# Sino-American Silicon Products Inc.

## Fiscal 2015 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 first half of 2015 toward the solar industry coupled with exchange devaluation against JP Yen and Euro as well as subsidy reduction from governments, companies in Taiwan have encountered difficulties in operation. Fortunately, a sign of recovery was seen gradually in the solar industry from the second half of 2015. SAS not just focused on the manufacture of high efficiency solar products through leading technology and product differentiation to create a new high in revenue for five consecutive years but considerably offset its gross profit by lowering the debt ratio from 47% to 38%. Whereas due to facts of recognition of capital gain tax by NT$120,000,000 out of reducing GlobalWafers (GWC) the subsidiary's shareholding for an initial public offering, and the increase of income tax derived from the GWC group, a decline in net income of the Company has been seen compared to the prior year. Full year 2015 consolidated net sales of the Company were NT$28.27 billion up 1.61% from NT$27.82 billion in the prior year. Net income was NT$534,840,000 with an EPS of NT$0.93.

The 2015 operating results and 2016 business plan overview are presented as follows.

A. Operation Performance in 2015

1. Operation Performance

Unit: NT$'000

| Year / Item | 2015 (IFRSs) | 2014 (IFRSs) | Change (%) |
|---|---|---|---|
| Operating Revenue | 28,269,357 | 27,821,456 | 1.61% |
| Operating Costs | 23,998,126 | 24,324,580 | (1.34%) |
| Gross Profit from Operations | 4,271,231 | 3,497,876 | 22.11% |
| Operating Expenses | 2,034,619 | 2,051,082 | (0.80%) |
| Operating Income | 2,236,612 | 1,446,794 | 54.59% |
| Income before Tax | 1,960,181 | 1,925,042 | 1.83% |
| Net Income | 1,056,402 | 1,299,267 | (18.69%) |
| Net Income Attributable to the Parent Company | 534,837 | 1,128,445 | (52.60%) |

The increasing demand in China, the US and emerging markets gradually drove the solar recovery in the second half of 2015. Data from the research institute IHS says that the total capacity of global solar installation in 2015 was approximately 59GW, up by over 35% compared to that in 2014. The steady revenue growth of the Company was driven by its flexible production, core technology to high efficiency niche products and product differentiation strategy. Reinvestment in 2015 also showed significant performance. GWC made a contribution of NT$15.31 billion in consolidated revenue with NT$2 billion of net income with an EPS of NT$5.8.

2. Budget Implementation: No financial forecast for 2015

3. Profitability Analysis

| Item | | 2015 | 2014 |
|---|---|---|---|
| Financial structure | Debt ratio (%) | 38 | 47 |
| | Long-term funds to fixed assets (%) | 191 | 204 |
| Profitability | Rate of return on assets (%) | 2.57 | 3.50 |
| | Rate of return on stock equity (%) | 4.21 | 6.16 |
| | Operating income to capital (%) | 38.56 | 24.94 |
| | Income before tax to capital (%) | 33.79 | 33.19 |
| | Net income to sales (%) | 3.74 | 4.67 |
| | Earnings per share (NT$) | 0.93 | 2.06 |

4. Financial Structure

2015 revenue is NT$28,269,357,000; operating cost is NT$23,998,126,000. Operating expense is NT$2,034,619,000. Other income is NT$276,431,000. Net income before tax is NT$1,960,181,000. Net income after tax is NT$1,056,402,000. The financial structure is healthy.

5. Research & Development Status

1) 2015 Research & Development Expenditure

Unit: NT$'000

| Item / Year | 2015 | 2014 |
|---|---|---|
| Research and Development Expenses | 790,448 | 823,128 |
| Net Revenue | 28,269,357 | 27,821,456 |
| % | 2.80 | 2.96 |

2) Research & Development Achievement in 2015

Our technology / products

(1) 900kg low energy consumption, high quality solar multi-crystalline thermal

field design of ingot furnace and ingots growth technology development
(2) A5+ ultra-high efficiency multi-crystal ingot growth technology
(3) High strength consumption multi-crystal ingot growth technology
(4) Solar wafer SiC recovery and recycling technology development
(5) Solar wafer slurry recovery and recycle technology and development
(6) High efficiency CELCO mono solar cells technology and development

3) Future Plan

(1) A6+ High efficiency low reflectivity multi-crystal solar wafer
(2) 1500kg multi-crystal ingot growth technology
(3) High strength solar wafer
(4) Diamond wire saw slicing technology
(5) High efficiency N-type solar crystal growth technology
(6) G6 hot zone energy conservation technology development

B. 2015 Operation Guideline

1. Guideline
   1) Expand capacity, marketing scale and utilization rate to reduce product costs.
   2) Focus on the conversion rate improvement of high efficiency multi-crystal wafers and mono-crystal cell to create core advantage of competitiveness.
   3) Strengthen the integration of up, middle and downstream resources so as to expand operating scale for steady development and raise our international competitiveness.
   4) 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 research report by IHS, the installation demand of the global solar market is expected to remain positive to around 69GW, up 17% compared to the prior year. Three main installation markets will remain in China, Japan and USA. Whereas the Company will keep increasing the capital expenditure and expanding the production of solar silicon wafers and cells in an attempt to push up sales volume of the year surpassing the global market performance.

3. Sales and Production Policy
   1) Enhance channel construction outside the US region with product differentiation marketing strategy.
   2) Close collaboration with downstream firms to develop high efficiency and value-added

niche products with core technology so as to improve our profitability.

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. Future Strategy

1) Close collaboration with downstream firms to take control of the market demand and development trend so as to step in more international markets among the first grade solar manufactures.

2) Searching for more collaboration opportunities in alliance with up and downstream to further accelerate its strategic arrangement for solar power plants all over the world.

3) Lead in key technology by strategic alliances to accelerate product development and shorten time to reduce production costs and increase competitiveness of the company.

4) Grasping customers of downstream markets through vertical integration of the business group with niche products using core technology of the next generation so as to consolidate the exiting competitiveness and enhance our profitability.

5. Influences from External Competition, Regulations 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) Increase intellectual property rights with value-added products to improve the competitiveness of the company.

In summary, the fundamentals of the solar industry remain satisfactory in 2016. As the expectation for the solar energy supply in 2016 becomes conservative, with the price decrease of solar modules, demand of solar power energy required by markets worldwide will keep growing. The research institute IHS forecasted the global demand for the solar power energy will reach 75GW by 2019 with total generated power energy of 498GW. In addition to existing high efficiency series of products, SAS will take the initiative to bring in production of R-wafer (robust), thin and powerful high conversion silicon wafers and Celco mono-crystal cell of next generation as well as more efforts to work out downstream module brand operating and system development in order to complete a supply chain from up, mid and downstream. Meanwhile, SAS is fully confident in its

excellent technology and market segmentation for profitability to 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