TAIWAN LIPOSOME COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2010 AND 2009

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants Translated from Chinese

PWCR10000370

To Taiwan Liposome Company

We have audited the accompanying consolidated balance sheets of Taiwan Liposome Company as of December 31, 2010 and 2009, and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Liposome Company as of

December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

April 22, 2011

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

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 38,347	$ 182,174
Notes receivable	-	11
Accounts receivable - related party (Note 5)	6,507	4,875
Other receivables (Notes 4(12)(15))	4,569	18,853
Other financial assets - current (Note 6)	20,600	30,344
Prepaid expenses	1,975	7,803
Prepayments	9,468	6,505
Total current assets	81,466	250,565
Funds and Investments		
Other financial assets - non-current (Note 6)	14,984	16,088
Property, Plant and Equipment (Note 4(2))		
Land (Note 6)	14,962	14,962
Buildings (Note 6)	29,532	29,532
Machinery and equipment	77,186	63,580
Office equipment	7,203	6,766
Leasehold improvements	104	114
Cost	128,987	114,954
Less: Accumulated depreciation	(43,879)	(35,830)
Construction in progress and prepayments for equipment	5,720	10,123
Total property, plant and equipment, net	90,828	89,247
Intangible Assets		
Deferred pension costs (Note 4(7))	1,087	812
Other intangible assets (Note 4(3))	36,020	41,168
Total intangible assets	37,107	41,980
Other Assets		
Refundable deposits	2,157	2,052
Deferred expenses	4,338	4,399
Total other assets	6,495	6,451
TOTAL ASSETS	$ 230,880	$ 404,331

	2010	2009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	$ 6,805	$ 8,994
Accrued expenses	34,923	18,745
Other payables	4,432	8,661
Long-term liabilities - current portion (Notes 4(5)(6))	15,988	9,568
Other current liabilities	3,651	3,534
Total current liabilities	65,799	49,502
Long-term Liabilities		
Long-term loans (Note 4(5))	110,702	120,270
Long-term notes payable	851	3,705
Long-term deferred revenues (Note 4(6))	4,280	-
Total long-term liabilities	115,833	123,975
Other Liability		
Accrued pension liabilities (Note 4(7))	984	768
Total Liabilities	182,616	174,245
Stockholders' Equity		
Capital (Notes 1 and 4(8))		
Common stock	211,265	206,273
Preferred stock	80,915	80,915
Capital reserves (Note 4(9))		
Paid-in capital in excess of par value of common stock	380,553	375,650
Paid-in capital in excess of par value of preferred stock	262,572	262,572
Additional paid-in capital - treasury stock transactions	12,952	12,952
Capital reserve from donated assets	5,019	5,019
Capital reserve from employee stock option (Note 4(11))	5,078	4,696
Retained earnings		
Accumulated deficit (Note 4(10))	(908,411)	(718,199)
Other Adjustments to Stockholders' Equity		
Cumulative translation adjustments	(1,671)	208
Unrealized pension cost (Note 4(7))	(8)	-
Total Stockholders' Equity	48,264	230,086
Commitments and contingent liabilities (Note 7)		
Subsequent events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 230,880	$ 404,331

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT LOSS PER SHARE DATA)

	2010		2009	
Other operating revenues (Note 5)	$ 36,650		$ 25,965	
Operating expenses (Notes 4(7)(11)(14) and 5)				
General and administrative expenses	(45,281)		(46,683)	
Research and development expenses	(209,567)		(166,404)	
Total operating expenses	(254,848)		(213,087)	
Operating loss	(218,198)		(187,122)	
Non-operating Income and Gains				
Interest income	298		258	
Foreign exchange gain, net	1,112		-	
Other non-operating income (Note 4(15))	29,030		32,410	
Total non-operating income and gains	30,440		32,668	
Non-operating Expenses and Losses				
Interest expense (Note 5)	(2,312)		(1,213)	
Foreign exchange loss, net	-		(411)	
Impairment loss (Note 4(3) (4))	-		(27,806)	
Other non-operating expenses	-		(55)	
Total non-operating expenses and losses	(2,312)		(29,485)	
Loss before income tax	(190,070)		(183,939)	
Income tax expense (Note 4(12))	(142)		(127)	
Consolidated net loss	($ 190,212)		($ 184,066)	
Attributable to:				
Equity holders of the Company	($ 190,212)		($ 184,066)	
	Before Tax	After Tax	Before Tax	After Tax
Basic Loss Per Share (in dollars) (Note 4(13))	($ 9.08)	($ 9.09)	($ 8.95)	($ 8.96)
Diluted Loss Per Share (in dollars) (Note 4(13))	($ 9.08)	($ 9.09)	($ 8.95)	($ 8.96)

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital			Capital Reserves								
	Common stock	Preferred stock	Stock subscriptions received in advance	Paid-in capital in excess of par value of common stock	Paid-in capital in excess of par value of preferred stock	Additional paid-in capital - treasury stock transactions	Capital reserve from donated assets	Capital reserve from employee stock option	Accumulated deficit	Cumulative translation adjustments	Unrecognized pension cost	Total
Balance at January 1, 2009	$ 204,354	$ -	$ 329	$ 374,135	$ -	$ 12,952	$ 5,019	$ 3,638	($ 534,133)	$ 1,328	$ -	$ 67,622
Issuance of preferred stock for cash	-	80,915	-	-	262,572	-	-	-	-	-	-	343,487
Amortization of employee stock option plan compensation expense	-	-	-	-	-	-	-	1,670	-	-	-	1,670
Employee stock option	1,919	-	(329)	1,515	-	-	-	(612)	-	-	-	2,493
Consolidated net loss for 2009	-	-	-	-	-	-	-	-	(184,066)	-	-	(184,066)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(1,120)	-	(1,120)
Balance at December 31, 2009	$ 206,273	$ 80,915	$ -	$ 375,650	$ 262,572	$ 12,952	$ 5,019	$ 4,696	($ 718,199)	$ 208	$ -	$ 230,086
Balance at January 1, 2010	$ 206,273	$ 80,915	$ -	$ 375,650	$ 262,572	$ 12,952	$ 5,019	$ 4,696	($ 718,199)	$ 208	$ -	$ 230,086
Amortization of employee stock option plan compensation expense	-	-	-	-	-	-	-	1,582	-	-	-	1,582
Employee stock option	4,992	-	-	4,903	-	-	-	(1,200)	-	-	-	8,695
Consolidated net loss for 2010	-	-	-	-	-	-	-	-	(190,212)	-	-	(190,212)
Unrecognized pension cost	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(1,879)	-	(1,879)
Balance at December 31, 2010	$ 211,265	$ 80,915	$ -	$ 380,553	$ 262,572	$ 12,952	$ 5,019	$ 5,078	($ 908,411)	($ 1,671)	($ 8)	$ 48,264

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
Cash flows from operating activities		
Consolidated net loss	($ 190,212)	($ 184,066)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Amortization of employee stock option plan compensation expense	1,582	1,670
Depreciation and amortization	19,073	20,907
Impairment loss	-	27,806
Changes in assets and liabilities:		
Notes receivable	11	(11)
Accounts receivable - related party	(1,632)	2,123
Other receivables	14,284	(16,947)
Prepaid expenses	5,828	3,096
Prepayments	(2,963)	2,942
Notes payable	(2,189)	740
Accrued expenses	16,178	(13,156)
Other payables	(415)	-
Other current liabilities	117	1,740
Long-term deferred revenues (including current portion)	10,700	-
Accrued pension liabilities	(67)	(58)
Net cash used in operating activities	(129,705)	(153,214)
Cash flows from investing activities		
Decrease (increase) in other financial assets	10,848	(34,617)
Acquisition of property, plant and equipment	(13,962)	(60,115)
Increase in other intangible assets	(1,583)	(277)
(Increase) decrease in refundable deposits	(105)	417
Increase in deferred expenses	(3,885)	(2,440)
Net cash used in investing activities	(8,687)	(97,032)
Cash flows from financing activities		
Increase in long-term loans	-	77,128
Payment of long-term loans	(9,568)	(15,120)
Decrease in long-term notes payable	(2,854)	(2,156)
Employee stock option	8,695	2,493
Issuance of preferred stock for cash	-	343,487
Net cash (used in) provided by financing activities	(3,727)	405,832
Effect due to changes in exchange rate	(1,708)	(1,158)
Net (decrease) increase in cash	(143,827)	154,428
Cash at beginning of the year	182,174	27,746
Cash at end of the year	$ 38,347	$ 182,174

(Continued on next page)

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 2,190	$ 1,213
Investing activities that resulted in partial cash flows		
Acquisition of property, plant and equipment	$ 13,133	$ 65,376
Add: other payables at beginning of the year	5,261	-
Less: other payables at end of the year	(4,432)	(5,261)
Cash paid	$ 13,962	$ 60,115
Increase in other intangible assets	$ 418	$ 1,442
Add: other payables at beginning of the year	1,165	-
Less: other payables at end of the year	-	(1,165)
Cash paid	$ 1,583	$ 277
Increase in deferred expenses	$ 2,065	$ 4,260
Add: other payables at beginning of the year	1,820	-
Less: other payables at end of the year	-	(1,820)
Cash paid	$ 3,885	$ 2,440
Non-cash flows from investing and financing activity		
Long-term liabilities - current portion	$ 15,988	$ 9,568

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

TAIWAN LIPOSOME COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(1) Taiwan Liposome Company (the "Company") was founded on September 30, 1997 and incorporated on November 10, 1997 under the provisions of the Company Law of the Republic of China (R.O.C.). As of December 31, 2010, the outstanding capital of the Company was $292,180, consisting of 21,127 thousand shares of common stock and 8,091 thousand shares of preferred stock with a par value of $10 per share. The Company is a biopharmaceutical company focused on the research, development and commercialization of innovative pharmaceutical products based on its proprietary drug delivery technologies. Our strengths lie in lipid-based formulation and scale-up for parenteral drugs using micelles and nanoparticles to optimize the pharmacokinetics of drugs for better efficacy and lower toxicity, and thus prolong the product lifecycle of branded drugs. As of December 31, 2010, the Company had 72 employees.

(2) Consolidated subsidiaries

Name of company	Relationship	Main activities	Percentage of shares held as of December 31, 2010	2009
TLC Biopharmaceuticals, Inc.	Note	Research on new anti-cancer drugs and biotechnology services	100%	100%
TLC Biopharmaceuticals, B.V.	〃	Technical authorization and product development	100%	-

Note : Majority-owned subsidiary

(3) Changes in the consolidated subsidiaries: TLC Biopharmaceuticals, B.V. was newly established in 2010.

(4) Subsidiaries not included in the consolidated financial statements: None.

(5) Difference in accounting periods and accounting principles adopted by the subsidiaries: None.

(6) Special operating risks in foreign subsidiaries: None.

(7) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(8) Details of the parent's stock that is held by the subsidiaries: None.

(9) The related information regarding a subsidiary's issuance of convertible bonds and new common stock: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are summarized as follows:

(1) Principles of consolidation

(A) All majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7, “Consolidated Financial Statements”, are included in the consolidated financial statements, although the Company owns less than 50% of the voting rights of the investee companies directly or indirectly. All significant intercompany balances and transactions are eliminated in the consolidation.

(B) Under the amended SFAS No. 7, the results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition; the result of operations of such subsidiary is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year’s financial statements is not required.

(2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into New Taiwan dollars using the exchange rate at the balance sheet date; equity accounts are translated at historical rates, except for beginning retained earnings which are carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated using the weighted-average rate for the year. Exchange differences are recorded as cumulative translation adjustments and are included as a component of stockholders' equity.

(3) Foreign currency transactions

(A) The Company and its subsidiaries maintain their accounts in New Taiwan dollars and their respective functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and the respective functional currencies at the spot exchange rates prevailing at the transaction dates.

(B) Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.

(4) Classification of current and non-current items

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

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

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realized within twelve months from the balance sheet date;

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

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

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

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(5) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience and an evaluation of the collectibility of ending balances of notes receivable, accounts receivable and other receivables.

(6) Consolidation and purchase

The Group adopts the purchase method of accounting for business mergers or acquisitions.

(7) Property, plant and equipment

(A) Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated economic lives of the assets. The estimated economic lives of property, plant and equipment are 3 ~ 5 years except for buildings, the estimated economic life of which is 44 years.

(B) Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. The gain or loss on disposal is included in current non-operating income or expense.

(8) Intangible assets

(A) Professional technology is stated at cost and amortized on a straight-line method over the estimated economic life of the asset.

(B) Research expenditures are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when the project has reached commercial and technological feasibility, can be completed and the costs can be measured reliably. Other development expenditures are expensed as incurred. Development expenditures' that have been capitalized and have definite useful lives are amortized over the estimated life using the straight-line method.

(9) Deferred expenses

Expenses on leasehold improvements are stated at cost and amortized on a straight-line basis over 2 ~ 4 years.

(10) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

The recoverable amount of goodwill shall be evaluated periodically. Impairment loss will be recognized whenever there is indication that the recoverable amount of these assets is less than their respective carrying amount. Impairment loss of goodwill recognized in prior years is not recoverable in the following years.

(11) Pension plan

(A) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

(B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(12) Income tax

(A) The Group uses inter-period as well as intra-period tax allocation for income tax. Any over-provision or under-provision of prior years' income tax liabilities is included in current year's income tax expense. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the year of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is recognized as an adjustment to current income tax expense (benefit).

(B) Investment tax credits arising from expenditures incurred on research and development, and employees' training are recognized in the year the related expenditures are incurred.

(C) An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

(D) In accordance with the "Income Basic Tax Act", effective January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is equal or more than the basic tax. When income tax is lower than the basic tax, income tax due shall be equal to the basic tax. The difference cannot be deducted from investment credits based on other regulations.

(13) Share-based payment - employee compensation plan

(A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072, "Accounting for Employee Stock Options", prescribed by the R.O.C. Accounting Research and Development Foundation. Compensation cost under the share-based employee compensation plan is recognized using the fair value method.

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

(14) Earnings per share

(A) The Company's capital structure is a complex capital structure. Pursuant to the R.O.C. SFAS No. 24, "Accounting for Earnings Per Share", an enterprise with complex capital structure shall present both basic EPS and diluted EPS. The calculations of basic EPS and diluted EPS are as follows:

a) Basic EPS: The amount of earnings (or loss) per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the reporting period by the weighted average number of common shares outstanding during that period.

b) Diluted EPS: The calculation of diluted EPS is consistent with the calculation of basic EPS assuming that all dilutive potential common shares have been converted into common shares at the beginning of the reporting period and the amount of net income (or loss) attributable to common stock outstanding for the reporting period has been adjusted by the after-tax effect of any other changes in income or expense that would result from the conversion of the dilutive potential common shares.

(B) Potential common shares refer to employee stock options and convertible preferred stocks issued by the Company. Upon calculation of the dilutive effect, "treasury stock" method and "if-converted" method are used respectively.

(15) Revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs and expenses are recognized as incurred. In accordance with EITF 98-331, "Explanation for Revenue Recognition", prescribed by the R.O.C. Accounting Research and Development Foundation, royalty revenue shall be recognized in a reasonable and systematic approach during the authorized period, and shall not be recognized in full one time, if the authorization contract does not meet all of the following criteria simultaneously:

(A) The amount of royalty is fixed or non-refundable.

(B) The contract is irrevocable.

(C) Relevant rights may be at the authorized party's own disposition.

(D) The party to authorize has no further obligations after passing the rights on to the authorized party.

(16) Use of estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

None.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash on hand	$ 78	$ 55
Checking and demand deposits	34,281	161,226
Foreign currency deposits	3,988	893
Time deposits	-	20,000
	$ 38,347	$ 182,174

(2) Property, plant and equipment

	December 31, 2010		
	Cost	Accumulated depreciation	Net book value
Land	$ 14,962	$ -	$ 14,962
Building	29,532	(766)	28,766
Machinery and equipment	77,186	(38,004)	39,182
Furniture and fixtures	7,203	(5,039)	2,164
Leasehold improvements	104	(70)	34
Prepayments for equipment	5,720	-	5,720
	$ 134,707	($ 43,879)	$ 90,828

	December 31, 2009		
	Cost	Accumulated depreciation	Net book value
Land	$ 14,962	$ -	$ 14,962
Building	29,532	(123)	29,409
Machinery and equipment	63,580	(30,964)	32,616
Furniture and fixtures	6,766	(4,685)	2,081
Leasehold improvements	114	(58)	56
Prepayments for equipment	10,123	-	10,123
	$ 125,077	($ 35,830)	$ 89,247

(3) Other intangible assets

	December 31, 2010			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Computer software	$ 1,809	($ 777)	$ -	$ 1,032
Professional technology:				
Camptothecin anti-cancer technology - Lipotecan	46,138	(11,150)	-	34,988
Total	$ 47,947	$ 11,927	$ -	$ 36,020

	December 31, 2009			
	Cost	Accumulated amortization	Accumulated impairment	Net book value
Computer software	$ 2,667	($ 1,100)	$ -	$ 1,567
Professional technology:				
Liposome drug encapsulation and targeting technology - HERMES (Note)	50,050	(22,244)	(27,806)	-
Camptothecin anti-cancer technology - Lipotecan	46,138	(6,537)	-	39,601
Total	$ 98,855	($ 29,881)	($ 27,806)	$ 41,168

(Note) The Company had decided not to continue the development of the new drug at the end of 2009, and thereby recognized impairment loss in full of the residual value of the technology in 2009.

(4) Non-financial asset impairment

1) Details of impairment loss are set forth below:

	Amount included in statement of income	
Impairment loss – intangible assets	2010	2009
	$ -	$ 27,806

2) The Company has no segment information; the above impairment loss belongs to general assets.

(5) Long-term loans

	December 31, 2010	December 31, 2009
Long-term loans	$ 120,270	$ 129,838
Less: Current portion	(9,568)	(9,568)
	$ 110,702	$ 120,270
Annual interest rate	1%~3.07%	1%~2.95%

1) The Company entered into a “Development of Level NanoVNB” and signed the loan contract with the Industrial Development Bureau in 2005 in the amount of $38,000 (the bank: Taiwan Business Bank). The original contract period is from October 2005 to July 2011. In 2009, the Company requested for the extension of the maturity date to July 2014. The loan is payable in quarterly capital installments of $1,012 (first quarter: $2,580; second to seventh quarter: $2,530 each quarter), with a moratorium until January 2008 and maturing in July 2014.

2) The Company entered into a “Synergistic Dual - Function Anticancer Me - Too New Chemical Entity (ME-TOO NCE) Development Project” and signed the loan contract with the Industrial Development Bureau in 2007 in the amount of $40,000 (the bank: Taiwan Business Bank). The original contract period is from June 2007 to April 2013. In 2009, the Company requested for the extension of the maturity date to April 2016. The loan is payable in quarterly capital installments of $1,380 (first quarter: $2,500; second quarter: $1,620), with a moratorium until July 2009 and maturing in April 2016.

3) The Company entered into a loan contract with Taiwan Business Bank in 2009 in the amount of $43,650 for the purchase of land and building. The contract period is from November 2009 to November 2029. The principal and interest of the loan is payable monthly from the third year after the draw-down date.

4) The Company entered into a "Synergistic Dual - Function Anticancer Lipotecan Development Project" and signed the loan contract with the Industrial Development Bureau in 2009 in the amount of $31,080 (the bank: Taiwan Business Bank). The contract period is from December 2009 to April 2015. The principal of the loan is payable quarterly from July 15, 2011.

(6) Long-term deferred revenues

	December 31, 2010	December 31, 2009
Long-term deferred revenues	$ 10,700	$ -
Less: Current portion	(6,420)	-
	$ 4,280	$ -

Long-term deferred revenues pertain to the rewards received from the joint development of generic drugs by the Company and clients, which are deferred during the development period.

(7) Pension plan

1) The Company has a non-contributory and funded defined benefit plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. The defined benefit plan will continue to cover the employees who choose to remain with the defined benefit plan. Upon retirement, pension payments are calculated based on total years of service and average salary of the last six months prior to retirement. Two base units are earned for the first 15 years of service and one unit for each additional year thereafter, with a maximum number of 45 units. The Company contributes 2% of the employees' monthly salaries and wages to an independent retirement trust fund with the Bank of Taiwan, the trustee. For the years ended December 31, 2010 and 2009, the net periodic pension cost under the defined benefit plan was $124 and $125, respectively. The balance of the retirement trust fund with the Bank of Taiwan was $892 and $690 as of December 31, 2010 and 2009, respectively.

2) The related assumptions used to calculate the periodic pension cost were as follows:

	2010	2009
Discount rate	1.75%	2.25%
Rate of compensation increase	2.00%	2.00%
Expected return on plan assets	1.75%	2.25%

3) The reconciliation of the pension plan's funded status to accrued pension liability is as follows:

	December 31,	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(1,876)	(1,459)
Accumulated benefit obligation	(1,876)	(1,459)
Effect of future salary increments	(835)	(682)
Projected benefit obligation	(2,711)	(2,141)
Fair value of plan assets	892	690
Funded status	(1,819)	(1,451)
Unrecognized net transition obligation	1,087	1,171
Amortization of unrecognized gain on plan assets	843	324
Additional accrued pension liabilities	(1,095)	(812)
Accrued pension liabilities	($ 984)	($ 768)

4) The components of net pension cost were as follows:

	2010	2009
Service cost	$ -	$ -
Interest cost	48	48
Expected return on plan assets	(16)	(7)
Amortization of:		
Unrecognized net transition obligation	84	84
Unrecognized loss on plan assets	8	-
Net pension cost	$ 124	$ 125

4) Effective July 1, 2005, the Company has established a defined contribution pension plan under the Labor Pension Act (the "New Plan") for eligible employees holding Republic of China citizenship. The Company deposits the pension amount based on 6% of the employees' monthly salaries and wages into each employee's personal pension account with the Bureau of Labor Insurance. For the years ended December 31, 2010 and 2009, the pension costs under the New Plan were $2,582 and $2,116, respectively.

5) The pension costs of the subsidiary under the defined contribution pension plan for the years ended December 31, 2010 and 2009 were $448 and $501, respectively.

(8) Common stock

1) As of December 31, 2010, the authorized and outstanding capital of the Company were $600,000 and $292,180, respectively, consisting of 21,127 thousand shares of common stock and 8,091 thousand shares of preferred stock at par value of NT$10 per share.

2) Rights and obligations of preferred stock

a) Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then certain percentages of the remaining amount shall be set aside as legal reserve and special reserve and then the remainder shall be first used to appropriate as dividends to the holders of A-type preferred stock.

b) The above dividends on A-type preferred stock are appropriated by cash at 8% per annum of the issuance price for each year, and are appropriated based on the number of days issued in the first year of issuance. Dividends shall not be appropriated to the holders of common stock until all dividends have been appropriated to the holders of A-type preferred stock. When dividends per share on common stock are greater than A-type preferred stock, the excess will be appropriated to the holders of common stock and A-type preferred stock in proportion to their share ratios.

c) If the current year's earnings are zero or insufficient for appropriation of all dividends on A-type preferred stock, then the unappropriated or insufficient portions shall not be deferred to the following years for appropriation.

d) The holders of A-type preferred stock have voting right, suffrage right and right to stand for election for director and supervisor at the stockholders' meeting.

e) Unless laws or regulations have other prescriptions, the holders of A-type preferred stock have preemptive right for shares as the holders of common stock when the Company issues new shares.

f) The holders of A-type preferred stock have first priority in appropriation of the Company's residual property and the holders of common stock second. The Company shall first appropriate its residual property by cash to the holders of A-type preferred stock upon liquidation, but not exceeding the total issue price of A-type preferred stock ("Priority appropriated amount"). When priority appropriated amount has been given to the holders of A-type preferred stock, the other residual property would be appropriated to the holders of common stock and A-type preferred stock in proportion to their share ratios. If the residual property is insufficient to be appropriated as priority appropriated amount to the holders of A-type preferred stock by cash, then the Company shall appropriate the residual property to the holders of A-type preferred stock in proportion to their share ratios.

g) Any one of the following transactions will be completed on condition that the holders of A-type preferred stock get cash or securities equal to or greater than the priority appropriated amount:

(1) The Company is merged.

(2) All or majority of the Company’s assets are sold.

The above regulation is not applicable if the Company merges because of the change of its established location, or merges with its wholly-owned subsidiary, or raises money for increasing capital stock and the Company is the surviving company after merger.

h) The holders of A-type preferred stock may request the Company at any time to have their preferred stock in full or in part converted to common stock with the conversion ratio of one share preferred stock to one share common stock. The rights and obligations of the common stock converted from preferred stock are the same as the issued and outstanding common stock.

i) For A-type preferred stocks which have been converted to common stocks before the base day of dividends appropriation or of ex-right/ex-dividend for capital increase for the current year, they are not entitled to the dividends on preferred stock appropriated for the current year or following years.

j) In case any one of the following conditions occurs, all A-type preferred stocks will be automatically converted to common stocks based on the conversion ratio of one share preferred stock to one share common stock:

(1) Which is resolved by the holders of A-type preferred stock at their stockholders’ meeting;

(2) The Company’s shares are approved to be listed on the Taiwan Stock Exchange or on the Taiwan Over-The-Counter Securities Exchange;

(3) The Company’s common shares are listed on the U.S. Stock Exchange based on its prospectus valid under the U.S. 1933 Securities Law.

k) If any one of the holders of A-type preferred stock fails to fulfill the commitment to subscribe for preferred stocks or convertible bonds issued subsequently (if any) pursuant to the contract for subscription to A-type preferred stock signed in 2009, his/her A-type preferred stocks will be automatically converted to common stocks based on the conversion ratio of one share preferred stock to one share common stock on the conversion base day set by the Board of Directors.

l) Without the consent of the holders who own totaling more than two-thirds of the total number of the outstanding A-type preferred stocks, the Company shall not do any of the following actions:

(1) Change the Company's Articles of Incorporation, which will change or damage the rights, priority or special interests of A-type preferred stock;

(2) Increase or decrease the number of authorized A-type preferred stocks;

(3) Issue any securities with rights superior to or equal to the rights of A-type preferred stock.

(9) Capital reserve

The R.O.C. Securities and Exchange Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. The capital reserve can be used to offset against accumulated deficit only when legal reserve and special reserve are insufficient. Only capital reserve from paid-in capital in excess of par value and donated surplus can be used to increase capital and the total amount shall be limited to 10% of outstanding capital each year.

(10) Accumulated deficit

1) Under the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

A. Payment of taxes and duties.

B. Covering prior years' accumulated deficit, if any.

C. After deducting items a and b, set aside 10% of the remaining amount as legal reserve.

D. After deducting items A to C, appropriating 2% of remaining earnings as remuneration to Directors and Supervisors.

E. After deducting items A to C, appropriating 2%~8% of remaining earnings as employees' bonuses.

2) Under the ROC Company Law, when the accumulated deficit exceeds 50% of the capital, the directors should convene a meeting of the stockholders and report the situation.

3) As of December 31, 2010 and 2009, the information regarding the accumulated deficit is as follows:

	December 31, 2010	December 31, 2009
Before December 31, 1997	($ 4,924)	($ 4,924)
On and after January 1, 1998	(903,487)	(713,275)
	($ 908,411)	($ 718,199)

4) As of December 31, 2010, there was no balance in stockholders' account of deductible tax and creditable tax ratio.

5) As of December 31, 2010, the Company had an accumulated deficit, accordingly, no distribution of earnings information needs to be disclosed.

(11) Share-based payment - employee compensation plan

1) As of December 31, 2010, the Company's share-based payment transactions and stock options plan are set forth below:

A. Share-based payment transactions:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual/ estimated future resignation rate
Employee stock options	2005.07.01	97.0	5 years	1 month service vested immediately	4%/10%
〃	2006.06.30	98.0	5 years	1 month service vested immediately	4%/10%
〃	2006.06.30	225.6	5 years	1 year service vested immediately	4%/10%
〃	2007.01.01	5.0	5 years	1 month service vested immediately	4%/10%
〃	2007.01.01	155.4	5 years	1 year service vested immediately	4%/10%
〃	2007.06.01	97.5	5 years	1 month service vested immediately	4%/10%
〃	2007.06.01	313.9	5 years	1 year service vested immediately	4%/10%
〃	2007.12.31	186.0	5 years	1 year service vested immediately	4%/10%
〃	2008.12.31	112.0	5 years	1 year service vested immediately	4%/10%
〃	2009.04.13	102.5	3 years	1 month service vested immediately	4%/0%
〃	2009.04.13	188.2	3 years	1 year service vested immediately	4%/5%
〃	2009.10.29	788.0	5 years	1 year service vested immediately	4%/5%

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual/ estimated future resignation rate
Cash capital increase reserved for employee stock options	2009.03.20	Note	None	None	None
Employee stock options	2010.01.21	200.0	5 years	1 year service vested immediately	4%/5%
〃	2010.07.22	108.0	5 years	1 year service vested immediately	4%/10%

Note: 10% (809,000 shares) of total shares of cash capital increase were reserved for employee stock options; however, employees did not subscribe for those shares.

B. Details of the employee stock options are set forth below:

	2010		2009	
	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of year	1,706.4	$ 22	843.1	$ 16
Options granted	308.0	28	1,078.7	25
Options exercised	(499.2)	17	(166.3)	15
Options revoked	(72.8)	24	(49.1)	18
Options outstanding at end of year	1,442.4	25	1,706.4	22
Options exercisable at end of year	460.8		437.5	
Options permitted but not yet outstanding at end of year	(Note)		363.7	

Note: Options permitted but not yet outstanding at end of year were inactive from August 17, 2010.

C. As of December 31, 2010 and 2009, the details of the outstanding options are as follows:

		December 31, 2010			
		Options outstanding at end of year		Options exercisable at end of year	
Exercise price (in dollars)	Quantity (in thousands)	Weighted average expected remaining life (years)	Weighted average exercise price (in dollars)	Quantity (in thousands)	Weighted average exercise price (in dollars)
$ 13	51.4	0.74	$ 13	51.4	$ 13
18	215.6	2.01	18	180.4	18
18	168.4	1.28	18	46.8	18
28	1,007.0	3.93	28	182.2	28

		December 31, 2009			
		Options outstanding at end of year		Options exercisable at end of year	
Exercise price (in dollars)	Quantity (in thousands)	Weighted average expected remaining life (years)	Weighted average exercise price (in dollars)	Quantity (in thousands)	Weighted average exercise price (in dollars)
$ 13	195.6	1.62	$ 13	154.6	$ 13
18	490.7	2.85	18	226.9	18
18	232.1	2.42	18	56.0	18
28	788.0	4.83	28	-	28

D. For the stock options granted on or after January 1, 2004 with the compensation cost accounted for using the fair value method, the fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Grant date	July 22, 2010	January 21, 2010	October 29, 2009
Dividend yield rate	-	-	-
Exercise price volatility	36.17%	48.14%	48.1%
Risk-free interest rate	0.64%	0.65%	0.76%
Expected vesting period (years)	3.75	3.75	3.75
Per share exercise price (in dollars)	$ 28	$ 28	$ 28
Weighted stock options average fair value (in dollars)	0.66	3.64	3.53

Grant date	April 13, 2009 (A)	April 13, 2009 (B)	December 31, 2008
Dividend yield rate	-	-	-
Exercise price volatility	53.21%	52.88%	52.87%
Risk-free interest rate	0.30%	0.52%	0.25%
Expected vesting period (years)	1.61	2.615	2.55
Per share exercise price (in dollars)	$ 18	$ 18	$ 18
Weighted stock options average fair value (in dollars)	0.824	1.47	1.41

Grant date	December 31, 2007	June 1, 2007 (A)	June 1, 2007 (B)
Dividend yield rate	-	-	-
Exercise price volatility	44.81%	42.04%	41.79%
Risk-free interest rate	2.43%	2.44%	2.44%
Expected vesting period (years)	3.55	2.54	3.55
Per share exercise price (in dollars)	$ 18	$ 18	$ 18
Weighted stock options average fair value (in dollars)	3.29	4.04	4.91

Grant date	January 1, 2007 (A)	January 1, 2007 (B)	June 30, 2006 (A)
Dividend yield rate	-	-	-
Exercise price volatility	39.46%	40.32%	60.43%
Risk-free interest rate	1.86%	1.86%	1.97%
Expected vesting period (years)	2.54	3.55	5
Per share exercise price (in dollars)	$ 13	$ 13	$ 13
Weighted stock options average fair value (in dollars)	7.06	7.82	4.597

Grant date	June 30, 2006 (B)	July 1, 2005 (A)
Dividend yield rate	-	-
Exercise price volatility	60.43%	57.96%
Risk-free interest rate	1.97%	1.80%
Expected vesting period (years)	5	5
Per share exercise price (in dollars)	$ 13	$ 13
Weighted stock options average fair value (in dollars)	4.597	4.384

2) Equity-settled expense incurred on share-based payment transactions for 2010 and 2009 were $1,582 and $1,670, respectively.

(12) Income tax

1) Income tax expense and income tax refundable are reconciled as follows:

	2010	2009
Income tax expense	$ 142	$ 127
Less: Income tax payable booked in subsidiary	(142)	(127)
Prepaid and withholding taxes	(45)	(106)
Income tax refundable (recorded as Other receivables)	($ 45)	($ 106)

2) Deferred income tax assets and liabilities:

	December 31, 2010	December 31, 2009
Current:		
Deferred income tax assets	$ 11,928	$ 11,000
Less: valuation allowance	(11,928)	(11,000)
	$ -	$ -
Non-current:		
Deferred income tax assets	$ 233,035	$ 230,872
Less: valuation allowance	(233,035)	(230,872)
	$ -	$ -

3) The components of deferred income tax assets and liabilities are as follows:

Items	December 31, 2010 Amount	December 31, 2010 Tax effect	December 31, 2009 Amount	December 31, 2009 Tax effect
Current:				
Temporary differences				
Unrealized foreign exchange gain	($ 827)	($ 142)	($ 47)	($ 9)
Book-tax differences of buildings	186	32	186	37
Impairment loss	3,337	567	3,337	667
Deferred revenues	6,420	1,091	-	-
Investment tax credits		10,380		10,305
		11,928		11,000
Less: valuation allowance		(11,928)		(11,000)
		-		-
Non-current:				
Temporary differences				
Over provision of allowance for bad debts	71,013	12,072	71,013	14,202
Investment loss	4,510	767	6,530	1,306
Book-tax differences of buildings	7,767	1,320	7,953	1,591
Impairment loss	21,132	3,592	24,469	4,894
Deferred revenues	4,280	728	-	-
Loss carryforwards	802,629	152,089	620,503	139,782
Investment tax credits		62,467		69,097
		233,035		230,872
Less: valuation allowance		(233,035)		(230,872)
		-		-
		$ -		$ -

4) As of December 31, 2010, losses available to be carried forward were as follows:

Year in which loss was incurred	Amount	Year of expiration
2003	$ 2,733	2013
2004	4,975	2014
2005	4,979	2015
2006	7,836	2016
2007	16,782	2017
2008	34,075	2018
2009	23,228	2019
2010	31,548	2020
	$ 126,156	

5) As of December 31, 2010, losses available to be carried forward by subsidiary were as follows:

Year in which loss was incurred	Amount	Year of expiration
2005	$ 5,659	2025
2006	8,263	2026
2007	10,902	2027
2008	1,109	2028
2009	18	2029
	$ 25,951	

6) As of December 31, 2010, the details of unused investment tax credits were as follows:

Year incurred	Amount	Year of expiration
2007	$ 10,380	Note 1
2008	31,470	Notes 1 and 2
2009	20,401	Notes 1 and 2
2010	10,596	Note 2
	$ 72,847	

Note 1: Under Article 6 of the Statute for Upgrading Industry, investment tax credits for research and development expenditures can be used to offset the Company's income taxes within five years from the year in which tax credits were incurred.

Note 2: The Company was approved as a biotech new pharmaceuticals company by the Ministry of Economic Affairs (MOEA) according to the Jing-Shou-Gong-Zi Letter No. 09720410630 of MOEA, dated August 6, 2008. Accordingly, the Company and its stockholders are eligible for investment tax credits under the Statute for Development of Biotech New Pharmaceuticals Industry. Relevant investment tax credits can be used to offset the Company's income taxes within five years from the year in which the Company starts to have income tax payable.

7) As of December 31, 2010, the Company's income tax returns through 2009 have been assessed and approved by the Tax Authority.

(13) Loss per share (LPS)

	For the year ended December 31, 2010				
	Amount		Weighted-average outstanding common shares	Loss per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Basic LPS					
Net loss	($190,070)	($190,212)	20,930	($ 9.08)	($ 9.09)
Dilutive effect of common stock equivalents:					
Employees' stock options	-	-	(Note)		
Convertible preferred stock	-	-	(Note)		
Diluted LPS	($190,070)	($190,212)	20,930	($ 9.08)	($ 9.09)

	For the year ended December 31, 2009				
	Amount		Weighted-average outstanding common shares	Loss per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Basic LPS					
Net loss	($183,939)	($184,066)	20,551	($ 8.95)	($ 8.96)
Dilutive effect of common stock equivalents:					
Employees' stock options	-	-	(Note)		
Convertible preferred stock	-	-	(Note)		
Diluted LPS	($183,939)	($184,066)	20,930	($ 8.95)	($ 8.96)

(Note) Since the shares have anti-dilutive effect when using the treasury method and if-converted method, such shares shall not be included.

(14) Personnel, depreciation and amortization expenses

	Recorded in operating expenses			
	2010		2009	
Personnel expenses				
Salaries	$	77,725	$	63,568
Labor and health insurances		4,566		2,672
Pension		3,154		2,742
Others		4,161		3,561
	$	89,606	$	72,543
Depreciation	$	11,380	$	9,115
Amortization		7,693		11,792
	$	19,073	$	20,907

(15) Government subsidy income

1) The Company entered into a "Lipid-based Delivery System Formulated Pro Flow Development Project" contract with the Industrial Development Bureau in 2009, and the Company is entitled to receive $22,260 in subsidy as approved by the (98) Zi-An-Zi Letter No. 002383. As of December 31, 2010 and 2009, relevant other receivable recognized were $4,381 and $0, respectively. For the years ended December 31, 2010 and 2009, the government subsidy income recognized were $8,756 and $11,665, respectively (recorded as other non-operating income).

2) The Company entered into a "Synergistic Dual-Function Anticancer Lipotecan Development Project" contract with the Department of Industrial Technology in 2009, and the Company is entitled to receive $28,140 in subsidy as approved by the (98) Zi-An-Zi Letter No. 000326. As of December 31, 2010 and 2009, relevant other receivable recognized were $0 and $17,417, respectively. For the years ended December 31, 2010 and 2009, the government subsidy income recognized were $10,721 and $17,417, respectively (recorded as other non-operating income).

3) The Company applied for financing interest subsidies and labor vocational training subsidies in accordance with "Taipei Municipal Self-Governance Ordinance for Encouraging Private Investment" in 2010 and 2009, and subsidies of $668 and $588 were granted, respectively (recorded as other non-operating income).

4) The Company applied for overseas participation in accordance with "Department of Economic Development, Taipei City Government" in 2010, and subsidy of $80 was granted (recorded as other non-operating income).

5) The Company's subsidiary applied for Lipotecan TLC 388 Anit-Tumor Therapeutic project in accordance with "Department of the Treasury, USA Government" in 2010, and subsidy of $7,627 was granted (recorded as other non-operating income).

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
TTY Biopharm Company Limited (TTY)	Related party in substance
王玉杯	The Company's director
蔡娟娟	Second-degree relative of the Company's general manager

(2) Significant transactions and balances with related parties

1) Operating revenues

	2010		2009	
	Amount	% of operating revenues	Amount	% of operating revenues
TTY	$ 27,966	76	$ 25,965	100

The Company granted TTY the exclusive right in Taiwan to produce and promote LIPO-DOX, a medicinal product developed by the Company. Under the contract, royalty payments are based on 12% of the sales from the products sold.

2) Accounts receivable

	December 31,			
	2010		2009	
	Amount	% of operating revenues	Amount	% of operating revenues
TTY	$ 6,507	100	$ 4,875	100

3) Other payables – financing

2010: None.

	2009				
	Maximum outstanding balance during 2009	Balance at December 31, 2009	Interest rate	Interest expense	Interest payable
蔡娟娟	$ 15,000	$ -	5%	$ 180	$ -
	30,000	-	2%	150	-
	$ 45,000	$ -		$ 330	$ -

(3) Salaries/rewards information of key management

	For the years ended December 31,	
	2010	2009
Salaries and bonuses	$ 11,834	$ 11,007
Service execution fees	916	680
Share-based payment expenses	497	577
Total	$ 13,247	$ 12,264

1) Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.
2) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicle benefits, etc.
3) Share-based payment expenses refer to the compensation costs accounted for under R.O.C. SFAS No. 39.
4) For more information, please refer to the Company's annual report.

6. DETAILS OF PLEDGED ASSETS

	December 31,		
Asset Pledged	2010	2009	Purpose of pledge
Shown as other financial assets - current			
Demand deposits	$ 20,600	$ 30,344	Note 1
Shown as other financial assets - non current			
Demand deposits	$ 11,184	$ 12,288	Note 1
Time deposits	3,800	3,800	Note 1
	$ 14,984	$ 16,088	
Shown as fixed assets			
Land	$ 14,962	$ 14,962	Note 2
Buildings	28,766	29,409	Note 2
	$ 43,728	$ 44,371	

Note 1: The Company provided collaterals for loans and government subsidies.
Note 2: The Company provided collaterals for loans.

7. COMMITMENTS

As of December 31, 2010, the significant commitments and contingent liabilities of the Company are as follows:

1) The Company had outstanding commitment on office lease contracts totaling $17,906.
2) The Company had outstanding commitments on purchase contracts for machinery and equipment totaling $5,303.
3) The Company had outstanding commitment on contract with Taiwan Clinical Oncology Research Foundation for testing, research and development totaling $28,368.
4) The Company had outstanding commitment on contract with Academia Sinica for the technology authorization totaling $14,500.
5) The Company's subsidiary entered into a synthesis technology of novel camptothecin derivative transfer agreement with California Pacific Medical Center (CPMC). Under the agreement, CPMC charges the Company's subsidiary a patent usage fee of US$10,000 per annum and charges royalties of US$300,000 maximum according to its R&D achievement rate and charges royalties equal to certain percentage of relevant sales volume in the future.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

1) The stockholders during their meeting on March 10, 2011 adopted a resolution to raise additional cash through private placement. The number of common shares to be issued through the private placement is 4,711,000 shares at a subscription price of $42.45 (in dollars) per share. The par value per share is $10. The rights and obligations of the common shares raised through the private placement are the same as the other issued common shares. Other than the following conditions, private investors and subscribers of the private placement should not resell the shares they have purchased for the private placement:

   (1) Under certain restrictions on shares holding period and trading volume specified by competent authorities, private investors and subscribers may transfer the common shares of private placement to the banks, bills finance companies, trust companies, insurance companies, securities firms or other corporations or institutions authorized by competent authorities, or natural persons, corporations or funds, which fit in with certain criteria specified by competent authorities, when the shares have been held for one year, but should transfer within three years of holding.

   (2) Private investors and subscribers may resell the common shares of private placement when the shares have been held for three years.

   (3) Any transfer of private placement common shares is allowed by laws.

   (4) The trading volume of any private transfer of private placement common shares shall not exceed one trading unit of such stock, and the transfer shall not be done until three months after the last transfer.

   (5) Other transfers approved by competent authorities.

2) As of March 24, 2011, the amount of capital raised through the private placement was $200,000, and the effective date of the capital increase was on March 25, 2011. Said capital increase had been registered on April 13, 2011.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the 2009 consolidated financial statements were reclassified to conform with the 2010 consolidated financial statement presentation.

(2) Fair values of the financial instruments

	December 31, 2010		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 69,978	$ -	$ 69,978
Other financial assets - non-current	14,984	-	14,984
Refundable deposits	2,157	-	2,157
Liabilities			
Financial liabilities with fair values equal to book values	46,160	-	46,160
Long-term loans (including long-term liabilities - current portion)	120,270	-	120,270
Long-term notes payable	851	-	851

	December 31, 2009		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 236,151	$ -	$ 236,151
Other financial assets - non-current	16,088	-	16,088
Refundable deposits	2,052	-	2,052
Liabilities			
Financial liabilities with fair values equal to book values	36,400	-	36,400
Long-term loans (including long-term liabilities - current portion)	129,838	-	129,838
Long-term notes payable	3,705	-	3,705

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

1) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding income tax refundable), other financial assets - current, notes payable, accrued expenses and other payables.

2) Other financial assets - non-current include demand deposits. The book value is approximate to the fair value.

3) The fair value of refundable deposits was based on the present value of expected cash flow amount.

4) Fixed interest rates are adopted for long-term loans. As the rate is below market rate, the fair value was based on the present value of expected cash flow amount. Thus, fair value is based on the book value.

5) The fair value of long-term notes payable was based on the present value of expected cash flow amount, thus fair value is based on the book value

(3) As of December 31, 2010, the Group had no derivative financial instruments.

(4) Information on interest rate risk positions

1) As of December 31, 2010 and 2009, the financial assets with market value risk due to the change of interest amounted to $3,800, and the financial liabilities with fair value risk due to the change of interest amounted to $45,540 and $55,108, respectively.

2) As of December 31, 2010 and 2009, the financial assets with cash flow risk due to the change of interest amounted to $0 and $20,000, respectively, and the financial liabilities with cash flow risk due to change of interest amounted to $74,730.

(5) Procedure of financial risk control and hedge

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

2) Risk management is carried out by a central treasury department (Group Treasury) in accordance with the policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

3) To meet its risk management objectives, the Group's procedure of hedge focus on market risk and cash flow interest rate risk.

(6) Information of material financial risk

1) Some transactions of the Group involve non-functional currency, resulting in the foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The Group's significant foreign currency denominated assets and liabilities as of December 31, 2010 and 2009 are summarized below:

	December 31, 2010		December 31, 2009	
	Foreign Currency Amount (thousands)	Exchange Rate	Foreign Currency Amount (thousands)	Exchange Rate
Financial Assets				
Monetary Item				
USD:NTD	$ 5	29.13	$ 5	29.13
EUR:NTD	98	38.92	98	38.92
Financial Liabilities				
Monetary Item				
USD:NTD	578	29.13	252	31.99

2) Market risk

The Group borrows loans with fixed interest rate. Since its rate is below market rate, there is no market risk.

3) Credit risk

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

4) Liquidity risk

The Group expects no significant liquidity risk since it has sufficient working capital.

5) Cash flow risk

Floating interest rate is adopted for some borrowings; thus, changes of market interest rate would cause fluctuations in effective interest rate of borrowings, which affect their future cash flows.

(7) Inter-company transactions eliminated

	For the year ended December 31, 2010 Company names and debit (credit) amount		
Transactions eliminated	Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	TLC Biopharmaceuticals, B.V.
Long-term investments, intangible assets and stockholders' equity	($ 18,675)	$ 16,603	$ 2,072
Receivables and payables	10,207	(10,207)	-
Profit and loss accounts			
- Operating revenue (expenses)	(28,515)	28,515	-

	For the year ended December 31, 2009 Company names and debit (credit) amount		
Transactions eliminated	Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	TLC Biopharmaceuticals, B.V.
Long-term investments, intangible assets and stockholders' equity	($ 9,243)	$ 9,243	$ -
Receivables and payables	5,640	(5,640)	-
Profit and loss accounts			
- Operating revenue (expenses)	(29,710)	29,710	-

11. Disclosure information of the Company and its subsidiaries

(1) Related information of significant transactions

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.

1) Financing activities to any company or person: None.

2) Guarantee information: None.

3) Marketable securities held by the Company at December 31, 2010:

	Name and kind of marketable securities				December 31, 2010				
Name of investor	Type of marketable securities	Name of marketable securities	Relationship of the issuers with the Company	General ledger accounts	Number of shares (In thousands)	Book value	Percentage of ownership	Market value	Note
Taiwan Liposome Company	Common Stock	TLC Biopharmaceuticals, Inc.	A subsidiary of the Company	Long-term investments accounted for under the equity method	3,100	$ 51,591	100	$ 51,591	-
〃	〃	TLC Biopharmaceuticals, B.V.	〃	〃	1,000	2,072	100	2,072	-
						$ 53,663		$ 53,663	

4) Marketable securities acquired or sold during the year ended December 31, 2010 in excess of $100,000 or 20% of capital: None

5) Acquisition of real estate properties exceeding $100,000 or 20% of the Company’s paid-in capital during the year ended December 31, 2010: None.

6) Disposal of real estate in excess of $100,000 or 20% of capital: None.

7) Related party purchases or sales transactions in excess of $100,000 or 20% of capital: None.

8) Receivables from related parties in excess of $100,000 or 20% of capital: None.

9) Information on derivative transactions: None.

(2) Disclosure information of investee company

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.

Information related to investee companies' investment income or loss was translated at the average exchange rate for 2010 while others were translated at the rate of exchange prevailing at the balance sheet date.

1) Information of investee company:

				Original investment		Held as of December 31, 2010				
Name of investor	Name of investee company	Address	Main activities	Balance as of December 31, 2010	Balance as of December 31, 2009	Number of shares (in thousands)	Percentage of ownership	Book value	Income (Loss) of the investee company	Investment Income (loss) recognized by the Company
Taiwan Liposome Company	TLC Biopharmaceuticals, Inc.	USA	Research on new anti-cancer drugs and biotechnology services	$ 55,433	$ 55,433	3,100	100	$ 51,591	$ 8,858	$ 4,244
〃	TLC Biopharmaceuticals, B.V.	Netherlands	Technical authorization and product development	4,410	-	1,000	100	2,072	(1,957)	(1,957)

2) Financing activities to any company or person: None.

3) Guarantee information: None.

4) Marketable securities held by the Company at December 31, 2010: None.

5) Marketable securities acquired or sold in excess of $100,000 or 20% of capital: None.

6) Acquisition of real estate in excess of $100,000 or 20% of capital: None.

7) Disposal of real estate in excess of $100,000 or 20% of capital: None.

8) Related party purchases or sales transactions in excess of $100,000 or 20% of capital: None.

9) Receivable from related parties in excess of $100,000 or 20% of capital: None.

10) Information on derivative transactions: None.

(3) Disclosure of information on indirect investments in Mainland China: None.

(4) Significant inter-company transactions: Not applicable as each transaction amount did not exceed $100 million.

12. SEGMENT FINANCIAL INFORMATION

(1) Financial information by industry segments

The Company and subsidiaries operate in a single industry for 2010 and 2009. The Company and subsidiaries are biopharmaceutical companies focused on the research, development and commercialization of innovative pharmaceutical products based on its proprietary drug delivery technologies. The Companies' strengths lie in lipid-based formulation and scale-up for parenteral drugs using micelles and nanoparticles to optimize the pharmacokinetics of drugs for better efficacy and lower toxicity, and thus prolong the product lifecycle of branded drugs. Therefore, financial information by industry is not disclosed herein.

(2) Financial information by geographic area

The Group operates only in Taiwan. Accordingly, no foreign operation information is presented in 2010 and 2009.

(3) Information about export sales

The Group has no export sales. Accordingly, no export sales information is presented in 2010 and 2009.

(4) Information on major customers

The customers accounting for more than 10% of the Group's operating revenues for the years ended December 31, 2010 and 2009 are set forth below:

	2010		2009	
	Amount	% of Sales	Amount	% of Sales
A Company	$ 27,966	76	$ 25,965	100
B Company	$ 5,350	15	$ -	-