# Sirtec International Corp. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010 and Independent Auditors’ Report

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sirtec International Corp.

We have audited the accompanying consolidated balance sheets of Sirtec International Corp. and subsidiaries (collectively, the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Sirtec International Corp. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, on January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement," and the newly issued SFAS No. 41, "Operating Segments."

As discussed in Note 19 to the consolidated financial statements, the former chairman and certain employees of Sirtec International Corp. have set up a remittance account abroad for commission, marketing expenses and employees' salaries. The account was in the name of a shell corporation and the employees. The fees were paid by overseas subsidiaries. The prosecutor's office queried the validity of the remittance and probed into the Company. On August 31, 2011, the Banciao District Court pronounced against Sirtec's ex-chairman. This case is now pending in the Taiwan High Court.

March 23, 2012

*<u>Notice to Readers</u>*

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.*

## SIRTEC INTERNATIONAL CORP. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| ASSETS | 2011 Amount | 2011 % | 2010 Amount | 2010 % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash (Notes 2 and 4) | $ 1,923,384 | 33 | $ 1,947,098 | 37 |
| Notes and accounts receivable, net (Notes 2 and 5) | 1,729,789 | 30 | 1,214,941 | 23 |
| Other financial assets - current | 48,244 | 1 | 10,828 | - |
| Inventories (Notes 2 and 6) | 1,105,616 | 19 | 1,146,324 | 21 |
| Deferred income tax assets, current (Notes 2 and 13) | - | - | 19,037 | - |
| Restricted assets, current (Note 18) | 43,499 | 1 | 41,886 | 1 |
| Other current assets | 103,461 | 2 | 89,885 | 2 |
| Total current assets | 4,953,993 | 86 | 4,469,999 | 84 |
| PROPERTY, PLANT AND EQUIPMENT, NET (Notes 2, 7 and 18) | 529,474 | 9 | 520,317 | 10 |
| OTHER ASSETS | | | | |
| Rental assets, net (Notes 2, 8 and 18) | 276,684 | 5 | 276,549 | 6 |
| Idle assets, net (Notes 2 and 9) | 9,212 | - | 9,212 | - |
| Refundable deposits | 5,323 | - | 7,395 | - |
| Deferred charges (Note 2) | 4,239 | - | 2,485 | - |
| Deferred income tax assets, noncurrent (Notes 2 and 13) | 3,233 | - | 3,195 | - |
| Total other assets | 298,691 | 5 | 298,836 | 6 |
| TOTAL | $ 5,782,158 | 100 | $ 5,289,152 | 100 |

| LIABILITIES AND STOCKHOLDERS' EQUITY | 2011 Amount | 2011 % | 2010 Amount | 2010 % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Notes and accounts payable | $ 1,158,652 | 20 | $ 1,127,813 | 21 |
| Income tax payable (Notes 2 and 13) | 86,745 | 2 | 74,000 | 2 |
| Accrued expenses (Note 10) | 232,838 | 4 | 274,002 | 5 |
| Deferred income tax liabilities, current (Notes 2 and 13) | 49,734 | 1 | - | - |
| Other current liabilities | 78,801 | 1 | 18,427 | - |
| Total current liabilities | 1,606,770 | 28 | 1,494,242 | 28 |
| RESERVE | | | | |
| Reserve for land revaluation increment tax (Note 2) | 33,346 | 1 | 33,346 | 1 |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 11) | 19,016 | - | 18,793 | - |
| Guarantee deposits (Note 8) | 1,450 | - | 1,532 | - |
| Other liabilities | 20,466 | - | 20,325 | - |
| Total liabilities | 1,660,582 | 29 | 1,547,913 | 29 |
| STOCKHOLDERS' EQUITY (Notes 2 and 12) | | | | |
| Capital stock | 1,324,410 | 23 | 1,324,410 | 25 |
| Capital surplus | | | | |
| Additional paid-in capital | 366,604 | 6 | 366,604 | 7 |
| Treasury stock transactions | 78,125 | 1 | 78,125 | 2 |
| Long-term equity investments | 3,789 | - | 3,789 | - |
| Retained earnings | | | | |
| Legal reserve | 316,004 | 5 | 199,651 | 4 |
| Special reserve | 86,238 | 2 | 86,238 | 1 |
| Unappropriated earnings | 1,843,517 | 32 | 1,743,811 | 33 |
| Other equity | | | | |
| Cumulative translation adjustments | 44,374 | 1 | (119,904) | (2) |
| Unrealized revaluation increment | 58,515 | 1 | 58,515 | 1 |
| Total stockholders' equity | 4,121,576 | 71 | 3,741,239 | 71 |
| TOTAL | $ 5,782,158 | 100 | $ 5,289,152 | 100 |

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

(With Deloitte & Touche audit report dated March 23, 2012)

## SIRTEC INTERNATIONAL CORP. AND SUBSIDIARIES

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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| NET SALES (Note 2) | $ 8,206,719 | 100 | $ 8,648,435 | 100 |
| COST OF GOODS SOLD (Notes 5 and 15) | 7,116,642 | 87 | 7,254,795 | 84 |
| GROSS PROFIT | 1,090,077 | 13 | 1,393,640 | 16 |
| OPERATING EXPENSES (Notes 15 and 17) | 403,358 | 5 | 310,311 | 4 |
| OPERATING INCOME | 686,719 | 8 | 1,083,329 | 12 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income | 16,835 | - | 13,661 | - |
| Gain on sale of property, plant and equipment, net (Note 2) | 19,047 | - | 61,535 | 1 |
| Rent income | 8,348 | - | 8,245 | - |
| Others | 373,338 | 5 | 124,415 | 1 |
| Total non-operating income and gains | 417,568 | 5 | 207,856 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on disposal of property, plant and equipment (Note 2) | 307 | - | - | - |
| Foreign exchange loss, net | 21,779 | - | 17,879 | - |
| Others | 751 | - | 2,030 | - |
| Total non-operating expenses and losses | 22,837 | - | 19,909 | - |
| INCOME BEFORE INCOME TAX | 1,081,450 | 13 | 1,271,276 | 14 |
| INCOME TAX EXPENSE (Notes 2 and 13) | 203,186 | 2 | 107,740 | 1 |
| CONSOLIDATED NET INCOME | $ 878,264 | 11 | $ 1,163,536 | 13 |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Before Income Tax** | **After Income Tax** | **Before Income Tax** | **After Income Tax** |
| BASIC EARNINGS PER SHARE (Note 14) | $ 7.95 | $ 6.63 | $ 9.24 | $ 8.70 |
| DILUTED EARNINGS PER SHARE (Note 14) | $ 7.93 | $ 6.62 | $ 9.23 | $ 8.69 |

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

(With Deloitte & Touche audit report dated March 23, 2012)

## SIRTEC INTERNATIONAL CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| | | Capital Reserve | | | Retained Earnings | | | Others | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Treasury Stock Transactions | Long-term Equity Investments | Legal Reserve | Special Reserve | Unappropri-ated Earnings | Cumulative Translation Adjustments | Unrealized Revaluation Increment | Treasury Stock | Total |
| BALANCE, JANUARY 1, 2010 | $ 1,400,000 | $ 368,593 | $ 78,125 | $ 3,789 | $ 163,911 | $ 86,238 | $ 748,456 | $ 120,052 | $ 58,515 | $ - | $ 3,027,679 |
| Appropriation and distribution of 2009 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 35,740 | - | (35,740) | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (132,441) | - | - | - | (132,441) |
| Translation adjustment on foreign long-term equity investments | - | - | - | - | - | - | - | (239,956) | - | - | (239,956) |
| Consolidated net income for the year ended December 31, 2010 | - | - | - | - | - | - | 1,163,536 | - | - | - | 1,163,536 |
| Acquisition of treasury stock | - | - | - | - | - | - | - | - | - | (77,579) | (77,579) |
| Retirement of treasury stock | (75,590) | (1,989) | - | - | - | - | - | - | - | 77,579 | - |
| BALANCE, DECEMBER 31, 2010 | 1,324,410 | 366,604 | 78,125 | 3,789 | 199,651 | 86,238 | 1,743,811 | (119,904) | 58,515 | - | 3,741,239 |
| Appropriation and distribution of 2010 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 116,353 | - | (116,353) | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (662,205) | - | - | - | (662,205) |
| Translation adjustment on foreign long-term equity investments | - | - | - | - | - | - | - | 164,278 | - | - | 164,278 |
| Consolidated net income for the year ended December 31, 2011 | - | - | - | - | - | - | 878,264 | - | - | - | 878,264 |
| BALANCE, DECEMBER 31, 2011 | $ 1,324,410 | $ 366,604 | $ 78,125 | $ 3,789 | $ 316,004 | $ 86,238 | $ 1,843,517 | $ 44,374 | $ 58,515 | $ - | $ 4,121,576 |

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

(With Deloitte & Touche audit report dated March 23, 2012)

# SIRTEC INTERNATIONAL CORP. AND SUBSIDIARIES

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

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | $ 878,264 | $ 1,163,536 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities | | |
| Depreciation (included rental assets) | 150,510 | 142,203 |
| Amortization | 2,744 | 702 |
| Gain on disposal of property, plant and equipment and deferred charges, net | (18,740) | (61,535) |
| Deferred income tax expense | 68,733 | 2,996 |
| Net changes in operating assets and liabilities | | |
| Notes and accounts receivable | (514,848) | (195,804) |
| Inventories | 40,708 | (1,002,633) |
| Other current assets | (13,576) | (35,816) |
| Other financial assets, current | (37,416) | (10,533) |
| Notes and accounts payable | 30,839 | 635,972 |
| Income tax payable | 12,745 | (1,710) |
| Accrued expenses | (43,886) | 49,398 |
| Other current liabilities | 72,830 | (7,862) |
| Accrued pension liabilities | 223 | 500 |
| Net cash provided by operating activities | 629,130 | 679,414 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of property, plant and equipment | (225,364) | (218,657) |
| Acquisitions of rental assets | (157) | - |
| Proceeds from disposal of property, plant and equipment and deferred charges | 98,254 | 62,126 |
| Increase in restricted assets | (2,717) | (18,389) |
| Increase in deferred charges | (4,453) | (1,606) |
| Decrease in refundable deposits | 3,176 | 10,865 |
| Net cash used in investing activities | (131,261) | (165,661) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in guarantee deposits | (82) | (4) |
| Cash dividends | (662,205) | (132,441) |
| Acquisition of treasury stock | - | (77,579) |
| Net cash used in financing activities | (662,287) | (210,024) |
| EFFECT OF EXCHANGE RATE CHANGES | 140,704 | (223,927) |

(Continued)

# SIRTEC INTERNATIONAL CORP. AND SUBSIDIARIES

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

| | 2011 | 2010 |
|---|---|---|
| NET (DECREASE) INCREASE IN CASH | $ (23,714) | $ 79,802 |
| CASH, BEGINNING OF YEAR | 1,947,098 | 1,867,296 |
| CASH, END OF YEAR | $ 1,923,384 | $ 1,947,098 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid (excluding interests capitalized) | $ - | $ - |
| Income tax paid | $ 114,894 | $ 103,624 |
| SUPPLEMENTAL DISCLOSURES OF INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | $ 218,352 | $ 226,099 |
| Increase (decrease) in payable for equipment purchased | 7,012 | (7,442) |
| Cash paid for acquisition of property, plant and equipment | $ 225,364 | $ 218,657 |
| NON-CASH INVESTING ACTIVITIES | | |
| Retirement of treasury stock | $ - | $ 77,579 |

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

(With Deloitte & Touche audit report dated March 23, 2012) (Concluded)

## 1. ORGANIZATION AND OPERATIONS

Sirtec International Corp. ("Sirtec") was incorporated in July 1968, and engaged mainly in electronic products assembly, plastic injection and mold manufacturing. On December 31, 2011, the paid-in capital was $1,324,410 thousand.

On May 25, 1998, the Securities and Futures Commission approved Sirtec's application for an initial public offering. On July 20, 1998, Sirtec's common stock was officially listed in Over-the-Counter Securities Exchange.

Sirtec International (H.K.) Co., Ltd. ("Sirtec H.K."), Sirtec's wholly-owned subsidiary, was incorporated on May 4, 1993. Sirtec H.K.'s principal business purpose is electronic products assembly and selling.

Sirtec International (B.V.I.) Co., Ltd. ("Sirtec B.V.I."), Sirtec's wholly-owned subsidiary, was incorporated on September 28, 1998. Sirtec B.V.I.'s principal business purpose is plastic injection, mold manufacturing and electronic products assembly and selling.

Sirlong (Dong Guan) Plastics & Electronics Co., Ltd. ("Sirlong Dong Guan"), Sirtec B.V.I.'s wholly-owned subsidiary, was incorporated on December 1, 1998. Sirlong Dong Guan is mainly engaged in manufacturing computer products, printers, household appliances and plastic products.

Dong Guan Shey Sun Plastics & Electronics Co., Ltd. ("Dong Guan Shey Sun"), Sirtec B.V.I.'s wholly-owned subsidiary, was incorporated on July 7, 2004. Dong Guan Shey Sun is mainly engaged in manufacturing adopter, household appliances and plastic products.

Sirfa (B.V.I.) Co., Ltd. ("Sirfa B.V.I."), Sirtec's wholly-owned subsidiary, was incorporated on March 8, 2002 and engaged mainly in investment activities.

Sirtec International (Suzhou) Co., Ltd. ("Sirtec Suzhou"), Sirfa B.V.I.'s wholly-owned subsidiary, was incorporated on June 28, 2002 and engaged mainly in manufacturing switching power supply devices, adaptor and electronic products assembly and selling.

Sirlong (B.V.I.) Co., Ltd. ("Sirlong B.V.I."), Sirtec's wholly-owned subsidiary, was incorporated on May 28, 2003 and engaged mainly in investment activities.

Sirtec International (Nanjing) Co., Ltd. ("Sirtec Nanjing"), Sirlong B.V.I.'s wholly-owned subsidiary, was incorporated on July 28, 2003 and engaged mainly in manufacturing PCB and electronic products assembly.

As of December 31, 2011 and 2010, Sirtec and its consolidated subsidiaries had 3,166 and 3,246 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China ("ROC"). Significant accounting policies are summarized as follows:

**Principles of Consolidation**

In compliance with the revised ROC Statement of Financial Accounting Standards ("SFAS") No. 7 "Consolidated Financial Statements", the accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of Sirtec International Corp., and the accounts of investees in which Sirtec International Corp.'s ownership percentage is less than 50% but has a controlling interest. All significant intercompany balances and transactions were eliminated upon consolidation.

The consolidated entities (collectively, the "Company") as of December 31, 2011 and 2010 were as follows:

| Name of Investor | Name of Investee | Main Businesses | % of Ownership December 31 2011 | % of Ownership December 31 2010 | Remark |
|---|---|---|---|---|---|
| Sirtec | Sirtec H.K. | Electronic products assembly and selling | 100 | 100 | - |
| | Sirtec B.V.I. | Plastic injection, mold manufacturing and electronic products assembly and selling | 100 | 100 | - |
| | Sirfa B.V.I. | Investment activities | 100 | 100 | - |
| | Sirlong B.V.I. | Investment activities | 100 | 100 | - |
| Sirtec B.V.I. | Sirlong Dong Guan | Manufacturing computer products, printers, household appliances and plastic products | 100 | 100 | - |
| | Dong Guan Shey Sun | Manufacturing adaptor, household appliances and plastic products | 100 | 100 | - |
| Sirfa B.V.I | Sirtec Suzhou | Manufacturing switching power supply devices, adaptor and electronic products assembly and selling | 100 | 100 | - |
| Sirlong B.V.I. | Sirtec Nanjing | Manufacturing PCB and electronic products assembly | 100 | 100 | - |

The accompanying consolidated financial statements for the years ended December 31, 2011 and 2010 included the accounts of Sirtec International Corp. and all its subsidiaries, Sirtec H.K., Sirtec B.V.I., Sirlong Dong Guan, Dong Guan Shey Sun, Sirfa B.V.I., Sirtec Suzhou, Sirlong B.V.I. and Sirtec Nanjing.

**Foreign Currencies**

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

The prevailing exchange rates used are the average of buying and selling exchange rates of Bank of Taiwan.

**Accounting Estimates**

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, income tax, pension cost, loss on pending litigations, and bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

**Current and Noncurrent Assets and Liabilities**

Current assets include cash and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

**Impairment of Assets**

If the recoverable amount of an asset (mainly property, plant and equipment, rental assets, idle assets and deferred charges) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

**Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process and merchandise. Inventories are stated at the lower of cost or net realizable value. 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 inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost. Estimated losses on scrap and slow-moving items are recognized as an allowance for inventory obsolescence on the balance sheet date.

**Property, Plant and Equipment (Included Rental Assets and Idle Assets)**

Property, plant and equipment are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings - 2 to 35 years; machinery - 2 to 15 years; transportation equipment - 2 to 6 years; office equipment - 2 to 15 years; leasehold improvements - 3 years, and miscellaneous equipment - 2 to 8 years.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Property, plant and equipment rented out and idle assets - cost and accumulated depreciation are classified as other assets, and the related depreciation is classified as non-operating expense.

The Company revalued its land according to the tax regulation and recorded the reserve for land revaluation increment tax as long-term liability.

**Deferred Charges**

Deferred charges including molds, computer software and leasehold rights, are recorded at acquisition cost and amortized on the straight-line basis over three to five years and fifty years.

**Pension Cost**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net pension cost for the year.

Sirtec H.K., Sirtec B.V.I., Sirfa B.V.I. and Sirlong B.V.I. have not set up pension plan for their employees as of December 31, 2011 and 2010, thus SFAS No. 18, “Accounting for Pensions” is not applied for these subsidiaries.

The pension plans of Sirlong Dong Guan, Dong Guan Shey Sun, Sirtec Suzhou and Sirtec Nanjing are defined contribution plans. These subsidiaries contribute monthly amounts for pension and other welfare benefit to labor organization based on local regulations.

**Income Tax**

The Company applies intra-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. 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.

A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

**Treasury Stock**

The Company's repurchases of its own common stock are recorded as "treasury stock" at cost, while treasury stock is recorded at fair value if those shares are received by donation. The Company uses weighted average method to account for the book value of treasury stock.

Upon the sale or retirement of treasury stock, the difference between the sales price and book value, or the difference between the book value and the sum of par value and additional paid in capital, shall be debited or credited to "capital surplus - treasury stock transactions". An excess of such difference over capital surplus - treasury stock transactions shall be debited to retained earnings.

**Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts**

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable. The Company does not recognize sales revenue on materials delivered to subcontractors as risks and rewards associated with the materials have not yet been transferred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables, past loss experience, and other pertinent factors.

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. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

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, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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 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.

### 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 Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no effect on the consolidated net income and after income tax basic consolidated earnings per share 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." This accounting change had no effect on the Company's operating segment financial information reporting.

## 4. CASH

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Cash on hand | $ 1,203 | $ 1,339 |
| Savings accounts | 340,654 | 172,086 |
| Checking accounts | 18,788 | 34,887 |
| Time deposits | 1,562,739 | 1,738,786 |
| | $ 1,923,384 | $ 1,947,098 |

As of December 31, 2011 and 2010, the time deposits of the Company had maturities of not more than one year.

## 5. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Notes receivable | $ 4,949 | $ 233 |
| Accounts receivable | 1,869,231 | 1,595,223 |
| | 1,874,180 | 1,595,456 |
| Less allowance for doubtful accounts | (144,391) | (380,515) |
| | $ 1,729,789 | $ 1,214,941 |

Movements of allowance for doubtful accounts were as follows:

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Notes Receivable | Accounts Receivable | Notes Receivable | Accounts Receivable |
| Balance, beginning of year | $ 64 | $ 380,451 | $ 63 | $ 496,819 |
| Add (deduct): Provision (reversal of provision) for doubtful accounts | (64) | (236,060) | 1 | (110,758) |
| Deduct: Amounts written off | - | - | - | (5,610) |
| Balance, end of year | $ - | $ 144,391 | $ 64 | $ 380,451 |

## 6. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Materials and supplies | $ 489,794 | $ 590,917 |
| Work in process | 49,454 | 44,439 |
| Finished goods | 564,194 | 508,761 |
| Merchandise inventory | 2,174 | 2,207 |
| | $ 1,105,616 | $ 1,146,324 |

As of December 31, 2011 and 2010, the allowance for inventory devaluation was $206,742 thousand and $272,427 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 was $7,116,642 thousand and $7,254,795 thousand, respectively, which included $65,685 thousand gains on recoveries of write-downs of inventories and $26,489 thousand loss on write-downs of inventories.

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Year Ended December 31, 2011 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Machinery | Transportation Equipment | Office Equipment | Leasehold Improvement | Miscellaneous Equipment | Prepayments on Purchase of Property, Plant and Equipment | Total |
| Cost | | | | | | | | | |
| Balance, beginning of year | $ 126,402 | $ 313,490 | $ 1,051,775 | $ 32,626 | $ 14,517 | $ - | $ 36,175 | $ 41,183 | $ 1,616,168 |
| Additions | - | 18,899 | 139,580 | 13,647 | 5,742 | 12,614 | 14,246 | 13,624 | 218,352 |
| Disposals | - | (40,400) | (644,478) | (16,901) | (9,567) | - | (19,334) | - | (730,680) |
| Reclassified | - | 13,151 | 24,381 | - | - | - | 2,822 | (42,364) | (2,010) |
| Translation adjustment | - | 14,005 | 48,891 | 891 | 723 | 621 | 2,285 | 1,634 | 69,050 |
| Balance, end of year | 126,402 | 319,145 | 620,149 | 30,263 | 11,415 | 13,235 | 36,194 | 14,077 | 1,170,880 |
| Accumulated depreciation | | | | | | | | | |
| Balance, beginning of year | - | 189,040 | 694,787 | 20,718 | 9,913 | - | 18,907 | - | 933,365 |
| Depreciation expense | - | 22,037 | 112,229 | 4,264 | 2,883 | 724 | 8,351 | - | 150,488 |
| Disposals | - | (37,852) | (515,824) | (16,345) | (9,047) | - | (14,740) | - | (593,808) |
| Reclassified | - | - | - | - | - | - | - | - | - |
| Translation adjustment | - | 4,837 | 25,651 | 484 | 337 | 35 | 1,037 | - | 32,381 |
| Balance, end of year | - | 178,062 | 316,843 | 9,121 | 4,086 | 759 | 13,555 | - | 522,426 |
| Accumulated impairment losses | | | | | | | | | |
| Balance, beginning of year | - | 63,774 | 93,312 | 2,136 | 819 | - | 2,445 | - | 162,486 |
| Disposals | - | (2,262) | (48,939) | (1,240) | (521) | - | (1,597) | - | (54,559) |
| Reclassified | - | - | - | - | - | - | - | - | - |
| Translation adjustment | - | 5,417 | 5,355 | 116 | 42 | - | 123 | - | 11,053 |
| Balance, end of year | - | 66,929 | 49,728 | 1,012 | 340 | - | 971 | - | 118,980 |
| Net book value, end of year | $ 126,402 | $ 74,154 | $ 253,578 | $ 20,130 | $ 6,989 | $ 12,476 | $ 21,668 | $ 14,077 | $ 529,474 |

| | Year Ended December 31, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Machinery | Transportation Equipment | Office Equipment | Miscellaneous Equipment | Prepayments on Purchase of Property, Plant and Equipment | Total |
| Cost | | | | | | | | |
| Balance, beginning of year | $ 126,402 | $ 316,399 | $ 954,722 | $ 29,746 | $ 11,459 | $ 24,497 | $ 9,792 | $ 1,473,017 |
| Additions | - | 7,237 | 158,130 | 6,202 | 3,945 | 13,727 | 36,858 | 226,099 |
| Disposals | - | (874) | (22,784) | (2,530) | (469) | (471) | - | (27,128) |
| Reclassified | - | - | 3,173 | - | 103 | 91 | (3,367) | - |
| Translation adjustment | - | (9,272) | (41,466) | (792) | (521) | (1,669) | (2,100) | (55,820) |
| Balance, end of year | 126,402 | 313,490 | 1,051,775 | 32,626 | 14,517 | 36,175 | 41,183 | 1,616,168 |
| Accumulated depreciation | | | | | | | | |
| Balance, beginning of year | - | 171,240 | 628,220 | 19,645 | 8,540 | 13,964 | - | 841,609 |
| Depreciation expense | - | 21,940 | 108,295 | 3,885 | 1,878 | 6,205 | - | 142,203 |
| Disposals | - | (581) | (17,050) | (2,242) | (169) | (365) | - | (20,407) |
| Reclassified | - | - | - | - | - | - | - | - |
| Translation adjustment | - | (3,559) | (24,678) | (570) | (336) | (897) | - | (30,040) |
| Balance, end of year | - | 189,040 | 694,787 | 20,718 | 9,913 | 18,907 | - | 933,365 |
| Accumulated impairment losses | | | | | | | | |
| Balance, beginning of year | - | 67,884 | 104,797 | 2,264 | 868 | 2,592 | - | 178,405 |
| Disposals | - | (281) | (5,849) | - | - | - | - | (6,130) |
| Reclassified | - | - | - | - | - | - | - | - |
| Translation adjustment | - | (3,829) | (5,636) | (128) | (49) | (147) | - | (9,789) |
| Balance, end of year | - | 63,774 | 93,312 | 2,136 | 819 | 2,445 | - | 162,486 |
| Net book value, end of year | $ 126,402 | $ 60,676 | $ 263,676 | $ 9,772 | $ 3,785 | $ 14,823 | $ 41,183 | $ 520,317 |

The details of property, plant and equipment pledged as collaterals were summarized in Note 18.

## 8. RENTAL ASSETS

| | Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Land | Buildings | Total | Land | Buildings | Total |
| Cost | | | | | | |
| Balance, beginning of year | $ 180,949 | $ 21,076 | $ 202,025 | $ 180,949 | $ 21,076 | $ 202,025 |
| Additions | - | 157 | 157 | - | - | - |
| Reclassified | - | - | - | - | - | - |
| Balance, end of year | 180,949 | 21,233 | 202,182 | 180,949 | 21,076 | 202,025 |
| Revaluation increment | | | | | | |
| Balance, beginning of year | 106,227 | - | 106,227 | 106,227 | - | 106,227 |
| Balance, end of year | 106,227 | - | 106,227 | 106,227 | - | 106,227 |
| Accumulated depreciation | | | | | | |
| Balance, beginning of year | - | 21,076 | 21,076 | - | 21,076 | 21,076 |
| Additions | - | 22 | 22 | - | - | - |
| Reclassified | - | - | - | - | - | - |
| Balance, end of year | - | 21,098 | 21,098 | - | 21,076 | 21,076 |
| Accumulated impairment losses | | | | | | |
| Balance, beginning of year | 10,627 | - | 10,627 | 10,627 | - | 10,627 |
| Reclassified | - | - | - | - | - | - |
| Balance, end of year | 10,627 | - | 10,627 | 10,627 | - | 10,627 |
| Net book value, end of year | $ 276,549 | $ 135 | $ 276,684 | $ 276,549 | $ - | $ 276,549 |

For the years ended December 31, 2011 and 2010, rental assets are land and buildings located in San-Chong and Dayuan. In order to increase their economic effectiveness, Sirtec leased them to other parties. The details of rental assets pledged as collaterals were summarized in Note 18.

Future rental payments receivable were summarized as follows:

| Period | Amount |
|---|---|
| 2012 | $ 6,409 |
| 2013 | 251 |
| 2014 | 251 |
| 2015 | 168 |

Guarantee deposits received by Sirtec were both $1,450 thousand as of December 31, 2011 and 2010. They were classified under other liabilities.

## 9. IDLE ASSETS

| | Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Land | Buildings | Total | Land | Buildings | Total |
| Cost | | | | | | |
| Balance, beginning of year | $ 42,341 | $ 2,004 | $ 44,345 | $ 42,341 | $ 2,004 | $ 44,345 |
| Balance, end of year | 42,341 | 2,004 | 44,345 | 42,341 | 2,004 | 44,345 |

(Continued)

| | Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Land | Buildings | Total | Land | Buildings | Total |
| Accumulated depreciation | | | | | | |
| Balance, beginning of year | $ - | $ 626 | $ 626 | $ - | $ 626 | $ 626 |
| Balance, end of year | - | 626 | 626 | - | 626 | 626 |
| Accumulated impairment losses | | | | | | |
| Balance, beginning of year | 33,129 | 1,378 | 34,507 | 33,129 | 1,378 | 34,507 |
| Balance, end of year | 33,129 | 1,378 | 34,507 | 33,129 | 1,378 | 34,507 |
| Net book value, end of year | $ 9,212 | $ - | $ 9,212 | $ 9,212 | $ - | $ 9,212 |

(Concluded)

## 10. ACCRUED EXPENSES

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Bonuses | $ 56,362 | $ 51,888 |
| Salaries | 52,077 | 51,130 |
| Commission | 3,483 | 4,033 |
| Processing charges | 40,453 | 46,741 |
| Bonus to employees (Note 12) | 5,500 | 8,000 |
| Bonus to directors and supervisors (Note 12) | 10,350 | 13,920 |
| Professional fees | 8,954 | 7,907 |
| Freight | 25,353 | 29,264 |
| Insurance | 2,384 | 2,045 |
| Others | 27,922 | 59,074 |
| | $ 232,838 | $ 274,002 |

## 11. RETIREMENT BENEFIT PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, Sirtec makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Sirtec recognized pension costs of $5,768 thousand and $4,713 thousand for the years ended December 31, 2011 and 2010, respectively.

Under the local government regulations, Sirlong Dong Guan, Dong Guan Shey Sun, Sirtec Suzhou and Sirtec Nanjing have defined contribution pension plans covering all eligible employees. Such pension costs were $16,707 thousand, $2,396 thousand, $8,557 thousand, $2,364 thousand, respectively, for 2011, and $13,415 thousand, $1,595 thousand, $7,700 thousand, $3,687 thousand, respectively, for 2010.

Based on the defined benefit plan under the Labor Standards Law (the "LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Sirtec contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited with the Bank of Taiwan in the committee's name. Sirtec recognized pension cost of $2,995 thousand and $2,657 thousand for the years ended December 31, 2011 and 2010, respectively.

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Service cost | $ 2,560 | $ 1,583 |
| Interest cost | 1,397 | 870 |
| Expected return on plan assets | (962) | (1,017) |
| Amortization of unrecognized net obligation | - | 2,416 |
| Amortization of gain on plan assets | - | (1,195) |
| Net pension cost | $ 2,995 | $ 2,657 |

b. Reconciliation of funded status of the plan and accrued pension cost

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Benefit obligations | | |
| Vested benefits obligation | $ 4,103 | $ 2,852 |
| Non-vested benefits obligation | 35,062 | 36,740 |
| Accumulated benefit obligation | 39,165 | 39,592 |
| Additional benefit based on future salaries | 27,152 | 30,284 |
| Projected benefit obligation | 66,317 | 69,876 |
| Fair value of plan assets | (41,391) | (48,110) |
| Funded status | 24,926 | 21,766 |
| Unrecognized net obligation | - | - |
| Unrecognized gain on pension, net | (5,910) | (2,973) |
| Accrued pension cost | $ 19,016 | $ 18,793 |
| Vested benefit | $ 6,068 | $ 4,319 |

c. Actuarial assumptions

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

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| d. Contributions to the fund | $ 2,772 | $ 2,158 |
| e. Payments from the fund | $ 10,029 | $ - |

## 12. STOCKHOLDERS' EQUITY

### Capital Stock

As of December 31, 2011 and 2010, Sirtec's authorized common stock amounted to $2,400,000 thousand divided into 240,000 thousand shares and outstanding common stock amounted to $1,324,410 thousand divided into 132,441 thousand shares with a par value of $10 each.

Sources of capital stock were as follows:

| | |
|---|---|
| Initial | $ 400 |
| Issuance of capital stock | 609,840 |
| Transfer of capital reserve to capital stock | 205,938 |
| Transfer of bonuses to employees to capital stock | 66,945 |
| Transfer of stock dividends to capital stock | 729,527 |
| Cancellation of common stock | (288,240) |
| | $ 1,324,410 |

### Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

### Appropriation of Earnings and Dividend Policy

According to the Company Law and Sirtec's Articles of Incorporation, 10% of Sirtec's annual earnings, after paying tax and offsetting deficit, if any, shall be appropriated as legal reserve until such reserve equals the amount of common stock.

The remaining balance shall be appropriated 3% or less as bonuses to directors and supervisors, 0.1% or more as bonuses to employees, and, if any, the remaining as dividends to stockholders.

Sirtec is operating in electronic-technology industry and currently in business growing stage and wishes to retain additional operating funds to satisfy its operating purpose. Thus, Sirtec has determined its dividend policy as follows:

Undistributed earnings may be distributed as either cash or stock dividends (based on Sirtec's business plan, cash budget and resolution in stockholders' meeting). From 20% to 100% of dividends declared shall be distributed in cash. From zero to 80% of dividends declared shall be distributed in stock. If cash dividends will be $0.5 per share or less, Sirtec will distribute as either cash or stock dividends.

For the years ended December 31, 2011 and 2010, the bonus to employees was $5,500 thousand and $8,000 thousand, respectively and the remuneration to directors and supervisors was $10,350 thousand and $13,920 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 0.70% and 1.31%, respectively, of 90% of net income (net of the bonus and remuneration) for the year ended December 31, 2011. The bonus to employees and remuneration to directors and supervisors represented 0.76% and 1.33%, respectively, of 90% of net income (net of the bonus and remuneration) for the year ended December 31, 2010. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' 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 shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments, except treasury stock) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached Sirtec's paid-in capital. This reserve may be used to offset a deficit. 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.

Any appropriations of earnings are recorded in the year of shareholders' approval. Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by Sirtec.

The appropriations of earnings for 2010 and 2009 had been approved in the shareholders' meetings on June 15, 2011 and June 15, 2010, respectively. The appropriations and dividends per share were as follows:

| | **Appropriation of Earnings** | | **Dividends Per Share (NT$)** | |
|---|---|---|---|---|
| | **For Year 2010** | **For Year 2009** | **For Year 2010** | **For Year 2009** |
| Legal reserve | $ 116,353 | $ 35,740 | | |
| Cash dividends | 662,205 | 132,441 | $5.00 | $1.00 |

The bonus to employees of $8,000 thousand and $2,500 thousand, and the remuneration to directors and supervisors of $13,920 thousand and $4,500 thousand directly charged to expense for 2011 and 2010 were approved in the shareholders' meetings on June 15, 2011 and June 15, 2010, respectively. The approved amounts of the bonus to employees and the remuneration to directors and supervisors were the same as those reflected in the financial statements for the years ended December 31, 2010 and 2009, respectively.

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

The annual earnings of Sirtec H.K., Sirtec B.V.I., Sirlong Dong Guan, Dong Guan Shey Sun, Sirlong B.V.I., Sirtec Nanjing, Sirfa B.V.I. and Sirtec Suzhou after paying tax and offsetting deficit, if any, shall be distributed to stockholders on the decision of the Board of Directors.

**Cumulative Translation Adjustment**

Cumulative translation adjustment on foreign long-term equity investments increased by $164,278 thousand and decreased by $239,956 thousand, respectively as of December 31, 2011 and 2010.

**Unrealized Revaluation Increment**

Unrealized revaluation increment used to offset a deficit before May 2006 should be reinstated first from annual earnings in the following years before making any distribution according to the Company Law. The annual earnings shall not be distributed as dividends or used for other purpose until the original amount of the unrealized revaluation increment has been fully reinstated.

**Treasury Stock**

**(Shares in Thousands)**

| Purpose of Treasury Stock | Number of Shares, Beginning of Year | Addition During the Year | Reduction During the Year | Number of Shares, End of Year |
|---|---|---|---|---|
| Year ended December 31, 2010 | | | | |
| To maintain the Company's credibility and stockholders' interest | - | 7,559 | (7,559) | - |

Under the Securities and Exchange Act, the Company shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote. The number of shares bought back may not exceed ten percent of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve. Sirtec's Board of Directors decided to buy back 10,000 thousand shares as treasury stock on February 22, 2010. In 2010, 7,559 thousand shares which cost $77,579 thousand had been repurchased and retired. These transactions were in accordance with the Securities and Exchange Act.

## 13. INCOME TAX

a. The income tax expense, income tax payable and deferred tax assets of consolidated affiliates for the years ended and as of December 31, 2011 and 2010 are summarized as below:

| | Year Ended December 31, 2011 | | |
|---|---|---|---|
| | Income Tax Expense | Income Tax Payable | Deferred Tax Liabilities |
| Sirtec | $ 174,203 | $ 79,150 | $ (46,501) |
| Sirlong Dong Guan | 25,182 | 7,210 | - |
| Dong Guan Shey Sun | 3,801 | 385 | - |
| | $ 203,186 | $ 86,745 | $ (46,501) |

| | Year Ended December 31, 2010 | | |
|---|---|---|---|
| | Income Tax Expense | Income Tax Payable | Deferred Tax Assets |
| Sirtec | $ 71,296 | $ 66,806 | $ 22,232 |
| Sirlong Dong Guan | 34,659 | 6,661 | - |
| Dong Guan Shey Sun | 1,785 | 533 | - |
| | $ 107,740 | $ 74,000 | $ 22,232 |

b. The income tax expense for the years ended December 31, 2011 and 2010 was as follows:

| | 2011 | 2010 |
|---|---|---|
| Current income tax expense | $ 131,483 | $ 100,404 |
| Deferred income tax expense | 68,733 | 6,780 |
| Effect of tax law changes on deferred income tax | - | (3,784) |
| Adjustment of prior years' tax | 2,970 | 4,340 |
| Income tax expense | $ 203,186 | $ 107,740 |

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

c. Deferred income tax assets (liabilities) were as follows:

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Current | | |
| Deferred income tax assets | | |
| Allowance for doubtful accounts | $ 16,368 | $ 11,849 |
| Allowance for inventory devaluation | 8,306 | 10,752 |
| Unrealized exchange losses (gains) | 2,426 | (3,564) |
| | 27,100 | 19,037 |
| Deferred income tax liabilities | | |
| Investment income recognized on overseas equity-method investments | (76,834) | - |
| | $ (49,734) | $ 19,037 |
| Noncurrent | | |
| Deferred income tax assets | | |
| Accrued pension cost | $ 3,233 | $ 3,195 |

d. Sirtec's income tax returns through 2009 have been assessed by the tax authorities.

e. Information about integrated income tax was as follows:

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Unappropriated earnings generated before January 1, 1998 | $ - | $ - |
| Unappropriated earnings generated after January 1, 1998 | 1,843,517 | 1,743,811 |
| | $ 1,843,517 | $ 1,743,811 |

As at December 31, 2011 and 2010, the balance of the imputation credits which can be allocated to the shareholders amounted to $138,807 thousand and $137,162 thousand.

The creditable ratio for distribution of earnings of 2011 and 2010 was 11.82% (estimate) and 11.75%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2011 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 14. EARNINGS PER SHARE

| | Income | | Weighted Average Number of Common Shares | Earnings Per Share | |
|---|---|---|---|---|---|
| | Before Tax | After Tax | Outstanding ('000) | Before Tax | After Tax |
| Year ended December 31, 2011 | | | | | |
| Net income | $ 1,052,467 | $ 878,264 | | | |
| Basic EPS | | | | | |
| Income for the year attributable to common stockholders | $ 1,052,467 | $ 878,264 | 132,441 | $ 7.95 | $ 6.63 |
| Effect of dilutive potential common stock - bonus to employees | - | - | 229 | | |
| Diluted EPS | | | | | |
| Income for the year attributable to common shareholders plus effect of potential dilutive common stock | $ 1,052,467 | $ 878,264 | 132,670 | $ 7.93 | $ 6.62 |
| Year ended December 31, 2010 | | | | | |
| Net income | $ 1,234,832 | $ 1,163,536 | | | |
| Basic EPS | | | | | |
| Income for the year attributable to common stockholders | $ 1,234,832 | $ 1,163,536 | 133,691 | $ 9.24 | $ 8.70 |
| Effect of dilutive potential common stock - bonus to employees | - | - | 166 | | |
| Diluted EPS | | | | | |
| Income for the year attributable to common shareholders plus effect of potential dilutive common stock | $ 1,234,832 | $ 1,163,536 | 133,857 | $ 9.23 | $ 8.69 |

Sirtec presumes the entire amount of bonus is settled in shares. The potential shares are included in the weighted average number of shares outstanding used in the calculation of diluted EPS, 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 is included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 15. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Personnel | | | | | | |
| Salary | $ 434,985 | $ 212,702 | $ 647,687 | $ 541,826 | $ 143,637 | $ 685,463 |
| Pension cost | 32,916 | 5,871 | 38,787 | 29,350 | 4,417 | 33,767 |

(Continued)

| | Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Meals | $ 34,534 | $ 4,757 | $ 39,291 | $ 21,589 | $ 3,541 | $ 25,130 |
| Welfare | 4,135 | 1,210 | 5,345 | 3,001 | 1,380 | 4,381 |
| Labor/health insurance | 10,301 | 4,099 | 14,400 | 8,220 | 3,438 | 11,658 |
| Others | 815 | 280 | 1,095 | 383 | 91 | 474 |
| | $ 517,686 | $ 228,919 | $ 746,605 | $ 604,369 | $ 156,504 | $ 760,873 |
| Depreciation | $ 137,831 | $ 12,657 | $ 150,488 | $ 130,726 | $ 11,477 | $ 142,203 |
| Amortization | $ - | $ 2,744 | $ 2,744 | $ - | $ 702 | $ 702 |

(Concluded)

Note: The depreciation of rental assets was $22 thousand for the year ended December 31, 2011. It was classified under non-operating expenses and losses.

## 16. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Refundable deposits | $ 5,323 | $ 5,253 | $ 7,395 | $ 7,327 |
| Liabilities | | | | |
| Guarantee deposits | 1,450 | 1,431 | 1,532 | 1,518 |
| Derivative financial instruments: | None | | | |

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The financial instruments above did not include cash, notes and accounts receivable, restricted current assets, other current financial assets, notes and accounts payable, accrued expenses and other current financial liabilities. The carrying amounts of these short-term financial instruments approximate their fair values because of their short maturities.

2) Refundable deposits and guarantee deposits are estimated using the present value of future cash flows discounted at the average interest rates for time deposits.

## 17. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Company:

| Related Party | Relationship with the Company |
|---|---|
| Highup Corp. | Related party in substance |

b. Significant transactions with related parties:

Commission expense and business promotion expense

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Highup Corp. | $ - | $ 12,120 |

c. Compensation of directors, supervisors and management personnel

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Salaries | $ 14,663 | $ 11,475 |
| Incentives | 34,570 | 27,234 |
| Special compensation | 2,177 | 3,780 |
| Bonus | 10,515 | 13,920 |
| | $ 61,925 | $ 56,409 |

## 18. PLEDGED ASSETS

The following assets are pledged to secure loans from banks:

| | | December 31 | |
|---|---|---|---|
| Pledged Assets | Content | 2011 | 2010 |
| Property, plant and equipment | Land | $ 95,848 | $ 95,848 |
| | Building | 8,077 | 4,675 |
| Rental asset | Land | 96,932 | 96,932 |
| Restricted assets | Certificate of deposit | 43,499 | 41,886 |
| | | $ 244,356 | $ 239,341 |

## 19. OTHER

Sirtec complied with the probe of Banciao District Prosecutor's Office. The related information is as follows:

a. Sirtec's ex-chairman Jun-Liang, Wu (hereinafter referred to as ex-chairman) remitted commission, marketing expense and employees' salaries to an account abroad which was in the name of the Company's employees and a shell corporation. The fees were paid by Sirtec's overseas subsidiaries - Sirtec International (B.V.I.) Co., Ltd. and Sirlong (B.V.I.) Co., Ltd. The prosecutor's office queried the validity of the remittance and probed into Sirtec on February 10, 2010.

b. Sirtec's ex-chairman resigned his position both as chairman and general manager on February 11, 2010. Sirtec's Board of Directors elected new chairman and general manager at the same day.

c. In order to assist the inspection of the prosecutor's office, Sirtec's lawyer had provided criminal presentation to the Banciao District Prosecutor's Office on February 25, 2010.

d. Based on the result of the probe, the Banciao District Prosecutor's Office sued Sirtec's ex-chairman and some employees on August 26, 2010. They sued Sirtec's ex-chairman for violation of paragraph 2 of Article 171 of the Securities and Exchange Act, and paragraph 1 of Article 11 of Money Laundering Control Act. The amount of the funds in question is about $13 billion. The Banciao District Prosecutors have seized properties equivalent to $13 billion.

e. The Banciao District Court pronounced against Sirtec's ex-chairman on August 31, 2011. They sued Sirtec's ex-chairman for violation of paragraph 2 of Article 171 of the Securities and Exchange Act. The amounts of the illegally gotten funds in question are about NT$542,500 thousand and US$23,084 thousand. The illegally gotten income which will be returned will be converted at the NT$ to US$ exchange rate when the order of the court on this case is executed.

f. This case is pending in the Taiwan High Court as of the auditors' report date.

## 20. FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant foreign-currency financial assets and liabilities of the Company were as follows:

**(In Thousands of Each Currency)**

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 114,027 | 30.28 | $ 3,452,167 | $ 108,925 | 29.13 | $ 3,172,988 |
| HKD | 19,066 | 3.897 | 74,301 | 8,162 | 3.748 | 30,591 |
| RMB | 80,115 | 4.807 | 385,113 | 66,130 | 4.4405 | 293,650 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 84,598 | 30.28 | 2,561,196 | 81,734 | 29.13 | 2,380,904 |
| HKD | 2,708 | 3.897 | 10,554 | 1,594 | 3.748 | 5,975 |
| RMB | 43,741 | 4.807 | 210,261 | 50,384 | 4.4405 | 223,731 |

## 21. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Steve Yang, the general manager of Sirtec. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

| Contents of Plan | Responsible Department | Status of Execution |
|---|---|---|
| 1) Assessment and planning phase: From November 1, 2009 to December 31, 2010 | | |
| a) Establish the IFRSs project team | Project team leader | Completed |
| b) Complete the identification of GAAP differences and impact | Accounting division | Completed |
| c) Complete the identification of consolidated entities under IFRSs | Accounting division | Completed |
| d) Evaluate potential effect to business operations | Project team leader and all division representatives | Completed |
| e) Complete the evaluation of resources and budget needed for IFRSs adoption | Project team leader | Completed |
| f) Conduct personnel training | Each project team member | Completed |
| 2) Design and execution phase: From January 1, 2011 to December 31, 2011 | | |
| a) Set up a work plan for IFRSs adoption | Project team leader | Completed |
| b) Determine IFRSs accounting policies | Project team leader and all division representatives | Completed |
| c) Raise solution to the impact of IFRSs adoption with related departments | Project team leader and all division representatives | Completed |
| d) Modify process of business, process of financial reporting, information technology system and other operations | Project team leader and all division representatives | Completed |
| e) Develop financial statement template under IFRSs | Accounting division | Completed |
| f) Complete evaluation, configuration and testing of the IT systems | Project team leader and all division representatives | Completed |
| g) Communicate with related departments on the impact of IFRSs adoption | Project team leader and all division representatives | Completed |
| h) Consistently conduct personnel training | Each project team member | Completed |
| 3) Adoption phase: From January 1, 2012 to December 31, 2012 | | |
| a) Complete the preparation of opening date balance sheet under IFRSs | Accounting division | In progress |
| b) Prepare first financial statements in conformity with IFRSs | Accounting division | In progress |
| c) Based on first IFRSs financial statements, assess and modify IFRSs process | Project team leader and all division representatives | In progress |
| d) Complete IFRSs accounting and other operations manual | Project team leader and all division representatives | In progress |
| e) Consistently communicate with related departments on the impact of IFRSs adoption | Project team leader and all division representatives | In progress |
| f) Consistently conduct personnel training | Each project team member | In progress |

(Continued)

| Contents of Plan | Responsible Department | Status of Execution |
| --- | --- | --- |
| 4) Adjustment and improvement phase: From July 1, 2012 to December 31, 2013 | | |
| a) Re-coordinate management data and performance measurement method | Project team leader and all division representatives | Expected completed by 2013 |
| b) Consistently assess and modify IFRSs process | Project team leader and all division representatives | Expected completed by 2013 |
| c) Assess the impact of IFRSs for possible new business transaction | Project team leader and all division representatives | Expected completed by 2013 |
| d) Consistently communicate with related departments on the impact of IFRSs adoption | Project team leader and all division representatives | Expected completed by 2013 |

(Concluded)

b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

| Accounting Issues | Description of Differences |
| --- | --- |
| Classifications of deferred income tax asset/liability | Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability. |
| The classification of leased assets and idle assets | Under ROC GAAP, leased assets and idle assets are classified under other assets. Under IFRSs, the aforementioned items are classified as investment property, property, plant and equipment according to their nature. |
| Employee benefits | 1) Under ROC GAAP, actuarial gains and losses from defined benefit plans should be amortized using the corridor approach. Nevertheless, the accumulated compensated absences is not addressed in existing ROC GAAP. |
| | 2) In accordance with IAS No. 19, "Employee Benefits" include short-term employee benefits, post-employment benefits, long-term employee benefits and termination benefits. Under IFRSs, actuarial gains and losses from defined benefit plans may be either recognized as income or expense using the corridor approach and faster recognition, or recognized immediately as other comprehensive income (OCI). Moreover, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods. |
| Statement of cash flows | Under ROC GAAP, the Company classified time deposit as cash. However, under IFRSs, only the time deposit with maturities of less than three months may be classified as cash. |

c. The Company has prepared the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the International Accounting Standards Board continues to issue or amend standards, and as the FSC may issue new rules governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market. Actual accounting policies adopted under IFRSs in the future may differ from those contemplated during the assessments.

## 22. OPERATING SEGMENT FINANCIAL INFORMATION

The Company's reportable segments for the years ended December 31, 2011 and 2010 were as follows:

The Company has two reportable segments: Electronics division and plastics division.

Electronics division engages in:

a. The use of SMT (surface mount technology) and testing of TFT display panel drive card module,

b. The order reception and planning for development, production and selling of electronic products, and

c. The molding, injection and assembling of electronics-related plastic tools.

Plastics division engages in:

a. The planning and execution for development, manufacturing and selling of steel mold, and

b. The planning and execution for materials preparing, manufacturing, quality control and selling of plastic products.

The accounting policies that govern these two segments are those described in Note 2. The operating segments of the Company use earnings before tax as measurement tool and basis of performance evaluation.

a. Segment revenues and results

| | Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | Revenues from Customers | | Inter-segment Revenues | | Segment Revenues | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Electronics division | $ 6,533,521 | $ 6,221,336 | $ 5,538,373 | $ 5,024,371 | $ 12,071,894 | $ 11,245,707 |
| Plastics division | 1,673,198 | 2,427,099 | 387,389 | 1,450,639 | 2,060,587 | 3,877,738 |
| | $ 8,206,719 | $ 8,648,435 | $ 5,925,762 | $ 6,475,010 | 14,132,481 | 15,123,445 |
| Eliminations | | | | | (5,925,762) | (6,475,010) |
| | | | | | $ 8,206,719 | $ 8,648,435 |

b. Segment assets

As at December 31, 2011 and 2010, there were no measurements reported for the purposes of resource allocation and assessment of segment performance. Therefore, the measured amounts for the assets of electronics division and plastics division were both zero.

c. Segment results and recognization

| | Year Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Electronics division | $ 686,518 | $ 896,575 |
| Plastics division | 181,422 | 361,987 |
| Segment profits | 867,940 | 1,258,562 |
| Interest income | 16,835 | 13,662 |
| Gains on sales of investments | - | - |
| Revenues | 305,487 | 139,604 |
| Expenses and losses | (108,812) | (140,552) |
| Profit before tax | $ 1,081,450 | $ 1,271,276 |

d. Geographic information

The Company’s noncurrent assets (other than deferred income tax assets and post-employment benefit assets) as of December 31, 2011 and 2010 and revenues for 2011 and 2010 segregated by country were as follows:

| | Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Sales to Other Than Consolidated Entities | Noncurrent Assets | Sales to Other Than Consolidated Entities | Noncurrent Assets |
| Taiwan | $ 1,203,766 | $ 531,130 | $ 1,296,496 | $ 478,606 |
| Country X | 166,405 | 293,802 | 300,396 | 337,353 |
| Country Y | 1,011,457 | - | 1,770,736 | - |
| Country Z | 5,674,520 | - | 5,067,173 | - |
| Others | 150,571 | - | 213,634 | - |
| | $ 8,206,719 | $ 824,932 | $ 8,648,435 | $ 815,959 |

e. Major customers

External customers that account for 10% or more of total sales were as follows:

| | Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| Customer | Amount | % of Net Sales | Amount | % of Net Sales |
| Listed companies | | | | |
| Company G | $ 5,682,740 | 69 | $ 5,070,838 | 59 |
| Company H | - | - | 871,541 | 10 |