

# Sino-American Silicon Products Inc.

## Fiscal 2014 Business Report

Dear shareholders,

Thank you for joining SAS annual general shareholder meeting. We deeply appreciate your support.

Due to anti-dumping impact from the US during the second half of 2014 toward the solar industry, the average selling prices for solar wafers and cells continued to decline over the past year. Solar plants in Taiwan were confronted with a great challenge. While with SAS's restless dedication and contribution from the semiconductor business, we still managed to turn around with a consolidated revenue of NT\$27.8 billion, 25% YoY, NT\$1.12 billion net profit with 282% growth compared to 2013, and NT\$2.06 earnings per share with 261% growth compare to 2013.

The 2014 operating results and 2015 business plan overview are presented as follows.

### A. Operation Performance in 2014

#### 1. Operation Performance

Unit: NT\$'000

Year Item	2014	2013	Change (%)
Operating Revenue	27,812,456	22,215,367	25.24%
Operating Costs	24,324,580	19,775,943	23.00%
Gross Profit from Operations	3,497,876	2,439,424	43.39%
Operating Expenses	2,051,082	1,810,410	13.29%
Operating Income	1,446,794	629,014	130.00%
Income before Income Tax	1,925,042	128,235	1401.18%
Net Income	1,299,267	339,842	282.32%
Net Income Attributable to the Parent Company	1,128,445	295,118	282.37%

The domino effect caused by the anti-dumping investigation from the US in 2014 resulted in plenty of order transfer in China region and strong demand for high efficiency products from the market. Data from the research institute IHS says that the total amount of global solar capacity came up to 43GW, a 20% raise during 2014 compare to 2013. SAS possesses the leading advantage with high efficiency product technology with low

operating cost, which performed as the key factor of steady increase in operating revenue. Reinvestment during 2014 also provided significant performance. GlobalWafers made a contribution of NT\$15.92 billion in consolidated revenue, NT\$2.09 billion of net income, NT\$6.6 earnings per share. In the meanwhile, merging with Sunrise Global Solar Energy in 2014 additionally enabled SAS to take the initiative in implementing the integration of up and downstream by combining the Company's production technology of high efficiency solar silicon wafers and cells.

## 2. Budget Implementation: No financial forecast for 2014

## 3. Profitability Analysis

Item		2014	2013
Capital structure analysis	Debt ratio (%)	47	48
	Long-term funds to fixed assets (%)	204	190
Return on investment analysis	Rate of return on assets (%)	3.50	1.18
	Rate of return on stock equity (%)	6.16	1.74
	Operating income to capital (%)	24.94	12.02
	Income before tax to capital	33.19	2.45
	Net income to sales (%)	4.67	1.53
	Earnings per share (NTD)	2.06	0.57

## 4. Financial Structure

2014 revenue is NTD 27,821,456,000; operation cost is NTD 24,323,580,000. Operation expense is NTD 2,051,082,000. Other income is NTD 478,248,000. Net income before tax is NTD 1,925,042,000. Net income after tax is NTD 1,299,267,000. The financial structure is healthy.

## 5. Research & Development Status

### 1) 2014 Research & Development Expenditure

Unit: NT\$'000

Item / Year	2014	2013
Research and Development Expenses	823,128	695,836
Net Revenue	27,821,456	22,215,367
%	2.96	3.13

### 2) Research & Development Achievement in 2014

Our technology / products

- (1) A5+ ultra-high efficiency multi-crystal solar wafer
- (2) A5+ multi-crystal furnace hot zone design and simulation technology development
- (3) A5+ high efficiency multi-crystal ingot growth technology
- (4) 800kg multi-crystal ingot growth technology
- (5) Slurry recycle and reuse technology development
- (6) Low power consumption multi-crystal ingot growth technology development

3) Future Plan

- (1) High efficiency low reflectivity multi-crystal solar wafer
- (2) Ultra-thin solar wafer
- (3) Energy conservation hot zone technology
- (4) Low impurity diffusion multi-crystal ingot growth technology development
- (5) Silicon brick surface grinding technology development
- (6) Large dimension brick squaring technology
- (7) High throughput and low pollutant diamond

B. 2015 Operation Guideline

1. Guideline

- 1) Enhance channel construction outside the US region with product differentiation marketing strategy
- 2) Strengthen the vertical integration of the solar chain and synergies to expand its business territory
- 3) Continuous research and development with a view to improve solar product quality and conversion efficiency.
- 4) Enhance organizational improvement by a transnational integration of manufacturing technology, procurement, production and marketing of seven production bases over four countries to minimize the cost.
- 5) Increase strategic alliances in order to accelerate the revenue growth, competitiveness and the ability to meet the market changes.

2. Sales forecast: in line with the statistics analysis by HIS, growth of solar market in 2015 is estimated to exceed 16%. While subsidies from governments have been reducing year by year along with the interference factor as trading war still existing, long-term demand from the solar market continues to grow and is estimated to exceed more than 60G approximately by 2017. Accordingly, in addition to strengthening the core

technical capabilities for developing high value added niche products, production of more efficient products will be actively expanded in an attempt to play the key role in the supply chain of solar materials.

#### C. Sales and Production Policy

1. SAS has developed the industry's highest efficiency multi-crystalline wafers as well as P-type monocrystalline cells (CELCO) which have been successfully set into mass production. The supply will be expanding in the future to provide customers with high-quality materials and to keep competitive in the solar silicon market.
2. With the steady market growth in the high efficiency products, SAS is also actively expanding production capacity quarterly in order to increase its market share. To lower anti-dumping impact from the US, enhancement of marketing and promotion over non-US region will be carried on.
3. To establish sound operating scale, SAS will continue to take the initiative in developing systematical integration with downstream firms and strategy alliance to remain competitive.
4. SAS will take the initiative in developing markets and orders of automotive and smart phone components along with production capacity expansion in order to attract more orders of 4"~12" wafers.

#### D. Future Strategy

1. Take the initiative in developing high conversion efficiency wafers of the next generation in addition to core technology enhancement to provide customers with outstanding products and thus to acquire competitive advantage over the international market.
2. Strategic alliance for vertical integration so as to increase added value and coordinate service for business opportunity.
3. Expand industry-university collaboration and product uniqueness through high product creativity to maintain its leadership of the technology.
4. Close collaboration with downstream firms to take control of the market demand and development trend.
5. Integration of production and technology platforms within each company domestically

and overseas so as to fully utilize every resource for a most efficient sales strategy application.

E. Influences from Completion, Regulation and Economy

1. With the appearance of new competitors, SAS continues to take the initiative in maintaining the leadership in the high efficiency technology and developing product differential strategy for providing even better products and service.
2. In response to the flat selling prices, SAS will make an effort to control production cost and accordingly integrate with mid and downstream resources to create synergies with more profit possibilities.
3. Strengthen market diversification and develop products of high differentiation

In summary, as the global solar and semiconductor markets are still in a trend of steady growth, especially ongoing demand for the high efficiency solar products, SAS thus tends to be aggressive in expanding the production of high efficiency mono cell, CELCO. GlobalWafers, its semiconductor subsidiary, still holds up quite a market advantage in silicon wafers of automotive components and power devices. Strong demand for power ICs and drivers of automobiles and cell phones has made the semiconductor group of SAS successfully expand the main product production bit by bit to meet customers' needs. SAS is fully confident in solar and semiconductor business' global arrangement, resource integration of the groups and high technology/product differentiation strategy. Furthermore the company will continue to raise the market share and maximize its operating profit to create better prosperity for the best returns to all shareholders.

Finally, we would like to thank every shareholder for supporting SAS over the years. We wish you a healthy and prosperous life.

Chairman	Ming-Kung Lu
President	Hsiu-Lan Hsu
Chief Account	Mei-Ying Chiu