



# Description in Current Status 2012 and Future Developments of Company in 2013

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1. Industry field : Electronics & others

2. Supply chain and role :

End of supply chain for certification , EE products need to do product certificated before mass product to overseas export

3. SPORTON certification will be directly influence ODM/OEM/Brand business opportunities

## 3. Business category

When launch EE new product needs to do certification to followed each countries regulatory, standard and certifications then can sell product into each countries.

Characteristics :

- (1). Single certification : Only for single product
- (2). The amount of revenue and Model number is directly related to production has nothing to do. Testing industry and the economy shut little effect on performance but will usually recession growth trend, 2008Q4 financial tsunami but SPORTON test validation revenue growth at that time
- (3). Certification requirements and vendor R & D center is linked.

# During financial crisis, sales of testing & certification are thriving

	Before	During		After	
	2007/Q4	2008/Q4	YOY	2009/Q4	YOY
<b>Sales-T&amp;C</b>	204.3(70.3%)	273.9(83.5%)	34.10%	300.8(70.8%)	9.80%
<b>Sales-Components</b>	86.3(29.7%)	54.3(16.5%)	37.00%	124.3(29.2%)	118.90%
<b>Total Sales</b>	290.6(100.0%)	328.2(100.0%)	12.90%	425.1(100.0%)	29.50%
			↑		↑
	2008/Q1	2009/Q1	YOY	2010/Q1	YOY
<b>Sales-T&amp;C</b>	182.0(67.0%)	269.0(82.0%)	47.80%	317.1(74.0%)	17.90%
<b>Sales-Components</b>	90.0(33.0%)	58.8(18.0%)	34.70%	112.1(26.0%)	90.60%
<b>Total Sales</b>	272.0(100.0%)	327.8(100.0%)	20.50%	429.2(100.0%)	31.00%
			↑		↑

Note : 1. Testing & Certification grew up 、 Sales of component declined 、 Total revenues grew up (relative Electronics Manufacturing Industry)

2. Overall market boom, you can observe on sales of component.

# I. Main Business Items

## 3-1 Testing & Certification(75~85%)

### 3-1-1 Executable services products ◦

- A. There are all relevant information, communications, home appliances, electronic products, which need to use electricity, including mobile phones, tablet PCs, networking products(RF), NB, digital TV, small appliances, and so on.
- B. Automobile 、 motorcycle and related components.

### 3-1-2 Testing items

#### A. Compulsory Regulations :

The official mandatory requirements that their products need to comply with regulations and standards, and they through it to legal marketed.

- (1).EMC(Electro-Magnetic Compatibility) : accredited by regulatory bodies such as TAF, FCC, VCCI, BSMI, Australia/New Zealand committees.
- (2).Safety : TUV Rheinland Taiwan, CSA, IECCE (CBTL), BMSI, TAF, and UL
- (3).RF & Telecom

- B. Compliance Regulations : Mobile phone network carriers will require technical specifications and protocols and regulations.

## 3-2 Sales of Components(15~25%)

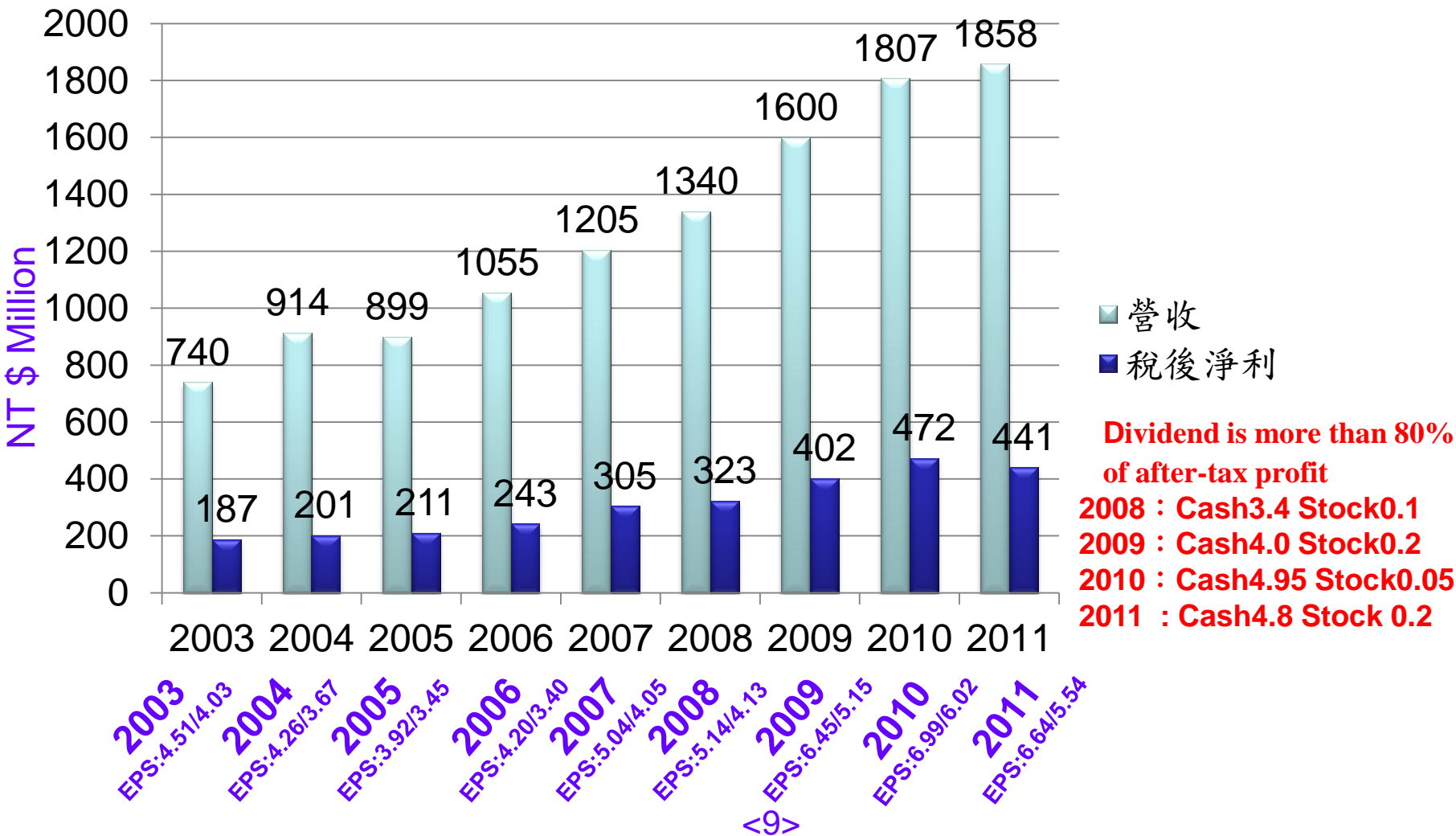
- Franchise inhibition of electromagnetic (EM) components trading, with detection, timely provision of customer rejection of electromagnetic waves Solution, Consulting, to achieve the most suitable specifications to suppress electromagnetic (EM) parts of the service, this industry is quite competitive, and has maintained a good gross profit margin.
- The current first-line testing company, only SPOROTN company can provide this complete supporting services (Total solutions), and effectively solve the difficulties encountered in the detection of the customers, to provide customers with fast and can be quickly done by certificated the production arrangements.

# I. Main Business item

## 3-3. The Proportion of Revenues & Gross Profit Margin (2006-2011)

<u>Gross Margin (%)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Testing & Certification	57%	59%	56%	56.7%	55%	50%
Sales of Components	21%	21.6%	21%	23.3%	20.0%	16.7%
<b>Total</b>	<b>45.3%</b>	<b>48.01%</b>	<b>47.3%</b>	<b>49.2%</b>	<b>45.9%</b>	<b>41%</b>
<u>Sales Weight (%)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Testing & Certification	69%	70%	76%	76.6%	73.11%	72.2%
Sales of Components	31%	30%	24%	23.4%	26.9%	27.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 4. Sales and profits showed stable growth(2003~2011)



Internationally famous magazines named Sporton was one of the best companies.

- Forbes Asia's 200 Best Under A Billion Publicly Listed Companies.
- Global View Monthly Magazine named Sporton was one of the 3 stars in 2009/2010.
- CommonWealth Magazine named Sporton is the most profitable company in service industry in May, 2010. (Profitability ranked: 21st) .
- CommonWealth Magazine named Sporton is ranked 29<sup>th</sup> on top 50 operating performance in May, 2010.

# Y2011 three years sales and profit analysis

Items		Y2011	2010	Y2009	
Financial Structure	Debt Ratio(%)	19.63	21.71	23.84	
	Fixed Asset Ratio(%)	188.61	186.34	172.83	
Debt-Paying Ability	Current Ratio(%)	234.08	213.69	181.12	
	Quick Ratio(%)	219.30	200.43	171.15	
	Interest Coverage Ratio(倍)	Note1	Note 1	4376.59	
Profit-ability	Return on Assets(%)	19.11	21.36	20.10	
	Return on Equity(%)	24.09	27.64	25.83	
	Proporti on in Paid-In Capital %	Operating Profit	64.07	67.44	56.80
		Net Income before Tax	66.21	69.01	64.60
	Profit Margin(%)	23.72	26.13	25.10	
	EPS(元) (盈餘轉增資追溯調整以往年度)	5.54	5.99	5.22	

Note1 : There are no interest expense in 2010 and 2011.

Forbes Asia's 200 Best Under A Billion Publicly Listed Companies

# 200 Best Under A Billion

Forbes  
Asia  
SEPTEMBER 21, 2009

Forbes Asia's fifth annual Best Under A Billion list focuses on Asia-Pacific companies with under \$1 billion in sales. The winners were culled from 25,326 publicly listed outfits. A third of last year's companies return to our list in 2009. All have either increased sales and profits over the past 12 months or are forecast to do so in coming quarters. Apparel, media, technology and health care led the way. Nearly 40% of the companies are from greater China. **By Jack Gage**

 For an expanded version of this table please visit [www.forbes.com/BUB](http://www.forbes.com/BUB)

**Youngone**  
SOUTH KOREA



King Slide Works / electronic products	78	24	399	38
Lumax International / electronic components	171	15	149	20
Pacific Hospital Supply / medical equipment	29	4	106	16
<b>Sporton International / electronic components</b>	<b>42</b>	<b>10</b>	<b>137</b>	<b>21</b>
Soft-World International / software development	219	30	565	15
Sporton International / electronic components	42	10	137	21
St.Shine Optical / contact lenses	66	17	216	31
Sunrex Technology / notebook equipment	310	31	372	22
TaiDoc Technology / medical equipment	56	10	173	51

## 5. Customers

### ➤ **Global customers:**

Apple、Dell、Hewlett-Packard、LG、Motorola、Nokia、Palm、Pantech、Samsung、Sony Ericsson、Cingular, and Vodafone、...

### ➤ **Local customers:**

Arima (華冠)、ASUS (華碩)、BenQ (明基)、Compal (華寶)、Foxconn(鴻海)、HTC(宏達電)、Inventec(英華達)、Quanta (廣達)、...

## 6. Service sites

6-1 Domestic Branches: Branches are located in the highway ; near the exit, to provide customers the most convenient service

- Taipei : Neihu 、 Donghu, Linkou, Hsichih
- Taoyuan: HuaYa, Bade
- Hsinchu: Jhubei

## 6-2 Foreign Branches

South Korea: Seoul, Gyeonggi

China: East China → Kunshan

China: South China → Shenzhen, Huang Jiang

## 1. Y2011- Y2012 1~3Q sales analysis

NT\$million

	Y2011	Y2012
Sales-T&C	101.74(71%)	112.01(83%)
Components	42.37(29%)	23.03(17%)
Total	144.11(100%)	135.04(100%)
Gross Margin	595.58(41%)	616.73(46%)
Net Profits	427.66(30%)	404.98(30%)
EPS	5.44 / 4.55	4.92/4.12
Capital Stock	790	814

2. 2012 1~3Q Revenue and profit slightly reduce the causes and countermeasures

A. Test & Certification revenue :

2011/101.74M → 2012/1~3Q/112.01M **increase 11%**

Component sales revenue :

2011(1~3Q)/42.37M → 2012(1~3Q)/23.03M decrease 46%

B. Profit ratio 41% → 46% , did not change the profitability of this test and cert. industry

2. 2012 1~3Q Revenue and profit slightly reduce the causes and countermeasures

C. Reason of profit decrease

(a) Component sales decreased -46%

(b) Test & Certification revenue increased 11% , but staffs increased from Y2011 450 staffs to 500 staffs, the increase in personnel costs, relatively less lucrative

2. 2012 1~3Q Revenue and profit slightly reduce the causes and countermeasures

D. Main reason for the decrease in parts sales

(a) Original sales mainly NB manufacturers, NB amount and Model number and forecast drop this year, resulting in sales of parts is not ideal

(b) The new parts are still under import tablet PCs and smart phones to do before the test, and so it has not been widely used.

For these reasons at the end of the year should be the most elimination. Will reply to normal in next year.

2012 1~3Q Revenue and profit slightly reduce the causes and countermeasures

E. Reason for increase test engineers

(a) The working hours rationalization: the overtime man power changed to two shifts or three shifts

(b) Reserve to incumbent mid-level manager: In response to the business development of mainland China and South Korea future plan

More than a physical adjustment of the company's overall operations, ready for tomorrow.

2. 2012 1~3Q Revenue and profit slightly reduce the causes and countermeasures

F. Wireless networking products in response to the future development of the technical breakthroughs that recruit the industry's outstanding engineering and business talent, and set up a new company in 4Q ( International Certification Corp. ICC ), significantly enhance the competitiveness of the wireless communication



## (I) The company continues to expand with the industry's competitive threshold, the maintenance of world-class competitiveness

1. Construct a test of new technology the ability to maintain the industry's largest testing energy
  2. And to provide wrap-around services - one shop shopping, meet customers' new product variety with standard testing requirements.
  3. Analysis experience, consulting, and with the suppression of electromagnetic waves parts ; Sales, completely solve customer EMI needs reached quickly forensics
  4. Mass production, the purpose of the NO. 1 test capabilities
  5. Most service locations: Taiwan 9, South Korea 1 and China 3
- Sustained capital investment, construction of the new technologies, new products

Detection capabilities, expanded significantly ahead of the competition with the industry.

## (II) New technology and new product demand and business opportunities

A. The company business plan layout has been fully completed this year, have significant applications in the new production next year

1. 4G/LTE: The company is the world test platform, Cert. capacity, test capacities, the largest, most complete one, absolute competitiveness.

## (II) New technology and new product demand and business opportunities

### 1. 4G/LTE mobile communication products.

(1) the current 3G compare LTE competitive advantage and need to apply for certification

- The LTE product categories increased significantly.

- LTE in economies of scale, roaming ability, performance, etc. have competing competitive advantage, and can use the new spectrum or re-division of the existing frequency; Spectrum, including LTE FDD and TDD mode can significantly improve the pass output performance, the future can be the lowest cost to upgrade to a true 4G.

- LTE-Advanced, to apply for certification of LTE products, including smart phone and wireless routers, USB Dongle, must be approved by over the GCF, RTRCB, CTIA, NFC certification, also need to character together with the regulatory requirements of the telecom/mobile operators.

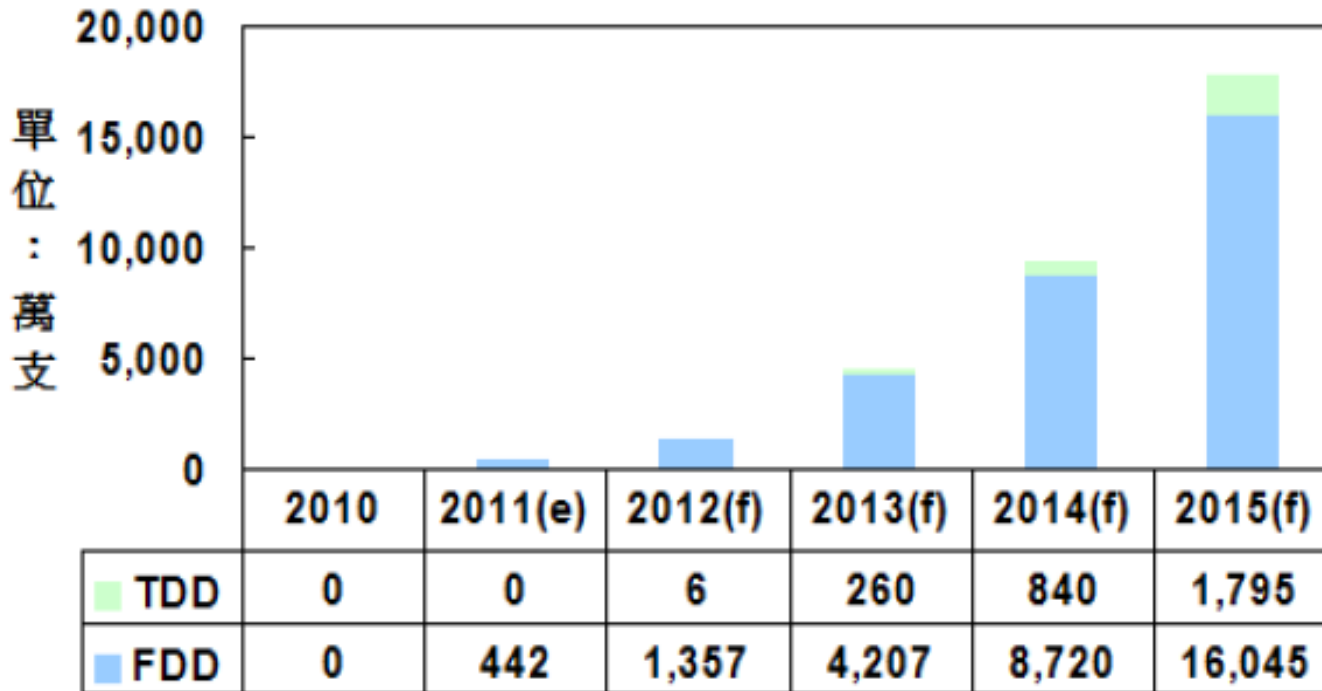


# III、Y2013 operating outlook

## (II) New technology and new product demand and business opportunities

1. 4G/LTE Mobile devices

(2) LTE phone from 2011, showed multiple of more than a year growth



HTC, Samsung, LG, Motorola SE, ZTE, Huawei

- 40 nm CMOS
- 150 Mbps throughput (3GPP R9 cat 4)
- TDD and FDD
- Ultra low power consumption
- 10x10 package includes SDRAM



## III、Y2013 operating outlook

### (II) New technology and new product demand and business opportunities

#### 1. 4G/LTE mobile communication products

(3) Mobile phone certification has been most international companies specified and approval



## (II) New technology and new product demand and business opportunities

### 1. 4G/LTE mobile communication products.

(4) LTE phones and 3G mobile phone comparison, the output value is greater than the 3G mobile phone. General 3G mobile phone is about 4 to 5 channels, but the LTE channel that 3GPP defined in the specification, there are two main technologies, a FDD LTE, and the other one is of TDD LTE, each country so that technology (FDD or TDD) are not the same in each country and technology / telecommunications operators not the same band.

For example: FDD (Band1 ~ Band28)

TDD (Band33 ~ Band44)

# III、Y2013 operating outlook

(II) New technology and new product demand and business opportunities

## 1. 4G/LTE mobile communication products

Example : For OTA test , PTCRB test hours will increased **50%** up

Standard	Test Item	Test hour	Total test hour
PTCRB(No LTE)	2G/3G	228	228
PCTRB(With LTE)	2G/3G	234	360
	LTE	126	

There are other Conformance and SAR test items, due to the increase of the channels detected hours also increased significantly.

## (II) New technology and new product demand and business opportunities

### 1. 4G/LTE mobile communication products.

(5) In response to the rise of mainland China mobile phone manufacturers, SPORTON have been completed before the end of this year to enhance the test/certification capabilities of Kunshan of SPORTON and Shenzhen factory, capabilities to LTE, by master of business opportunities in mainland China from next year.

## III、Y2013 operating outlook

- Mainland China Huawei, ZTE and Lenovo mobile phone shipments Great Leap Forward
- According to DIGITIMES Research estimates, the top 10 in 2013 smartphone shipments compared with 2012 ranking still large fluctuation, Samsung Electronics (Samsung Electronics) and Apple (Apple) is expected to continue ranking champion, runner-up, Sony (Sony), Huawei and ZTE ranked Yuejin, 3, 4 and 5 will be a small gap separated; Lenovo in 2012 to replace the action of Motorola (Motorola Mobility) squeezed into 10, 2013 will be ranked as six.
- Huawei, ZTE and Lenovo next year adopt the strategy of the local sea while SPORTON they test partner, business opportunities can be expected. By export test/certification needs to expand into the Chinese domestic market.

## (II) New technology and new product demand and business opportunities

### 1. 4G/LTE mobile communication products.

(6) SPORTON competitiveness is one of the leading worldwide equipment and technical test capacity of the capacity built by OTA, SAR and smart phones, this threshold is getting higher and higher.

## (II) New technology and new product demand and business opportunities

### 2.RF wireless networking products

#### (1) RF802.11ac Netcom products

802.11ac products through the 5GHz band, with up to 8x8 MIMO antenna technology can achieve higher transmission rate of the wireless network to provide real-time streaming audio and video playback, reduce interference, and lower power consumption, Wi-Fi products the wave of the mainstream.

## (II) New technology and new product demand and business opportunities

### 2. RF wireless networking products

#### (1) RF802.11ac Netcom products

A. SPORTON perform 802.11ac products take FCC certification of laboratories, only a few peers can perform this test standards; SPORTON are experiences and richest companies.

B. Because the transmission speed of this product, test frequency up to 40GHZ or more, so the cost of testing is 802.11abg product of more than 2 to 5 times.



## (II) New technology and new product demand and business opportunities

### 2.RF wireless networking products

#### (1) RF802.11ac Netcom products

C.SPORTON evaluate RF wireless networking products next year 802.11ac technology will be more than 40%, the opportunities can be expected.

D.SPORTON strongest IA application ability.

## (II) New technology and new product demand and business opportunities

### 2.RF wireless networking products

#### (2) RF products

A. SPORTON RF product testing worldwide market share of more than 10%.

## (II) New technology and new product demand and business opportunities

### 2.RF wireless networking products

#### (2) RF products

##### B. Compete on major competitors in the market

-Collection of the excellent industry production and sales personnel, the establishment of the new company,

- Drive to former non-SPORTON customers to win market share.

##### C. by 802.11ac leading, expanding RF customer base

## (II) New technology and new product demand and business opportunities

### (3) Tablet PC

A. Estimated Tablet PC growth rate in 2013.

B. Test/Certification of Tablet PC demand is much greater than the NB product. Tablet PC on board 3G or LTE functionality similar test demand and mobile phones, SAR, OTA and Conformance mobile communication testing needs and costs will be significantly improved.

### (4) Car EMI testing of the entire vehicle

## (II) New technology and new product demand and business opportunities

B. Proceed to corporate strategy layout this year, starting next year, research and development of new products

- Opportunity to gradually incorporate the following features test/cert. needs.

(1) NFC Near Field Communication

(2) WPC wireless power charging

(3) IA certification → original 100 countries to expand service scope as 150 countries, and more business opportunities.



## (II) New technology and new product demand and business opportunities

### (1) NFC Near Field Communication

SPORTON assessment NFC future business opportunities, mainly focusing on the requirements for compliance (Conformance) detector similar to the phone-based NFC test/cert. mainly focus on the interoperability test items and costs of compliance testing and countries require different IA certification application to create big business opportunities.

## (II) New technology and new product demand and business opportunities

### (2) WPC wireless charging

SPORTON assessment the WPC future business opportunities and enhance the competitiveness of SPORTON follows:

A.WPC wireless charging is the future most convenient and effective solution to charge their cell phones troubled technology.

B. Future mobile phone into wireless charger for the basic equipment is the trend.

C. The testing laboratory must have both the ability and qualifications of these two products, while SPORTON first furniture identity testing company

## (II) New technology and new product demand and business opportunities

(3) IA certification → original 100 countries to 150 countries, and more business opportunities.

The IA Services without investment in equipment, but may create a maximum performance test verification part of the overall service. Detailed reference mentioned in the top the 802.11ac of (Ref: D)

## (III) the development of new markets to increase existing market share

(1) **Taiwan market:** to set up a wireless networking professional testing companies (International Certification Corp), to enhance the competitiveness and market share of wireless networking.

### (2) **Chinese market:**

a. mastered test/cert. needs of Chinese manufacturers ZTE and Huawei, Lenovo, partnerships, have the opportunity to become their test/cert. designated laboratories

b. response to China into the world market demand for the Chinese standard of certification by the factory of the world, the Chinese standard certification needs have the opportunity to significantly enhance.

(3) **the Korean market:** In addition to mobile phones, the expansion of NB, the test/cert. of PAD products.



耕興股份有限公司

SPORTON INTERNATIONAL INC.

## IV. Q & A

1. Description of competitive situation and position in markets, and how does Sporton stay first-class competitive internationally?

2. Gross profit in testing industry is good, and capital investment and scale is not very large. Why do most of electronics companies not participate in?

3. Reviewing 2011 annual report, gross profit significantly declined. What is the reason and will it recover in the future?

Thank you