Sino-American Silicon Products Inc.

Fiscal 2016 Business Report

Dear Shareholders,

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

The year 2016 was surly full of dramatic changes to the Taiwan solar industry. The market showed an overall supply shortage resulted from the strong demand over China market in the first half and then drastically fallen into irrational price down due to the end of China's installation rush and low price driven by high inventory. Price lower than the cost caused makers at home again had to face the pressure from loss. In 2016, SAS continued to generate group revenue through resource integration, leading technology capability and differentiation selling strategy. In solar business, consolidated revenue accumulated NT$13.2 billion, up 2% YoY. Owing to the price drop of the entire supply chain plus losses from long-term investment recognition and exchange rates, our revenue failed to achieve the expected goal in 2016. Nevertheless SAS still kept increases in revenue and the minimum of losses by taking selected orders, reducing and adjusting the inventory and cost control. The group consolidated revenue for 2016 amounted to NT$31.59 billion, up by 12% than NT$28.26 billion of the previous year. Net loss was NT$1.28 billion with an EPS of –NT$2.77.

The 2016 operating results and 2017 business plan overview are presented as follows.

A. Operation Performance in 2016

1. Operation Performance

Unit: NT$'000

Year / Item	2016 (IFRSs)	2015 (IFRSs)	Change (%)
Operating Revenue	31,599,040	28,269,357	11.78%
Operating Costs	28,164,027	23,998,126	17.36%
Operating Profit from Operations	3,435,013	4,271,231	(19.58%)
Operating Expenses	3,392,953	2,034,619	66.76%
Operating Income (Loss)	42,060	2,236,612	(98.12%)
Income before Tax (Loss)	(856,378)	1,960,181	(143.69%)

Net Income (Loss)	(1,289,006)	1,056,402	(222.02%)
Net Income Attributable to the parent Company	(1,589,225)	534,837	(397.14%)

Almost all production lines of Taiwanese makers were fully loaded in the first half of 2016 while a heavy slump in prices came right after the shortage of demand in the latter half. According to data from MIC, the installation of the global PV in 2016 was 79.4GW, increasing by 43% compared with the 55.4GW in 2015. In 2015 SAS solar business focused on cost reduction and conversion efficiency of high efficiency products. In reinvestment business SAS also brought good performance. GWC, its semiconductor business unit made contribution with NT$18.43 billion of consolidated revenue, NT$939 million of net income and NT$2.54 EPS.

2. Budget Implementation: No financial forecast for 2016
3. Profitability Analysis

Item		2016	2015
Financial Structure	Debt ratio (%)	67	38
	Long-term funds to fixed assets (%)	122	191
Profitability	Rate of return on assets (%)	(1.43)	2.57
	Rate of return on stock equity (%)	(4.62)	4.21
	Operating income to capital (%)	0.73	24.94
	Income before tax to capital (%)	(14.76)	33.19
	Net income to sales (%)	(4.08)	3.74
	Earnings per share (NT$)	(2.77)	0.93

4. Financial structure

   2016 revenue is NT$31,599,040,000. Operating cost is NT$28,164,027,000. Operating expense is NT$3,392,953,000. Other income is NT$898,438,000. Net income before tax is NT$856,378,000. Net income after tax is NT$1,289,006,000. The financial structure is healthy.

5. Research & Development Status

   1) 2016 Research & Development Expenditure

Unit: NT$'000

Item/ Year	2016	2015
Research & Development Expenses	976,091	790,448
Net Revenue	31,599,040	28,269,357

R&D Expenses to Net Revenue (%)	3.09	2.80

2) Research & Development Achievement in 2016

Our technology / products

(1) Ultra efficiency multi-crystal black wafer

(2) High strength solar wafer

(3) N type solar wafer

(4) Ultra-thin solar wafer

(5) DW mc-si wafer

(6) High efficiency mono-crystal solar cell

Future Plan

(1) A6+ crystal growth technology

(2) Low impurity diffusion multi-crystal ingot growth technology

(3) G6 hot zone energy conservation technology

(4) Ultra efficiency P type mono-crystal solar cell

(5) Extra high efficiency and low lid P-type solar cell

B. 2017 Operation Guideline

1. Guideline

1) Maintaining our leading advantages for the mono-Si PERC cell conversion, improving the production and quality of high efficiency multi-Si cells so as to provide customer service with vertical integration and stimulating customers' interest to change.

2) Heating up the momentum of new technology and new product development, as well as continuous development of high efficiency mc-si crystal growth and ultra-thin silicon wafer precision machining technology. Accelerating diamond wire cut multi black wafers and R wafers new product release to create our competitiveness core.

3) Aggressively planning layout for expending solar power plants in response to government's renewable energy policy by catching up with the local installation rush so as to accumulate the momentum to expend overseas markets through the investment experience in Taiwan

2. Sales Forecast

According to the data from MIC, due to slow demand of installation in the US, subsidies cut by Japanese government and the installation suspension from China, the forecast

for 2017 installation volume will drop to 73GW. In summary, the market trend is seeking for high conversion efficiency development, such as high efficiency wafers, high efficiency cells and high efficiency modules. Thus SAS will focus on improving the quality and conversion efficiency of high efficiency Si wafers and Celco mono-crystal cell. Developing new generation of products with high efficiency and price competiveness will help keep us well positioned in the market.

3. Sales & Production Policy
    1) Seeking for new customers and developing emerging areas such as India and Southeast Asia.
    2) Enhancing the connection with downstream customers and increasing added value by core technology capability and lower manufacturing costs for profitable opportunities.
    3) Establishing long-term and steady cash income by adopting an overall vertical integration strategy and responding to the government's green power policy.
4. Future Strategy
    1) Making a breakthrough on Si wafers and cells so as to release high efficiency wafer and cell products of the next generation.
    2) Maintaining our position by resource integration, cost reduction, as we as skill and product differentiation.
    3) Establishing integrated supply chain from up, middle and downstream and reducing operating risks through vertical and diversified strategy so as to become a global leading green energy provider.
    4) Aggressively involving in solar power plant business and construction service to expand markets continuously at home and abroad.
5. Influences from External Competition, Regulations and Economy
    1) To survive from various competitors and oversupply, SAS has aggressively continued to explore new customers and provide superior products and service by developing highly cost-effective new products.
    2) To respond the price drop out of oversupply, SAS will improve the connection with downstream customers to increase our value by developing high efficiency niche products through our core technology.
    3) Establishing global patent core strategy to enhance our capability facing international competitiveness and market changes.

Looking forward to 2017, the global solar market will enter a slow season due to various factors of installation decline, oversupply and policy changes from the government. It is

going to be another challenging year with uncertainty for most Taiwanese solar makers. According to data from MIC, it is assumed that supply will add up to 90GW while only 76.9GW is demanded from the market. The oversupply is estimated to affect the price for cell as well as gains of manufacturers. To fight in such industry environment, the main target of SAS is to reduce costs and speed up the development of our high efficiency products of the next generation for building up our competitive advantage. SAS has already accomplished the blueprint for our territory after vertical integration starting from high efficiency wafers at the upstream to cells, modules and high efficiency mono-crystal PERC product out of mid to downstream plus an entire layout of the system arrangement. SAs will continue to expand our layout regarding solar power farms and aggressively increase the power farm construction domestically through group integration so as to stabilized long-term gains with sound operating scale for accomplishing the goal of maximizing benefits of shareholders and continuous operation of the industry.

Chairman	M.K. Lu
President	Doris Hsu
Chief Accountant	Betty Chiu