	233,770	46,754
Investment loss	53,786	9,144	48,703	9,741
Impairment loss	28,967	4,924	39,348	7,870
Net operating loss carryforwards	—	—	316,423	63,285
Investment tax credits		65,921		97,418
		124,204		229,517
Less: Valuation allowance		(31,351)		(44,545)
		$ 92,853		$ 184,972

(3) The details of investment tax credits and loss carryforwards as of December 31, 2010 are as follows:

Regulation	Item	Amount	Unused balance	Year of expiry
Statute for Upgrading Industries	Acquisition of automation equipment	$ 4,303	$ 3,974	2011～2013
〃	Research and development expenses	93,010	82,586	2011～2013
〃	Personnel training	476	476	2013
〃	Shareholder's investment credit	12,630	4,433	2011
Income Tax Law	Loss carryforward	75,451	－	－
		$ 185,870	$ 91,469	

(4) The Company's income tax returns through 2007 have been assessed and approved by the Tax Authority. As of March 21, 2011, there were no disputes existing between the Company and the Tax Authority.

20. EARNINGS PER COMMON SHARE

	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 for common stock 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 of the net income for common stock stockholders plus dilutive effect of common stock equivalents	$1,185,041	$1,040,003	576,126	$ 2.06	$ 1.81

	2009				
	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	$1,105,289	$1,041,033	551,373	$ 2.00	$ 1.89

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.
President Tokyo Corp.	A subsidiary of Uni-President Enterprises Corp. accounted for under the equity method.
Tanvex Biologics Corporation	A subsidiary of Tanvex Biologics, Inc. (a subsidiary of the Company accounted for under the equity method) accounted for under the equity method.
Watson Laboratories, Inc.	An investee of the Company's stockholder, Watson Pharmaceuticals, Inc. (Note)
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, 2010 and 2009. Please refer to Note 11 for related information.

(Note) 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

	2010		2009	
	Amount	Percentage of net sales	Amount	Percentage of net sales
Watson Laboratories, Inc.	$ 51,614	1	$104,294	3

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

(2)Purchases

	2010		2009	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 331,093	24	$ 166,840	21

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 day from the end of each month. However, for purchases from the same with regular suppliers, a prepayment is made upon issuance of a purchase order with the remaining balance paid upon the receipt of goods for the year ended December 31, 2009.

(3)Disposal of property, plant and equipment

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

A. None for the year ended December 31, 2009.

B. The Company sold fixed assets to the related party at negotiated prices. The unrealized gain of $2,411 was recorded as 「Other current liabilities」.

(4)Other expenses

	2010	2009
Repair fees:		
President Tokyo Corp.	$ 2,748	$ 2,758
Management consultancy fees:		
ScinoPharm International, Ltd.	$ 4,127	$ 6,862
Taiwan Sugar Corp.	2,135	2,274
Uni-President Enterprises Corp.	—	415
	$ 6,262	$ 9,551
R&D fees:		
ScinoPharm International, Ltd.	$ 13,205	$ 35,819
HanFeng (Shanghai) Biopharmaceutical Ltd.	3,389	10,170
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	2,960	5,200
	$ 19,554	$ 51,189
Rental expense:		
President Tokyo Corp.	$ 2,024	$ —

(5)Income from management and technical consultancy

	2010	2009
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 9,926	$ 8,374
ScinoPharm (Changshu) Pharmaceuticals Ltd.	4,787	—
HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	323	—
	$ 15,036	$ 8,374

(6)Other income

	2010	2009
Tanvex Biologics Corporation	$ 54,087	$ —

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

(7)Accounts receivable

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Watson Laboratories, Inc.	$ —	—	$ 29,807	3

(8)Other receivables

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
ScinoPharm (Changshu) Pharmaceuticals Ltd.	$ 4,346	39	$ —	—
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	—	—	3,006	31
Others	146	1	—	—
	$ 4,492	40	$ 3,006	31

(9)Accounts payable

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 24,591	18	$ —	—

(10)Accrued expenses

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	$ —	—	$ 1,999	1
ScinoPharm International, Ltd.	—	—	227	—
	$ —	—	$ 2,226	1

(11)Capital lease payables

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
President Tokyo Corp.	$ 2,845	100	$ 7,046	100

(12)Compensation of directors and management personnel

	2010	2009
Salaries	$ 30,467	$ 25,048
Bonuses	5,367	3,525
Service execution fees	7,553	3,719
Earnings distribution	—	—
	$ 43,387	$ 32,292

(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.	2010.01.01	$ 3,727	$ —	4.5%	$ 76

	For the year ended December 31, 2009				
	Maximum balance		Ending	Annual	Total
	Date	Amount	balance	interest rate	interest expense
President Tokyo Corp.	2009.01.01	$ 8,199	$ 3,727	4.5%	$ 268

Note 6. PLEDGED ASSETS

As of December 31, 2010 and 2009, the details of pledged assets for various purposes were as follows:

Assets	December 31, 2010	December 31, 2009	Purpose of collateral
Time deposits (recorded as 「other financial assets – current」 and 「other financial assets – non-current」)	$ 19,060	$ 19,060	Performance guarantee and customs duty
Buildings, net	－	1,280,727	Bank loan
Machinery and equipment, net	－	879,739	Bank loan
Idle assets – Machinery and equipment, net	－	30,672	Bank loan
	$ 19,060	$ 2,210,198	

Note 7. CONTINGENT LIABILITIES AND COMMITMENTS

1. As of December 31, 2010 and 2009, the remaining balance due for construction in progress and prepayments for equipment was $21,248 and $912, respectively.

2. (a) On July 3, 2007, the Company entered into a syndicated loan agreement led by Land Bank of Taiwan (the Banks) for a maximum borrowing of $4,000,000 in 5-6 years. Under the terms of the loan agreement, the Company is required to maintain a current ratio over 150%; debt-to-equity ratio under 250% in 2007; debt-to-equity ratio under 200% in 2008; debt-to-equity ratio under 150% in 2009; debt-to-equity ratio under 120% after 2010; debt service coverage ratio over 110%, the company should amend in 8 months since the next account period on May 1.

   (b) On April 29, 2009 and April 16, 2010, the Banks has agreed the company to cancelling the credit amount of $700,000 and $500,000, respectively.

3. Major Agreement

Nature	Party concerned	Validation	Major content
Land lease	Science Park Management	1998.3.1～2017.12.31	Less than 20 years

As of December 31, 2010, the total amount of future rental payments are listed as follows:

Term of lease contract	Total rental payments
2011	$ 15,734
2012	15,734
2013	15,734
2014	15,734
2015	15,734
2016～2017 (Present value of $25,718)	31,467
	$ 110,137

Note 8. SIGNIFICANT CATASTROPHE: None.

Note 9. SIGNIFICANT SUBSEQUENT EVENT: None.

10.OTHERS

(1) Fair values of the financial instruments

	December 31, 2010			December 31, 2009		
		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	$ 2,492,317	$ –	$ 2,492,317	$ 1,409,754	$ –	$ 1,409,754
Financial assets held for trading	–	–	–	43,055	43,055	–
Other financial assets - non-current	15,552	–	15,552	18,360	–	18,360
Refundable deposits	2,817	–	2,817	1,092	–	1,092
Liabilities						
Financial liabilities with book value equal to fair value	487,633	–	487,633	632,446	–	632,446
Long-term loans	–	–	–	643,999	–	643,999
Capital lease payables - non-current	964	–	964	2,846	–	2,846
Guarantee deposits received	250	–	250	250	–	250
Derivative financial instruments						
Assets						
Foreign currency forward contracts	7,389	–	7,389	1,841	–	1,841

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, current portion of long-term liabilities and capital lease payables – current.

B.The fair value of 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, 2010 and 2009.

C.The fair value of long-term loans, 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, 2010 and 2009.

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)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.

(3)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, 2010		December 31, 2009	
	Foreign currency amount (in thousands)	Exchange rate (in dollars)	Foreign currency amount (in thousands)	Exchange rate (in dollars)
Financial assets				
Monetary items				
USD:NTD	$ 22,146	29.13	$ 23,948	32.03
EUR:NTD	2,427	38.92	4,125	46.15
GBP:NTD	44	45.19	74	51.64
SGD:NTD	12	22.73	—	—
Long-term equity investment				
USD:NTD	23,341	29.13	11,833	32.03
Monetary items				
USD:NTD	2,232	29.13	462	32.03
EUR:NTD	26	38.92	26	46.15
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 be changed 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 Company has lower significant concentrations of liquidity risk for forward exchange contracts since the exchange rate is known.

(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, 2010)

(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, 2010 are summarized as follows (Units in thousands of currencies indicated) ：

Investor	Types and name of securities	Relationship with the issuer	Accounts (Note)	December 31, 2010 Number of shares (in thousands)	Book value	Percentage of ownership	Market value	Note
ScinoPharm Taiwan,Ltd.	Callable bonds：							
	Internation Bill Finance Corporation	—	1	-	$ 73,038	-	$ 73,038	—
	China Bill Finance Corporation	—	〃	-	58,695	-	58,695	—
	Stock：							
	SYNGEN, INC.	—	2	245	-	19.60%	-	—
	SPT International, Ltd.	Subsidiary accounted for under the equity method	3	14,325	441,699	100.00%	545,604	—
	HanFeng (BVI), Ltd.	〃	〃	-	3,928	〃	3,928	—
	ScinoPharm Singapore Pte Ltd.	〃	〃	-	-	〃	-	—
	President ScinoPharm (Cayman), Ltd.	〃	〃	102	(20)	60.00%	(20)	—
	Tanvex Biologics, Inc.	〃	〃	28,800	225,694	36.36%	130,405	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	〃	〃	-	US$ 9,270	100.00%	US$ 9,270	—
	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	〃	〃	-	US$ 9,122	〃	US$ 9,122	—
HanFeng (BVI), Ltd.	HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	〃	〃	-	US$ 136	〃	US$ 136	—
President ScinoPharm (Cayman), Ltd.	Yunnan ZiyunScino Biotech, Ltd.	〃	〃	-	-	49.00%	-	—

(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 equivqlents	–	–	–	$ –	–	$ 3,949,766	–	$ 3,876,883	($3,876,728)	$ 155	–	$ –	–	$ 73,038
	China Bill Finance Corporation	〃	–	–	–	19,500	–	4,081,746	–	4,042,722	(4,042,551)	171	–	–	–	58,695
	Stocks :															
	SPT International, Ltd.	Subsidiary accounted for under the equity method	Capital Increase	–	9,825	310,632	4,500	143,681	–	–	–	–	–	(12,614)	14,325	441,699
	Tanvex Biologics, Inc.	〃	〃	–	–	–	28,800	225,980	–	–	–	–	–	(286)	28,800	225,694
SPT International, Ltd.	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	〃	〃	–	–	US$ 4,896	–	US$ 4,500	–	–	–	–	–	(US$ 274)	–	US$ 9,122

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

Company name	Types of property	Transaction date	Transaction amount	Payment	Name of thecounterparty	Relationship	Prior transaction of related counterparty: Owner	Relationships	Transfer date	Amount	Price reference	Purpose Acquisition	Other terms
ScinoPharm (Changshu) Pharmacenticals, Ltd.	Plant	2010.4～2010.12	￥ 49,490	￥ 21,394	Zhejiang Meiyang International Engineering Design Co., Ltd. …etc.	—	—	—	—	—	Negotiation	Builing for operation used	None

(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):

Purchases/(sales) company	Name of the counter party	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	$ 331,093	24%	(Note)	$ -	—	($ 24,591)	(17%)	-
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	ScinoPharm Taiwan, Ltd.	The Company	(Sales)	(331,093)	100%	〃	-	—	24,591	100%	-

(Note)Please reler to Note5 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 Note4(2) and 10.

(2)Disclosure information of investee company

Related information on investee companies for the period ended December 31, 2010 (Units in thousands of currencies indicated)

				Original investments		Holding status				Income (loss)	
Investors	Name of investees	Address	Main Business	Ending balance of the current period	Ending balance of prior period (Note1)	Shares (in thousands)	Percentage of ownership	Book value	Net income (loss) of the investee	recognized by the Company	Note
ScinoPharm Taiwan, Ltd.	SPT International, Ltd.	Tortola, British Virgin Islands	Professional investment	$ 468,291	$ 324,610	14,325	100.00%	$ 441,699	$ 75,236	$ 23,617	Subsidiary
	HanFeng (BVI), Ltd.	Tortola, British Virgin Islands	〃	25,590	25,590	-	〃	3,928	(11,794)	(11,794)	〃
	ScinoPharm Singapore Pte Ltd.	Singapore	〃	-	-	-	〃	-	-	-	〃
	President ScinoPharm (Cayman), Ltd.	Grand Cayman, Cayman Islands	〃	3,541	3,541	102	60.00%	(20)	(119)	(71)	〃
	Tanvex Biologics, Inc.	California, U.S.A.	Research biomedical and related production, etc.	225,980	-	28,800	36.36%	225,694	(33,673)	(16,835)	—
SPT International, Ltd.	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Kunshan City, Jiangsu Province	Research, development and manufacture of new medicine, etc.	US$ 3,724	US$ 3,724	-	100.00%	US$ 9,270	US$ 2,882	(Note 2)	〃
	ScinoPharm (Changshu) Pharmaceuticals, Ltd.	Changshu City, Jiangsu Province	〃	US$ 9,500	US$ 5,000	-	〃	US$ 9,122	(US$ 596)	〃	〃
	Xinjiang President ScinoPharm Technology Co., Ltd. (Note 3)	Urengi Cityi	Manufacture and sales of conjugated estrogens, etc.	-	US$ 788	-	-	-	US$ 107	〃	〃
HanFeng (BVI), Ltd.	HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	Shanghai City	Research and sales of biomedical and related production, etc.	US$ 800	US$ 800	-	100.00%	US$ 136	(US$ 373)	〃	〃

Investors	Name of investees	Address	Main Business	Original investments: Ending balance of the current period	Original investments: Ending balance of prior period (Note1)	Holding status: Shares (in thousands)	Holding status: Percentage of ownership	Holding status: Book value	Net income (loss) of the investee	Income (loss) recognized by the Company	Note
President ScinoPharm (Cayman), Ltd.	Yunnan ZiyunScino Biotech, Ltd.	Yunnan Province	Plant 、 research, and development of natural medicine, etc.	US$ 138	US$ 138	-	49.00%	-	-	(Note 2)	—

(Note 1)Ending balance of December 31, 2009.

(Note 2)We cannot provide this information according to the rules.

(Note 3)Xinjiang President ScinoPharm Technology Co., Ltd. was liquidated in June, 2010.

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

Related information on investee companies for the year ended December 31, 2010 (Units in thousands of currencies indicated)

(A) The basic information of investments in Mainland China as of December 31, 2010 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: Payment	Investment Amount: Remittance	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, 2010	Accumulated remittance
ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	Research, development and manufacture of new medicine, etc.	US$ 4,000	(Note1)	US$ 3,724	US$ -	US$ -	US$ 3,724	100.00%	US$ 2,882	US$ 9,270	$ -
ScinoPharm (Changshu) Pharmaceuticals, Ltd.	〃	US$ 9,500	〃	US$ 5,000	US$ 4,500	US$ -	US$ 9,500	〃	(US$ 596)	US$ 9,122	-
Xinjiang President ScinoPharm Technology Co., Ltd.	Manufacture and sales of conjugated estrogens, etc.	(Note3)	〃	US$ 788	US$ -	US$ 788	US$ -	—	US$ 107	US$ -	-
HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	Research and sales of biomedical and related production, etc.	US$ 800	〃	US$ 800	US$ -	US$ -	US$ 800	100.00%	(US$ 373)	US$ 136	-
Yunnan ZiyunScino Biotech, Ltd.	Plant 、 research, and development of natural medicine, etc.	US$ 305	〃	US$ 138	US$ -	US$ -	US$ 138	29.40%	US$ -	US$ -	-

(B) The ceiling amount of investment in Mainland China (Units in thousands of currencies indicated)

Accumulated investment balance from Taiwan to Mainland China (Note4)		Amount approved by MOEA (Note4)		Ceiling amount of investment in Mainland China by MOEA (Note5)	
$	412,539	$	522,884	$	4,006,363
(US$	14,162)	(US$	17,950)		

(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, 2010 for each entity.

(Note 3)Liquidated in June 2010.

(Note 4)Calculated at exchange rate of $29.13 (US dollars to NT dollars).

(Note 5)The net capital is counted by 60%. The consolidated financial statements of ScinoPharm Taiwan, Ltd. as of and for the year ended December 31, 2010 are still being prepared by the Company, so the capital is counted by 60%.

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

(a) Purchase amount and percentage related to payable's account' ending balance and percentage：

(i) Purchase

Third region Company's name	Name of investee in Mainland China	For the year ended December 31, 2010 Amount	Percentage account for net purchase
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 331,093	24

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, 2010 Amount	%
—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 24,591	18

(b)Sales amount and percentage related to receivable's accounts' ending balance 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 property	Third region Company's name	Name of investee in Mainland China	For the year ended December 31, 2010
R&D fees	—	HanFeng Biopharmaceutical (Shanghai) Co., Ltd.	$ 3, 389
		ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	2, 960
			$ 6, 349
Management consultancy fees	—	ScinoPharm (Kunshan) Biochemical Technology Co., Ltd.	$ 9, 926
		ScinoPharm (Changshu) Pharmceuticals, Ltd.	4, 787
		Han Feng Biopharmaceatial (Shanghai) Co., Ltd.	323
			$ 15, 036

			December 31, 2010	
			Amount	%
Other receivables	—	ScinoPharm (Changshu) Pharmceuticals, Ltd.	$ 4, 346	39

12. SEGMENT INFORMATION

(1) Financial information in different industries: The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

(2) Financial information on geographic areas: No foreign operation.

(3) Information on export:

Export sales of the Company for 2010 and 2009 respectively were as follows:

Areas	2010	2009
America	$ 1,333,182	$ 1,392,451
Europe	1,251,010	1,446,780
Asia	1,094,105	511,843
Australia	220,896	311,845
Africa	644	-
	$ 3,899,837	$ 3,662,919

(4) Information on significant customers:

In 2010 and 2009 customers constituted more than 10% of the Company's total revenue of 2010 and 2009 respectively were as follows:

		2010		2009	
Name of customers	Segment	Amount	Percentage of net operating revenues	Amount	Percentage of net operating revenues
A Corp.	All	$ 900,405	23	$ 1,143,660	30
B Corp.	〃	602,093	16	209,398	6
C Corp.	〃	469,619	12	370,894	10
D Corp.	〃	86,900	2	432,219	11
		$ 2,059,017	53	$ 2,156,171	57