

Big Tree Group, Inc.
Form 10-K/A
May 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
(Amendment #2)

Mark One

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-27845

BIG TREE GROUP, INC.
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of incorporation
or organization)

90-0287423
(I.R.S. Employer Identification No.)

South Part 1-101, Nanshe Area, Pengnan Industrial Park on
North Yingbinbei Road
in Waisha Town of Longhu District in Shantou,
Guangdong, China
(Address of principal executive offices)

515023

(Zip Code)

(Registrant's Telephone number, including area code) (86)-754-8323888

Securities registered under Section 12(b) of the Act:

Title of each class
None

Name of each exchange on which registered
Not applicable

Securities registered under Section 12(g) of the Act:

Common Stock, par value \$0.00001 per share
(Title of class)

Edgar Filing: Big Tree Group, Inc. - Form 10-K/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.4.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
 Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$192,158 on June 30, 2011.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 96,078,960 shares of common stock are issued and outstanding as of March 27, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K/A (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

EXPLANATORY NOTE

This Amendment No. 2 to the Annual Report on Form 10-K/A of Big Tree Group, Inc., formerly known as Transax International Limited, for the year ended December 31, 2011 is amending the Annual Report on Form 10-K originally filed on April 13, 2012 (the "Original Report") and previously amended by Amendment No. 1 as filed with the Securities and Exchange Commission on August 31, 2012 ("Amendment No. 1"). We are filing this Amendment No. 2 to reflect the restatement of our audited consolidated financial statements contained therein and to provide certain additional disclosure. As disclosed in our Current Report on Form 8-K as filed on April 9, 2013, we have determined that we incorrectly understated an obligation due to related parties and overstated additional paid-in capital at December 31, 2011 as a result of our failure to account for a related party obligation between our subsidiary Big Tree International Co., Ltd., a Brunei company ("BT Brunei"), and Mr. Lin and Ms. Zheng, our CEO and his wife, who were the prior shareholders of our subsidiary Shantou Big Tree Toys Co., Ltd., a Chinese company ("BT Shantou").

Previously, in consolidation, we erroneously reduced amounts due to related parties in order to eliminate BT Brunei's investment in BT Shantou instead of reducing additional paid-in capital. Accordingly, we are restating our consolidated balance sheet at December 31, 2011 to properly reflect a liability due to Mr. Lin and Ms. Zheng of approximately \$697,045 and we are reducing additional paid-in capital by \$697,045. The correction of this accounting error resulted in an increase in total liabilities at December 31, 2011 of \$697,045 and a reduction in shareholders' equity of \$697,045. The restatement did not affect our consolidated statements of operations or cash flows for the year ended December 31, 2011.

Please see Note 13 - Restatement contained in the Notes to Consolidated Financial Statements appearing later in this Form 10-K/A – Amendment No. 2 which further describes the effect of this restatement. In addition, we have amended the following sections of this report:

Part I.

Item 1. – Business – Our History –The Reverse Merger.

Item 1A. – Risk Factors – Risks Related to our Business.

Part II.

Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources

Part III

Item 11. – Executive Compensation.

Item 13. – Certain Relationships and Related Transactions, Director Independence.

This Amendment No. 2 to the Form 10-K/A for the year ended December 31, 2011 also contains currently dated certifications as Exhibits 31.1, 31.2, 32.1 and 32.2. No attempt has been made in this Amendment No. 2 to the Form 10-K/A for the year ended December 31, 2011 to modify or update the other disclosures presented in the report as previously filed and amended, except as set forth herein. This Amendment No. 2 on Form 10-K/A does not reflect events occurring after the filing of the Original Report or, as applicable, Amendment No. 1, or modify or update those disclosures that may be affected by subsequent events. Accordingly, this Amendment No. 2 should be read in conjunction with our other filings with the SEC.

TRANSAX INTERNATIONAL LIMITED
FORM 10-K/A
TABLE OF CONTENTS

		Page No.
Part I		
Item 1.	Business.	1
Item 1A.	Risk Factors.	13
Item 1B.	Unresolved Staff Comments.	21
Item 2.	Properties.	21
Item 3.	Legal Proceedings.	21
Item 4.	Mine Safety Disclosures.	21
Part II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	22
Item 6.	Selected Financial Data.	22
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operation.	23
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk.	27
Item 8.	Financial Statements and Supplementary Data.	27
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.	27
Item 9A.	Controls and Procedures.	27
Item 9B.	Other Information.	29
Part III		
Item 10.	Directors, Executive Officers and Corporate Governance.	29
Item 11.	Executive Compensation.	31
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	33
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	35
Item 14.	Principal Accountant Fees and Services.	36
Part IV		
Item 15.	Exhibits, Financial Statement Schedules.	37

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- Factors affecting consumer preferences and customer acceptance of new products;
- Competition in the toy industry;
- Loss of one or more key customers;
- Dependence on third-party contract manufacturers;
- Dependence on certain key personnel;
- Inability to manage our business expansion;
- Infringement by third parties on our intellectual property rights;
- Our inadvertent infringement of third-party intellectual property rights;
- PRC government fiscal policy that affect real estate development and consumer demand;
- Availability of skilled and unskilled labor and increasing labor costs;
- Lack of insurance coverage and the impact of any loss resulting from product liability or third party liability claims or casualty losses;
- Violation of Foreign Corrupt Practices Act or China anti-corruption laws;
- Economic, legal restrictions and business conditions in China;
- Dilution attributable to our convertible preferred stock;
- Impact of proposed Reverse Stock Split of our outstanding common stock;
- Limited public market for our common stock; and
- Potential conflicts of interest between our controlling shareholders and our shareholders.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Item 1A. Risk Factors. Other sections of this report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

When used in this annual report, the terms:

Edgar Filing: Big Tree Group, Inc. - Form 10-K/A

- "Transax," "we," "our," and "us" or the "Company" refers to Big Tree Group, Inc., formerly known as Transax International Limited, a Colorado corporation and its wholly-owned subsidiaries Big Tree International Co., Ltd., a Brunei company, ("BT Brunei") and Shantou Big Tree Toys Co., Ltd., a Chinese company ("BT Shantou"),
- "2011" refers to the year ended December 31, 2011,
- "2010" refers to the year ended December 31, 2010, and
- "2012" refers to the year ending December 31, 2012.

The information which appears on our web site at www.bigtree toys.com is not part of this report.

PART I

ITEM 1. BUSINESS

We are in the business of toys sourcing, distribution and contractual manufacturing targeting international and domestic distributors and customers in the toys industry. Our main business focus is to function as a “one stop shop” for the sourcing, distribution and specialty manufacturing of toys and related products. The Company conducts these operations through both its BT Brunei and BT Shantou subsidiaries BT Shantou was founded in 2003 and BT Brunei was established in 2011. As part of our Chief Executive Officer, Mr. Wei Lin’s desire to expand the historic revenues of BT Shantou, he was seeking a way to permit the company to grow its revenues through export sales by leveraging his extensive contacts developed since BT Shantou was founded in 2003. As BT Brunei is not subject to income taxes on revenues from its export sales, it is able to offer more competitive pricing than BT Shantou which is subject to a 25% tax rate in the PRC. Following the Reorganization, which is described later in this section, BT Brunei is focused on export sales and BT Shantou is transitioning its limited export customers to BT Brunei and concentrating its efforts on domestic sales.

We are located in Shantou City of Guangdong province, the geographical region well-known for toys manufacturing and exporting in China. We are not a manufacturer. We provide procurement services for international toy distributors and wholesalers, including identifying, evaluating, and engaging one or more local manufacturers, trading companies or distributors for the requested supply of toys, as well as original equipment manufacturing (“OEM”) services. The OEM services include engaging toy manufacturers directly or through other toy trading companies or distributors to either manufacture toys to specific specifications requested by our customers, or customize an existing toy product to meet our customer’s request, such as through changes in mechanical functionality, appearance, physical dimension, and materials. During 2011 approximately 58% of our revenues were derived from procurement services and approximately 42% were derived from arranging for OEM services. We source a wide variety of 800,000 toys made of plastic, wood, metal, wool, and electronic materials, primarily targeting children from infants to teenagers. We enable our customers to view these toys either through our website or at our extensive toy showroom of approximately 21,528 square feet located in Shantou, China. Customers can easily contact our online representatives for inquiry and place orders, or visit the toy showroom and choose from the displayed toy samples provided by our manufacturing partners.

In a move to expand our business in 2009, BT Shantou developed a proprietary construction toy consisting of plastic pieces that can plug-in together to make a wide variety of objects, which we refer to as our Big Tree Magic Puzzle (3D). We registered the patents for its utility model and appearance design in Hong Kong and mainland China during 2010 and 2011. The Big Tree Magic Puzzle (3D) is currently promoted and distributed in the Chinese domestic market through BT Shantou’s online store and at six Dennis Department Store locations.

Our Corporate Structure

The chart below illustrates the current corporate structure of the Company:

Industry

According to 2010-2011 Global and Chinese Toy Industry Research Report, the global toys sales in 2010 was approximately US \$83.3 billion, an increase of 4.7% from 2009. In 2010, Asian toy market grew by 9.2% and became the world's second largest toy market trailing North America while Europe was in third place. The United States is the world's largest toy consumption country with sales of \$ 21.9 billion followed by Japan, China, Britain and France. The customers for our toy sourcing business consist of distributors, trading companies, and wholesalers primarily located in mainland China, Hong Kong, Europe, Mexico, South America, Asia and the United States.

Toy Industry Association (TIA), the non-profit trade association for producers and importers of toys and youth entertainment products sold in North America, disclosed in its research that the global financial crisis had limited impact on total toys revenues globally, except in Britain due to the closure of a major retailers in that country. Consumers continue to look for "value" of their toys purchases; however, the demand for toys has not yet shifted to less expensive toys since most parents have opted to slash other family expenditures in order to satisfy their children's preferences.

Environmental concerns and toy safety have become key issues in customers' purchases. Europe and United States both have updated their toys quality and safety standards, which have inevitably caused the increase of costs on production, quality control, and certification and have caused concerns to their major importers, especially to China as the major sourcing country for low-priced toys. Consequently, those standards and policy updates may potentially impact the world toy market, including pricing and availability for low-priced products.

Despite the uncertainty brought by these policy changes, the world's toy market is estimated to continue expanding in the next few years with a substantial demand expected to occur in Asian countries, especially in China. According to China Social Investigation Firm (SSIC), China has 400 million infants and children below 14-year-old with one third residing in urban areas and two-thirds in rural areas. Currently, China's urban per capita annual consumption of children's toys is under \$9, while rural per capita consumption of toys is less than \$5. It is relatively low compared to United States where the per capita annual consumption of toys is around \$280, and \$288 in Japan, \$361 in Britain, and even \$51 in Brazil. The significant gap between market capacity and current sale scale in China has created an expansion potential of China's toy market.

China is the world's largest toy manufacturer and exporter with more than 20,000 toy companies that produce and distribute two-thirds of the global toys' demand. China's toy manufacturing is highly regionally concentrated with most output produced in the developed eastern coastal areas of China. For instance, the five provinces of Guangdong, Jiangsu, Zhejiang, Shandong and Fujian, as well as Shanghai, have collectively accounted for 95% of toy sales in China. Guangdong province, the most important Chinese toy production and export base, represents 70% of toy sales by China.

China toy industry is historically export-oriented. More than 70% of the toys produced in China are for exports. North America and Europe are top two export destinations of toys made in China. The export orientation has made the industry susceptible to the fluctuations and uncertainty of international trading conditions, currency exchange rates, and global financial crisis, especially in North America and Europe. In addition, due to the inflation and continuous appreciation of RMB currency in the past few years, the toy manufacturers are facing the challenge of soaring costs of raw materials and stagnant sale prices of final products at the expense of profit margin.

Chinese toy industry as a whole is undergoing the transition from current export-oriented, low tech, few branding and OEM-oriented manufacturing to the more sustainable development model featured with significant growth of domestic sales, high tech, better quality, and more offerings of proprietary brands and products. We believe that a more sustainable development model means the reliance on the ability of the industry in general to address this evolving marketplace by taking steps to improve product quality and safety through technology, innovation, and branding with a goal of attract international and domestic distributors to continue to buy from Chinese toy suppliers.

Product Descriptions

We source a wide variety of more than 800,000 toys made of plastic, wood, metal, wool, and electronic materials, primarily targeting at children from infants to teenagers. These toys include, but are not limited to, infant appliances, games, balls, dolls, stuffed toys, transformers, racing track sets, play sets, water toys, and educational toys. The offered toys can be operated by battery, manual power, wire control, remote control, voice control, infrared ray control, and other applications.

Our proprietary Big Tree Magic Puzzle (3D) cater to consumers ranging from minor children to adults. Big Tree Magic Puzzle (3D) are composed of 18 assembly parts made of ABS environmental-friendly plastic materials in multiple shapes including, but not limited to, squares, triangles, right-angled connectors, etc. ABS, or acrylonitrile butadiene styrene, is a recyclable polymer which is used in many consumer products in part as a result of its dimensional stability. The Big Tree Magic Puzzle (3D) adopts an innovative plug-in design that goes beyond the traditional planar and linear plug-in to achieve the transformations among the common and unconventional shapes such as diamond, sphere and dynamic warping, etc. Each assembly part offers 10 color choices that encourage children to learn colors and shapes in an interesting and attractive playing environment. We have developed over 10 series of Big Tree Magic Puzzle (3D) including about 200 product items.

Patents and Trademarks

We have registered the design of our proprietary Big Tree Magic Puzzle (3D) with and were granted an eight year patent by the Intellectual Property Department of the Hong Kong Special Administrative Region in 2010. We have also obtained the patents for utility model and design from the State Intellectual Property Office of the People's Republic of China during 2010 and 2011. Based on our patent registrations, and applicable Hong Kong and PRC laws, we have the exclusive right on the proprietary Big Tree Magic Puzzle (3D) in Hong Kong and mainland China, and can prevent other competitors from making, using, selling, or distributing the patented invention without our permission during the term. The registration information of the patents is listed in the table below:

Edgar Filing: Big Tree Group, Inc. - Form 10-K/A

Patent	Title of Invention	Granting Agency	Term	Patent No.	Region
Short-term Patent	Assembled Toy Plug-in Blocks	Patents Registry of Intellectual Property Department	Eight years starting on December 18, 2009	HK1133784	Hong Kong
Registration of Design	Toy bricks	Design Registry Intellectual Property Department	Five years starting on December 16, 2009	0902157.3	Hong Kong
Utility Model	Assembled Toy Plug-in bricks	SIPO	Ten years starting on January 12, 2011	ZL. 2009 2 0292981.6	PRC
Registration of Design I	Toy bricks	SIPO	Ten years starting on August 18, 2010	ZL 2010 3 0103327.4	PRC
Registration of Design II	Toy bricks	SIPO	Ten years starting on August 18, 2010	ZL 2009 3 0680023.1	PRC

In addition, we sell some of our products under two brand names and registered trademarks listed in the table below. Our trademarks have been registered with the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China (the "SAIC"). Based on our trademark registration and applicable PRC laws, we have the exclusive right to use a trademark for products and services for which the trademark has been registered with the SAIC. A trademark registration is valid for 10 years commencing from the approval date.

Brand Name	Trademark	Class/Products	Validity Term	SAIC Registration No.
Big Tree Carnival	Big Tree Carnival	28/game stations, magician gears, toys, chesses, sport balls, fitness apparatus, exercise instruments, swimming pools for entertainment purpose, roller skates, adornments (except for lights and candies) for Christmas tree	From September 14, 2010 to September 13, 2020	7012858
Bigmree		28/game stations, magician gears, toys, chesses, sport balls, fitness apparatus, exercise instruments, swimming pools for entertainment purpose, roller skates, adornments (except for lights and candies) for Christmas tree	From December 14, 2010 to December 13, 2020	6987896

Certifications

For our sourcing business, we require all of our manufacturer partners to provide Export Toy Quality Licenses as mandated by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (the "AQSIQ") and Certification and Accreditation Administration of the People's Republic of China (the "CNCA"). In cases where international distributors demand additional product testing, facility auditing, and/or quality certifications, we would evaluate and identify the qualified local manufacturers to source goods in compliance with the desired standards set by the distributors. To facilitate these services, we evaluate the specific distributor requirements and source local OEMs or other third parties who should have the requisite experience or qualifications to provide the additional services utilizing a generally available database. We then facilitate the engagement of the appropriate local OEM or third party to provide these additional services. If requested as part of the order from the distributor, we may also further coordinate with the local OEM, including providing product samples to the designated third party testing center for product testing and/or quality certifications. In the instance of facility auditing, we may coordinate with the parties to ensure that the auditing process is completed in a timely manner. The costs of these additional services are generally borne by us and are included in our costs of sales.

Our quality control technicians work in close coordination with our sales and marketing staff to provide services for our customers. China's toy industry has been regulated since early 2007 by the expansion of the nation's compulsory certification system to include toy products. Regulations require manufacturers to apply for China Compulsory Certification (CCC) from the nation's Certification and Accreditation Administration (CNCA). Toys are subject to inspection and certification review and no toy products without CCC are permitted to leave a factory. We seek to

strictly comply with quality control regulations for preproduction, mass production, and final inspection utilizing the AQL (Acceptable Quality Level) Major 2.0/Minor 4.0 adopted by the standard ISO 8124 series set by International Standards Organization as well as ANSI/ASQ Z1.4 released by American Society for Quality. In addition, the quality control standards for products distributed are in compliance with GB 6675-2003 Chinese National Safety Technical Code for Toys released by National Technical Committee of Standardization for Toys. On the timely manner, we issue quality control report and keep the pictures for process control and loading. The service package covers production supervision, quality control, shipment, and after-sale services.

Products exported outside of China generally are required to comply with various quality control standards and in some instances certifications fixed by the destination country. For example, the products supplied to European countries, including Great Britain, are required to comply with the quality control standards determined by the European standard EN71 series that are composed of 11 parts to specify safety requirements for toys which were established by the European Committee for Standardization. The products distributed to the European countries are required to bear the CE (Conformit Europ enne or "European Conformity") mark which is a mandatory conformity mark for products placed on the market in the European Economic Area (EEA). With the CE marking on a product the manufacturer self-certifies that the product conforms with the essential requirements of the applicable EC directives. Toys imported into Mexico are required to conform to NOB 015/10-SCF/SSA-1994 and related rules which regulate toy safety, including limits on the use of paints and dyes, labeling and testing methods. Lastly, products exported to the United States are required to comply with quality control regulations specified by ASTM F963 Standard Consumer Safety Specification on Toy Safety set by American Society for Testing and Materials (ASTM) and Consumer Product Safety Improvement Act of 2008. The products which may be distributed to the United States are required to comply with the certifications and approvals set by ASTM F963 standards and the Consumer Product Safety Improvement Act of 2008. As part of our services we internally confirm the compliance with the applicable quality control and certification standards of the destination countries, and further confirmation of conformity to these standards is provided by CNCA at the time of the shipment from China.

Our proprietary Big Tree Magic Puzzle (3D) is manufactured under GB6675-2003 National Safety Technical Code for Toys targeting children under 14, a Chinese national product standard set by Standardization Administration of China (the "SAC") which define and establish toy safety understanding and implement technical specifications for the toy manufacturing industry. On January 13, 2010, we received China Compulsory Product Certification for Big Tree Magic Puzzle 3D from the Certification Center of Light Industry Council, an independent certification institution in China. The certification is valid until December 1, 2014.

Customers

Our customers for our toy sourcing business consist of distributors, trading companies, and wholesalers primarily located in mainland China, Hong Kong, Europe, South America, Asia and the United States. From a geographic perspective, outside of Asia which represented a majority of our revenues, the sales to Great Britain market and the combined sales with Chile and Mexico in South America represented 9.6% and 10.3%, respectively, of our total revenues during 2011. We have a limited amount of sales to customers in the U.S., representing approximately 1% of our sales in 2011. In 2011, our 11 major customers who are based outside of mainland China represented approximately 51.2% of our total revenues, and one of those customers, Pacific Toys (HK) Limited represented 12.9% of our total revenues. The products sourced to these major customers are primarily battery-operated and non-battery operated plastic toys.

Our Big Tree Magic Puzzle (3D) is currently marketed directly to consumers in China through our sales locations in Dennis Department Stores and our online store at Taobao Mall (www.Tmall.com), the largest B2C online retailing platform in China. Sales from this segment represent less than 1% of our total revenue during 2011. Subject to the availability of sufficient capital, management intends to expand the number of sales locations by opening or acquiring additional stores in China in 2012. We also expect to use our existing distribution channels to increase sales of this proprietary product.

Sales and Marketing

In our toy sourcing and distribution business, we market primarily through our company website (www.bigtree toys.com) and our 21,500 square feet toy showroom in Shantou, China. Customers can either browse the lines of toys on the website and contact our online representatives for inquiry and place orders, or visit the toy

showroom and choose from the displayed toy samples provided by our manufacturing partners. We also market as well as provide customer support actively seek and serve customers who reach us through company website and/or facility visit to ask for OEM production sourcing. We have 26 full-time salesmen working in the Shantou headquarters dedicated to the distribution business. They are compensated based on salary and performance bonus at management's discretion.

In July 2011, we obtained vendor permits from Shantou Airport Company of Guangdong Airport Management Corporation (GAMC) to run two showrooms with 570 and 600 square feet (approximately 53 and 56 square meters) respectively located in the terminals for domestic flights and international flights in Jieyang Chaoshan International Airport that was officially opened on December 15, 2011. The term of the vendor permits and associated leases for these two showrooms is from December 18, 2011 to February 17, 2015. For the two showrooms collectively, we are obliged to pay monthly fee of RMB15,929 (approximately \$2,470) to Shantou Airport Company, including vendor permit fee of RMB8,299 (approximately \$1,290), rent of RMB6,540 (approximately \$1,010), and administration fee of RMB1,090 (approximately \$170). The terminal showrooms do not generate sales but serve as a marketing tool to present our Big Tree brand and introduces general toys and Big Tree Magic Puzzle (3D) to public at the airport. We have four full-time employees working in these two showrooms.

We sell our Big Tree Magic Puzzle (3D) through current sales locations in six Dennis Department Store locations in Henan province in China. On January 1, 2011 we entered the one-year Joint Sales Contract with De