

Sino-American Silicon Products Inc.  
**Fiscal 2017 Business Report**

Dear Shareholders,

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

There had been a slow season for the solar market during the first half of 2017 due to factors such as trade wars, breakthrough technologies, and changes to government subsidies. Market growth came back a little in the third quarter thanks to the deadline extension of the solar subsidy in China from June 30 to September 30 and the installation rushes from the US before the final judgment of section 201. Along with the weak demand and price decline from the fourth quarter, however, manufacturers at home again had to face severe challenges. With the efforts of all SAS staff by resource integration, product differentiation and revenue injection from SAS, the subsidiary, our revenue successfully hit another all-time high for a turnaround. In solar business, consolidated revenue for 2017 accumulated NT\$59.3 billion, a 87.9% increase from the NT\$31.5 billion in the previous year. Net income attributable to parent company was NT\$1 billion. Earnings per share was NT\$1.8.

The 2017 operating results and 2018 business plan overview are presented as follows.

A. Operation Performance in 2017

1. Operation Performance

Unit: NT\$'000

| Year<br>Item                     | 2017<br>(IFRSs) | 2016<br>(IFRSs) | Change (%) |
|----------------------------------|-----------------|-----------------|------------|
| Operating Revenue                | 59,371,198      | 31,599,040      | 88         |
| Operating Costs                  | 47,967,962      | 28,164,027      | 70         |
| Operating Profit from Operations | 11,403,236      | 3,435,013       | 232        |
| Operating Expenses               | 5,078,234       | 3,392,953       | 50         |
| Operating Income (Loss)          | 6,325,002       | 42,060          | 14,938     |
| Income before Tax (Loss)         | 5,125,741       | (856,378)       | 699        |
| Net Income (Loss)                | 3,518,628       | (1,289,006)     | 373        |
| Net Income Attributable to the   | 1,035,505       | (1,589,225)     | 165        |

|                |  |  |  |
|----------------|--|--|--|
| parent Company |  |  |  |
|----------------|--|--|--|

Benefitting from an installation rush of distributed and centralized power stations in China, considerable demand for raw materials was seen in 2017. This also led to a historical high for 2016 global PV installation up to 102GW, a 28% increase year over year compared with that of 79.4GW in 2016. In solar business, SAS continued to focus on cost reduction, conversion efficiency of high efficiency products as well as further integration and strategy alliance with downstream system power stations so as to enhance our operational efficiency and competitiveness. In reinvestment business, SAS' semiconductor subsidiary GWC made a satisfying contribution with impressive consolidated revenue of NT\$46.2 billion, net income attributable to SAS of NT\$5.2 billion and an EPS of NT\$12.68.

2. Budget Implementation: No financial forecast for 2017

3. Profitability Analysis

| Item                |                                     | 2017   | 2016    |
|---------------------|-------------------------------------|--------|---------|
| Financial Structure | Debt ratio (%)                      | 51     | 66      |
|                     | Long-term funds to fixed assets (%) | 162    | 123     |
| Profitability       | Rate of return on assets (%)        | 4.57   | (1.77)  |
|                     | Rate of return on stock equity (%)  | 9.91   | (4.62)  |
|                     | Operating income to capital (%)     | 106.83 | 0.73    |
|                     | Income before tax to capital (%)    | 86.57  | (14.76) |
|                     | Net income to sales (%)             | 5.93   | (4.08)  |
|                     | Earnings per share (NT\$)           | 1.8    | (2.77)  |

4. Financial structure

2017 revenue is NT\$59,371,198,000. Operating cost is NT\$47,967,962,000.

Operating expense is NT\$5,078,234,000. Other income is NT\$1,199,261,000. Net income before tax is NT\$5,125,741,000. Net income after tax is NT\$3,518,628,000.

The financial structure is healthy.

5. Research & Development Status

1) 2017 Research & Development Expenditure

Unit: NT\$'000

| Item/ Year                      | 2017       | 2016       |
|---------------------------------|------------|------------|
| Research & Development Expenses | 1,671,895  | 976,091    |
| Net Revenue                     | 59,371,198 | 31,599,040 |

|                                 |      |      |
|---------------------------------|------|------|
| R&D Expenses to Net Revenue (%) | 2.82 | 3.09 |
|---------------------------------|------|------|

## 2) Research & Development Achievement in 2017

Our technology / products

- (1) DW multi-crystalline solar wafer
- (2) High efficiency mono-crystal solar cell
- (3) Very high efficiency and low LID P-type multi-crystalline Si solar cell

## 3) Future Plan

- (1) DW robust solar wafers
- (2) Ultra efficiency P type mono-crystal solar cell
- (3) Extra high efficiency and low lid P-type solar cell
- (4) Extra high efficiency N type mono-crystal solar cell

## B. 2018 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 market development as well as continuous development of high efficiency products of next generation with price competitiveness.
- 3) Aggressively planning layouts for expending solar power plants specifically in Taiwan and southeast Asia area for investments or construction projects of ground mounted and floating power plants.

### 2. Sales Forecast

With the price decline of solar modules, demands for solar power generation worldwide will continue to grow. The analyst of PVinfoLink predicted that the global solar power generation for 2018 shall achieve 95GW. New demand for PERC will continue and become one of the main trends. In addition, technology improvement has largely decreased the cost of materials and made multi-crystalline wafers of gold wire slicing and high efficiency cell the main stream. Thus SAS will strengthen the operational competitiveness so as to adjust operational strategies by maintaining its leading PERC cell efficiency and to master the market trend and industry momentum by making full usage of DW multi-crystalline solar wafer production lines.

### 3. Sales & Production Policy

- 1) Seeking for new customers and developing collaboration with non-China area in order to enhance our adaptability to market changes.
- 2) Strengthening the connection with downstream customers and increasing added value by core technology capability and lower manufacturing costs for profitable opportunities.
- 3) Establishing long-term business of downstream system and adopting an overall vertical integration strategy to expand our product export for better operating income.

### 4. Future Strategy

- 1) Accelerating a breakthrough on solar 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 well as skill and product differentiation.
- 3) Aggressively involving in solar power plant business and construction service to expand markets for the group at home and abroad, plus developing new investment partnership with solar system for steady income.
- 4) 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.

### 5. Influences from External Competition, Regulations and Economy

- 1) To survive among various competitors and oversupply, SAS has aggressively explored new customers and provided superior products and service by developing highly cost-effective new products while accelerating the integration of downstream power plants so as to expand more export markets for the group.
- 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) To improve confidential information management and establish global patent core strategy to enhance our capability facing international competitiveness and market changes.

The year of 2018 will still be filled with uncertainty and challenges. Despite of the anticipation by GTM Research that the PV installation for 2018 will come up to 100GW, there's no sign yet shown for a steady recovery to come. SAS will continue to strive for new innovation and cost reduction to increase its own capability and also to expand the

layout regarding solar power farms to improve operation, and also become one of the sustainable green industries with increasing profitability for the goal of maximizing benefits of shareholders and continuous operation of the industry.

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