Dynamic Medical Technologies Inc.

Financial Statements for the
Years Ended December 31, 2011 and 2010 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, 2011 and 2010, 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, 2011 and 2010, 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.

March 14, 2012

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT ASSETS				
Cash (Note 4)	$ 542,900	33	$ 406,778	35
Notes receivable, net of allowance for doubtful accounts of $5,121 thousand and $3,609 thousand in 2011 and 2010, respectively	192,937	12	115,971	10
Accounts receivable, net of allowance for doubtful accounts of $8,610 thousand and $3,784 thousand in 2011 and 2010, respectively	150,111	9	144,077	12
Accounts receivable from related parties (Note 18)	18,730	1	1,097	-
Other receivables from related parties (Note 18)	108	-	64	-
Merchandise inventories (Note 6)	342,969	21	197,197	17
Prepayments	6,591	-	44,055	4
Deferred income tax assets - current (Note 13)	11,835	1	6,996	1
Other current assets	1,694	-	3,904	-
Total current assets	1,267,875	77	920,139	79
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Note 7)	52,860	3	30,000	3
Investments accounted for under the equity method (Note 8)	126,314	8	68,913	6
Total long-term investments	179,174	11	98,913	9
PROPERTIES AND PROPERTIES FOR LEASE				
Properties (Note 9)				
Cost				
Transportation equipment	1,806	-	1,803	-
Office equipment	9,860	1	8,902	1
Leasehold improvements	6,749	-	3,528	-
Exhibition equipment	88,621	6	78,006	7
Total cost	107,036	7	92,239	8
Less: Accumulated depreciation	(58,885)	(4)	(42,909)	(4)
Properties, net	48,151	3	49,330	4
Properties for lease				
Cost				
Medical equipment	111,629	7	104,414	9
Less: Accumulated depreciation	(29,859)	(2)	(21,250)	(2)
Accumulated impairment loss	(22,445)	(1)	(18,256)	(1)
Properties for lease, net	59,325	4	64,908	6
Total properties and properties for lease, net	107,476	7	114,238	10
INTANGIBLE ASSETS				
Deferred pension cost	266	-	288	-
OTHER ASSETS				
Refundable deposits	29,255	2	6,951	1
Long-term notes receivable	20,093	1	1,200	-
Long-term accounts receivable	10,095	1	2,789	-
Long-term accounts receivable from a related party	4,503	-	-	-
Deferred charges, net	2,588	-	2,210	-
Deferred income tax assets - noncurrent (Note 13)	15,598	1	11,974	1
Total other assets	82,132	5	25,124	2
TOTAL	$ 1,636,923	100	$ 1,158,702	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT LIABILITIES				
Short-term loans (Note 10)	$ 72,927	4	$ -	-
Financial liabilities at fair value through profit or loss - current (Note 5)	14	-	-	-
Notes payable	243	-	-	-
Accounts payable	54,869	3	15,087	1
Income tax payable, net of prepayments of income tax	24,433	2	19,473	2
Accrued expenses	76,890	5	70,932	6
Other payables to related parties (Note 18)	60	-	938	-
Collections in advance (Note 18)	111,251	7	102,956	9
Other current liabilities	20,168	1	20,329	2
Total current liabilities	360,855	22	229,715	20
LONG-TERM LIABILITIES				
Liability component of convertible bonds - noncurrent (Note 11)	300,422	19	-	-
OTHER LIABILITIES				
Accrued pension cost (Note 12)	1,838	-	2,658	-
Deposits received	-	-	1,750	-
Deferred credits	1,389	-	741	-
Total other liabilities	3,227	-	5,149	-
Total liabilities	664,504	41	234,864	20
STOCKHOLDERS' EQUITY (Note 14)				
Common stock, $10 par value, authorized - 2011: 50,000 thousand shares, 2010: 30,000 thousand shares; issued 26,500 thousand shares	265,000	16	265,000	23
Capital surplus				
Additional paid-in capital on issuance of common stock	405,652	25	405,652	35
Equity component of convertible bonds	19,232	1	-	-
Total capital surplus	424,884	26	405,652	35
Retained earnings				
Legal reserve	58,062	4	45,456	4
Special reserve	5,025	-	-	-
Unappropriated earnings	217,495	13	212,755	18
Total retained earnings	280,582	17	258,211	22
Other equity items				
Cumulative translation adjustments	2,830	-	(3,473)	-
Net loss not recognized as pension cost	(877)	-	(1,552)	-
Total other equity items	1,953	-	(5,025)	-
Total stockholders' equity	972,419	59	923,838	80
TOTAL	$ 1,636,923	100	$ 1,158,702	100

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

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Gross sales	$ 986,097	91	$ 842,763	91
Less: Sales returns and allowances	32,754	3	33,893	4
Net sales (Note 18)	953,343	88	808,870	87
Workshop service	69,494	6	58,987	6
Others	65,742	6	61,378	7
Total operating revenue	1,088,579	100	929,235	100
OPERATING COSTS (Note 17)				
Cost of sales (Notes 6 and 18)	575,866	53	505,708	55
Cost of workshop service	33,419	3	30,097	3
Others	27,201	2	26,470	3
Total operating costs	636,486	58	562,275	61
GROSS PROFIT BEFORE ADJUSTMENTS	452,093	42	366,960	39
LESS: UNREALIZED INTER-COMPANY PROFIT	1,657	-	611	-
ADD: REALIZED INTER-COMPANY PROFIT	1,009	-	809	-
GROSS PROFIT	451,445	42	367,158	39
OPERATING EXPENSES (Notes 17 and 18)				
Selling expenses	185,732	17	159,107	17
General and administrative expenses	60,705	6	47,533	5
Total operating expenses	246,437	23	206,640	22
INCOME FROM OPERATIONS	205,008	19	160,518	17
NON-OPERATING INCOME AND GAINS				
Interest income	2,815	-	83	-
Gain on disposal of properties	-	-	32	-
Foreign exchange gain, net	-	-	8,381	1
Valuation gain on financial instruments, net (Note 5)	-	-	22	-
Others (Note 18)	2,891	-	1,812	-
Total non-operating income and gains	5,706	-	10,330	1

(Continued)

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 4,194	1	$ 440	-
Investment loss recognized under the equity method, net (Note 8)	13,234	1	1,436	-
Loss on disposal of properties	128	-	-	-
Foreign exchange loss, net	1,647	-	-	-
Impairment loss (Note 16)	4,189	-	10,054	1
Valuation loss on financial instruments, net (Note 5)	14	-	-	-
Others	3	-	575	-
Total non-operating expenses and losses	23,409	2	12,505	1
INCOME BEFORE INCOME TAX	187,305	17	158,343	17
INCOME TAX EXPENSE (Note 13)	32,434	3	32,285	3
NET INCOME	$ 154,871	14	$ 126,058	14

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 15)				
Basic earnings per share	$ 7.07	$ 5.84	$ 7.18	$ 5.72
Diluted earnings per share	$ 6.94	$ 5.76	$ 7.16	$ 5.70

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, 2011 AND 2010
(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	Capital on Conversion of Bonds	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Total	Total Stockholders' Equity
BALANCE, JANUARY 1, 2010	$ 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
Appropriation of prior years' earnings													
Legal reserve	-	-	-	-	-	12,606	5,025	(17,631)	-	-	-	-	-
Cash dividends - $5 per share	-	-	-	-	-	-	-	(132,500)	(132,500)	-	-	-	(132,500)
Equity component of convertible bonds	-	-	-	19,232	19,232	-	-	-	-	-	-	-	19,232
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	154,871	154,871	-	-	-	154,871
Change in translation adjustments	-	-	-	-	-	-	-	-	-	6,303	-	6,303	6,303
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	675	675	675
BALANCE, DECEMBER 31, 2011	$ 265,000	$ 405,652	$ -	$ 19,232	$ 424,884	$ 58,062	$ 5,025	$ 217,495	$ 280,582	$ 2,830	$ (877)	$ 1,953	$ 972,419

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

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 154,871	$ 126,058
Depreciation	45,926	40,002
Amortization	1,595	2,294
Loss (gain) on disposal of properties	128	(32)
Investment loss recognized under the equity method, net	13,234	1,436
Cash dividends received from investees accounted for under the equity method	1,959	612
Compensation cost of employee stock options	-	10,792
Amortization of discount on convertible bonds	2,808	-
Impairment loss	4,189	10,054
Deferred income tax	(8,395)	2,677
Changes in operating assets and liabilities		
Notes receivable	(76,966)	(20,212)
Accounts receivable	(6,034)	(18,256)
Accounts receivable from related parties	(17,633)	(480)
Other receivables from related parties	(44)	2,701
Merchandise inventories	(174,372)	(118,011)
Prepayments	37,464	(28,978)
Other current assets	2,210	4,278
Long-term notes receivable	(18,893)	(1,200)
Long-term accounts receivable	(7,306)	(2,789)
Long-term accounts receivable from related parties	(4,503)	-
Financial liabilities at fair value through loss	14	-
Notes payable	243	-
Accounts payable	39,782	(17,496)
Accounts payable to related parties	-	(65)
Income tax payable	4,960	(12,574)
Accrued expenses	2,158	20,510
Other payables to related parties	(878)	808
Collections in advance	8,295	52,583
Other current liabilities	(161)	2,920
Accrued pension cost	(123)	(102)
Deferred credits	648	(199)
Net cash provided by operating activities	5,176	57,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets carried at cost	(22,860)	(30,000)
Acquisition of investments accounted for under the equity method	(65,713)	(29,165)
Acquisition of properties	(15,167)	(3,226)
Proceeds from disposal of properties	286	66

(Continued)

DYNAMIC MEDICAL TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Decrease (increase) in refundable deposits	$ (22,304)	$ 149
Increase in deferred charges	(1,973)	(1,757)
Net cash used in investing activities	(127,731)	(63,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans	72,927	(1,667)
Net decrease in short-term bills payable	-	(29,972)
Decrease in deposits received	(1,750)	(600)
Issuance of convertible bonds	320,000	-
Issuance of common stock for cash	-	418,500
Cash dividends	(132,500)	(44,000)
Net cash provided by financing activities	258,677	342,261
NET INCREASE IN CASH	136,122	335,659
CASH, BEGINNING OF YEAR	406,778	71,119
CASH, END OF YEAR	$ 542,900	$ 406,778
SUPPLEMENTARY INFORMATION		
Interest paid	$ 1,164	$ 379
Income tax paid	$ 35,869	$ 42,182
NON-CASH INVESTING ACTIVITIES		
Transfer of merchandise inventories to properties	$ 9,340	$ 21,223
Transfer of merchandise inventories to properties for lease	$ 19,260	$ 35,929

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 services, 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, 2011 and 2010, Excelsior's percentage of ownership in the Company was 42.6% and 41.8%, respectively.

As of December 31, 2011 and 2010, the number of employees of the Company was 166 and 140, 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 ("SFB") for their oversight purposes.

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

Foreign Currencies

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 carried in the accounts are recognized in profit or loss in the period of settlement.

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

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

Accounting 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.

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 Assets and Liabilities 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.

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.

Impairment of Accounts Receivable

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable before and on December 31, 2010.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards ("SFAS") No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience in the collection of payments and an increase in the number of delayed payments.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

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.

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 is made, the investment cost is allocated to the assets and liabilities of the investee (porportionate to the percentage of ownership) based on their fair values at the date of investment, and the excess of the investment cost over the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The excess of the fair value of the net identifiable assets of the investee over the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee (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 on downstream transactions are eliminated as follows: When the Company has control over the investees - 100%; otherwise - in proportion to the percentage of ownership at period-end. Unrealized profits and losses on upstream transactions are eliminated using the weighted average percentage of ownership during the period.

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; exhibition equipment, 3 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.

Convertible Bonds

For convertible bonds, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method. Transaction costs of convertible bonds, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds. Upon conversion, the Company uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

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

The Company applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is charged or credited directly to stockholders' equity; and (2) tax effects of deductible temporary differences are recognized as deferred income tax assets. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Tax effects of taxable temporary differences are recognized as deferred income tax liabilities. 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 retention of earnings is resolved by the stockholders.

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

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.

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.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2011.

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loan and receivables originated by the Company under SFAS No. 34. This accounting change did not have a material effect on the financial statements of the Company as of and for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting."

4. CASH

	December 31	
	2011	2010
Cash on hand	$ 1,344	$ 1,047
Checking account deposits and demand deposits	221,556	405,731
Time deposits	320,000	-
	$ 542,900	$ 406,778

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2011	2010
Financial liabilities held for trading		
Forward exchange contracts	$ 14	$ -

The Company entered into forward exchange contracts in the years ended December 31, 2011 and 2010 mainly to manage exposures due to the fluctuations of foreign exchange rates. The forward exchange contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its forward exchange contracts.

As of December 31, 2011, outstanding forward contracts were as follows:

Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2011		
Buy USD/Sell NTD	March 2011 to April 2012	USD1,708/NTD51,649

Net gains (losses) on financial instruments held for trading for the years ended December 31, 2011 and 2010 were $(14) thousand and $22 thousand, respectively.

6. MERCHANDISE INVENTORIES

	December 31	
	2011	2010
Medical equipment for beauty treatment	$ 101,810	$ 92,481
Medical consumables and spare parts for beauty treatment	235,963	98,808
Others	5,196	5,908
	$ 342,969	$ 197,197

As of December 31, 2011 and 2010, the allowance for inventory devaluation was $14,587 thousand and $13,382 thousand, respectively.

The cost of sales for the years ended December 31, 2011 and 2010 included the provision for loss on inventories of $1,205 thousand and recovery of loss on inventories of $5,395 thousand, respectively.

7. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2011	2010
Emerging market stocks		
Scivision Biotech Inc. ("Scivision")	$ 52,860	$ 30,000

8. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Unlisted companies				
Great China Technology Development Limited ("Great China")	$ 123,073	100.0	$ 64,692	100.0
Younch Enterprise Inc. ("Younch")	3,241	50.0	4,221	50.0
	$ 126,314		$ 68,913	

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

	Years Ended December 31	
	2011	2010
Great China	$ (14,213)	$ 1,225
Younch	979	(2,661)
	$ (13,234)	$ (1,436)

9. PROPERTIES

	December 31	
	2011	2010
Accumulated depreciation		
Transportation equipment	$ 875	$ 648
Office equipment	3,899	5,723
Leasehold improvements	2,560	1,179
Exhibition equipment	51,551	35,359
	$ 58,885	$ 42,909

10. SHORT-TERM LOANS

	December 31	
	2011	2010
Usance letters of credit (US$): Interest at 1.11%-2.05%	$ 72,927	$ -

11. CONVERTIBLE BONDS

	December 31	
	2011	2010
The first domestic secured convertible bonds		
Convertible bonds issued at face value	$ 320,000	$ -
Less: Unamortized discount	(19,578)	-
	$ 300,422	$ -

On August 12, 2011, the Company issued the first domestic secured convertible bonds of $320,000 thousand at face value, with a face interest rate of 0% and a maturity date of August 12, 2014. The bonds are guaranteed by Mega International Commercial Bank. The bonds may be converted into common shares of the Company at any time from the day one month after issuance to the day ten days before maturity. The initial conversion price was $145.2 New Taiwan dollars per share, which is subject to adjustment according to an agreed formula. From the day one month after issuance to the day forty days before maturity, the Company may redeem all of the bonds at face value, provided that the average closing price exceeds the then conversion price by 30% or more for 30 consecutive trade days or the total amount of the outstanding bonds is less than 10% of the total amount of the bonds initial issue. Other than in the case of conversion or redemption mentioned above, the Company shall redeem the bonds by cash on their maturity. As of December 31, 2011, no bondholder had exercised rights to convert bonds.

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 $4,620 thousand and $3,849 thousand under the plan for the years ended December 31, 2011 and 2010, 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	
	2011	**2010**
Interest cost	$ 182	$ 190
Projected return on plan assets	(59)	(56)
Amortization	219	179
	$ 342	$ 313

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

	December 31	
	2011	**2010**
Benefit obligation		
Vested benefit obligation	$ -	$ -
Nonvested benefit obligation	4,770	5,094
Accumulated benefit obligation	4,770	5,094
Additional benefit based on future salaries	2,480	3,006
Projected benefit obligation	7,250	8,100
Fair value of plan assets	(2,932)	(2,436)
Funded status	4,318	5,664
Unrecognized net transition obligation	(266)	(288)
Unamortized net loss	(3,357)	(4,558)
Additional liability	1,143	1,840
Accrued pension cost	$ 1,838	$ 2,658
Vested benefit	$ -	$ -

3) Actuarial assumptions:

	December 31	
	2011	2010
Discount rate used in determining present values	2.00%	2.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	2.00%	2.25%

13. INCOME TAX

A reconciliation of income tax expense based on income before income tax at the statutory rate and income tax expense was as follows:

	Years Ended December 31	
	2011	2010
Income tax expense based on income before income tax at statutory rate	$ 31,842	$ 26,918
Tax effect of adjusting items		
Permanent differences	(336)	1,827
Temporary differences	8,395	945
Additional income tax at 10% of undistributed earnings	-	1,909
Current income tax	39,901	31,599
Deferred income tax		
Allowance for doubtful accounts	(850)	617
Allowance for inventory devaluation	(205)	917
Accrued warranty expense	(450)	(497)
Accrued bonus expense	(2,263)	1,145
Impairment loss on properties for lease	(713)	(600)
Difference in depreciation of properties	(817)	(1,574)
Impairment loss on business rights	306	(1,020)
Temporary differences relating to recognition of foreign investment income or loss under the equity method	(2,416)	209
Others	(987)	(142)
Effect of tax law changes on deferred income tax	-	3,622
Adjustments of prior years' income tax	928	(1,991)
Income tax expense	$ 32,434	$ 32,285

In May 2010, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Law (the "ITL") which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective 2010.

Deferred income tax assets (liabilities) comprised:

	December 31	
	2011	2010
Current		
Allowance for doubtful accounts	$ 1,644	$ 794
Allowance for inventory devaluation	2,480	2,275
Accrued warranty expense	2,884	2,434

(Continued)

	December 31	
	2011	2010
Accrued bonus expense	$ 5,928	$ 3,665
Others	1,399	328
	14,335	9,496
Valuation allowance	(2,500)	(2,500)
	$ 11,835	$ 6,996
Noncurrent		
Deferred income tax assets		
Difference in depreciation of properties	$ 6,828	$ 6,011
Impairment loss on properties for lease	3,816	3,103
Impairment loss on business rights	714	1,020
Temporary differences relating to recognition of foreign investment loss under the equity method	4,256	1,840
Others	562	-
	16,176	11,974
Deferred income tax liabilities		
Accumulated translation adjustments	(578)	-
	$ 15,598	$ 11,974

(Concluded)

The Company's income tax returns through 2009 have been examined by the tax authorities.

For distribution of earnings under the ITL, the ratio of 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, 2011 and 2010 was $72,340 thousand and $82,557 thousand, respectively.

The creditable ratio for distribution of earnings of 2011 and 2010 was 28.45% (estimate) and 31.76%, respectively.

14. STOCKHOLDERS' EQUITY

Under the Company Law, capital surplus representing additional paid-in capital may be used to offset a deficit or transferred to capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash.

The Company's Articles of Incorporation, which was amended on May 2, 2011, provide that the following shall be appropriated from the annual net income (less any deficit):

a. 10% thereof as legal reserve;

b. Special reserve provided in accordance with directives issued by the SFB or other authorities;

c. A portion retained for operation needs;

d. 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

e. 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 bonus to employees, if paid in stock, may be distributed to employees of subsidiaries that meet certain criteria. The guidelines for distribution of bonus to employees are to be determined by the chairman of the Company.

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, 2011 and 2010, the bonus to employees was $2,788 thousand and $2,269 thousand, respectively, and the remuneration to directors and supervisors was $6,969 thousand and $5,673 thousand, respectively. The bonus to employees represented 2% for both of the net income for the years ended December 31, 2011 and 2010 minus the legal reserve to be appropriated. The remuneration to directors and supervisors represented 5% for both of the net income for the years ended December 31, 2011 and 2010, 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. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2010 and 2009 had been approved in the stockholders' meetings on May 2, 2011 and June 14, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (In New Taiwan Dollars)**	
	For Year 2010	**For Year 2009**	**For Year 2010**	**For Year 2009**
Legal reserve	$ 12,606	$ 7,010		
Special reserve	5,025	-		
Cash dividends	132,500	44,000	$ 5.0	$ 2.0

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2010 and 2009 approved in the stockholders' meeting on May 2, 2011 and June 14, 2010, respectively, were as follows:

	2010	**2009**
Bonus to employees - cash	$ 2,269	$ 1,262
Remuneration to directors and supervisors	5,421	2,524

	Years Ended December 31			
	2010		2009	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	$ 2,269	$ 5,421	$ 1,262	$ 2,524
Amounts recognized in respective financial statements	2,269	5,673	1,262	2,524
	$ -	$ (252)	$ -	$ -

The approved amount of the remuneration to directors and supervisors was different from the accrual amount reflected in the financial statements for the year ended December 31, 2010, and the difference of $252 thousand resulted from the difference in estimation and had been adjusted in profit and loss for the year ended December 31, 2011.

The appropriations of 2011 earnings had been proposed in the board on March 14, 2012. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 15,487	
Cash dividends	132,500	$5.0

The Company reversed 5,025 thousand to unappropriated earnings from special reserve based on the regulations of stockholders' equity provision.

The 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 15, 2012.

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 were 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, 2011					
Basic earnings per share					
Earnings belonging to holders of common shares	$ 187,305	$ 154,871	26,500	$ 7.07	$ 5.84
Effect of dilutive potential common shares					
Convertible bonds	2,808	2,808	857		
Bonus to employees	-	-	36		
Diluted earnings per share					
Earnings belonging to holders of common shares plus effect of dilutive potential common shares	$ 190,113	$ 157,679	27,393	$ 6.94	$ 5.76
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

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. IMPAIRMENT LOSS ON BUSINESS RIGHTS

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.

17. PERSONNEL COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2011		
	Operating Costs	Operating Expenses	Total
Personnel cost			
Payroll	$ 21,999	$ 115,830	$ 137,829
Insurance	1,394	7,089	8,483
Pension	781	4,181	4,962
Others	705	4,454	5,159
	$ 24,879	$ 131,554	$ 156,433
Depreciation	$ 21,238	$ 24,688	$ 45,926
Amortization	$ 294	$ 1,301	$ 1,595

	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	$ 21,402	$ 40,002
Amortization	$ 164	$ 2,130	$ 2,294

18. 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
Excelsior Beauty Limited ("Excelsior Beauty")	An indirect subsidiary
Regent Skin and Beauty Clinic ("Regent")	The responsible person of Regent is one of the supervisors of the Company
Animation Medical Technologies Ltd. ("Animation")	A subsidiary of Excelsior
Perfection Healthcare Co., Ltd. ("Perfection Healthcare")	An investee accounted for under the equity method of Excelsior
Arcos Laboratory International Inc. ("Arcos")	Excelsior is one of the directors of Arcos

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

	December 31	
	2011	2010
Accounts receivable		
Great China	$ 15,499	$ 637
Perfection Healthcare	1,532	-
Regent	1,181	-
Excelsior Beauty	375	-
Excelsior	131	-
Younch	-	442
Animation	-	18
Others	12	-
	$ 18,730	$ 1,097
Other receivables		
Guangzhou Dynamic	$ 87	$ 35
Excelsior Beauty	21	-
Great China	-	29
	$ 108	$ 64
Long-term accounts receivable		
Perfection Healthcare	$ 4,503	$ -
Other payables		
Excelsior	$ 58	$ 921
Great China	-	15
Others	2	2
	$ 60	$ 938
Amounts received in advance for sales (included in collections in advance)		
Regent	$ 2,132	$ 629

	Years Ended December 31	
	2011	2010
Net sales		
Great China	$ 19,070	$ 9,965
Perfection Healthcare	13,548	-
Regent	6,106	6,404
Excelsior	836	2,025
Excelsior Beauty	375	-
Younch	-	421
Others	246	67
	$ 40,181	$ 18,882

	Years Ended December 31	
	2011	2010
Purchases		
Younch	$ 97,320	$ 106,706
Excelsior	171	180
Arcos	141	124
Great China	29	-
Others	3	-
	$ 97,664	$ 107,010
Rental expense		
Excelsior	$ 676	$ 244
Others	22	12
	$ 698	$ 256
Information service expense		
Excelsior	$ 1,407	$ 1,292
Others	-	13
	$ 1,407	$ 1,305
Other expense		
Excelsior	$ 459	$ -
Great China	46	-
	$ 505	$ -
Rental revenue (included in non-operating income and gains - others)		
Animation	$ 17	$ 34
Acquisition of properties		
Excelsior	$ 160	$ 814
Acquisition of deferred charges		
Excelsior	$ 76	$ -

The aforementioned transactions were conducted on normal commercial terms.

Rental revenue collected semiannually and rental expense paid monthly were based on prevailing market rates.

As of December 31, 2011, Younch had provided guarantees of $208 thousand in favor of the Company.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2011	2010
Salaries	$ 7,512	$ 7,873
Incentives	9,749	5,657
Allowances	202	152
Bonus	6,969	5,673
	$ 24,432	$ 19,355

19. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2011, the Company had the following significant commitments and contingencies:

a. Unused letters of credit of approximately $86,000 thousand.

b. The Company had provided guarantees of $44,209 thousand to Great China for its bank credit lines.

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

Year	Amount
2012	$ 7,162
2013	1,866
2014	396
2015	396
2016	396

20. SUBSEQUENT EVENTS

On February 14, 2012, the board of directors resolved the following investments:

a. The Company, through Great China will increase its investment in Guangzhou Dynamic by RMB11,000 thousand.

b. The Company, through Great China will invest RMB7,000 thousand to set up an indirect subsidiary in Beijing (company name is not yet finalized.).

21. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash	$ 542,900	$ 542,900	$ 406,778	$ 406,778
Notes receivable	192,937	192,937	115,971	115,971
Accounts receivable	150,111	150,111	144,077	144,077
Accounts receivable from related parties	18,730	18,730	1,097	1,097
Other receivables from related parties	108	108	64	64
Financial assets carried at cost	52,860	-	30,000	-
Long-term notes receivable	20,093	20,093	1,200	1,200
Long-term accounts receivable	10,095	10,095	2,789	2,789
Long-term accounts receivable from related parties	4,503	4,503	-	-
Liabilities				
Short-term loans	72,927	72,927	-	-
Forward exchange contracts	14	14	-	-
Notes payable	243	243	-	-
Accounts payable	54,869	54,869	15,087	15,087
Other payables to related parties	60	60	938	938
Liability component of convertible bonds - noncurrent	300,422	303,277	-	-

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 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.

3) Fair value of liability component of convertible bonds is estimated using valuation techniques because no market prices are available. The estimates and assumptions used in the valuation techniques are consistent with those that market participants would use in setting prices for financial instruments and are attainable by the Company.

4) The fair value of long-term receivables is estimated using the present value of future cash flows, discounted by prevailing interest rates after taking into account risk premiums.

c. As of December 31, 2011, financial assets and financial liabilities exposed to fair value interest rate risk were $150,000 thousand and $373,349 thousand; financial assets exposed to cash flow interest rate risk were $170,000 thousand.

d. Information about financial risk:

1) Market risk

The Company entered into derivative financial instruments to hedge the exchange rate fluctuations of foreign-currency assets and liabilities. Therefore, the market risk of derivatives will be offset by the foreign exchange risk of the hedged assets or liabilities.

2) Credit 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.

3) Liquidity risk

The Company has sufficient operating capital to meet the cash needs upon maturity of short-term loans and convertible bonds, thus, the liquidity risk is low. There is a liquidity risk for the Company's investments in financial assets carried at cost because they are not traded in an active market. However, the Company had evaluated the risk before making investments.

22. OTHERS

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

	December 31					
	2011			2010		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 1,966	30.325	$ 59,611	$ 23	29.13	$ 679
HKD	1,055	3.927	4,143	2,142	3.748	8,027
RMB	195	4.909	955	170	4.578	778
EUR	28	39.38	1,090	-	-	-
Investments accounted for under the equity method						
HKD	31,581	3.927	124,018	17,260	3.748	64,692
Financial liabilities						
Monetary items						
USD	4,050	30.325	122,819	462	29.13	13,460
EUR	-	-	-	26	38.92	1,029
Non-monetary items						
USD	1	30.325	14	-	-	-

23. OPERATING SEGMENT FINANCIAL INFORMATION

The Company has disclosed the operating segment financial information in the consolidated financial statements.