Dynamic Medical Technologies Inc.

Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Dynamic Medical Technologies Inc.

We have audited the accompanying balance sheets of Dynamic Medical Technologies Inc. (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dynamic Medical Technologies Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

January 28, 2011

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

DYNAMIC MEDICAL TECHNOLOGIES INC.

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT ASSETS				
Cash (Note 4)	$ 406,778	35	$ 71,119	11
Notes receivable, net of allowance for doubtful accounts of $3,609 thousand and $3,030 thousand in 2010 and 2009, respectively	117,171	10	95,759	15
Accounts receivable, net of allowance for doubtful accounts of $3,784 thousand and $7,599 thousand in 2010 and 2009, respectively	146,866	13	125,821	20
Accounts receivable from related parties (Note 17)	1,097	-	617	-
Other receivables from related parties (Note 17)	64	-	2,765	1
Merchandise inventories (Notes 3 and 5)	239,844	21	176,467	28
Prepayments (Notes 17 and 18)	44,055	4	15,077	2
Deferred income tax assets - current (Note 13)	12,868	1	16,108	3
Other current assets	3,904	-	8,182	1
Total current assets	972,647	84	511,915	81
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Note 6)	30,000	3	-	-
Investments accounted for under the equity method (Note 7)	68,913	6	44,819	7
Total long-term investments	98,913	9	44,819	7
PROPERTIES AND PROPERTIES FOR LEASE				
Properties (Note 8)				
Cost				
Transportation equipment	1,803	-	1,069	-
Office equipment	8,902	1	8,477	1
Leasehold improvements	3,528	-	5,856	1
Total cost	14,233	1	15,402	2
Less: Accumulated depreciation	(7,550)	(1)	(8,696)	(1)
Properties, net	6,683	-	6,706	1
Properties for lease				
Cost				
Medical equipment	104,414	9	83,063	13
Less: Accumulated depreciation	(21,250)	(2)	(17,746)	(3)
Accumulated impairment loss	(18,256)	(1)	(14,727)	(2)
Properties for lease, net	64,908	6	50,590	8
Total properties and properties for lease, net	71,591	6	57,296	9
INTANGIBLE ASSETS				
Deferred pension cost	288	-	310	-
Business rights, net (Note 9)	-	-	7,933	1
Total intangible assets	288	-	8,243	1
OTHER ASSETS				
Refundable deposits	6,951	1	7,100	1
Deferred charges, net	2,210	-	1,339	-
Deferred income tax assets - noncurrent (Note 13)	6,102	-	5,539	1
Total other assets	15,263	1	13,978	2
TOTAL	$ 1,158,702	100	$ 636,251	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Short-term loans (Note 10)	$ -	-	$ 1,667	-
Short-term bills payable (Note 11)	-	-	29,972	5
Accounts payable	15,087	1	32,583	5
Accounts payable to a related party (Note 17)	-	-	65	-
Income tax payable, net of prepayments of income tax	19,473	2	32,047	5
Accrued expenses	70,932	6	50,422	8
Other payables to related parties (Note 17)	938	-	130	-
Collections in advance (Note 17)	102,956	9	50,373	8
Other current liabilities	20,329	2	17,409	3
Total current liabilities	229,715	20	214,668	34
OTHER LIABILITIES				
Accrued pension cost (Note 12)	2,658	-	2,394	1
Deposits received	1,750	-	2,350	-
Deferred credits	741	-	940	-
Total other liabilities	5,149	-	5,684	1
Total liabilities	234,864	20	220,352	35
STOCKHOLDERS' EQUITY (Note 14)				
Common stock, $10 par value, authorized - 30,000 thousand shares; issued - 2010: 26,500 thousand shares, 2009: 22,000 thousand shares	265,000	23	220,000	34
Additional paid-in capital	405,652	35	21,360	3
Retained earnings				
Legal reserve	45,456	4	38,446	6
Unappropriated earnings	212,755	18	137,707	22
Total retained earnings	258,211	22	176,153	28
Other equity items				
Cumulative translation adjustments	(3,473)	-	(450)	-
Net loss not recognized as pension cost	(1,552)	-	(1,164)	-
Total other equity items	(5,025)	-	(1,614)	-
Total stockholders' equity	923,838	80	415,899	65
TOTAL	$ 1,158,702	100	$ 636,251	100

The accompanying notes are an integral part of the financial statements.

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Gross sales	$ 842,763	91	$ 635,256	91
Less: Sales returns and allowances	33,893	4	42,778	6
Net sales (Note 17)	808,870	87	592,478	85
Workshop service	58,987	6	50,825	7
Others	61,378	7	54,786	8
Total operating revenue	929,235	100	698,089	100
OPERATING COSTS (Note 16)				
Cost of sales (Notes 3, 5 and 17)	524,413	57	390,484	56
Cost of workshop service	30,097	3	25,257	4
Others	26,470	3	28,614	4
Total operating costs	580,980	63	444,355	64
GROSS PROFIT BEFORE ADJUSTMENTS	348,255	37	253,734	36
LESS: UNREALIZED INTER-COMPANY PROFIT	611	-	208	-
ADD: REALIZED INTER-COMPANY PROFIT	809	-	168	-
GROSS PROFIT	348,453	37	253,694	36
OPERATING EXPENSES (Notes 16 and 17)				
Selling expenses	140,522	15	100,613	14
General and administrative expenses	47,413	5	36,514	5
Total operating expenses	187,935	20	137,127	19
INCOME FROM OPERATIONS	160,518	17	116,567	17
NON-OPERATING INCOMES AND GAINS				
Interest income	83	-	68	-
Gain on disposal of properties	32	-	-	-
Foreign exchange gain, net	8,381	1	1,298	-
Valuation gain on financial instruments, net (Note 20)	22	-	235	-
Others (Note 17)	1,812	-	1,053	-
Total non-operating incomes and gains	10,330	1	2,654	-

(Continued)

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 440	-	$ 1,127	-
Investment loss recognized under the equity method, net (Note 7)	1,436	-	7,475	1
Impairment loss (Note 9)	10,054	1	1,366	-
Others	575	-	92	-
Total non-operating expenses and losses	12,505	1	10,060	1
INCOME BEFORE INCOME TAX	158,343	17	109,161	16
INCOME TAX EXPENSE (Note 13)	32,285	3	39,064	6
NET INCOME	$ 126,058	14	$ 70,097	10

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 15)				
Basic earnings per share	$ 7.18	$ 5.72	$ 4.96	$ 3.19
Diluted earnings per share	$ 7.16	$ 5.70	$ 4.94	$ 3.17

The accompanying notes are an integral part of the financial statements. (Concluded)

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

		Additional Paid-in Capital (Note 14)			Retained Earnings (Note 14)			Other Equity Items			
	Common Stock (Note 14)	Paid-in Capital in Excess of Par	Employee Stock Options	Total	Legal Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Total	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	$ 220,000	$ 21,360	$ -	$ 21,360	$ 32,748	$ 95,308	$ 128,056	$ 418	$ (3,364)	$ (2,946)	$ 366,470
Appropriation of prior years' earnings											
Legal reserve	-	-	-	-	5,698	(5,698)	-	-	-	-	-
Cash dividends - $1 per share	-	-	-	-	-	(22,000)	(22,000)	-	-	-	(22,000)
Net income for the year ended December 31, 2009	-	-	-	-	-	70,097	70,097	-	-	-	70,097
Change in translation adjustments	-	-	-	-	-	-	-	(868)	-	(868)	(868)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	2,200	2,200	2,200
BALANCE, DECEMBER 31, 2009	220,000	21,360	-	21,360	38,446	137,707	176,153	(450)	(1,164)	(1,614)	415,899
Appropriation of prior years' earnings											
Legal reserve	-	-	-	-	7,010	(7,010)	-	-	-	-	-
Cash dividends - $2 per share	-	-	-	-	-	(44,000)	(44,000)	-	-	-	(44,000)
Compensation recognized for employee stock options	-	-	10,792	10,792	-	-	-	-	-	-	10,792
Issuance of common stock for cash on December 28, 2010 - at a premium issue price of $93 per share	45,000	384,292	(10,792)	373,500	-	-	-	-	-	-	418,500
Net income for the year ended December 31, 2010	-	-	-	-	-	126,058	126,058	-	-	-	126,058
Change in translation adjustments	-	-	-	-	-	-	-	(3,023)	-	(3,023)	(3,023)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(388)	(388)	(388)
BALANCE, DECEMBER 31, 2010	$ 265,000	$ 405,652	$ -	$ 405,652	$ 45,456	$ 212,755	$ 258,211	$ (3,473)	$ (1,552)	$ (5,025)	$ 923,838

The accompanying notes are an integral part of the financial statements.

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 126,058	$ 70,097
Depreciation	21,297	14,235
Amortization	2,294	1,824
Gain on disposal of properties	(32)	-
Investment loss recognized under the equity method, net	1,436	7,475
Cash dividends received from investees accounted for under the equity method	612	-
Compensation cost of employee stock options	10,792	-
Impairment loss	10,054	1,366
Deferred income tax	2,677	2,032
Changes in operating assets and liabilities		
Notes receivable	(21,412)	9,239
Accounts receivable	(21,045)	(28,019)
Accounts receivable from related parties	(480)	5,693
Other receivables from related parties	2,701	(2,533)
Merchandise inventories	(99,306)	(30,852)
Prepayments	(28,978)	565
Other current assets	4,278	(2,137)
Financial liabilities at fair value through profit or loss	-	(768)
Notes payable	-	(184)
Accounts payable	(17,496)	14,519
Accounts payable to a related party	(65)	(1,817)
Income tax payable	(12,574)	32,047
Accrued expenses	20,510	3,648
Other payables to related parties	808	(590)
Collections in advance	52,583	15,873
Other current liabilities	2,920	(2,468)
Accrued pension cost	(102)	465
Deferred credits	(199)	40
Net cash provided by operating activities	57,331	109,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets carried at cost	(30,000)	-
Acquisition of investments accounted for under the equity method	(29,165)	(18,555)
Acquisition of properties	(3,226)	(2,290)
Proceeds from disposal of properties	66	-
Acquisition of business rights	-	(9,000)
Decrease in refundable deposits	149	74
Increase in deferred charges	(1,757)	(1,197)
Net cash used in investing activities	(63,933)	(30,968)

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DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short-term loans	$ (1,667)	$ (33,333)
Net increase (decrease) in short-term bills payable	(29,972)	4
Increase (decrease) in deposits received	(600)	850
Issuance of common stock for cash	418,500	-
Cash dividends	(44,000)	(22,000)
Remuneration to directors and supervisors	-	(5,259)
Net cash provided by (used in) financing activities	342,261	(59,738)
NET INCREASE IN CASH	335,659	19,044
CASH, BEGINNING OF YEAR	71,119	52,075
CASH, END OF YEAR	$ 406,778	$ 71,119
SUPPLEMENTARY INFORMATION		
Interest paid	$ 379	$ 1,155
Income tax paid	$ 42,182	$ 4,985
NON-CASH INVESTING ACTIVITIES		
Transfer of merchandise inventories to properties for lease	$ 35,929	$ -
Transfer of properties and properties for lease to merchandise inventories	$ -	$ 4,724

The accompanying notes are an integral part of the financial statements. (Concluded)

1. ORGANIZATION AND OPERATIONS

Dynamic Medical Technologies Inc. (the "Company") was incorporated on October 9, 2003. The Company mainly sells and leases laser medical equipment for beauty treatment and renders related workshop service, and sells the consumables of beauty treatment and cosmetic products.

The Company's stock has been traded on the Taiwan Gre Tai Securities Market since December 29, 2010.

The parent company of the Company is Excelsior Medical Co., Ltd. ("Excelsior"). As of December 31, 2010 and 2009, Excelsior's percentage of ownership in the Company was 41.8% and 50.4%, respectively.

As of December 31, 2010 and 2009, the number of employees of the Company was 140 and 108, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC").

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The Company's significant accounting policies are summarized as follows:

Use of Estimates

The preparation of financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Current and Noncurrent Assets and Liabilities

Current assets are cash and assets that are expected to be converted into cash or consumed within one year from the balance sheet date; assets other than current assets are noncurrent assets. Current liabilities are obligations that are expected to be settled within one year from the balance sheet date; liabilities other than current liabilities are noncurrent liabilities.

Financial Instruments at Fair Value through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. These derivatives are remeasured at fair value subsequently with changes in fair value recognized in profit or loss. All regular way purchase or sale of financial instruments is accounted for using settlement date accounting.

Fair value is estimated using valuation techniques. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of a review of collectibility of receivables.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or net realizable value. Merchandise inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of merchandise inventories less all estimated costs necessary to make the sale. Merchandise inventories are recorded at weighted-average cost.

Financial Assets Carried at Cost

Investments in emerging market stocks whose fair value can not be reliably measured are carried at their original cost. Costs of stocks sold are determined using the weighted-average method. If there is objective evidence of impairment, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Cash dividends are recognized as investment income on the ex-dividend date, but are accounted for as a reduction to the original cost of investment if such dividends are declared out of the earnings of the investee attributable to the period prior to the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

Investments Accounted for Under the Equity Method

Investments in which the Company can exercise significant influence over the investees are accounted for under the equity method. The Company's share of the net income or the net loss of an investee is recognized in the "investment income/loss recognized under the equity method, net" account. When an investment was acquired, the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for under the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. When an indication of impairment is identified, the carrying amount of investment is reduced, with the related impairment loss charged to earnings.

Unrealized profits and losses arising from downstream transactions are eliminated as follows: When the Company has control over the investees - 100%; otherwise - in proportion to the percentage of ownership at year-end. Unrealized profits and losses arising from upstream transactions are eliminated using the weighted average percentage of ownership during the year.

Properties and Properties for Lease

Properties and properties for lease are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided on a straight-line basis over estimated service lives ranging as follows: transportation equipment, 5 years; office equipment, 2-5 years; leasehold improvements, 3-5 years; medical equipment, 7 years. When an asset has reached its original estimated service life but is still in use, its carrying amount is further depreciated over a new estimated service life. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior period.

Intangible Assets

Business rights are amortized on a straight-line basis over 5 years. When an indication of impairment is identified, any excess of the carrying amount of business rights over its recoverable amount is recognized as a loss. If the recoverable amount increases in subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior period.

Revenue Recognition

Sales of products are recognized when titles to the products and risks of ownership are transferred to customers, primarily upon shipment.

Revenue of workshop service is recognized when the service is rendered.

For an operating lease, leasing revenue is recognized over the lease term.

Stock-based Compensation

The value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Pension Cost

For a defined contribution pension plan, pension cost is recorded based on the amount of contributions made during the period in which employees render services.

For a defined benefit pension plan, pension cost is recorded based on actuarial calculations.

Income Tax

Tax effects of deductible temporary differences are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities; a valuation allowance is provided for deferred income tax assets of which the realization is not certain. Deferred income tax assets or liabilities are classified as current or noncurrent based on the classification of the related asset or liability. A deferred income tax asset or liability that is not related to an asset or liability is classified as current or noncurrent based on the expected length of time before it is realized or settled.

Additional income tax at 10% of undistributed earnings is recorded when its amount is determinable, namely, when the distribution of earnings is resolved by the stockholders.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Foreign-currency Translation

Foreign-currency transactions other than derivative financial instruments are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from settlement of foreign-currency assets and liabilities at rates different from those at which these assets and liabilities are settled are carried in the accounts are recognized in profit or loss in the year of settlement.

At year-end, foreign-currency monetary assets and liabilities are restated using prevailing exchange rates and the resulting differences are recognized in profit or loss.

Translation of Foreign-currency Financial Statements

The differences resulting from translation of the foreign-currency financial statements of foreign equity-method investees prepared in their respective functional currencies into New Taiwan dollars are recorded as translation adjustments under stockholders' equity.

Reclassifications

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

3. ACCOUNTING CHANGES

On January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards ("SFAS") No. 10, "Accounting for Inventories". The main revisions are (1) merchandise inventories are stated at the lower of cost or net realizable value, and merchandise inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; and (2) write-downs of merchandise inventories and any reversal of write-downs are recorded as cost of sales for the year. The adoption did not have a material effect on the financial statements of the Company as of and for the year ended December 31, 2009.

4. CASH

	December 31	
	2010	**2009**
Cash on hand	$ 1,047	$ 386
Checking account deposits and demand deposits	405,731	70,733
	$ 406,778	$ 71,119

5. MERCHANDISE INVENTORIES

	December 31 2010	December 31 2009
Medical equipment for beauty treatment	$ 92,481	$ 62,050
Medical equipment for beauty treatment - exhibits	42,647	40,130
Medical consumables and spare parts for beauty treatment	104,716	74,287
	$ 239,844	$ 176,467

As of December 31, 2010 and 2009, the allowance for inventory devaluation was $48,471 thousand and $44,875 thousand, respectively.

The cost of sales for the years ended December 31, 2010 and 2009 included the losses on write-downs of merchandise inventories of $3,866 thousand and $22,551 thousand, respectively.

6. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31 2010	December 31 2009
Emerging market stocks		
Scivision Biotech Inc. (“Scivision”)	$ 30,000	$ -

7. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Unlisted companies				
Great China Technology Development Limited (“Great China”)	$ 64,692	100.0	$ 37,325	100.0
Younch Enterprise Inc. (“Younch”)	4,221	50.0	7,494	50.0
	$ 68,913		$ 44,819	

Investment income (loss) recognized under the equity method comprised:

	Years Ended December 31 2010	Years Ended December 31 2009
Great China	$ 1,225	$ (4,060)
Younch	(2,661)	(3,415)
	$ (1,436)	$ (7,475)

8. PROPERTIES

	December 31 2010	December 31 2009
Accumulated depreciation		
Transportation equipment	$ 648	$ 602
Office equipment	5,723	4,945
Leasehold improvements	1,179	3,149
	$ 7,550	$ 8,696

9. BUSINESS RIGHTS, NET

In April 2009, the Company entered into a cooperation agreement with a domestic company. Pursuant to the agreement, the domestic company shall transfer its business rights to the Company as the exclusive agency of three foreign companies' cosmetic products in Taiwan area and assist the Company in acquiring the exclusive agency rights for the three foreign companies' cosmetic products in Taiwan area in the future, and the Company shall pay $9,000 thousand (included in business rights) to the domestic company. Pursuant to the agreement, the domestic company shall also render consulting service to the Company for a period of five years (starting from May 1, 2009 to April 30, 2014), and the Company shall pay a fixed amount of consulting fees monthly and running consultant fees calculated based on an agreed percentage of net income before income tax (as defined) of the related cosmetic products sold annually to the domestic company. Subsequently, the situation of the sales of cosmetic products did not meet the expectation of the Company. On September 15, 2010, the Company and the domestic company both agreed to terminate the agreement after negotiations about the situation and the Company agreed to pay a compensation of $300 thousand for early termination. The balance of the business rights of $6,525 thousand was written off and the corresponding loss was included in impairment loss on the date of the termination of the agreement.

10. SHORT-TERM LOANS

	December 31 2010	December 31 2009
Usance letters of credit (US$): Interest at 1.05%-2.50%	$ -	$ 1,667

11. SHORT-TERM BILLS PAYABLE

	December 31 2010	December 31 2009
Commercial papers (NT$): Interest at 2.27%	$ -	$ 30,000
Less: Unamortized discount	-	(28)
	$ -	$ 29,972

12. PENSION PLANS

a. Defined contribution pension plan

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Company makes monthly contributions to employees' individual pension accounts at 6% of each applicable employee's monthly salary. The Company recognized pension cost of $3,849 thousand and $3,478 thousand under the plan for the years ended December 31, 2010 and 2009, respectively.

b. Defined benefit pension plan

Under the Labor Standards Law, the Company has a defined benefit pension plan for its employees. Benefits under this plan are based on length of service and average salary for the six months before retirement. The Company makes monthly contributions to a pension fund, which is administered by the employees pension fund committee and deposited in the committee's name with the Bank of Taiwan. Pension information about the plan is summarized as follows:

1) Net periodic pension cost:

	Years Ended December 31	
	2010	**2009**
Interest cost	$ 190	$ 278
Projected return on plan assets	(56)	(58)
Amortization	179	305
	$ 313	$ 525

2) Reconciliation of funded status of the plan and accrued pension cost:

	December 31	
	2010	**2009**
Benefit obligation		
Vested benefit obligation	$ -	$ -
Nonvested benefit obligation	5,094	4,381
Accumulated benefit obligation	5,094	4,381
Additional benefit based on future salaries	3,006	2,512
Projected benefit obligation	8,100	6,893
Fair value of plan assets	(2,436)	(1,987)
Funded status	5,664	4,906
Unrecognized net transition obligation	(288)	(311)
Unamortized net loss	(4,558)	(3,675)
Additional liability	1,840	1,474
Accrued pension cost	$ 2,658	$ 2,394
Vested benefit	$ -	$ -

3) Actuarial assumptions:

	December 31	
	2010	**2009**
Discount rate used in determining present values	2.25%	2.75%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	2.25%	2.75%

13. INCOME TAX

	Years Ended December 31	
	2010	2009
Income tax expense based on income before income tax at statutory rate	$ 26,918	$ 27,290
Tax effect of adjusting items		
Permanent differences	1,827	6,251
Temporary differences	945	4,006
Additional income tax at 10% of undistributed earnings	1,909	2,928
Current income tax	31,599	40,475
Deferred income tax		
Allowance for doubtful accounts	617	1,157
Allowance for inventory devaluation	(657)	(5,638)
Accrued warranty expense	(497)	753
Accrued bonus expense	1,145	822
Impairment loss on properties for lease	(600)	(342)
Impairment loss on business rights	(1,020)	-
Temporary differences relating to recognition of foreign investment income or loss under the equity method	209	(1,015)
Others	(142)	257
Effect of tax law changes on deferred income tax	3,622	6,038
Adjustments of prior years' income tax	(1,991)	(3,443)
Income tax expense	$ 32,285	$ 39,064

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law (the "ITL") which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. In May 2010, the Legislative Yuan passed another amendment of Article 5 of the ITL to reduce further the profit-seeking enterprise's income tax rate from 20% to 17%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax expense.

Deferred income tax assets comprised:

	December 31	
	2010	2009
Current		
Allowance for doubtful accounts	$ 794	$ 1,660
Allowance for inventory devaluation	8,286	8,975
Accrued warranty expense	2,434	2,279
Accrued bonus expense	3,665	5,659
Others	189	35
	15,368	18,608
Valuation allowance	(2,500)	(2,500)
	$ 12,868	$ 16,108
Noncurrent		
Impairment loss on properties for lease	$ 3,103	$ 2,945
Impairment loss on business rights	1,020	-
Temporary differences relating to recognition of foreign investment loss under the equity method	1,840	2,410
Others	139	184
	$ 6,102	$ 5,539

The Company’s income tax returns have been examined by the tax authorities through 2008.

For distribution of earnings under the ITL, the ratio for the imputation credits allocated to the domestic stockholders of the Company is based on the balance of the imputation credit account (“ICA”) as of the date of dividend distribution. Information about integrated income tax was as follows:

The balance of the ICA as of December 31, 2010 and 2009 was $82,557 thousand and $60,887 thousand, respectively.

The creditable ratio for distribution of earnings of 2010 and 2009 was 31.76% (estimate) and 40.61%, respectively.

14. STOCKHOLDERS’ EQUITY

On December 28, 2010, the Company issued 4,500 thousand shares of common stock for cash with par value of $10 and at a premium issue price of $93 per share.

Under the Company law, capital surplus representing additional paid-in capital may be used to offset a deficit or transferred to capital.

The Company’s Articles of Incorporation, which was amended on November 2, 2009, provide that the following shall be appropriated from the annual net income (less any deficit):

a. 10% thereof as legal reserve;

b. A portion retained for operation needs;

c. A remuneration to directors and supervisors of not more than 5% and a bonus to employees of not less than 1% of the remainder; and

d. Dividends proposed by the board of directors and resolved by the stockholders out of the sum of the remainder and prior years’ unappropriated earnings.

The Company’s Articles of Incorporation also prescribe that dividends shall not be distributed in such a manner as to negatively affect the Company’s financial structure and that 20% to 100% of the dividends shall be paid in cash; however, if the Company has major capital expenditure plans in the future, 100% of the dividends may be distributed in stock, if resolved by the stockholders.

For the years ended December 31, 2010 and 2009, the bonus to employees was $2,269 thousand and $1,262 thousand, respectively, and the remuneration to directors and supervisors was $5,673 thousand and $2,524 thousand, respectively. The bonus to employees represented 2% for both of the net income for the years ended December 31, 2010 and 2009 minus the legal reserve to be appropriated. The remuneration to directors and supervisors represented 5% and 4% of the net income for the years ended December 31, 2010 and 2009, respectively, minus the legal reserve to be appropriated. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders’ resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders’ meeting.

Under the Company Law, the aforementioned appropriation for legal reserve shall be made until the reserve equals the Company’s capital. The reserve may be used to offset a deficit; also, when the reserve has reached 50% of the capital, up to 50% thereof may be transferred to capital.

The appropriations of earnings for 2009 and 2008 had been approved in the stockholders' meetings on June 14, 2010 and June 10, 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (In New Taiwan Dollars)	
	For Year 2009	For Year 2008	For Year 2009	For Year 2008
Legal reserve	$ 7,010	$ 5,698		
Cash dividends	44,000	22,000	$ 2.0	$ 1.0

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2009 and 2008 approved in the stockholders' meeting on June 14, 2010 and June 10, 2009, respectively, were as follows:

	2009	2008
Bonus to employees - cash	$ 1,262	$ 1,026
Remuneration to directors and supervisors	2,524	1,026

The approved amounts of the bonus to employees and the remuneration to directors and supervisors did not differ from the accrual amounts reflected in the financial statements for the years ended December 31, 2009 and 2008, respectively.

Information about the bonus to employees and the remuneration to directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

15. EARNINGS PER SHARE

The numerators and denominators used in the computation of earnings per share are disclosed as follows:

	Amount (Numerator)		Shares	Earnings Per Share (In New Taiwan Dollars)	
	Before Tax	After Tax	(Denominator) (In Thousands)	Before Tax	After Tax
Year ended December 31, 2010					
Basic earnings per share					
Earnings belonging to holders of common shares	$ 158,343	$ 126,058	22,049	$ 7.18	$ 5.72
Effect of dilutive potential common shares					
Bonus to employees	-	-	52		
Diluted earnings per share					
Earnings belonging to holders of common shares plus effect of dilutive potential common shares	$ 158,343	$ 126,058	22,101	$ 7.16	$ 5.70
Year ended December 31, 2009					
Basic earnings per share					
Earnings belonging to holders of common shares	$ 109,161	$ 70,097	22,000	$ 4.96	$ 3.19
Effect of dilutive potential common shares					
Bonus to employees	-	-	99		
Diluted earnings per share					
Earnings belonging to holders of common shares plus effect of dilutive potential common shares	$ 109,161	$ 70,097	22,099	$ 4.94	$ 3.17

If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

16. PERSONNEL COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2010		
	Operating Costs	Operating Expenses	Total
Personnel cost			
Payroll	$ 20,102	$ 107,381	$ 127,483
Insurance	1,126	5,460	6,586
Pension	676	3,486	4,162
Others	595	3,537	4,132
	$ 22,499	$ 119,864	$ 142,363
Depreciation	$ 18,600	$ 2,697	$ 21,297
Amortization	$ 164	$ 2,130	$ 2,294

	Year Ended December 31, 2009		
	Operating Costs	Operating Expenses	Total
Personnel cost			
Payroll	$ 15,905	$ 72,794	$ 88,699
Insurance	1,098	4,178	5,276
Pension	732	3,271	4,003
Others	514	4,213	4,727
	$ 18,249	$ 84,456	$ 102,705
Depreciation	$ 10,996	$ 3,239	$ 14,235
Amortization	$ 136	$ 1,688	$ 1,824

17. RELATED PARTY TRANSACTIONS

a. Related parties and relationships with the Company:

Name of Related Party	Relationship with the Company
Excelsior	Parent company
Great China	A subsidiary
Younch	A subsidiary
Guangzhou Dynamic Inc. ("Guangzhou Dynamic")	An indirect subsidiary

(Continued)

Name of Related Party	Relationship with the Company
Animation Medical Technologies Ltd. ("Animation")	An indirect subsidiary of Excelsior since July 2009 (a director of the Company is the chairman of Animation till July 2009)
Arcos Laboratory International Inc. ("Arcos")	Parent company is one of the directors of Arcos
Regent Skin and Beauty Clinic ("Regent")	The responsible person of Regent is one of the supervisors of the Company since November 2009

(Concluded)

b. Significant balances and transactions with related parties are summarized as follows:

	December 31	
	2010	2009
Accounts receivable		
Great China	$ 637	$ 497
Younch	442	-
Animation	18	27
Regent	-	93
	$ 1,097	$ 617
Other receivables		
Guangzhou Dynamic	$ 35	$ -
Great China	29	2,765
	$ 64	$ 2,765
Prepayments for purchases (included in prepayments)		
Arcos	$ -	$ 33
Accounts payable		
Arcos	$ -	$ 65
Other payables		
Excelsior	$ 921	$ 128
Great China	15	-
Others	2	2
	$ 938	$ 130
Amounts received in advance for sales (included in collections in advance)		
Regent	$ 629	$ -
Excelsior	-	1,755
	$ 629	$ 1,755

	Years Ended December 31	
	2010	2009
Net sales		
Great China	$ 9,965	$ 2,134
Regent	6,404	2,780
Excelsior	2,025	107
Younch	421	-
Others	67	10
	$ 18,882	$ 5,031
Purchases		
Younch	$ 106,706	$ 79,329
Excelsior	180	44
Arcos	124	166
Great China	-	4,774
	$ 107,010	$ 84,313
Rental expense		
Excelsior	$ 244	$ 164
Others	12	-
	$ 256	$ 164
Information service expense		
Excelsior	$ 1,292	$ 1,218
Others	13	-
	$ 1,305	$ 1,218
Rental revenue (included in non-operating incomes and gains - others)		
Animation	$ 34	$ 34
Others	-	8
	$ 34	$ 42
Acquisition of properties		
Excelsior	$ 814	$ -

The aforementioned transactions were conducted on normal commercial terms.

The aforementioned rentals collected or paid monthly or semiannually were based on prevailing market rates.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries	$ 7,873	$ 7,435
Incentives	5,657	6,347
Allowances	152	104
Bonus	5,673	2,562
	$ 19,355	$ 16,448

18. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, the Company had the following significant commitments and contingencies:

a. Unused letters of credit of approximately $69,000 thousand.

b. The Company had provided guarantees of $26,217 thousand to Great China for its bank credit lines.

c. The Company entered into an exclusive distribution agreement with Scivision to distribute medical products for beauty treatment in Taiwan area for the period from November 19, 2010 to November 18, 2011. Pursuant to the agreement, the Company shall purchase inventories of $70,000 thousand from Scivision. As of December 31, 2010, the Company had purchased inventories of $6,000 thousand and had prepaid $34,700 thousand (included in prepayments) for purchases.

d. The Company leases buildings under several operating lease agreements. Minimum future rental payments under these agreements were as follows:

Year	Amount
2011	$ 6,433
2012	2,056
2013	937
2014	210

19. OTHERS

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

	December 31					
	2010			2009		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 23	29.13	$ 679	$ 192	32.23	$ 6,192
HKD	2,142	3.748	8,027	3	4.126	13
RMB	170	4.578	778	25	4.701	119

(Continued)

	December 31					
	2010			2009		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Investments accounted for under the equity method						
HKD	$ 17,260	3.748	$ 64,692	$ 9,046	4.126	$ 37,325
Financial liabilities						
Monetary items						
USD	462	29.13	13,460	945	32.23	30,490
EUR	26	38.92	1,029	-	-	-
JPY	-	-	-	89	0.362	32

(Concluded)

20. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash	$ 406,778	$ 406,778	$ 71,119	$ 71,119
Notes receivable	117,171	117,171	95,759	95,759
Accounts receivable	146,866	146,866	125,821	125,821
Accounts receivable from related parties	1,097	1,097	617	617
Other receivables from related parties	64	64	2,765	2,765
Financial assets carried at cost	30,000		-	
Investments accounted for under the equity method	68,913		44,819	
Liabilities				
Short-term loans	-	-	1,667	1,667
Short-term bills payable	-	-	29,972	29,972
Accounts payable	15,087	15,087	32,583	32,583
Accounts payable to a related party	-	-	65	65
Other payables to related parties	938	938	130	130

b. Methods and assumptions used in the estimation of fair values of financial instruments:

1) Fair values of short-term financial instruments are determined using their carrying amounts shown on the balance sheet because of their short maturities. This method applies to cash, receivables, short-term loans, short-term bills payable and payables.

2) Fair value of financial assets carried at cost and investments accounted for under the equity method, which represent emerging market stocks and unquoted stocks, has not been presented because their market prices are not available.

c. The Company entered into derivative contracts in the years ended December 31, 2010 and 2009 mainly to manage exposures to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34, “Financial Instruments: Recognition and Measurement”. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts. As of December 31, 2010 and 2009, the Company did not have any outstanding forward exchange contracts. Net gains arising from forward exchange contracts for the years ended December 31, 2010 and 2009 were $22 thousand and $235 thousand, respectively.

d. On December 31, 2009, financial liabilities exposed to fair value interest rate risk were $31,639 thousand.

e. Information about financial risk:

   Credit risk represents the potential loss that would be incurred by the Company if the counter parties or third parties breached the contracts. The counter parties and third parties are reputable financial institutions, business organizations, hospitals and clinics; thus, no material credit risk is anticipated.

21. SEGMENT INFORMATION

a. Industry information

   The Company only sells and leases products for beauty treatment and renders related workshop service.

b. Geographical information:

   The Company had no foreign operations.

c. Export sales:

   Export sales did not exceed 10% of the Company’s total operating revenue for the years ended December 31, 2010 and 2009.

d. Major customers:

   No operating revenue from customers individually exceeded 10% of the Company’s total operating revenue for the years ended December 31, 2010 and 2009.