Stock Code：5483

Sino-American Silicon Products Inc.

2011 Annual Report

Issue Date: May 18, 2012

Information website: http://newmops.twse.com.tw

I.Company Spokesperson:

1. Spokesman
   Name: Simon Tai
   Position: Finance Manager
   Tel:+886-3-577-2233 ext:337
   E-mail: Simon@saswafer.com

2. Deputy spokesperson:
   Name: Olga Chang
   Position: Strategic Planning Manager
   Tel:+886-3-577-2233 ext:241
   E-mail: Olga@saswafer.com

II. Address and Telephone Number of The Company Headquarter, Subsidiaries, and Plants

1. Company Headquarter
   Address: 4F, No.8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan
   Tel: +886-3-577-2233
   Fax: +886-3-578-1706

2. Chunan Plant I
   Address: No. 21, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, Taiwan
   Tel: +886-37-582533
   Fax: +886-37-580206

3. Chunan Plant II
   Address: No. 6, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, Taiwan
   Tel: +886-37-582533
   Fax: +886-37-580206

4. Subsidiaries and Plants
   Name: GlobalWafers Co., Ltd.
   Address: No.8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan
   Tel: +86-512-57781262
   Fax: +86-512-57795500

5. Subsidiaries and Plants
   Name: Sino Sapphire Co., Ltd.
   Address: 5F, No. 21, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, Taiwan.
   Tel: +886-37-582533
   Fax: +886-37-580206

III. Stock Transfer Agency

Agency name: Stock Agency Department, Yuanta Securities
Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei, Taiwan
Tel: +886-2-2586-5859
Website: http://www.yuanta.com.tw/

IV. External Auditor

Name of Accounting Firm: KPMG Taiwan
Name of CPAs: Chen, Chien-Chen, Tseng, Mei-Yu
Address: 68F, No. 7, Sec. 5, Hsinyi Rd., Taipei, Taiwan
Tel: +886-2-8101-6666
Website: http://www.kpmg.com

V. Global Depositary Receipt (GDR) Agency

Luxembourg Stock Exchange

How to Query
Website: http://www.bourse.lu

VI. Company Website

http://www.saswafer.com

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I. Letter to Shareholders

Sino-American Silicon Products Inc.

Fiscal 2010 Business Report

Dear Shareholders,

Thank you very much for coming the Annual Shareholder Meeting of Year 2011. We deeply appreciate your support and concern.

SAS consolidated revenue for 2011 was NT$17.55 billion. Net income reached NT$0.43. EPS is NTD$1.02. Renewable energy is the ultimate trend for economical sustention. SAS is optimistic toward solar industry development.

A. Operating Performance in 2011

1.Operation Performance

Unit：NTD$ thousands

Year / Item	2011	2010	Change (%)
Operating Revenue	17,549,063	22,528,702	-22.10%
Operating Costs	15,813,764	16,997,889	-6.97%
Gross Profit from Operations	1,735,299	5,530,813	-68.62%
Operating Expenses	980,650	1,266,346	-22.56%
Operating Income	754,649	4,264,467	-82.30%
Income before Income Tax	562,344	4,084,762	-86.23%
Net Income	428,706	3,568,609	-87.99%

2011 is tough for solar industry with limited demand and excessive capacity, resulting in slipping price and shipment, let alone revenue and profit. Semiconductor benefits from broad market in first half year. However, European sovereign-debt crisis casts conservative shade since June, and the industry suffers from recession. Sapphire substrate soars in Q1 with prosperous revenue and shipment, yet is impacted by oversupply and inventory adjustment, price and purchasing order drops radically. Even though the three products of SAS experience global economy reversion, SAS is one of the few solar manufacturers that profits from last year.

2.Budget Implementation：No financial forecast for 2011

3.Profitability Analysis

Item		2011	2010
Capital structure analysis	Debt ratio (%)	35	38
	Long-term funds to fixed assets (%)	321	282
Return on investment analysis	Rate of return on assets (%)	1.6	14.18
	Rate of return on stock equity (%)	2.29	25.21
	Operating income to capital (%)	5.26	91.08
	Income before tax to capital	8.32	101.57
	Net income to sales (%)	2.89	17.77
	Earnings per share (NTD)	1.02	10.5

4.Research & Development Status

1) 2011 Research & Development Expenditure

Unit：NTD$ thousands

Item /Year	2007	2008	2009	2010	2011
Net Revenue	217,728	337,366	342,847	485,572	381,960
Research and Development Expenses	6,718,348	9,410,626	10,368,336	20,079,873	14,856,313
%	3.24	3.58	3.31	2.42	2.57

2) Research & Development Achievement in 2011

Our technology / product

(1) Hot zone design of solar multi-crystal growth and simulation of 580 KG
(2) Low defect density multi-crystal growth of 580 KG
(3) 9" solar single crystal growth
(4) 8" solar single crystal growth of Ga-doped
(5) High efficiency multi-crystal growth (average 17.43%)
(6) 20" hot zone design and simulation for 8" silicon single crystal growth
(7) 150-um solar wafers of high efficiency
(8) High efficiency multi-crystal growth of 600 KG
(9) Multi-crystal growth recharge
(10) Sapphire cutting via diamond wires
(11) U-grade single crystal growth
(12) E-grade single crystal growth

3) Future Plan

SAS solar wafer technology outshines other rivals. Our RD department devotes in exploring ultra-conversion-efficiency application and strategic alliance with downstream system manufacturers to capture commercial initiative. Our core technology dedicates in high-efficiency products to maximize adding value.

Future technology / product

(1) A4$^+$ solar multi-crystal growth
(2) Energy-saving multi-crystal growth
(3) Multi crystal grower for high efficiency G5$^+$ of 600KG
(4) Epitaxial wafer of GaN on Si
(5) Large sapphire crystal growth by CZ method

B. 2012 Operation Guideline

1.Guideline

1) Strategic alliance for vertical integration so as to increase adding value. Coordinate service for business opportunity.
2) Thorough budget minimization; acceleration of collecting receivable accounts; discreet price negotiation with suppliers; severe monitor on inventory to secure fund flow.
3) Establish integrating platform to circulate technology and resources within business group. Improve production quality and customer satisfaction.

2.Sales forecast：No financial forecast for 2012

C. Sales and Production Policy

1.Maximize utilization.

2.Develop highest conversion efficiency multi-crystal wafer and put into mass production so as to provide high-quality materials and maintain competitiveness.

3.Synthesize 4”~12” capacity and technology of seven semiconductor sites located in Taiwan, America, China and Japan, aiming at penetrating into tier 1 companies.

4.Ameliorate large size sapphire crystal availability to decrease production cost of sapphire polish wafer and PSS. Concentrating on nano-patterned sapphire wafers development to achieve superiority over competitors.

To enhance competitiveness and operating performance, SAS restructures three business units (semiconductor, solar, sapphire) on October 1, 2011; sapphire business is carved out to Sino Sapphire Co., Ltd. and semiconductor business to GlobalWafers Co., Ltd. Besides, to empower industrial competency, SAS acquires the silicon wafer business departments of Covalent Materials Corporation, which are Covalent Silicon Corporation and its subsidiary, Covalent Materials Sekikawa Corporation. The acquisition takes effect on April 1, 2012. For the future, SAS shall elevate operating performance via strategic alliance and reinvestment; aggressive yet cautious for industrial prominence, and augment business scale holding the principle of aggrandizing shareholder benefits. We believe with the restless effort among management team and whole staff, we will once again create excellent revenue and profit and share the fruit with all shareholders.

On behalf of all SAS employees and Board of Directors, I want to thank all our shareholders for the support and confidence.

Chairman Ming-Kung Lu

President Hsiu-Lan Hsu

Chief Account Mei-Ying Chiu

II. Company Profile

2.1 Date of Incorporation: January 21, 1981

2.2 Major Business

CC01080 Electronic component manufacture
IG03010 Energy technology services
F401010 International trade
I. R&D, designing, manufacturing and sales of the following products:
(1). Silicon-based semiconductor materials and their components
(2). Varistor
(3). Optoelectronic and communication silicon wafer materials
II. Technical and management consulting services to the business mentioned above.
III. Technical services to integration and installation of optoelectronic power generation systems
IV. Operation of import/export trade related to the Company core businesses.

2.3 Corporate Milestones

Jan. 1981	Sino-American Silicon Products Inc. founded.
Aug. 1982	Pilot production of silicon ingot and wafer succeeded.
Mar. 1984	Dr. David Yen elected as chairman.
Apr. 1990	Capital increase to NT$300 million approved.
Jun. 1991	Automobile rectifier is succeeded in mass production and officially marketing to market.
Sep. 1991	Turning to the first one, in Taiwan, which is able to do the R&D and mass production of zincoxide varistors on the Company own.
Dec. 1991	Standing on the second place around the world in automobile rectifier industry with production volume over 2 million units per month, only next to Motorola in terms of total capacity.
Jul. 1995	Capital increase to NT$400 million.
Oct. 1995	ISO-9002 quality assurance certificate granted.
Feb. 1997	The fourth-phase plant reconstruction and expansion completed.
Nov. 1997	Ms. Lin-Lin Sun elected as chairman.
Dec. 1997	Capital increase to NT$600 million.
Mar. 1998	Joint venture with Songlong Electronic Co. Ltd. to manufacture varistors.
Aug. 1998	Capital increase to NT$800 million.
Nov. 1998	Investing in Actron Technology Corp.
Jun. 1999	QS-9000 quality assurance certificate granted.
Oct. 1999	Kushan Sino Silicon Technology Company, a subsidiary, founded in China.
Dec. 1999	Capital increase to NT$780 million.

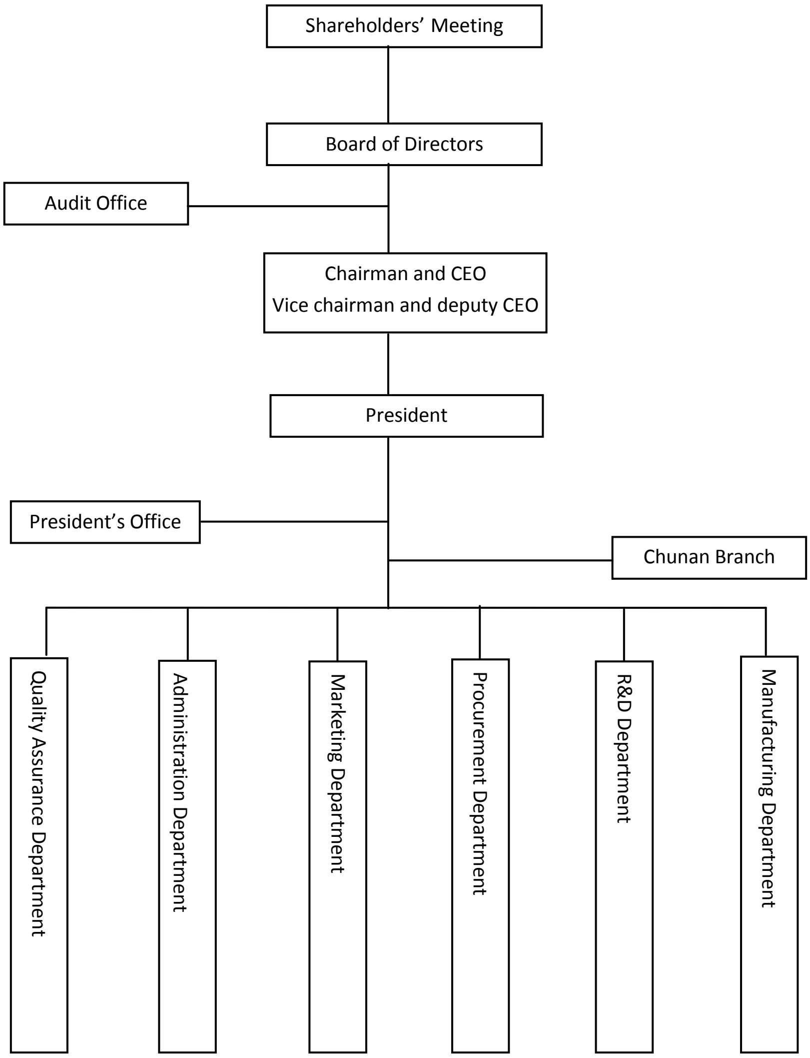
Mar. 2000	Polish wafers mass production succeeded and assumed to officially run.
Sep. 2000	Mass production in Kushan Sino Silicon assumed.
Mar. 2001	The Company officially listed on the Gre Tai Securities Market of Taiwan.
Oct. 2001	The award and grant due to the "Ultra Thin Wafer-An Innovative Manufacturing Process Technology" are granted by the Science Park Administration.
Jun. 2002	The grant resulting from the proposal of "High Efficient Ingot Growing Technology for Solar Cell" is granted by the Ministry of Economic Affairs of Taiwan.
Nov. 2002	Taking over 38.6% of total shares issued by Topsil Semiconductor Materials A/S in Denmark.
Dec. 2003	8" Silicon Lngot trial and pilot production succeeded.
Jun. 2004	The grant resulting from the proposal of "The development of 2.5 mohm-cm heavily Arsenic doped silicon substrate" is granted by the Science Park Administration.
Jul. 2004	The grant resulting from the proposal of "Development of Large Size Pseudo-Square Silicon Wafer for High Efficient Solar Cell" is granted by the Ministry of Economic Affairs in terms of qualifying a leading and innovative product.
Jul. 2004	SAS Innovation Technology Research Center established.
Sep. 2004	The grant resulting from the proposal of "Development of High Power electronic device wafer technology"" is granted by the Ministry of Economic Affairs.
Sep. 2004	ISO 14001 certificate granted.
Oct. 2004	Recipient of the 12th Industrial Technology Advancement Award： Excellent Enterprise Innovation Award from the Ministry of Economic Affairs
Nov. 2004	The award and grant resulting from the proposal of "Study on The Sapphire Substrate for Blue Light Emitting Diode Application" are granted by the Science Park Administration.
Apr. 2005	Initial SOI wafer production succeeded.
Jun 2005	Chunan branch established.
Jul. 2005	TS16949：2002 quality assurance certificate granted.
Sep. 2005	The award and grant resulting from the proposal of "Deep Diffused Polish wafer Development" is granted by the Science Park Administration.
Nov. 2005	Beam laying ceremony held in Chunan branch.
Nov. 2005	The second-phase capacity expansion of Kunshan Sino Silicon completed.

May. 2006	Trial and pilot production of Solar ingot and wafer in Chunan branch succeeded and assumed to run..
Jul. 2006	Solar ingot and wafer in Chunan branch officially produced in mass.
Oct. 2006	Opening ceremony for Chunan branch.
Apr. 2007	Mr. M. K. Lu elected as chairman.
Apr. 2008	The acquisition of 100% of GlobiTech Incorporated completed.
Oct. 2008	Recipient of the 16th Industrial Technology Advancement Award： Outstanding Enterprise Innovation Award from the Ministry of Economic Affairs.
Oct. 2009	Capacity of 1MW Acquaviva 3 Solar Farm in Bari, Italy installed by our subsidiary Silfab spa.
Jun. 2010	Chunan Plant II construction completed.
Sep. 2010	The Industry Excellence Contribution Award granted by the Ministry of Economic Affairs.
Nov. 2010	The joint venture agreement which is planned to found a new joint venture named Sinosolar Corp. is signed by Sino-American Silicon Products Inc, Solartech Energy Corp and SingTung Investment Ltd. Sinosolar Corp.
Feb. 2011	TIPS certificate approved.
Jun. 2011	SAS completed to carve out semiconductor business to GlobalWafers Co., Ltd. and sapphire business to Sino Sapphire Co., Ltd.
Nov. 2011	Cash capital increase to NTD $4,431,190,810
Apr. 2012	Subsidiary, GlobalWafers Co., Ltd., finished acquisition of semiconductor department of Covalent Silicon Corporation

III. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Responsibilities of Major Departments

Department	Responsibilities
Chairman	-Set up business plans, strategies, and targets. -Perform resolutions from meetings of Board of Directors and shareholders.
Audit Office	-Inspect and assess the soundness, effectiveness and efficiency over the Company's internal control system. -Responsible for the execution, audit and reports over the internal controls.
President and President's Office	-Perform resolutions from meetings of Board of Directors. -Execution of management and projects -Design business plans and strategies -Ensure planned business targets achieved. -Evaluate and analyze business and management performance.
Quality Assurance Department	-Establish and maintain products standards and its relevant inspection standards. -Inspect on purchased materials, tools, production process, and finished products. -Perform product quality improvement activities.
Administration Department	-Manage capital, tax, assets, and accounting. -Perform human resource planning, recruitment, educations, and trainings.
Marketing Department	-Plan marketing strategy, explore potential market, customer communication and after-sale service. -Collect market information, customer service and product application, assist the R&D and promotion activities of new products.
Procurement Department	-Evaluate capabilities of new suppliers. -Manage raw materials and suppliers. -Conduct purchasing activities.
R&D Department	-Perform R&D, trial productions, and tests of new or re-designed products. -Enhance production technology and skills, capacity -Design and improve machineries. -Collaborate with academic institutions.
Manufacturing Department	-Manage production and quality, exception, utilization of raw materials, plant constructions and maintenances, human resource arrangement and training, expansion preparation and execution. -Plant construction and maintenance; security over environment, hygiene and safety training -Evaluate and purchase new machineries and in charge of maintenance and improvement.

3.2 Information on the Company's Directors, Supervisors, President, Vice President, Assistant Vice President, and The Supervisors of All The Company's Divisions and Branch Units

3.2.1 Directors and Supervisors

(1)Directors' and Supervisors' Information

April 29, 2012 Unit: Share; %

Title	Name	Date First Elected	Date Elected	Duration	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Ming-Kuang Lu	Sep. 7, 1998	Jun. 17, 2011	3 years	9,325,286	2.32	10,138,670	2.29	2,001,685	0.45	0	0	- EMBA program in National Chengchi University - Vice president of LiteOn Technology	Note 1	Supervisor	Su-Mei Yang	Spouse
Vice chairman	Tan-Liang Yao	Nov. 6, 1998	Jun. 17, 2011	3 years	1,566,657	0.39	1,720,395	0.39	14,413	0	0	0	- MBA from Tamkang University - Assistant vice president at Lite-on Semiconductor Corp. - President of the Company	Note 2	N/A	N/A	N/A
Director	Hsiu-Lan Hsu	Sep. 7, 1998	Jun. 17, 2011	3 years	1,111,083	0.28	1,441,085	0.33	0	0	0	0	- M.S. in computer science from University of Illinois - President of Creative Sensor Inc. - Vice president of the Company	Note 3	N/A	N/A	N/A
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	Jun. 17, 2011 Jun. 17, 2011	Jun. 17, 2011 Jun. 17, 2011	3 years 3 years	20,106,610 0	5.00 0	21,860,379 0	4.93 0	0 0	0 0	0 0	0 0	- National Taiwan Ocean University - Vice Assistant President of Formosa Plastic Group - Director of Chemicals & Fibre Corp.	Note 4	N/A N/A	N/A N/A	N/A N/A
Director	Solar Energy Corp. Representative: Chin-Lung Chang	Jun. 17, 2011 Jun. 17, 2011	Jun. 17, 2011 Jun. 17, 2011	3 years 3 years	20,106,610 0	5.00 0	21,860,379 0	4.93 0	0 0	0 0	0 0	0 0	- M.S. in Chemical Engineering from Yokohama University - Associate professor in National Taipei University of Technology - Manager of Business/ Overseas Dept. & Supervisor of Nan Ya Plastics Corp. - Supervisor of Formosa Plastic Group	Note 5	N/A N/A	N/A N/A	N/A N/A
Director	Lin-Lin Sun	Jun. 3, 2009	Jun. 17, 2011	3 years	3,567,833	0.89	3,644,724	0.82	0	0	0	0	- Bachelor degree from Shih Chien Junior College - Vice president of Tycoon Securities Co., Ltd. - Chairwoman of the Company	Note 6	Representative of Maoyang Corporation	Tie-Chih Sun	Sibling
Director	Wen-Hui Tsai	Jun. 8, 2006	Jun. 17, 2011	3 years	2,605,897	0.65	3,033,191	0.68	30,490	0.01	0	0	- Bachelor degree in Accounting from National Chengchi University - Director of Actherm Inc. - Director of Ene Technology	Note 7	N/A	N/A	N/A
Director	Maoyang Corporaton Representative: Tie-Chih Sun	Jun. 13, 2003 Jun. 3, 2009	Jun. 17, 2011 Jun. 17, 2011	3 years 3 years	2,110,550 0	0.52 0	3,000,639 0	0.68 0	0 0	0 0	0 0	0 0	- Master degree in law from National Chengchi University - Supervisor of Career Consulting Co., Ltd.	Note 8	N/A Director	N/A Lin-Lin Sun	N/A Sibling
Independent director	Ting-Ko Chen	Jun. 17, 2011	Jun. 17, 2011	3 years	0	0	0	0	0	0	0	0	- Ph.D. in Business Administration from University of Michigan - Chief consultant of Ruentex Group - CEO of Charoen Pokphand Enterprise USA branch - Vice CEO for Formosa Plastic Group J-M company in USA - Chairman of Chin Fong Machine Industrial Co., Ltd. - Professor, manager, dean of NTUBA - Dean of College of Management, Tamkang University - Dean of College of Management, Asia University	Note 9	N/A	N/A	N/A
Independent director	Ming-Chang Chen	Jun. 8, 2006	Jun. 17, 2011	3 years	0	0	0	0	0	0	0	0	- Ph D. Commercial Science of Taiwan - Ph D. program in department of business administration of National Cheng Chi University - Dean of the department of business administration, National Chung Hsing University - CEO of the Foundation of China Periodicity Center - Director of Economic Division, Mainland Affairs Council	Note 10	N/A	N/A	N/A

Title	Name	Date First Elected	Date Elected	Duration	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent director	Meng-Hua Huang	Jun. 17, 2011	Jun. 17, 2011	3 years	0	0	0	0	0	0	0	0	- EMBA, Tulane University, USA - Manager/CFO of Texas Instruments Taiwan branch - Vice president of Silitek Corporation - Chief Auditor of Lite-on Group - Senior Vice President of Liteon Technology	N/A	N/A	N/A	N/A
Supervisor	Su-Mei Yang	June 3, 2009	Jun. 17, 2011	3 years	1,730,726	0.43	2,001,685	0.45	10,138,670	2.29	0	0	- Bachelor degree in Accounting from Ming Chuan University - Chairwoman of Hsuhsin Investment Company	Note 11	Director	Ming-Kuang Lu	Spouse
Supervisor	Guo-Chou Chen	Jun. 17, 2011	Jun. 17, 2011	3 years	1,714,083	0.42	2,582,635	0.58	0	0	0	0	- Graduated from Nan Ying Vocation High School - Chairman of Nan-hai Toy Co. Ltd. - Director of COTA Commercial Bank	Note 12	N/A	N/A	N/A
Supervisor	Kun Chang Investment Co.	Jun. 17, 2011	Jun. 17, 2011	3 years	2,000	0	2,202,100	0.50	0	0	0	0	- M.S. in Industrial & Systems Engineering from Ohio State University - President of Captec partners Management Corp. - Chairwoman of Intumit Inc.	Note 13	N/A	N/A	N/A
	Representative: May-Yuan Chang	Jun. 17, 2011	Jun. 17, 2011	3 years	0	0	0	0	0	0	0	0			N/A	N/A	N/A

Note 1: Concurrently director of GlobiTech Incorporated. in U.S., chairman and CEO of Actron Technology Corporation, director of Lite-On Semiconductor Corp., chairman of Formerica Optoelectronics Inc., chairman of Right Way Industrial Co. Ltd., chairman of Ze Poly Pte Ltd., chairman of Sinosolar Corporation, director of Covalent Silicon Corp., director of GlobalWafers Co., Ltd., director of Sino Sapphire Co., Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co., Ltd, chairman and president of Sino Sapphire Co., Ltd., director of GlobalWafers Co., Ltd., director of Actron Technology Corporation, supervisor of Giga Epitaxy Technology Corp., chairman and president of Sinosolar Corporation, director of Covalent Silicon Corp.

Note 3: Concurrently chairwoman and CEO of subsidiary GlobiTech Incorporated in U.S., chairwoman and president of GlobalWafers Co., Ltd., chairwoman of Covalent Silicon Corp., chairwoman of Covalent Materials Sekikawa Corp, director of Sino Sapphire Co., Ltd., vice chairwoman of Kushan Sino Silicon Technology Company, director of SilFab Spa in Italy, director of Sunrise Global Solar Energy

Note 4: Concurrently chairman of Solar Energy Corp., chairman of Londee Corp., director of Sunshine PV Corp., chairman of Solar Energy Material and Mega Solar Energy Corp., supervisor of GlobalWafers Co., Ltd., supervisor of Sino Sapphire Co., Ltd.

Note 5: Concurrently president of Solar Energy Corp., director and president of Sunshine PV Corp., director of Solar Energy Material and Mega Solar Energy Corp., director of GlobalWafers Co., Ltd., director of Sino Sapphire

Note 6: Concurrently director of GlobalWafers Co., Ltd., director of Sino Sapphire Co., Ltd.

Note 7: Concurrently director of Actherm Inc. , director of Ene Technology Inc., director of Great Well technology Corp. Ltd., director of Sunrise Global Solar Energy

Note 8: Concurrently supervisor of Career Consulting Co. Ltd., director of Guo-bian-ben Publisher Co. Ltd., director of Business World Consulting Co., Ltd.

Note 9: Concurrently chairman of Chinese Academy of Business Foundation, chief consultant of Ruentex Group

Note 10: Concurrently independent director of Formosa Chemicals & Fibers Corporation, dean of Management Institute in Taipei, course professor of Takming University of Science and Technology

Note 11: Concurrently chairwoman of Hsuhsin Investment Company

Note 12: Concurrently chairman of Nan-hai Toy Co. Ltd., director of COTA Commercial Bank, supervisor of Sinosolar Corporation

Note 13: Concurrently president of Captec partners Management Corp., chairwoman of Intumit Inc., Supervisor of Xander Internatinal Corp., independent director of Taiwan Surface Mounting Technology Corp., representative of VIA Labs Inc., representative of WonderMedia Technologies, Inc., representative of Sinosolar Corporation

(2) Major Shareholders of Institutional Shareholders

Table 1: Major Shareholder of Institutional Shareholders

April 29, 2012

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Solartech Energy Group	Sino-American Silicon Products Inc. (10.02%), Vialian Technology Co., Ltd. (5.12%), China Development Industrial Bank (3.78%), Keysheen Co., Ltd.((2.95%)、HsinDong Investment Company (2.49%), China Development Investment Co., Ltd.(1.72%), LonDee Corporation (1.08%), Chueh Chen-Chao(0.74%), Tsai Meng-Hsia(0.72%), Liu Kang-Hsin(0.71%)
Maoyang Corporation	Chang Feng-Ming(81.98%), Hsu Hsu-Hua (6.75%), Gui De Corporation (4.77%), Hsu Jia-Li (3.05%), Chang Ai-Ling (3.05%), Chang Hsi-Ning (0.2%), Chang An-Shih (0.2%)
Kun Chang Investment Company	Wang Hsueh-Hung (45.00%), Mercy Social Welfare Committee (12.00%), Christian Faith/Hope/Love Welfare Committee (12.00%), Via Technology Welfare Committee (11.00%), Christian Faith/Hope/Love Trust Fund (10.00%), Love of God Social Welfare Committee (10.00%)

Table 2: Major Shareholder(s) to The Company Listed in The Right Hand Column of The Above Table:

April 29, 2012

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Vialian Technology Co., Ltd.	Hong Mo Investment Company (36.9%)
China Development Industrial Bank	China Development Financial Holdings (100%)
Keysheen Co., Ltd.	O'Keons Investment Corporation (95.56%), Liu Tsung-Hsin (2.09%), Liu Tsung-Chih (1.22%), Chou Tsui-Chun (0.40%), Lin Bi-Yu (0.37%), Liu Hsin-Tzu (0.09%)、Liu Tzu-Kun (0.09%)、Liu Yi-Hsiao (0.09%), Liu Tzu-Wei (0.09%)
HsinDong Investment Company	Wang Hsueh-Hung (45.00%), Mercy Social Welfare Committee (12.00%), Christian Faith/Hope/Love Welfare Committee (12.00%), Via Technology Welfare Committee (11.00%), Christian Faith/Hope/Love Trust Fund (10.00%), Love of God Social Welfare Committee (10.00%)
China Development Investment Co., Ltd	China Development Industrial Bank (100%)
LonDee Corporation	Liu Mei-Chun (21.25%)、Liu Hsuan-Hao (21.25%)、Liu Huang-Ching (21.25%)、Tsai Meng-Hsia (18.245%)、Liu Kang-Hsin (18.00%)、Chen Ming-Chih(0.0025%)、Chang Wu Bi-Wu(0.0025%)
Gui De Corporation	Feng-Ming Chang(49.2%), Hsu-Hua Hsu(35.6%), Maoyang Corporation(13.32%), Chang Hsi-Ning (0.94%), Chang An-Shih (0.94%)

(3) Director and supervisor information

Conditions / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Compliance with independence criteria (Note 1)										Selected current positions/number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, College or University	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Directors														
Ming-Kuang Lu			✓					✓		✓		✓	✓	NA
Tan-Liang Yao			✓			✓	✓	✓	✓	✓	✓	✓	✓	NA
Hsiu-Lan Hsu			✓			✓	✓	✓	✓	✓	✓	✓	✓	NA
Solar Energy Corp. Representative: Kang-Hsin Liu			✓	✓					✓	✓	✓	✓	✓	NA
Solar Energy Corp. Representative: Chin-Lung Chang	✓		✓						✓	✓		✓	✓	NA
Lin-Lin Sun			✓	✓				✓	✓	✓		✓	✓	NA
Wen-Hui Tsai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	NA
Maoyang Corporaton Representative: Tie-Chih Sun			✓	✓		✓		✓	✓	✓		✓		NA
Ting-Ko Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ming-Chang Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Meng-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Supervisors														
Su-Mei Yang			✓	✓		✓		✓	✓	✓	✓	✓	✓	NA
Guo-Chou Chen			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	NA
Kun Chang Investment Co. Representative: May-Yuan Chang			✓	✓		✓	✓		✓	✓	✓	✓		1

Note 1: A "v" is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a spouse or relative within the second degree of kinship of any other director of the Company.

(9) Not a person of any conditions defined in Article 30 of the Company Act.

(10) Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

Note 2: Guo-Chou Chen resigned from director and took the position as supervisor of the Company on June 17, 2011.

3.2.2 Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

Title	Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Ming-Kuang Lu	Apr. 2, 2007	10,138,670	2.29%	2,001,685	0.45%	0	0	- EMBA program in National Chengchi University - Vice president of LiteOn Technology	Note 1	N/A	N/A	N/A
Vice Chairman	Tan-Liang Yao	Oct. 1, 1998	1,720,395	0.39%	14,413	0	0	0	- MBA from Tamkang University - Assistant vice president at Lite-On GMBH. - President of the Company	Note 2	N/A	N/A	N/A
President	Hsiu-Lan Hsu	Feb. 1, 2008	1,441,085	0.33%	0	0	0	0	- M.S. in computer science from University of illinois - President of Creative Sensor Inc. - Vice president of the Company	Note 3	N/A	N/A	N/A
Vice President	Hao-Chun Shih	Nov. 1, 2005	205,257	0.05%	0	0	0	0	- Bachelor degree in Engineering Science , National Cheng Kung University - Vice president of Manufacturing Center of Sampo Technology Corp.	N/A	N/A	N/A	N/A
Material Vice President	Cheng-Mu Wu	Dec. 1, 2005	94,040	0.02%	0	0	0	0	- Master degree in Electrical Engineering, Minghsin University of Science and Technology - Manufacturing director of GIGABYTE Technology Co. LTD	N/A	N/A	N/A	N/A
R&D Vice President	Weng-Ching Hsu	May 17, 2004	400,808	0.09%	0	0	0	0	- Master Degree in Mineral and Metallurgical Engineering ,National Cheng Kung University - Researcher of Chemical Engineering Research Laboratories, Industrial Technology Research Institute	N/A	N/A	N/A	N/A
Sales& Marketing Vice President	Yu-Tse Lin	Oct. 1, 2004	66,369	0.02%	238	0	0	0	- Master degree in Mineral and Metallurgical Engineering.,National Cheng Kung University - Vice manager of General Semiconductor Taiwan	Note 4	N/A	N/A	N/A
Manufacturing Assistant Vice President	Chien-Hsiung Lo	May 1, 2009	10,145	0	0	0	0	0	- Master degree in Management Science, Chiao Tung University - Vice president of LTW Technology Co. LTD	N/A	N/A	N/A	N/A
Procurement Director	Ching-Wen Chou	Oct 1, 2009	3,709	0	0	0	0	0	- Master degree in Business Administration , University of Long Island,USA - Procurement manager of Wistron NeWeb Corp - Project manager of Symbol Technologes	N/A	N/A	N/A	N/A
Finance Manager	Shang -Chih Tai	Apr 27, 2010	5,177	0	0	0	0	0	- Master degree in Business Management, DAYEH University - Finance director of Wuxi Creative Sensor Technology Co., LTD - Section manager of TAIAN ELECTRIC CO., LTD	N/A	N/A	N/A	N/A
Accounting Manager	Mei -Ying Chiu	Apr 27, 2010	52,213	0.01%	55	0	0	0	- Bachelor degree in National Taipei College of Business - Audit of RSM International - Accountant in Middle area of E-Life Mall - Assistant of Carrefour	N/A	N/A	N/A	N/A

Note 1: Concurrently director of GlobiTech Incorporated. in U.S., chairman and CEO of Actron Technology Corporation, director of Lite-On Semiconductor Corp., chairman of Formerica Optoelectronics Inc., chairman of Right Way Industrial Co. Ltd., chairman of Ze Poly Pte Ltd., chairman of Sinosolar Corporation, director of Covalent Silicon Corp., director of GlobalWafers Co., Ltd., director of Sino Sapphire Co., Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co., Ltd, chairman and president of Sino Sapphire Co., Ltd., director of GlobalWafers Co., Ltd., director of Actron Technology Corporation, supervisor of Giga Epitaxy Technology Corp., chairman and president of Sinosolar Corporation, director of Covalent Silicon Corp.

Note 3: Concurrently chairwoman and CEO of subsidiary GlobiTech Incorporated in U.S., chairwoman and president of GlobalWafers Co., Ltd., chairwoman of Covalent Silicon Corp., chairwoman of Covalent Materials Sekikawa Corp, director of Sino Sapphire Co., Ltd., vice chairwoman of Kushan Sino Silicon Technology Company, director of SilFab Spa in Italy, director of Sunrise Global Solar Energy

Note 4: Concurrently director of Accu Solar Corp

3.2.3 Compensation Paid to CEO, President and Vice Presidents

(1) Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2010 Unit: NTD$ 1000

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of 2010 Net Income		Compensation Earned as Employees of SAS or of SAS Consolidated Entities										Total Compensation (A+B+C+D+E+F+G) as a % of 2010 Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)		Severance Pay and Pensions(B)		Bonus to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Profit Sharing (G)				Exercisable Employee Stock Options (H)				
																From SAS		From All Consolidated Entities						
		From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	
Director	Ming-Kuang Lu	0	2,200	0	0	0	0	6.634	10.078	1.55	2.86	8,933	11,180	216	216	0	0	0	0	0	0	2.13	2.66	None
Director	Tan-Liang Yao																							
Director	Hsiu-Lan Hsu																							
Director	Solar Energy Corp. Representative: Kang-Hsin Liu																							
Director	Solar Energy Corp. Representative: Chin-Lung Chang																							
Director	Lin-Lin Sun																							
Director	Wen-Hui Tsai																							
Independent Director	Maoyang Corporaton Representative: Tie-Chih Sun																							
Independent Director	Ting-Ko Chen																							
Independent Director	Ming-Chang Chen																							
Independent Director	Meng-Hua Huang																							
Independent Director	Hsiang-Ying Huang																							

Remark: 1. Hsiang-Ying Huang resigned from independent on June 17, 2011.

2. 2010 actual retirement payment: NTD $0

Allowance or funding of pension obligation: NTD $216,000

Remuneration Paid to Directors

<table>
<tr><td rowspan="3">Remuneration Paid to Directors</td><td colspan="4">Directors</td></tr>
<tr><td colspan="2">Total Remuneration (A+B+C+D)</td><td colspan="2">Total Compensation (A+B+C+D+E+F+G)</td></tr>
<tr><td>From SAS</td><td>From All Consolidated Entities (I)</td><td>From SAS</td><td>From All Consolidated Entities (J)</td></tr>
<tr><td>Under NT$2,000,000</td><td>Ming-Kung Lu
Lin-Lin Sun
Tang-Liang Yao
Hsiu-Lan Hsu
Wen-Huei Tsai
Kuo-Chow Chen
Ming-Chang Chen
Hsiang-Ying Huang
Meng-Hua Huang
Ting-Ko Chen
Mao-Yang Co.,Ltd.</td><td>Ming-Kung Lu
Lin-Lin Sun
Tang-Liang Yao
Wen-Huei Tsai
Ming-Chang Chen
Hsiang-Ying Huang
Kuo-Chow Chen
Meng-Hua Huang
Ting-Ko Chen
Mao-Yang Co.,Ltd.</td><td>Lin-Lin Sun
Wen-Huei Tsai
Kuo-Chow Chen
Ming-Chang Chen
Hsiang-Ying Huang
Meng-Hua Huang
Ting-Ko Chen
Mao-Yang Co.,Ltd.</td><td>Lin-Lin Sun
Wen-Huei Tsai
Kuo-Chow Chen
Ming-Chang Chen
Hsiang-Ying Huang
Meng-Hua Huang
Ting-Ko Chen
Mao-Yang Co.,Ltd.</td></tr>
<tr><td>NT$2,000,000~NT$5,000,000</td><td>0</td><td>Hsiu-Lan Hsu</td><td>Ming-Kung Lu
Tang-Liang Yao
Hsiu-Lan Hsu</td><td>Ming-Kung Lu</td></tr>
<tr><td>NT$5,000,000~NT$10,000,000</td><td>0</td><td>0</td><td>0</td><td>Tang-Liang Yao
Hsiu-Lan Hsu</td></tr>
<tr><td>NT$10,000,000~NT$15,000,000</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>NT$15,000,000~NT$30,000,000</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>NT$30,000,000~NT$50,000,000</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>NT$50,000,000~NT$100,000,000</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Over NT$100,000,000</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Total</td><td>11</td><td>11</td><td>11</td><td>11</td></tr>
</table>

(2) Remuneration Paid to Supervisors

Date: December 31, 2010 Unit: NT$ thousand

Title	Name	Remuneration Paid to Supervisors						Total Remuneration(A+B+C) as a% of 2010 net Income		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)		Bonus to Directors (B)		Allowances (C)				
		From SAS	From All Consolidated Entities (I)	From SAS	From All Consolidated Entities (I)	From SAS	From All Consolidated Entities (I)	From SAS	From All Consolidated Entities (I)	
Supervisor	Su-Mei Yang	0	0	0	0	2,316	2,316	0.54	0.54	None
Supervisor	Kuo-Chow Chen									
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang									
Supervisor	Mong-Fang Wu									

Note: Mong-Fang Wu resigned as a supervisor of SAS on June 7, 2011.

Remuneration Paid to Supervisors

Remuneration Paid to Supervisors	Supervisors	
	Total Remuneration (A+B+C)	
	From SAS	From All Consolidated Entities (D)
Under NT$2,000,000	Wei-Shu Liu May-Yuan Chang Mong-Fang Wu Su-Mei Yang	Wei-Shu Liu May-Yuan Chang Mong-Fang Wu Su-Mei Yang
NT$2,000,000~NT$5,000,000	0	0
NT$5,000,000~NT$10,000,000	0	0
NT$10,000,000~NT$15,000,000	0	0
NT$15,000,000~NT$30,000,000	0	0
NT$30,000,000~NT$50,000,000	0	0
NT$50,000,000~NT$100,000,000	0	0
Over NT$100,000,000	0	0
Total	4	4

(3) Remuneration Paid to CEO, President and Vice Presidents

Title	Name	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Profit Sharing (D)				Total Compensation (A+B+C+D)as a% of 2010 net Income		Exercisable Employee Stock Options		Compensation Paid to Directors from Nonconsolidated Affiliates
		From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS		From All Consolidated Entities		From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)					
CEO	Ming-Kung Lu	24,807	27,054	757	811	0	0	0	0	0	0	5.96	6.50	0	0	None
Vice CEO	Tang-Liang Yao															
President	Hsiu-Lan Hsu															
Vice President	Ching-Chang Chin															
Vice President	Hao-Chun Shih															
Vice President	Weng-Ching Hsu															
Vice President	Yu-Tse Lin															
Vice President	Cheng-Mu Wu															
Vice President	Chi-Shien Sun															

Remark: 2011 actual retirement payment: NTD $0

Allowance or funding of pension obligation: NTD $757,000

Chi-Shien Sun is appointed as Vice President of Sino Sapphire Co., Ltd. after the carve-out dated Oct 1st, 2011.

Remuneration Paid to CEO, President and Vice Presidents

Remuneration Paid to Supervisors	Names	
	From SAS	From All Consolidated Entities (E)
Under NT$2,000,000	Chi-Shien Sun	Chi-Shien Sun
NT$2,000,000~NT$5,000,000	0	0
NT$5,000,000~NT$10,000,000	Ming-Kung Lu Tang-Liang Yao Hsiu-Lan Hsu Hao-Chun Shih Ching-Chang Chin Weng-Ching Hsu Yu-Tse Lin Cheng-Mu Wu	Ming-Kung Lu Tang-Liang Yao Hsiu-Lan Hsu Hao-Chun Shih Ching-Chang Chin Weng-Ching Hsu Yu-Tse Lin Chen-Mu Wu
NT$10,000,000~NT$15,000,000	0	0
NT$15,000,000~NT$30,000,000	0	0
NT$30,000,000~NT$50,000,000	0	0
NT$50,000,000~NT$100,000,000	0	0
Over NT$100,000,000	0	0
Total	9	9

(4) Employee Profit Sharing Granted to Management Team

Date: December 31,2010 Unit: NT$ thousand

	Title	Name	Stock (Fair Market Value)	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2010 Net Income
Management Team	Chairman	Ming-Kung Lu	0	0	0	0%
	Vice Chairman	Tang-Liang Yao				
	President	Hsiu-Lan Hsu				
	Vice President	Ching-Chang Chin				
	Vice President	Hao-Chun Shih				
	Manufacture Assistant Vice President	Tien-Liang Li				
	Logistics Assistant Vice President	Cheng-Mu Wu				
	R&D Assistant Vice President	Weng-Ching Hsu				
	Sales& Marketing Assistant Vice President	Yu-Tse Lin				
	QC Director	Chung-Wen Wu				
	Sales& Marketing Director	Sheng-Hsiung Hung				
	Manufacturing Director	Chien-Hsiung Lo				
	Procurement Director	Ching-Wen Chou				
	Finance Manager	Shang -Chih Tai				
	Accounting Vice Manager	Mei -Ying Chiu				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

1. Total Remuneration as a % of 2010 Net Income

<table>
<tr><td rowspan="2">Title</td><td colspan="2">Form SAS</td><td colspan="2">From All Consolidated Entities</td></tr>
<tr><td>2011</td><td>2010</td><td>2011</td><td>2010</td></tr>
<tr><td>Directors</td><td rowspan="3">6.63%</td><td rowspan="3">5.42%</td><td rowspan="3">6.65%</td><td rowspan="3">5.56%</td></tr>
<tr><td>Supervisors</td></tr>
<tr><td>President and Vice President</td></tr>
</table>

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

Remuneration to the directors and supervisors is specified in the Articles of Incorporation, and accepted by the board of directors. The compensation for presidents and vice presidents shall be measured based on personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the company's business.

3.3 Implementation of Corporate Governance

3.3.1 Attendance of Directors for Board Meetings

A total of 15 meetings of the board of directors were held in the previous period. Director attendance was as follows: (2011/1/1~2011/12/31)

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Ming-Kung Lu	14	1	93%	Renewal of office (Re-elected on June 17, 2011)
Vice Chairman	Tang-Liang Yao	14	1	93%	Renewal of office (Re-elected on June 17, 2011)
Director	Hsiu-Lan Hsu	15	0	100%	Renewal of office (Re-elected on June 17, 2011)
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	7	0	88%	Elected on June 17,2011
Director	Solar Energy Corp. Representative: Chin-Lung Chang	7	1	88%	Elected on June 17, 2011
Director	Lin-Lin Sun	14	1	93%	Renewal of office (Re-elected on June 17, 2011)
Director	Wen-Huei Tsai	15	0	100%	Renewal of office (Re-elected on June 17, 2011)
Director	Kuo-Chow Chen	7	0	100%	Resigned on June 17, 2011
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	15	0	100%	Renewal of office (Re-elected on June 17, 2011)
Independent Director	Ming-Chang Chen	15	0	100%	Renewal of office (Re-elected on June 17, 2011)
Independent Director	Hsiang-Ying Huang	6	0	86%	Resigned on June 17, 2011
Independent Director	Ting-Ko Chen	7	1	88%	Elected on June 17, 2011
Independent Director	Meng-Hua Huang	7	0	88%	Elected on June 17, 2011

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
   The issues the Company has submitted to Board of Directors for resolution according to Article 14-3 of Securities and Exchange Act are not objected to or reserved opinion by Independent Directors so far.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
   The Rules of Board of Directors Meetings has adopted and realized "At a meeting in which a Director or the juristic person that the Director represents is an interested party, he or she should specify important items regarding self interest if the participation is likely to prejudice the interest of the Company, such Directors may state his or her opinions or answer to questions at the Meeting, but is prohibited from participating in discussion of or voting on a matter, and shall physically withdraw himself or herself from participating in the discussion or voting on such matter, and likewise is prohibited from voting on such matter as a proxy of another Director."

3. Measures taken to strengthen the functionality of the Board (such as Audit Committee, information transparency elevation): Hold meeting to review operation plan execution every quart according to authority regulations.

3.3.2 Attendance of Supervisors for Board Meetings

A total of 15 meetings of the board of directors were held in the previous period. Supervisor attendance was as follows: (2011/1/1~2011/12/31)

Title	Name	Attendance in Person	Attendance Rate in Person (%)	Notes
Supervisor	Mong-Fang Wu	7	100%	Resigned on June 17, 2011
Supervisor	Kuo-Chow Chen	8	100%	Elected on June 17, 2011
Supervisor	Su-Mei Yang	13	87%	Renewal of office (Re-elected on June 17, 2011)
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	5	63%	Renewal of office (Re-elected on June 17, 2011)

3.3.3 Attendance of Audit Committee: The Company doesn't establish Audit Committee; therefore, not applicable.

3.3.4 Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status	Non-implementation and Its Reason(s)
1. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints (2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and "firewall" between the Company and its affiliates	(1) The stock transfer and registrar department of Yuanta Financial Holding is the deputy of shareholder service. The Company established spokesperson and web page for related matters (2) The Company legally discloses a list of major shareholders and a list of ultimate owners of these major shareholders (3) The Company sets up and performs subsidiary company supervision	No significant deviation No significant deviation No significant deviation
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors (2) Regular evaluation of external auditors' independence	(1) Established 3 Independent Directors (2) The Board of Directors annually check external auditors' independence	No significant deviation No significant deviation
3. Communication channel with interest-related party	Keep smooth communication channel with interest-related party	No significant deviation
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)	(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status (2) Completed designating people to handle information collection and disclosure and appointing spokespersons	No significant deviation No significant deviation

<table>
<tr><td>5. Operations of the Company’s Nomination Committee, Compensation Committee, or other committees of the Board of Directors</td><td>The Company has set up Remuneration Committee</td><td>The other committees depend on future development and demand.</td></tr>
<tr><td colspan="3">6. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation.
SAS does not establish corporate governance policies. The implementation of SAS corporate governance is in compliance with the rules of Corporate Governance. The establishment depends on future development and demand.</td></tr>
<tr><td colspan="3">7. Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors):
(1) Maintenance on Employee rights:
The Company always treats employees with honest and trust and protect employees rights according to Labor Standards Act
(2) Staff care: the Company constructs solid relationship with employees via welfare policy and internal training, such as Employee Welfare Committee, Company tour and Free Health examination.
(3) Stakeholders:
The Company has set up Stock Affairs Department to handle shareholders’ advice.
(4) Supplier relationship:
The Company has maintained stable relationship with suppliers.
(5) The rights of interest-related party: The company has established official website (http://www.saswafer.com) to disclose financial, sales and corporate governance information.
(6) Continuing education/training of Directors and Supervisors:
Specified in http://newmops.tse.com.tw
(7) Status of risk management policies and risk evaluation: The company has legislated internal regulations to evaluate and manage risks.
(8) Customer policy execution:
The Company has maintained stable relationship with customers to create profit.
(9) The Company has purchased responsibility insurance for Director, Independent Director and Important Managers to ensure protection of stockholders’ rights.</td></tr>
<tr><td colspan="3">8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows:
The Company does not authorize any other professional organization to conduct such an evaluation, therefore not applicable.</td></tr>
</table>

3.3.5. If the company has established Remuneration Committee, shall disclose its Composition, Responsibilities and Operations:

The Company has set up Remuneration Committee on December 20, 2011, comprised of three independent dorectors: Ting-Kow Chen, Ming-Chang Chen and Mong-Hwa Huang, whose duties are listed below:

(1) Legislate and regularly review performance evaluation of directors, supervisors and managers, as well as remuneration system, standard and structure.

(2) Regularly review remuneration of directors, supervisors and managers

The company has assembled three meetings as of March 30, 2012 with 100% Attendance Rate of all members.

3.3.6 The Implementation of Corporate Social Responsibility

Item	Implementation Status	Non-implementation and Its Reason(s)
1. Realization of company operation		
(1) The Company legislates social responsibility system and reviews the outcome.	(1) Though no policies are made, we carry out our responsibility, and prescribe related rules depending on future development.	When it's needed for legal reason or practical necessities, we execute according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies."
(2) The Company set up department to perform social responsibility.	(2) Our social responsibility department performs related affairs.	No Significant deviation
(3) Regularly hold training classes and advocacy for boards, supervisors and employees, combining with a merit system to evaluate all staffs.	(3) We have "Work Regulations" to specify merit system.	No Significant deviation
2. Environmental Protection		
(1) The Company works to promote ecological sustainability and use low-impact recycled materials.	(1) Recycle useless products to increase efficiency.	No Significant deviation
(2) The Company sets up suitable environmental management system according to its industrial specialty.	(2) Promotion of green activities: internal training, energy-saving environment and realization of environment management policy (received ISO 14000 certification.)	No Significant deviation
(3) The Company sets up department to perform environmental management.	(3) Promotion of green work environment: using energy-saving light bulbs and decreasing electricity consumption in facility.	No Significant deviation
(4) The Company pays attention to climate change impact on corporation, prescribing CO_2 and Greenhouse gas reduction policy.	(4) The Company carries out many energy-saving policies to decrease natural impact. Besides severe monitor over energy consumption during process; the Company also performs thorough realization of waste sorting and recycling; executes CO_2 reduction by commitment in coral-deducting equipment expenditures; encouraging staff to take Rapid Transit to lessen Greenhouse gas emission.	No Significant deviation

3. Social Welfare (1) The Company obeys labor regulations to ensure employees' rights, setting up appropriate management system. (2) The Company provides healthy work environment and perform internal health and safety training. (3) The Company sets up consumer sovereignty policy to provide an open complain channel. (4) Cooperation with supplier to improve social responsibility. (5) The Company involves in community and disadvantaged groups via business activities, donations and free services.	(1) The Company obeys labor regulations to ensure employees' rights and provide pension. The Employee Welfare Committee, which members are elected by employees, to work on benefit provisions. Employers and employees holds regular meeting to understand both sides. (2) Managers regularly inspect work environment and perform internal health and safety training. (3) Being electronic component manufacturers, the Company strictly follows government regulations and international standards by not deceiving nor any other deeds that may damage trust and rights of clients. If any doubts concerning products shall rise, the Company takes full responsibility to solve. (4) The Company takes green involvement into consideration when procuring materials, and expects mutual elevation of social responsibility . (3) SAS actively involves in social charity activities, including: 1. Sponsor Disadvantaged Minorities 2. Charity Groups involvement 3. Emergency /disaster contribution 4. Academic sponsor 5. Blood donation:	No Significant deviation No Significant deviation No Significant deviation No Significant deviation No Significant deviation
4. Information disclosure (1) The Company discloses contact measures of industrial relativity and reliability	(1) Establishment of a corporate website http://www.saswafer.com to disclose	No Significant deviation

information. (2) The Company edits CSR report to disclose corporate social responsibility promotion.	corporate social responsibility information, such as environmental protection, CO_2 reduction and eternal energy. (2) The Company has not edited CSR report for now, yet actively executes corporate governance and sponsor social justice and welfare. SAS is considering editing CSR to disclose the implementation of corporate social responsibility in the future.	No Significant deviation
5. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation. SAS does not establish corporate governance policies. The implementation of SAS corporate governance is in compliance with the rules of Corporate Governance; may proceed depending on future needs.		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility (e.g., environment, community involvement, social contribution, social service, charity, consumer sovereignty, human rights, safety and hygiene, and other social responsibility activities): (1) Environmental events: Besides severe monitor over energy consumption during process; the Company also performs thorough realization of waste sorting and recycling; executes CO_2 reduction by commitment in coral-deducting equipment expenditures. (2) The Company encourages staff to involve in social welfare, SAS staffs have committed in park adoption, disaster contribution, blood donation and sponsor the disadvantaged minorities to participate in social welfare and realize social responsibility. (3) Customer rights: the main product is solar wafer ingredients and directly sale to downstream manufacturers, no access to customer. Besides, the Company regulates "Customer Complaint Procedure" and also sign supply contracts and quality contract with clients to guarantee customer rights.		
7. If the Company products and CSR report pass related institutes examinations are stated as follows: None		

3.3.7 Status and Execution of Fulfilling Operational Integrity

The company operates in accordance with laws and regulations. All decisions are benefits-centered for corporation and shareholders, and compliance with internal regulations.

3.3.8 Corporate Governance Guidelines and Regulations

If the Company specifies governance principles and related rules, the search methods should be disclosed: Please see the IR section on the website (http://www.saswafer.com)

3.3.9 Resignation Status of Financial Members (Including Chairman, President, Accounting Manager, Audit Manager…) In 2010, And As Of The Date Of This Annual Report: None

3.3.10 Continuing Education/Training of Directors and Supervisors in 2011

Title	Name	Date	Host by	Training	Duration hours
Chairman	Ming-Kuang Lu	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
		2011/11/24	Securities & Futures Institute	The 7th Taipei Corporate Governance Forum	3
Director	Tang-Liang Yao	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Director	Lin-Lin Sun	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	2011/12/16	Taiwan Corporate Governance Association	Establishment and Practice of Remuneration Committee	3
Director	Solar Energy Corp. Representative: Chin-Lung Chang	2011/12/16	Taiwan Corporate Governance Association	Establishment and Practice of Remuneration Committee	3
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Director	Wen-Huei Tsai	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Independent Director	Ting-Ko Chen	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Independent Director	Ming-Chang Chen	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
		2011/11/24	Taiwan Corporate Governance Association	Establishment and Practice of Remuneration Committee	3
Independent Director	Mon-Hwa Huang	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Supervisor	Kuo-Chow Chen	2011/07/19	Taiwan Corporate	Remuneration Committee and	3

			Governance Association	Corporate Governance	
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Supervisor	Su-Mei Yang	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3

3.3.11 Continuing Education/Training of Managers in 2011

President	Hsiu-Lan Hsu	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
Finance Manager	Shang -Chih Tai	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
		2011/12/08	Accounting Research and Development Foundation	Latest Accounting, tax and custom of International Multilateral Trade	6
		2011/12/15	Deloitte Learning Center	Teller Management and Practice	6
		2011/12/22	Deloitte Learning Center	Enterprise Fund Arrangement and Dispatching	6
Accounting Manager	Mei -Ying Chiu	2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
		2011/01/12-14	Accounting Research and Development Foundation	Junior Class For Accounting Manager (including accounting, audit, finance, regulations and corporate governance)	30
		2011/08/19	D.M.S. Consulting in U.S.A.	Management and Analysis of Trade Secret	2
		2011/12/22	Accounting Research and Development Foundation	IFRS – traditional Chinese version IAS1	3
		2011/01/10-11	Accounting Research and Development Foundation	Continuing Education For Accounting Manager	12
Audit Manager	Tzu-Chen Fan	2010/01/27	Accounting Research and Development Foundation	Corporation Internal Control System	6

		2011/01/28	Accounting Research and Development Foundation	IFRS Policy- Auditor Guidance	6
		2011/02/24	Yuanta Securities	AGM Process Seminar	3
		2011/03/02	IIA (Institute of International Auditors)	IFRS & Audit	3
		2011/03/22	IIA (Institute of International Auditors)	Subsidiary Management Workshop	3
		2011/07/19	Taiwan Corporate Governance Association	Remuneration Committee and Corporate Governance	3
		2011/08/19	D.M.S. Consulting in U.S.A.	Management and Analysis of Trade Secret	2

3.3.12 Other Important Information Helpful To Understand Corporate Governance Information Shall Also Be Disclosed：

Please see the IR section on the website (http://www.saswafer.com)

3.3.13 Internal Control System Execution Status

1. Statement of Internal Control System

Sino-American Silicon Products Inc.
Statement of Internal Control System

Date: March 22, 2012

Based on the findings of a self-assessment, Sino-American Silicon Products Inc. (SAS) states the following with regard to its internal control system in 2011:

1. SAS is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. SAS has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of SAS contains self-monitoring mechanisms, and SAS takes corrective actions whenever a deficiency is identified.

3. SAS evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. SAS has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, SAS believes that, during the year 2011[*2], its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be an integral part of SAS's Annual Report for the year 2011 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on March 22, 2012, with zero of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Sino-American Silicon Products Inc.

Chairman Ming-Kung Lu

President Hsiu-Lan Hsu

Note 1: When material weakness occurs the design/ execution of public company internal control system, the company shall append explanation after item 4, in which enumerates and specifies the weakness, and the countermeasure/amendment taken before date of balance sheet in the Statement of Internal Control System

Note 2: The date here refers to the ending date of fiscal year

2. Disclose the review report of independent auditors if they are retained for reviewing the internal control system: Not applicable

3.3.14 Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

3.3.15 As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.

Date	Meeting	Resolutions
2011/02/17	Board of Directors Meeting	1. Approve the investment in PowerTec Technology Inc. 2. Approve company restructure
2011/03/11	Board of Directors Meeting	1. Approve the 2010 standalone financial statements 2. Approve the 2010 consolidated financial statements 3. Approve capital injection to ZE POLY PTE.LTD. in Singapore 4. Approve to proceed strategic alliance with Solartech Energy Corp. via share swap 5. Approve 2010 Statement of Internal Control System 6. Approve the Amendment of the Articles of Incorporation. 7. Approve the early election of directors and supervisors 8. Approve the proposal of to release directors from non-competition restriction 9. Approve to convene 2011 Annual Meeting of Shareholders
2011/04/01	Special Board of Directors Meeting	1. Approve amendment of early election of directors and supervisors
2011/04/14	Special Board of Directors Meeting	2. Approve capital injection to SinoSolar Co., Ltd. 3. Approve manager appointment of reinvested subsidiary 4. Approve to release directors from non-competition restriction 5. Approve independent director remuneration 6. Approve the carve-out of semiconductor business unit 7. Approve to release equity of the carved company (temporarily renamed GlobalWafers Co., Ltd.) and waive the subscription right

		8. Approve the carve-out of sapphire business unit 9. Approve to release equity of the carved company (temporarily renamed Taiwan Sapphire Co., Ltd.) and waive the subscription right 10. Approve 2010 profit allocation 11. Approve new share issuance via capital increase in earnings and employee bonuses 12. Approve the Amendment of the Articles of Incorporation. 13. Approve new items for 2011 Annual Meeting of Shareholders
2011/04/28	Board of Directors Meeting	1. Approve the 2011Q1 standalone financial statements 2. Approve the 2011Q1 consolidated financial statements 3. Review independent director candidates nominated by shareholders 4. Approve to proceed capital increase via local SPO or GDR 5. Approve new items for 2011 Annual Meeting of Shareholders
2011/05/16	Special Board of Directors Meeting	1. Propose to invest GlobalWafers Inc. via holding equity of GlobiTech Incorporated, the USA subsidiary 2. Propose to invest GlobalSemiconductor Inc. with USD$ 28,159,419 3. GlobalSemiconductor Inc. proposes to procure Kunshan Sino Silicon Technology Co., Ltd. from Sino Silicon Technology Inc. incorporated in British Virginia Island.
2011/06/16	Special Board of Directors Meeting	1. Propose to sell financial assets at cost of Clean Venture 21 Corporation、SILFAB SPA、Ze Poly Ltd to subsidiary SSTI in NTD$ 1,477,714,000 2. Propose to sell financial assets at cost of partial payments receivable in USD$ 28,159,419 to SSTI, and proceed debt-equity swap with GlobalSemiconductor Inc. to issue new shares; hence revise the resolution from cash acquisition to exercise set-off of

		item 2 in Board Meeting dated 2011/05/16
2011/06/17	Shareholders' Meeting	1. Approve 2010 Business Report 2. Approve 2010 Supervisor Review Report 3. Approve 2010 Endorsements and Guarantees Execution Report 4. Approve Investment Status Report in China. 5. Approve report on FY2008, FY2009 and FY2010 implementation of capital increase. 6. Accept the FY2010 Business Report and financial statement. 7. Approve 2010 profit allocation plan 8. Approve new share issuance via capital increase in earnings and employee bonuses 9. Approve the Amendment of the Articles of Incorporation. 10. Approve the Amendment of Endorsements and Guarantees Procedure. 11. Approve the carve-out of semiconductor business unit 12. Approve to release equity of the carved company (temporarily renamed GlobalWafers Co., Ltd.) and waive the subscription right 13. Approve the carve-out of sapphire business unit 14. Approve to release equity of the carved company (temporarily renamed Taiwan Sapphire Co., Ltd.) and waive the subscription right 15. Approve to proceed capital increase via local SPO or GDR 16. Approve the early election of directors and supervisors 11 directors; 3 supervisors ◆Elected directors: Ming-Kuang Lu Tan-Liang Yao Hsiu-Lan Hsu Solar Energy Corp. Representative: Kang-Hsin Liu Solar Energy Corp. Representative: Chin-Lung Chang Lin-Lin Sun Wen-Hui Tsai

		Maoyang Corporation Representative: Tie-Chih Sun Ting-Ko Chen Ming-Chang Chen Meng-Hua Huang ◆Elected Supervisors: Guo-Chou Chen Su-Mei Yang Kun Chang Investment Co. Ltd. 17. Approve to release directors from non-competition restriction
2011/06/27	Board of Directors Meeting	1. Elect new Chairman 2. Elect new Vice Chairman 3. Propose to issue new shares via capital increase in cash to pay back bank loans 4. Approve to rename carved-out sapphire corporation. 5. Approve to authorize chairman and management team to discuss acquisition for enlarging operation scale, syntheses and hasten semiconductor integration 6. Incorporate GWVI Inc. and reinvest GWCM Inc. 7. Approve manager appointment
2011/07/19	Board of Directors Meeting	1. Propose to distribute share and dividend for 2011 capital increase 2. Approve amendment of Inside Trading Prevention Procedure 3. Approve manager appointment (Tai-Lung Ma) 4. Approve the amendment 2011 internal audit plan 5. Renewal of bank Compositive Loan 6. E.SUN Bank loan renewal for SSTI
2011/08/17	Special Board of Directors Meeting	1. Discuss 2011Q2 standalone financial statements 2. Discuss 2011Q2 consolidated financial statements 3. Propose to acquire semiconductor business unit of subsidiary of Covalent Materials Corporation in cash 4. Propose to convene 2011 Extraordinary Shareholders' Meeting 5. Directors/supervisors appointment of newly carved-out subsidiary, GlobalWafers Co., Ltd. 6. Directors/supervisors

		appointment of newly carved-out subsidiary, Sino Sapphire Co., Ltd. 7. Provide guarantee to Citigroup Inc. regarding financing, foreign currency, derivative trading and guaranteed debt regarding business transaction with subsidiary, GlobiTech Incorporated.
2011/08/16	Board of Directors Meeting	1. Discuss rights regarding 2011 capital increase in cash
2011/09/29	Special Board of Directors Meeting	1. Adjust issue price regarding 2011 capital increase in cash
2011/10/06	Extraordinary Shareholders' Meeting	1. Approve to acquire semiconductor business unit of subsidiary of Covalent Materials Corporation in cash
2011/10/25	Board of Directors Meeting	1. Discuss 2011Q3 standalone financial statements 2. Discuss 2011Q3 consolidated financial statements 3. Approve to issue employee stock option 4. Approve capital injection to Actron Technology Corporation 5. Discuss SAS' rental on partial 4F of GlobalWafers Co., Ltd. 6. Approve 2012 internal audit plan 7. Apply short-term general credit limit of USD 3 million for SINO SILICON TECHNOLOGY INC. from International Financial Dept. of Mega International Commercial Bank Co., Ltd. 8. Approve to adjust foreign currency/ financial derivatives trading amount of Citibank Taiwan. 9. Approve to adjust foreign currency/ financial derivatives trading amount of Mega International Commercial Bank Co., Ltd. 10. Approve to change investing structure for acquiring semiconductor business unit of subsidiary of Covalent Materials Corporation in cash 11. Propose to lend capital to subsidiaries - Global Semiconductor Inc., GlobalWafers Inc., GWafers Inc., and Sino

		Silicon Technology Inc. according to Procedure of Lending Funds to Other Parties 12. Discuss the NTD$ 11 billion syndicated loan for purchasing semiconductor business unit of subsidiary of Covalent Materials Corporation
2011/12/20	Board of Directors Meeting	1. Propose to establish Remuneration Committee under Board of Directors 2. Propose to hire Remuneration Committee members 3. Approve Amendment of Rules and Procedures of Board of Directors Meeting 4. Determine 2012 operation plan. 5. Apply short-term general credit limit of USD 3 million for SINO SILICON TECHNOLOGY INC. from Standard Chartered Bank (Taiwan) Limited. 6. Approve to adjust short-term general credit limit/ foreign currency/ financial derivatives trading amount of Standard Chartered Bank (Taiwan) Limited. 7. Renewal of Taishinbank short-term Compositive Loan 8. Renewal of Chang Hwa Bank short-term Compositive Loan 9. Approve to adjust foreign currency/ financial derivatives trading amount of Chinatrust Commercial Banks 10. Approve to adjust foreign currency/ financial derivatives trading amount of Taipei Fubon Commercial Bank Co., Ltd.
2011/12/20	Special Board of Directors Meeting	1. Approve to distribute managers' yearend bonus proposed by Remuneration Committee
2011/01/12	Board of Directors Meeting	1. Approve capital injection to GlobalWafers Co., Ltd. 2. Approve to change acquisition amount for acquiring semiconductor business unit of subsidiary of Covalent Materials Corporation 3. Approve capital injection to PowerTec Technology Inc.
2011/03/05	Board of Directors Meeting	1. Authorize to sign syndicated loan

		contract 2. Approve to amend 2012 internal audit plan, internal control system and related documents 3. Decide the share transfer record date of acquiring semiconductor business unit of subsidiary of Covalent Materials Corporation 4. Approve to sign Compositive Loan with Bank SinoPac 5. Propose to provide loan guarantee to Bank SinoPac for subsidiary SINO SILICON TECHNOLOGY. 6. Renewal of Taipei Fubon Commercial Bank Co., Ltd. short-term Compositive Loan 7. Propose that parent company provides loan guarantee to Standard Chartered Bank (Taiwan) Limited for subsidiary SINO SILICON TECHNOLOGY. 8. Renewal of Cathay United Bank short-term Compositive Loan 9. Renewal of Land Bank of Taiwan short-term Compositive Loan
2011/03/22	Board of Directors Meeting	1. Approve 2011 standalone/ consolidated financial statements 2. Approve 2011 Statement of Internal Control System 3. Approve Amendment of Articles of Incorporation 4. Approve Amendment of Acquisition or Disposal Procedure 5. Approve Amendment of Lending Funds to Other Parties Procedure 6. Approve Amendment of Rules and Procedures of Board of Directors Meeting 7. Approve to convene Annual General Shareholders' Meeting. 8. Discuss the resolutions/ suggestions proposed by 1st Remuneration Committee 9. Approve Amendment of Supervision and Management of Subsidiaries 10. Approve Amendment of Professional Distribution Regulations 11. Approve Amendment of 2012 operation plan.

2011/04/22	Board of Directors Meeting	1. Propose to issue Sino Sapphire Co., Ltd. shares

3.3.16 As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.

3.3.17 As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairman, President, Accounting And Audit Managers): None.

3.4 Information Regarding Audit Fees

3.4.1 Audit Fees

Accounting Firm	Name of CPA		Audit Period	Note
KPMG	Chen, Chien-Chen	Tseng, Mei-Yu	2012.01-2012.12	

Unit: NT$ 1000

Remuneration range \ Item		Audit Fee	Non-audit Fee	Total
1	Under NT$2,000 thousand	-	-	-
2	NT$2,000~NT$4,000 thousand	-	-	-
3	NT$4,000~NT$6,000 thousand	-	-	-
4	NT$6,000~NT$8,000 thousand	-	-	-
5	NT$8,000~NT$10,000 thousand	-	-	-
6	Over NT$10,000 thousand	10,186	300	10,486

Unit: NT$ 1000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Chen,Chien-Chen Tseng, Mei-Yu	10,186	-	300	-	-	300	2012.01.01-2012.12.31	

NOTE 1: When the Company changes its auditors and the accounting firm, shall separately specify audit period and reason in the Note column, and disclose information of audit and non-audit fees.

NOTE 2: Please record non-audit fees separately according to service item, if non-audit fees indicated under “Other” constitute 25 percent of total non-audit fees, the nature of those service items shall be indicated in the Note column.

3.4.2 Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and The Service Item: None.

3.4.3 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

3.4.4 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 15 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

3.5 Information on Replacement of Independent Auditors in the Last Two Years and Thereafter: None.

3.6 The Chairman, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report

3.7.1 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Title	Name	2010		As of April 19, 2011		Note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairman	Ming-Kuang Lu	963,384	0	(150,000)	0	CEO of the Company
Vice Chairman	Tang-Liang Yao	353,738	0	(290,000)	0	Vice CEO of the Company
Director	Hsiu-Lan Hsu	534,002	0	(204,000)	0	The Company's President
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	1,753,769	0 0	0 0	0 0	Assume office on June 17, 2011
Director	Solar Energy Corp. Representative: Chin-Lung Chang	1,753,769 0	0 0	0 0	0 0	Assume office on June 17, 2011
Director	Lin-Lin Sun	146,891	0	(70,000)	0	
Director	Wen-Huei Tsai	427,294	0	0	1,000,000	Assume office on June 17, 2011
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	890,089	0 0	0 0	0 0	
Independent Director	Ting-Ko Chen	0	0	0	0	Assume office on June 17, 2011
Independent Director	Ming-Chang Chen	0	0	0	0	
Independent Director	Meng-Hua Huang	0	0	0	0	Assume office on June 17, 2011
Supervisor	Su-Mei Yang	270,959	0	0	0	
Supervisor	Kuo-Chow Chen	868,552	0	0	0	Reassigned as supervisor from director on June 17, 2011
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	2,200,100 0	0 0	0 0	0 0	Assume office on June 17, 2011
Manager	Ching-Chang Chin	43,810	0	0	0	Resigned on October 1, 2011
Manager	Hao-Chun Shih	42,887	0	(40,000)	0	
Manager	Cheng-Mu Wu	62,906	0	(27,000)	0	

Manager	Weng-Ching Hsu	30,399	0	(1,000)	0	
Manager	Yu-Tse Lin	20,098	0	0	0	
Manager	Chi-Shien Sun	0	0	0	0	Assume office on June 17, 2011 Resigned on October 1, 2011
Manager	Chung-Wen Wu	13,100	0	0	0	Resigned on October 1, 2011
Manager	Sheng-Hsiung Hung	(21,819)	0	0	0	Resigned on October 1, 2011
Manager	Chien-Hsiung Lo	5,145	0	0	0	
Manager	Ching-Wen Chou	12,709	0	(11,000)	0	
Finance Manager	Shang -Chih Tai	5,177	0	0	0	Assume office on April 27, 2010
Accounting Vice Manager	Mei -Ying Chiu	19,987	0	0	0	Assume office on April 27, 2010

Note 1: Shareholders with 10% shareholdings or more shall be specified respectively as major shareholder.

Note 2: Shares trading or shares pledge with related parties shall fill in below information.

3.7.2 Shares Trading with Related Parties: None

3.7.3 Shares Pledge with Related Parties: None

3.8 Relationship Information of the Top 10 Shareholders among Who are Related Parties, as Defined in the Statement of Financial Accounting Standard NO.6.

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Note
	Share	%	Share	%	Share	%	%	Name	
Solartech-energy Corp.	21,860,379	4.93%	0	0	0	0	NA	NA	
Cathay life insurance Corp.	16,738,450	3.78%	0	0	0	0	NA	NA	
Feng-Ming Chang	10,951,120	2.47%	0	0	0	0	NA	NA	
Ming-Kuang Lu	10,138,670	2.52%	2,001,685	0.45%	0	0	NA	NA	
Public Service Pension Fund Committee	7,815,956	1.76%	0	0	0	0	NA	NA	
Standard Chartered bank Vangard merging Market ETF fiduciary account	6,779,938	1.53%	0	0	0	0	NA	NA	
Wenang Chung	5,401,105	1.22%	0	0	0	0	NA	NA	
Citibank Singapore government investment fiduciary account	5,138,150	1.16%	0	0	0	0	NA	NA	
Lin-Lin Sun	3,644,724	0.82%	0	0	0	0	NA	NA	
Wen-Huei Tsai	3,033,191	0.68%	0	0	0	0	NA	NA	

3.9 Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company

2011/12/31 Unit: 1,000 shares; %

Reinvestment	Investment by SAS		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Share	%	Share	%	Share	%
Sino Silicon Technology Inc.	21,729	100%	0	0	21,729	100%
GlobalWafers Co., Ltd.	180,000	100%	0	0	180,000	100%
Sino Sapphire Co., Ltd.	40,000	100%	0	0	40,000	100%
KUNSHAN SINO SILICON TECHNOLOGY CO., LTD.	No shares for Limited Corporation	100%	0	0	No shares for Limited Corporation	100%
GlobiTech Incorporated	1	100%	0	0	1	100%
Sinosolar Corp.	42,300	41.88%	52,190	51.67%	94,490	93.55%
GWVI Inc.	0	100%	0	0	0	100%
GlobalSemiconductor Inc.	25,000	100%	0	0	25,000	100%
GlobalWafers Ltd.	90,000	100%	0	0	90,000	100%
GWafers Inc.	No shares for Limited Corporation	100%	0	0	No shares for Limited Corporation	100%
GWCM Inc.	0	100%	0	0	0	100%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

1. Issued Shares

Unit: NT/Share

Month/ Year	Price	Authorized		Paid-in		Note		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other that cash	Other
1981/01	10	10,800,000	108,000,000	6,044,663	60,446,630	Cash offering 38,902,043	21,544,587	
1984/08	10	10,800,000	108,000,000	10,800,000	108,000,000	Cash offering 111,946	47,441,424	
1984/11	10	14,000,000	140,000,000	14,000,000	140,000,000	Cash offering 32,000,000	None	
1990/04	10	30,000,000	300,000,000	30,000,000	300,000,000	Cash offering 160,000,000	None	Note 1
1995/11	10	60,000,000	600,000,000	40,000,000	400,000,000	Cash offering 100,000,000	None	Note 2
1998/02	10	60,000,000	600,000,000	60,000,000	600,000,000	Cash offering 200,000,000	None	Note 3
1998/08	10	63,000,000	630,000,000	63,000,000	630,000,000	Capital surplus 30,000,000	None	Note 4
1999/12	10	78,000,000	780,000,000	78,000,000	780,000,000	Cash offering 150,000,000	None	Note 5
1990/10	10	86,421,000	864,210,000	86,421,000	864,210,000	Capital surplus, retained earnings, and capitalization of employee bonus 84,210,000	None	Note 6
2001/10	10	170,000,000	1,700,000,000	100,857,250	1,008,572,500	Retained earnings and capitalization of employee bonus 144,362,500	None	Note 7
2002/10	10	170,000,000	1,700,000,000	105,350,000	1,053,500,000	Retained earnings and capitalization of employee bonus 44,927,500	None	Note 8
2003/09	10	170,000,000	1,700,000,000	109,706,100	1,097,061,000	Capital surplus, retained earnings, and capitalization of employee bonus 43,561,000	None	Note 9
2004/09	10	170,000,000	1,700,000,000	114,593,000	1,145,930,000	Retained earnings and capitalization of employee bonus 48,869,000	None	Note 10
2004/09	10	170,000,000	1,700,000,000	122,300,000	1,223,000,000	Retained earnings and capitalization of employee bonus 77,070,000	None	Note 11
2005/10	10	170,000,000	1,700,000,000	152,300,000	1,523,000,000	Cash offering 300,000,000	None	Note 12
2006/09	10	250,000,000	2,500,000,000	161,000,000	1,610,000,000	Capital surplus, retained earnings, and capitalization of employee bonus 87,000,000	None	Note 13
2006/10	10	250,000,000	2,500,000,000	181,000,000	1,810,000,000	Cash offering 200,000,000	None	Note 14
2006/10	10	250,000,000	2,500,000,000	183,289,000	1,832,890,000	Execution of stock options 22,890,000	None	Note 15
2007/03	10	250,000,000	2,500,000,000	183,692,000	1,836,920,000	Execution of stock options 4,030,000	None	Note 16
2007/05	10	250,000,000	2,500,000,000	186,506,000	1,865,060,000	Execution of stock options 28,140,000	None	Note 17
2007/09	10	250,000,000	2,500,000,000	186,831,000	1,868,310,000	Execution of stock options	None	Note 18

						3,250,000		
2007/09	10	250,000,000	2,500,000,000	197,241,300	1,972,413,000	Retained earnings and capitalization of employee bonus 104,103,000	None	Note 19
2007/12	10	250,000,000	2,500,000,000	198,366,300	1,983,663,000	Execution of stock options 11,250,000	None	Note 20
2008/02	10	250,000,000	2,500,000,000	198,386,300	1,983,863,000	Execution of stock options 200,000	None	Note 21
2008/05	10	250,000,000	2,500,000,000	199,107,700	1,991,077,000	Execution of stock options 7,214,000	None	Note 22
2008/09	10	250,000,000	2,500,000,000	210,426,710	2,104,267,100	Retained earnings and capitalization of employee bonus 110,860,100 Execution of stock options 2,330,000	None	Note 23
2008/10	10	250,000,000	2,500,000,000	220,426,710	2,204,267,100	Cash offering 100,000,000	None	Note 24
2008/12	10	250,000,000	2,500,000,000	221,177,710	2,221,777,100	Execution of stock options 7,510,000	None	Note 25
2009/04	10	250,000,000	2,500,000,000	221,233,710	2,212,337,100	Execution of stock options 560,000	None	Note 26
2009/05	10	250,000,000	2,500,000,000	221,923,110	2,219,231,100	Execution of stock options 6,894,000	None	Note 27
2009/08	10	350,000,000	3,500,000,000	267,929,276	2,679,292,760	Retained earnings and capitalization of employee bonus 460,061,660	None	Note 28
2009/08	10	350,000,000	3,500,000,000	299,179,276	2,991,792,760	Cash offering 312,500,000	None	Note 29
2009/09	10	350,000,000	3,500,000,000	299,317,276	2,993,172,760	Execution of stock options 1,380,000	None	Note 30
2009/11	10	350,000,000	3,500,000,000	299,441,276	2,994,412,760	Execution of stock options 1,240,000	None	Note 31
2010/03	10	350,000,000	3,500,000,000	299,479,276	2,994,792,760	Execution of stock options 380,000	None	Note 32
2010/04	10	350,000,000	3,500,000,000	299,626,276	2,996,262,760	Execution of stock options 1,470,000	None	Note 33
2010/07	10	350,000,000	3,500,000,000	321,025,580	3,210,255,800	Retained earnings and capitalization of employee bonus 213,993,040	None	Note 34
2010/10	10	500,000,000	5,000,000,000	382,025,580	3,820,255,800	Cash offering 610,000,000	None	Note 35
2011/05	10	500,000,000	5,000,000,000	402,132,190	4,021,321,900	Share swap 201,066,100	None	Note 36
100/08	10	600,000,000	6,000,000,000	423,119,081	4,231,190,810	Retained earnings and capitalization of employee bonus 209,868,910	None	Note 37
100/11	10	600,000,000	6,000,000,000	443,119,081	4,431,190,810	Cash offering 20,000,000	None	Note 38

Note 1: Approval Document No. The 26 October 1980 Letter No. Taiwan Finance Securities –I-02824 of the Securities and Futures Commission, Ministry of Finance
Note 2: Approval Document No. The 04 December 1995 Letter No. Taiwan Finance Securities –I-39204 of the Securities and Futures Commission, Ministry of Finance
Note 3: Approval Document No. The 27 November 1997 Letter No. Taiwan Finance Securities –I-85459 of the Securities and Futures Commission, Ministry of Finance
Note 4: Approval Document No. The 10 July 1998 Letter No. Taiwan Finance Securities –I-58663 of the Securities and Futures Commission, Ministry of Finance
Note 5: Approval Document No. The 26 October 1999 Letter No. Taiwan Finance Securities –I-92634 of the Securities and Futures Commission, Ministry of Finance
Note 6: Approval Document No. The 6 October 2000 Letter No. Taiwan Finance Securities –I-83996 of the Securities and Futures Commission, Ministry of Finance
Note 7: Approval Document No. The 26 June 2001 Letter No. Taiwan Finance Securities –I-140364 of the Securities and Futures Commission, Ministry of Finance
Note 8: Approval Document No. The 9 August 2002 Letter No. Taiwan Finance Securities –I-0910144515 of the Securities and Futures Commission, Ministry of Finance
Note 9: Approval Document No. The 25 July 2003 Letter No. Taiwan Finance Securities –I-0920133758 of the Securities and Futures Commission, Ministry of Finance
Note 10: Approval Document No. The 19 July 2004 Letter No. Financial Supervisory –Securities–I-0930132046 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 11: Approval Document No. The 29 June 2005 Letter No. Financial Supervisory –Securities–I-0940126037 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 12: Approval Document No. The 1 July 2005 Letter No. Financial Supervisory –Securities–I-0940125440 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 13: Approval Document No. The 10 July 2006 Letter No. Financial Supervisory –Securities–I-0950128446 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 14: Approval Document No. The 12 July 2004 Letter No. Financial Supervisory –Securities–I-0950128620 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 15: Approval Document No. The 27 October 2006 Letter No. Science-Park-Listed-Company –0950028768 of Science Park Administration
Note 16: Approval Document No. The 3 March 2007 Letter No. Science-Park-Listed-Company –0960006570 of Science Park Administration
Note 17: Approval Document No. The 1 May 2007 Letter No. Science-Park-Listed-Company –0960011004 of Science Park Administration

Note 18: Approval Document No. The 17 July 2007 Letter No. Taiwan Finance Securities –I-0960011004 of the Securities and Futures Commission, Ministry of Finance
Note 19: Approval Document No. The 13 September 2007 Letter No. Science-Park-Listed-Company –0960025181 of Science Park Administration
Note 20: Approval Document No. The 5 December 2007 Letter No. Science-Park-Listed-Company –0960033158 of Science Park Administration
Note 21: Approval Document No. The 15 February 2008 Letter No. Science-Park-Listed-Company –0970007484 of Science Park Administration
Note 22: Approval Document No. The 14 May 2008 Letter No. Science-Park-Listed-Company –0970012289 of Science Park Administration
Note 23: Approval Document No. The 1 September 2008 Letter No. Science-Park-Listed-Company –0970023820 of Science Park Administration
Note 24 Approval Document No. The 5 November 2008 Letter No. Science-Park-Listed-Company –09700031254 of Science Park Administration
Note 25: Approval Document No. The 1 December 2008 Letter No. Science-Park-Listed-Company –0970033918 of Science Park Administration
Note 26 Approval Document No. The 13 April 2009 Letter No. Science-Park-Listed-Company –0980010288 of Science Park Administration
Note 27 Approval Document No. The 13 May 2009 Letter No. Science-Park-Listed-Company –0980012552 of Science Park Administration
Note 28: Approval Document No. The 14 August 2009 Letter No. Science-Park-Listed-Company –0980021402 of Science Park Administration
Note 29: Approval Document No. The 28 August 2009 Letter No. Science-Park-Listed-Company –0980024305 of Science Park Administration
Note 30: Approval Document No. The 28 September 2009 Letter No. Science-Park-Listed-Company –0980027608 of Science Park Administration
Note 31: Approval Document No. The 30 November 2009 Letter No. Science-Park-Listed-Company –0980033989 of Science Park Administration
Note 32: Aproval Document No. The 29 April 2010 Letter No. Science-Park-Listed-Company –0990012116 of Science Park Administration
Note 33: Approval Document No. The 4 June 2010 Letter No. Science-Park-Listed-Company –0990015583 of Science Park Administration
Note 34: Approval Document No. The 2 July 2010 Letter No. Science-Park-Listed-Company –0990018384 of Science Park Administration
Note 35: Approval Document No. The 15 October 2010 Letter No. Science-Park-Listed-Company –0990031133 of Science Park Administration
Note 36: Approval Document No. The 5 May 2011 Letter No. Science-Park-Listed-Company –1000011943 of Science Park Administration
Note 37: Approval Document No. The 31 August 2011 Letter No. Science-Park-Listed-Company –1000025568 of Science Park Administration
Note 38: Approval Document No. The 8 November 2011 Letter No. Science-Park-Listed-Company –1000033672 of Science Park Administration

2. Type of Stock

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued hares	Total	
Common Stock	443,119,081	156,880,919	600,000,000	OTC Stock

3. Shelf Registration: None

4.1.2 Shareholder Structure

Date: April 29, 2012

Structure / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institution & Persons	Total
Number	4	1	194	79,999	266	80,464
Ownership (Share)	7,816,558	2,623,500	60,851,609	311,235,930	60,591,484	443,119,081
Ownership (%)	1.76%	0.59%	13.73%	70.24%	13.68%	100.00%

4.1.3 Diffusion of Ownership

1. Common Shares

Each share having a par value of NT$ 10

Date: April 29, 2012

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~999	24,166	4,628,577	1.04%
1,000~5,000	44,319	88,100,435	19.88%
5,001~10,000	6,833	48,555,314	10.96%
10,001~15,000	2,154	25,814,824	5.83%
15,001~20,000	957	17,075,787	3.85%
20,001~30,000	918	22,132,289	4.99%
30,001~40,000	342	11,893,326	2.68%
40,001~50,000	191	8,609,180	1.94%
50,001~100,000	316	21,454,885	4.84%
100,001~200,000	121	16,687,527	3.77%
200,001~400,000	72	20,151,859	4.55%
400,001~600,000	26	12,263,788	2.77%

600,001~800,000	10	6,586,921	1.49%
800,001~1,000,000	3	2,648,980	0.60%
Over 1,000,001	36	136,515,389	30.81%
Total	80,464	443,119,081	100.00%

4.1.4 Major Shareholders

Date: April 29, 2012

Share / Name	Ownership (Share)	Ownership (%)
Solartech-energy Corp.	21,860,379	4.93%
Cathay life insurance Corp.	16,738,450	3.78%
Feng-Ming Chang	10,951,120	2.47%
Ming-Kuang Lu	10,138,670	2.29%
Public Service Pension Fund Committee	7,815,956	1.76%
Standard Chartered bank Vangard merging Market ETF fiduciary account	6,779,938	1.53%
Wenang Chung	5,401,105	1.22%
Citibank Singapore government investment fiduciary account	5,138,150	1.16%
Lin-Lin Sun	3,644,724	0.82%
Wen-Huei Tsai	3,033,191	1.05%

4.1.5 Market Price, Net Worth, Earnings, Dividends per Share for the Recent Two Years

Item / Year			2010	2011	2012/1/1~2012/3/31
Market Price per Share	Highest		116.5	146.5	69.60
	Lowest		61.00	35.35	46.40
	Average		92.12	92.74	57.73
Net Worth per Share	Before Distribution		48.24	42.86	41.08
	After Distribution		43.24	Note 1	Not applicable.
Earnings per Share	Weighted Average Shares (thousands)		339,873	421,203	382,026
	Earnings per Share	Before Adjustment	10.50	1.02	(1.40)
		After Adjustment	10.50	Note 1	Not applicable.
Dividends per Share	Cash Dividends		5.00	Note 1	Not applicable.
	Stock Dividend	From Retained Earnings	0.50	Note 1	Not applicable.
		From Capital Surplus	0	Note 1	Not applicable.
	Accumulated undistributed dividends		0	Note 1	Not applicable.
Return on Investment	Price/Earnings Rate		7.83	90.92	(36.71)
	Price/Dividend Rate		16.44	Note 1	-
	Cash dividend Yield		6.08	Note 1	-

Note 1: Pending 2011 shareholders' approval

4.1.6 Dividend Policy and Execution Status

1. Dividend Policy

If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:

(1) To make up for the previous loss;
(2) 10% of annual income retained as legal reserve until such retention equals the amount of authorized common stock;
(3) To distribute or reverse special earning reserve according to the law or competent authority;
(4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 5% as remuneration to Directors and Supervisors and at least 10% as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.

In order to keep sustainable development for the Company and continuous growth on earnings per share, the cash dividends for shareholders shall be no less than 50% of the dividends for shareholders.

Employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors.

2. Proposal to Distribute Profits

Distribution of earnings in 2011 is approved by the Board of Directors at 2012/4/25:

(1) Cash bonus – NTD $443,119,081
(2) Employee & director/supervisor bonus – None

4.1.7 Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share

Description \ Year			Estimates for 2012
Paid-in capital at the beginning of the term (Unit: Thousand NT$)			4,431,191,000
Stocks, Dividend Allocated in the Year	Cash dividend per share (Note 1)		NT$1.0
	Stock allocated per share upon capital increase with earning		0 Share
	Stock allocated per share upon capital increase with capital reserve		0 Share
Change in Business Performance	Operating profit (Unit: Thousand NT$)		N/A (Note 2)
	Increase (decrease) of operating profit compared with preceding year		
	Net profit after tax (Unit: Thousand NT$)		
	Increase (decrease) of net profit after tax compared with preceding year		
	Earnings per share (EPS) (NT$)		
	Increase (decrease) of EPS compared with preceding year		
	Annual average return rate of investment (on grounds of annual EPS)		
Presumed EPS and EPS Ratio	Assume earnings converted to capital increase are fully allocated as cash dividend	Presumed EPS	
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase	Presumed EPS	
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase but allocated as cash dividend	Presumed EPS	
		Presumed annual average return rate of investment	

Note 1: Waiting to be approved by Shareholders' Meeting on June 27, 2012

Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to announce the Financial Forecasts information for year 2012.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:
   (1) To make up for the previous loss;
   (2) 10% of annual income retained as legal reserve until such retention equals the amount of authorized common stock;
   (3) To distribute or reverse special earning reserve according to the law or competent authority;
   (4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 5% as remuneration to Directors and Supervisors and at least 10% as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.

   In order to keep sustainable development for the Company and continuous growth on earnings per share, the cash dividends for shareholders shall be no less than 50% of the dividends for shareholders.

   Employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors.

2. Proposal to Distribute Profits

Distribution of earnings in 2010 is passed by the board of directors:

(1) No allocation for employee stock bonus nor Directors' and Supervisors' remuneration.
(2) Ratio of employee stock bonus to capitalization of earnings: NA
(3) Recommended distribution of employee bonus and directors' and supervisors' remuneration has no differences with estimation, therefore, no need to disclose reason, variance and dealing.
(4) 2010 distribution of employee bonus and directors' and supervisors' remuneration is the same with proposal.

4.1.9 Repurchase of Company Shares: None

4.2 Status of Corporate Bonds: None

4.3 Status of Preferred Stocks: None

4.4 GDR Issuance

Date: March 31, 2012

<table>
<tr><td colspan="3">Date of Issuance</td><td>September 8, 2010</td></tr>
<tr><td colspan="3">Issuance and Listing</td><td>Luxembourg Stock Exchange</td></tr>
<tr><td colspan="3">Total Amount</td><td>US$ 177,192,800</td></tr>
<tr><td colspan="3">Offering Price per GDS</td><td>US$ 2.9048</td></tr>
<tr><td colspan="3">Units Issued</td><td>61,000,000 Units</td></tr>
<tr><td colspan="3">Underlying Securities</td><td>Common shares of Sino-American Silicon Products Inc.</td></tr>
<tr><td colspan="3">Common Shares Represented</td><td>61,000,000 Shares</td></tr>
<tr><td colspan="3">Rights and Obligations of GDS Holders</td><td>1. Holders of GDSs shall be entitled, in accordance with the provisions of the Deposit Agreement and the applicable provisions of laws and regulations of the ROC, to exercise the voting rights of the underlying common shares represented by the GDSs.
2. Subject to the laws and regulations of ROC, the GDSs holders have the same rights to distributions of dividends as shareholders of common stocks. If SAS declares stock dividends or other distribution of common shares in the future, the Depositary shall, in accordance with the provisions of the Deposit Agreement and relevant applicable laws and regulations, issue correspondent units of new GDSs and allocate them to the GDSs holders on a pro-rata basis to their respective GDSs holding, increase the number of the underlying common shares represented by each unit of GDS, or sell, for and on behalf of the holders of GDSs, such stock dividends and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.
Subject to compliance with the relevant applicable laws and regulations, the GDSs holders have the same pre-emptive rights as SAS shareholders of common stocks in the event of a rights offering or other similar offering by SAS. The Depositary shall, to the extent permitted by the Deposit Agreement and the relevant laws and regulations, provide such pre-emptive rights to GDSs holders or sell such rights, for and on behalf of the GDSs holders, and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.</td></tr>
<tr><td colspan="3">Trustee</td><td>Not Applicable</td></tr>
<tr><td colspan="3">Depositary Bank</td><td>Citibank, N.A.</td></tr>
<tr><td colspan="3">Custodian Bank</td><td>Citibank Taiwan Ltd.</td></tr>
<tr><td colspan="3">GDSs Outstanding</td><td>526,862</td></tr>
<tr><td colspan="3">Apportionment of expenses for the issuance and maintenance</td><td>All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDSs were borne by SAS and the selling shareholders, while maintenance expenses such as annual listing fees were borne by SAS.</td></tr>
<tr><td colspan="3">Terms and Conditions in the Deposit Agreement and Custody Agreement</td><td>-</td></tr>
<tr><td rowspan="6">Closing Price per GDS</td><td rowspan="3">2010</td><td>High</td><td>US$ 4.838</td></tr>
<tr><td>Low</td><td>US$ 1.176</td></tr>
<tr><td>Average</td><td>US$ 2.883</td></tr>
<tr><td rowspan="3">01/01/2011~ 03/31/2011</td><td>High</td><td>US$ 2.299</td></tr>
<tr><td>Low</td><td>US$ 1.534</td></tr>
<tr><td>Average</td><td>US$ 1.934</td></tr>
</table>

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

Date: March 31, 2012

Type of Stock Option	First Tranche
Regulatory approval date	2010.11.12
Issue date	2011.08.10
Units issued	10,000,000
Option shares to be issued as a percentage of outstanding shares	2.257%
Duration	6 years
Conversion measures	Issue new stock
Conditional conversion periods and percentages	Full 2 years: 40% Full 3 years: 60% Full 4 years: 80% Full 5 years: 100%
Converted shares	0
Exercised amount	0
Number of shares yet to be converted	10,000,000
Adjusted exercise price for those who have yet to exercise their rights	60.50
Unexercised shares as a percentage of total issued shares	2.257%
Impact on possible dilution of shareholdings	None

4.5.2 List of Executives Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess of NT$30 Million

Date: March 31, 2012 Unit: NTD

	Title	Name	No. of Option Shares	Option Shares as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousand)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousand)	Converted Shares as a Percentage of Shares Issued
2011	Chairman	Ming-Kuang Lu	2,790,000	0.629%	0	0	0	0%	2,790,000	59.9	167,121,000	0.629%
	Vice Chairman	Tan-Liang Yao										
	President	Hsiu-Lan Hsu										
	Vice President	Ching-Chang Chin										
	Vice President	Hao-Chun Shih										
	Vice President	Weng-Ching Hsu										
	Vice President	Yu-Tse Lin										
	Vice President	Cheng-Mu Wu										
	Assistant Vice President	Chien-Hsiung Lo										
	Department Director	Ching-Wen Chou										
	Manager	Shang -Chih Tai										
	Manager	Mei -Ying Chiu										

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions

1. The company has exchanged stock option of Solartech-energy Corp. by issuing new stock based on the decision of board of directors on March 11, 2011, effective base date – April 15, 2011.

(A) Anticipating benefit: The share swap is aiming at the strategic alliance to strengthen vertical integration in solar industry, collaborate to enlarge operation scale and elevate mutual profit and advantages.

(B) Possible risk: This share swap does not reach the reporting standard of "Operating Rules of the Taiwan Stock Exchange Corporation", thus no need for acquiring approval letter from TWSE. Therefore, according to "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the Company can only proceed share swap after reporting to Securities and Futures Bureau and validates. The effective base date is April 15, 2011 and no major possible risks happen so far.

(C) Countermeasure: None

Date: March 31, 2012 Unit: NTD $1000

Company Name		Solartech-energy Corp.
Address of Company		No.51, Dinghu 1st St., Guishan Township, Taoyuan County
Chairman		Kun Hsin Liu
Paid-in capital		2,670,394
Main business		Solar cell
Major product		Solar cell
Financial data of the latest year	Total assets	15,552,256
	Total liabilities	7,793,317
	Total shareholders' equity	7,758,939
	Operating revenue	693,889
	Gross profit	(48,756)
	Operating income (loss)	(179,489)
	Net income (loss)	(205,138)
	Earning per share	(0.80)

2. The Company acquires semiconductor business units of Covalent Material Corporation on March 29, 2012, yet does not issue shares.

4.7 Financing Plans and Implementation

4.7.1 FY 2008 Implementation of Rights Issue Report

FY 2008 Implementation of Rights issue

I. Description

1. Approval date and documents No.: in accordance with the letter of July 14, 2008 Chin-Kuan Cheng one Tze No.0970033840 issued by the relevant regulatory authority.
2. Total amount: NT$2,500,000,000
3. Sources of funding:
   (1) Issuance of 10,000,000 common shares via cash capital increase, issuing price as NTD$110, raising NT$1,100,000,000
   (2) Other: NT$1,400,000,000 paid by own capital or bank loans.

Unit: NT$thousands

Plan	Estimated Target Schedule	Total Amount	Status of Projected Use of Capital			
			2008		2009	
			Q3	Q4	Q1	Q2
To build plant	Q2 2009	2,500,000	750,000	750,000	500,000	500,000
Total		2,500,000	750,000	750,000	500,000	500,000

II. Implementation

Unit: NT$thousands

Plan	Status		Total Amount as of 03/31/2011	Reasons of project ahead or delayed and the improvement plan
To build plant	Amount	Projected	2,500,000	This project delayed because of late payment.
		Actual	2,493,371	
	Status(%)	Projected	100.00%	
		Actual	99.73%	
Total	Amount	Projected	2,500,000	-
		Actual	2,493,371	
	Status(%)	Projected	100.00%	
		Actual	99.73%	

FY 2008 rights issuance was implemented on September 19, 2008. A total amount of NTD$1,100,000,000 raised fund and own capital of NTD$1,400,000,000 were projected to build plants. The plan is projected at NT$2,500,000,000. As of March 31, 2012, actual amount is NT$2,493,371,000.

III. The reasonableness for reserve balance

The plan is projected at NT$2,500,000,000. As of March 31, 2011, actual amount is NT$2,493,371,000, reserve amount is NT$6,629,000. Reserve amount of rights issuance is NT$0. The remaining expenses will be paid by bank loan or own capital.

4.7.2 FY 2010 Implementation of Global Depositary Shares Issue Report

I. Description

1 Date of approval and approval documents No.: in accordance with the letter of August 13, 2010 Chin-Kuan Cheng one Tze No.0990041383 issued by the relevant regulatory authority.

2 Total amount：NT$5,673,182 thousand

3 Sources of funding:

By the issuance of GDR from capital increase in cash. It is proposed to issue 61,000,000shares, with the issuing price temporarily setting at US$2.9048, and to raise US$174,931,000(NT$5,673,182,000) after deducting an issuing cost of US$2,262,000.

4 Plan schedule

Unit: NTD $1000

Plan	Estimated Target Schedule	Total Amount		Status of Projected Use of Capital			
				2009	2010		
				Q4	Q1	Q2	Q3
Purchase raw material overseas	Q3 2011	USD	174,931	43,732	43,733	43,733	43,733
Total		NTD	5,673,182	1,418,295	1,418,295	1,418,296	1,418,296

II. Implementation

Unit: NTD $1000

Plan	Status		Total Amount as of 03/31/2011	Reasons of project ahead or delayed and the improvement plan
Purchase raw material overseas	Amount	Projected	2,836,590	The reason that this project was implemented ahead of the projected schedule was that the Company revenue scaling up to meet bigger demand of purchasing raw materials.
		Actual	4,939,906	
	status(%)	Projected	50.00%	
		Actual	87.07%	

FY 2010 issuance of GDR for the new common shares from cash capital increase was implemented on September 8, 2010. A total amount of USD$174,931 thousand (NT$5,673,182 thousand) raised fund was projected to purchase raw materials overseas. The plan is projected at NT$2,836,590 thousand. As of March 31, 2011, actual amount is NT$4,939,906 thousand.

III. The reasonableness for reserve balance

The plan is projected at NT$5,673,182 thousand. As of March 31, 2011, actual amount is NT$4,939,906 thousand, reserve amount is NT$640,393 thousand. Reserve amount of rights issuance is NT$640,393 thousand and is kept in the Appointed Account and Time Deposit Account. Therefore, risk is minimized and reward is stable so it is reasonable for reserve balance of the project.

4.7.3 FY 2011 Implementation of Rights issue

I. Description

1. Approval date and documents No.: in accordance with the letter of August 2, 2011 Chin-Kuan Cheng one Tze No.1000032816 issued by the relevant regulatory authority.
2. Total amount: NT$940,000,000
3. Sources of funding:
   (1) Issuance of 20,000,000 common shares via cash capital increase, issuing price as NTD$47, raising NT$940,000,000
   (2) Other: NT$1,400,000,000 paid by own capital or bank loans.

Unit: NT$thousands

Plan	Estimated Target Schedule	Total Amount	Status of Projected Use of Capital			
			2011	2012		
			Q3	Q1	Q2	Q3
Bank Loan payment	Q3 2012	940,000	197,500	497,500	125,000	120,000
Total		940,000	197,500	497,500	125,000	120,000

II. Implementation

Unit: NT$thousands

Plan	Status		Total Amount as of 03/31/2012	Reasons of project ahead or delayed and the improvement plan
Bank Loan payment	Amount	Projected	695,000	Keep the schedule
		Actual	695,000	
	Status(%)	Projected	73.94%	
		Actual	73.94%	
Total	Amount	Projected	695,000	-
		Actual	695,000	
	Status(%)	Projected	73.94%	
		Actual	73.94%	

FY 2011 rights issuance was implemented on October, 2011. A total amount of NTD$940,000,000 raised fund and own capital of NTD$1,400,000,000 were projected to pay back bank loan. As of March 31, 2012, actual amount is NT$695,000,000.

III. The reasonableness for reserve balance

The plan is projected at NT$5,673,182,000. As of March 31, 2011, both projected and actual amount are NT$695,000,000. Reserve amount of rights issuance is NT$245,000,000, which is kept in the Appointed Account and Time Deposit Account with little risk and stable award. It is reasonable for reserve balance of the project.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. The Company shall engage in the following business:
   CC01080 Electronic Parts and Components Manufacturing
   F401010 International Trade
   IG03010 Energy-related Technology and Service

   (1) Research and development, design, manufacture and sell of the following products:
   - ●Silicon-based semiconductor materials and their components
   - ●Varistor
   - ●Photovoltaic and communication materials

   (2) The technology, management and advisory business related to the products listed above.
   (3) Photovoltaic system integration and installation services.
   (4) Import-export activities related to the above mentioned business.

2. Revenue distribution

Unit: NTD $1000; %

Major Divisions	Total Sales in Year 2011	(%) of total sales
Silicon Ingots	514,427	3%
Silicon Wafer	11,291,567	76%
Sapphire Wafer	674,287	5%
Other	2,376,032	16%
Total	14,856,313	100%

Note: The Company has carved out the semiconductor and sapphire business units to the subsidiaries with 100% shareholding GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. on October 1, 2011

3. Current Products and Service：
   (1) Single crystal ingot
   (2) Black wafer (super low resistivity)
   (3) Multi Crystal ingot
   (4) Ultra-thin wafer
   (5) High efficiency multi crystal wafer
   (6) Single crystal wafer
   (7) Silicon ingots of heavily-doped (super low resistivity)
   (8) Polish wafers/Epi wafers
   (9) Non-polish wafers /super thin wafers
   (10) SOI wafers/high power electronics bonding wafers
   (11) Diffused wafers/deep-diffusion polish wafers
   (12) Single-polished sapphire wafers; double-polished sapphire wafers
   (13) Patterned sapphire wafers; nano-patterned sapphire wafers
   (14) C-axis/r-axis sapphire ingots

4. New Technology/Products under Development

(1) Hot zone design of CZ grower, in order for high efficiency and low power consumption
(2) Hot zone design of solar multi-crystal growth and simulation
(3) High efficiency multicrysyal growth technology development
(4) 150-um solar wafers of high efficiency
(5) Surface-passivation solar wafers at low temperature
(6) Nano-textured anti-reflection solar wafers
(7) Hot zone design and simulation for silicon single crystal growth, to improve the light-induced degradation
(8) High efficiency n-type solar cells
(9) Solar single crystal growth of Ga-doped
(10) Solar multi-crystal growth of Ga-doped
(11) Hot zone design and crystal growth technique of solar single crystal
(12) Trinity solar wafer via ALD technology
(13) Nano application in solar materials
(14) Crystal Growth of mono-like wafer
(15) Crystal Growth of 8"crystals of Heavily Phosphorous Doped
(16) Crystal Growth of 8" Crystals of Heavily Arsenic Doped
(17) Wafer bonding of high power electronics wafer
(18) Wafer bonding of MEMS wafer
(19) MCZ silicon single-crystal growth
(20) RTP wafer heat treatment
(21) Processes of chemical gettering and thermal gettering
(22) Large size single crystal sapphire crystal grower hot zone design and simulation by CZ method
(23) Sapphire crystal grower hot zone design and simulation by KY method
(24) Micro- and Nano-patterned sapphire substrate technology development
(25) Wet-etched micro-patterned sapphire substrate technology development
(26) ZnO/AlN/GaN buffer layer atomic epitaxy on sapphire substrate technology development
(27) LiAlO3 single crystal puller technology development
(28) LiAlO3 single crystal wafer precision wafering technology development
(29) Non-polar gan single crystal substrate growth technology development
(30) Dry-etched submicron-circular patterned sapphire substrate technology development
(31) Nano-patterned sapphire substrate by laser-interfered lithography technology development
(32) High-speed device epitaxy on silicon wafer technology development
(33) 16" hot zone of horizontal magnetic field simulation technology development
(34) 24" hot zone of CUSP magnetic field simulation technology development
(35) Grower hot zone design and simulation with compulsive cooling system
(36) LPCVD_TEOS furnance with high homogeneity technology development
(37) Middle cut technology development of deep difusion wafer
(38) Technology development of lapping sludge recycle
(39) Technology development of slicing sludge recycle
(40) High efficiency and speed diamond wires cutting technology with little pollution
(41) High efficiency $G5^{+}$ multi-crystal growth
(42) Multi-crystal growth of 450 KG

5.1.2 Industry Overview

1. Industrial Current Status and Future Development

(1) Semiconductor

According to the latest data from WSTS, in 2011 total annual sales for the global semiconductor market were US$299.5 billion, slightly increasing by 0.4% compared to 2010; global IC shipment were 660.8 billion chips, slightly decreasing by 0.1% compared to 2010. 2011 ASP is US$0.453, a minor growth by 0.5% over 2010. Total U.S. semiconductor market sales in 2011 reached 55.2 billion dollars, an increase of 2.8% over 2010. Semiconductor sales in the Japanese market were US$42.9 billion, a 7.9% decline compared to 2010. Semiconductor sales in the European market totaled US$37.4 billion, an decrease of 1.7% over 2010. Semiconductor sales in the Asia region reached US$164 billion, an increase of 2.5% compared to 2010. Regionally speaking, companies headquartered in America harvested the greatest revenue improvement among all regions, at 7.5% growth. In comparison, revenue fell 7.2% as a whole for Japanese firms, which suffered from the impact of the 2011 earthquake and tsunami. WSTS forecasts global semiconductor revenue will reach US$316 billion, climbing by 4% over 2011, and order will button-out at Q2; inventories are expected to decline by Q1, foundry utilization rates are bottoming, and the economic outlook is stabilizing.

In the memory sector, DRAM pricing is expected to improve beginning in 2012 Q2. After being the worst-performing DRAM market in 2011 by declining 25%, pricing is expected to gradually rebound in 2012. NAND flash memory, however, is one of the fastest-growing device types in 2012, with revenue forecast to grow 18%. Analysts attribute the NAND flash growth to a strong increase in mobile consumer devices and solid-state drives.

Media tablet unit production is forecasted to increase 78% over 2011, contributing $9.5 billion to semiconductor revenue in 2012. Quad-core processors and higher-resolution displays will be mainstream for tablets in 2012. Besides, PC unit production in 2012 is projected to increase 4.7%, and semiconductor revenue from PC will reach $57.8 billion. Mobile phone unit production is expected to grow 6.7%, totaling $57.2 billion in semiconductor revenue in 2012. Further innovation focused on location and context will require advances in sensing, processing, displays, connectivity and power efficiency. In conclusion, 2012 should be a reasonably strong year for the semiconductor industry if the macroeconomic outlook stays in check.

ITRI predicts Taiwanese IC revenue will grow ahead of global ratio of semiconductor, and 2012 is going to be an optimistic year for semiconductor industry in Taiwan.

FIGURE 5-1 TAIWAN IC INDUSTRY OVERVIEW IN 2010~2012

Unit: NTD 100millions

NT$B	2010	10/09	2011	11/10	2012(e)	12/11 (e)
Industry Revenue	1,753.7	37.1%	1,562.7	-11.7%	1,656.9	6.5%
IC Design	454.8	17.9%	385.6	-15.2%	412.6	7.0%
IC Manufacturing	884.1	53.3%	786.7	-12.6%	824.6	5.7%
Foundry	570.9	39.9%	572.9	-1.7%	617.3	7.6%
Brand Name	313.2	86.0%	213.8	-32.5%	207.3	0.5%
IC Packaging	287.0	30.6%	269.6	-6.1%	290.0	7.6%
IC Testing	127.8	32.3%	120.8	-5.5%	129.7	7.4%
Product Revenue	768.0	38.6%	599.4	-22.3%	619.9	4.7%
WW Growth (%)	-	31.8%	-	0.4%	-	5.0%

Source：TSIA, IEK-ITRI (March 2012) (e): estimate

(2) Solar cell

German tariff reduction as well as Italian unclear subsidy result in not only excess supply and dipping price in first half 2011, but also domestic solar cell recess in 2011 Q2. Liquidity issue generated by European sovereign-debt crisis bursted in Q3 caused loan difficulty for solar system fab, taken together with deducting subvention and increasing inventory, European market demand were frozen. Being the major regional market, European unsatisfactory performance has severely struck global solar demand. According to MOEA statistic, production and sale represent NTD$25.448 billion & NTD$23.930 billion respectively, drastically declining 32.41% and 32.98% over the same period in 2010. Influenced by poor European market, 2011 Q3 exportation rate drops to 87.29%, a recess over 92.48% in 2011 Q2.

Germany plans to minimize 15%~18% subsidy, so does England and Italy, which plans to restrict installation via budget control, the rush to beat off tariff degradation for downstream companies and consumer boost 2011 Q4 market. However, low pricing shows no recovery. 2011Q4 revenue of Taiwanese solar cell still remain inactive.

FIGURE 5-2 DOMESTIC SOLAR CELL OVERVIEW OF LAST SIX QUARTERS

Unit: Million；%

	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Production (Million)	28,713	37,648	41,670	40, 736	23,946	25,448
YoY(%)	105.28	102.37	81.27	76.73	-16.60	-32.41
QoQ(%)	24.57	31.12	10.68	-2.24	-41.22	6.27
Sale(Million)	29,650	35,706	38,168	37,583	22,226	23,930
YoY(%)	118.08	106.82	64.10	69.17	-25.04	-32.98
QoQ(%)	33.46	20.43	6.89	-1.53	-40.86	7.67
Inventory(Million)	3,028	3,480	4,798	7,286	5,920	5,830
YoY(%)	-38.52	-21.70	34.77	78.79	95.50	67.54
QoQ(%)	-25.69	14.92	37.87	51.87	-18.75	-1.52
Exportation (%)	88.33	89.38	89.54	89.82	92.48	87.29

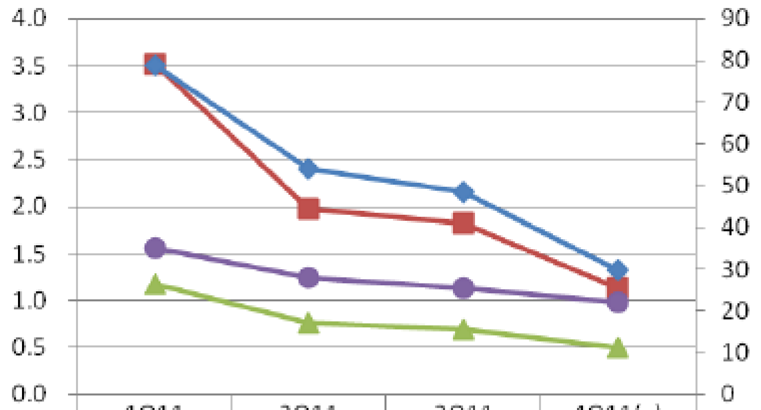
Source: Statistic department of MOEA & Taiwan Industry Economics Services; 2012 January

Oversupply in photovoltaic market has dampened polysilicon, silicon wafer, cells and module pricing. Weakened demand with new capacity forces polysilicon price to drop from USD$100 a kilo to USD$30 a kilo in 2011Q4, some companies even fall under USD$30, reaching USD$25~30, a dramatic decline of 70%. Polysilicon production cost for new fab is USD$30~40 a kilo while for international fab is USD$25~30 a kilo, the tepid selling price adding tremendous pressure on fab operation.

As for silicon wafer, 2010 broad market optimized production and capacity expansion for silicon manufacturers. Yet strict downstream market in 2011 imposes unsalable inventory and falling price. Rush selling of silicon wafer imposes a low price of USD$1.139 per chip, a huge degeneracy of 65%. Domestic manufacturers carefully choose order and downsize activation to cope with this crisis.

Frail inquiry as well as financial difficulty both freeze solar cell and module pricing. 2011Q4 solar cell and module are USD$0.505 per watt, and USD$0.978 per watt separately, at an annual decline of 50%~60%. Countermeasure for some manufacturers is to dwindle utilization, suspend expansion and request upstream silicon wafer and polysilicon makers to lower raw material price. Notwithstanding the antecedent efforts, feeble demand and slash pricing are bashes for solar cell and module makers.

Figure 5-3 Solar Industry Chain Pricing



	1Q11	2Q11	3Q11	4Q11(e)
Silicon wafer	3.520	1.980	1.825	1.139
Cell	1.170	0.760	0.695	0.505
Module	1.560	1.250	1.135	0.978
Polycilicon	79.0	54.0	48.5	30.0

Source: PV Insights/ ITRI

Being the dominant role of global solar inquiry, 2012 Q1 is critical for Europe as peak of sovereign-debt crisis. Germany, England, Italy and other nations reduce subvention to monitor financial expenditure. Solar inquiry naturally transfers to Asian and North America spurred by incentive policy of America, Japan and China. Despite of European poor performance, inventory elimination gradually settles excess supply. Taiwanese companies aggressively explore Japanese and North American market, even though rapid recovery is not available for domestic photovoltaic makers, stable pricing will help to maintain economy.

Figure 5-4 National Solar Subsidy Policy

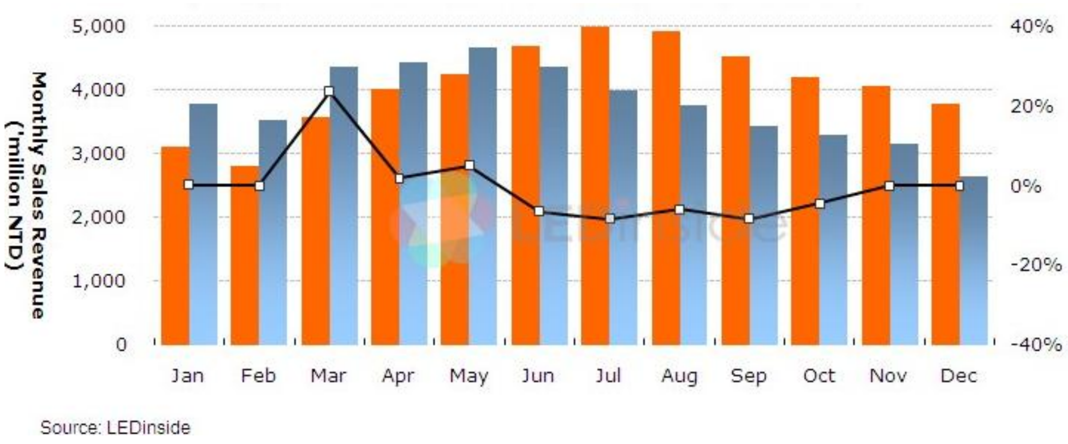
Country	Modification
Germany	Solar subsidies fades 15% from January, 2012
England	Cutting subsidy up to 50% for firms generating below 250kw via solar power
Japan	Being the only country to elevate incentive, "Surplus electricity buyback program" subsidizes houses and system users. Government sponsors 33% for solar equipments procurement.
U.S.A.	Government invests US$ 0.2 billion to subsidize 50% on Roof-Top Solar System Installation under 1MW and revives 30% of tariff degression.
China	Solar manufacturers are expected to be mainstream via governmental support on Golden Sun and Solar Roof Project.

Source: Yuanta Investment Consulting, the Capital Group, Economic Daily News and ITRI

(3) LED

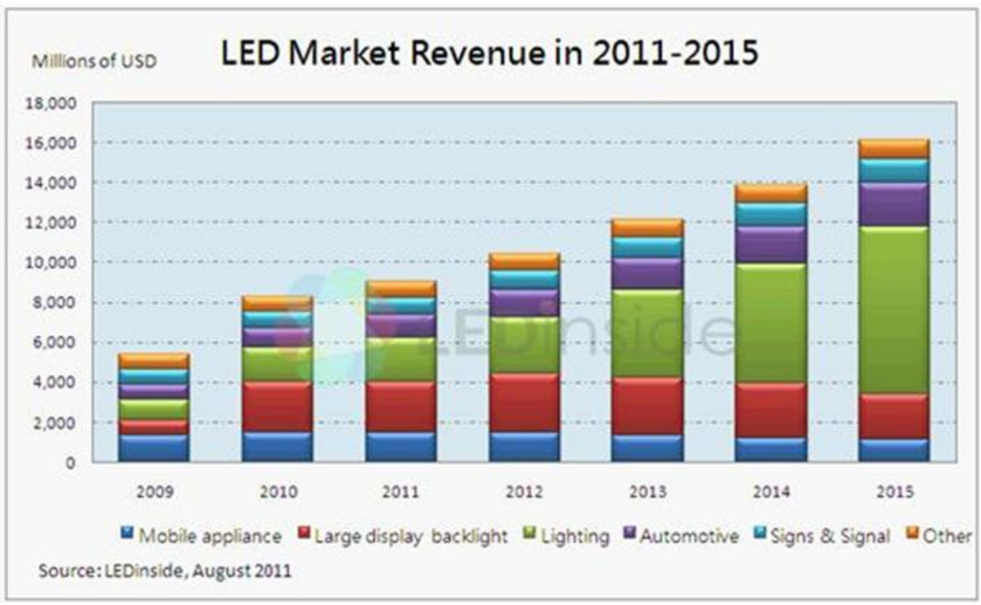
2011 forecast for Global high-brightness LED revenue slips to USD$9 billion from USD$10.6 billion due to unsatisfactory back-light market as well as oversupply caused by rapid drop of LED average selling price.

Figure 5-4 LED Chip Makers Monthly Sales Revenue (Taiwan), 2010-2011



Illumination becomes the main solution for LED manufacturers owing to weak back-light market. Any illumination company capable of entering Japanese supply chain has outstanding revenue contributed to energy-efficiency demand fueled by power restriction in Japan.

Figure 5-5



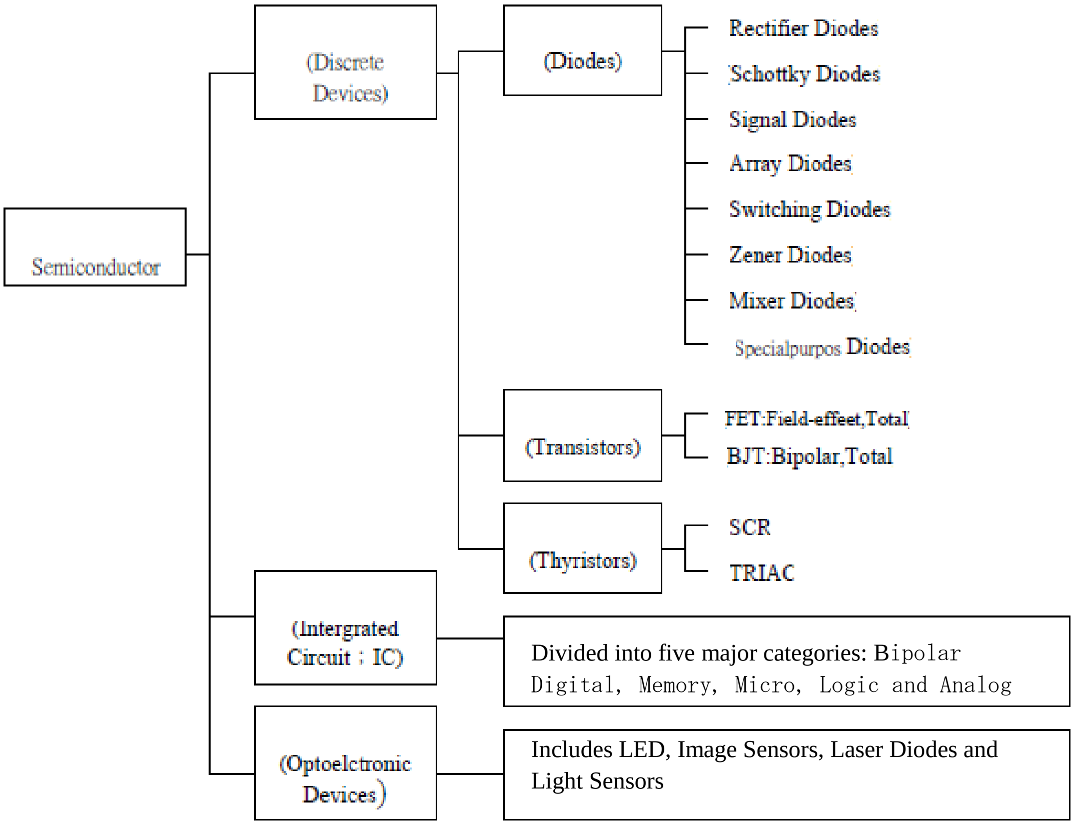
LEDforum 2011 Taipei, held by LEDinside, a research division of TrendForce, indicates that LED bulbs, which can replace a standard 40-watt bulb, are estimated to decline gradually since 2011. The average selling price of the bulbs dropped about 20% to US$23.6 in September compared with the same period of last year. Target products of individual company represent higher dropping. The lowest price range was formerly recorded in Japan, but Korea emerged as the most competitive country in the field after a bulb product priced under US$12 was introduced in May.

The products of the top three major LED brands cost between US$12 and US$14, expected to increase market acceptance and expand overall market consumption.

2. Relationship with Up-, Middle- and Downstream Companies

(1) Semiconductor

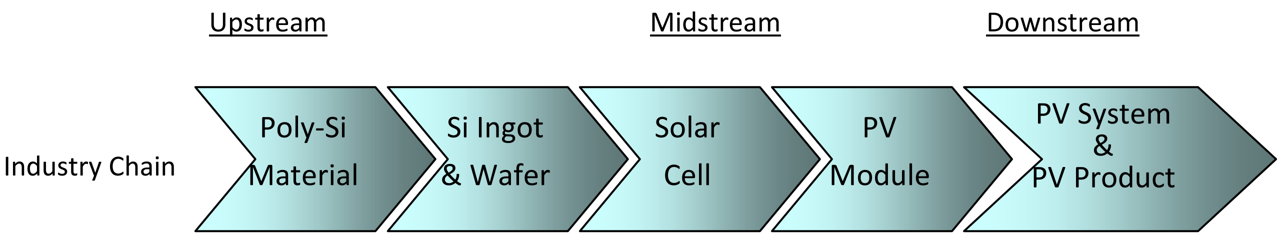
Figure 5-6 Semiconductor Industry Connection Chain



Source: SAS Internal

(2) Solar cell

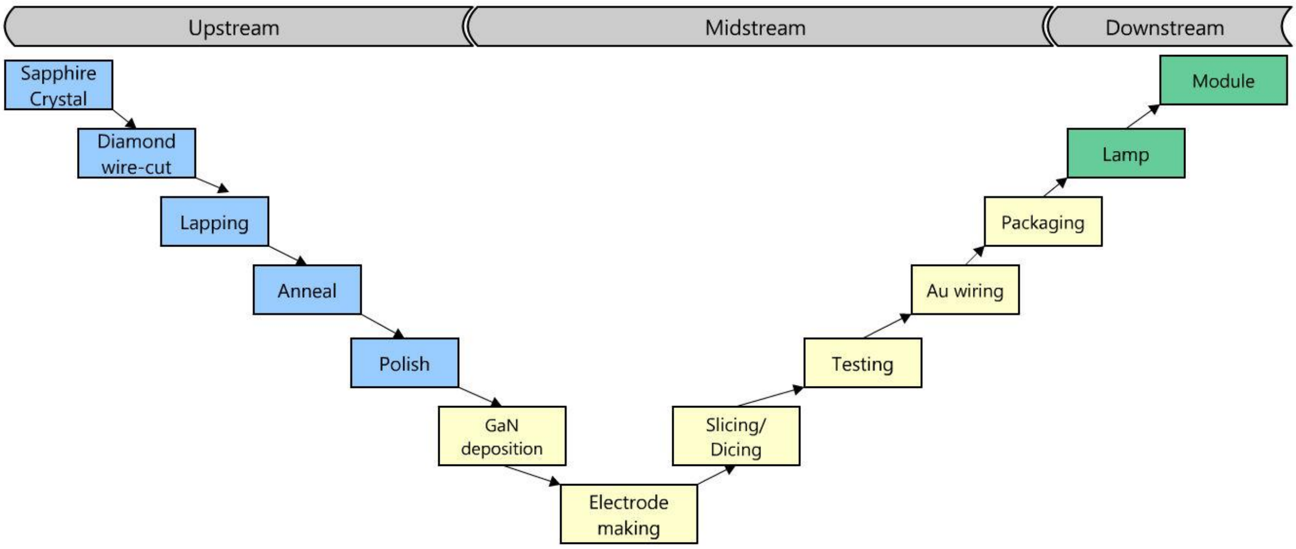
Figure 5-7 Solar Industry Connection Chain



Source: SAS Internal

(3) LED

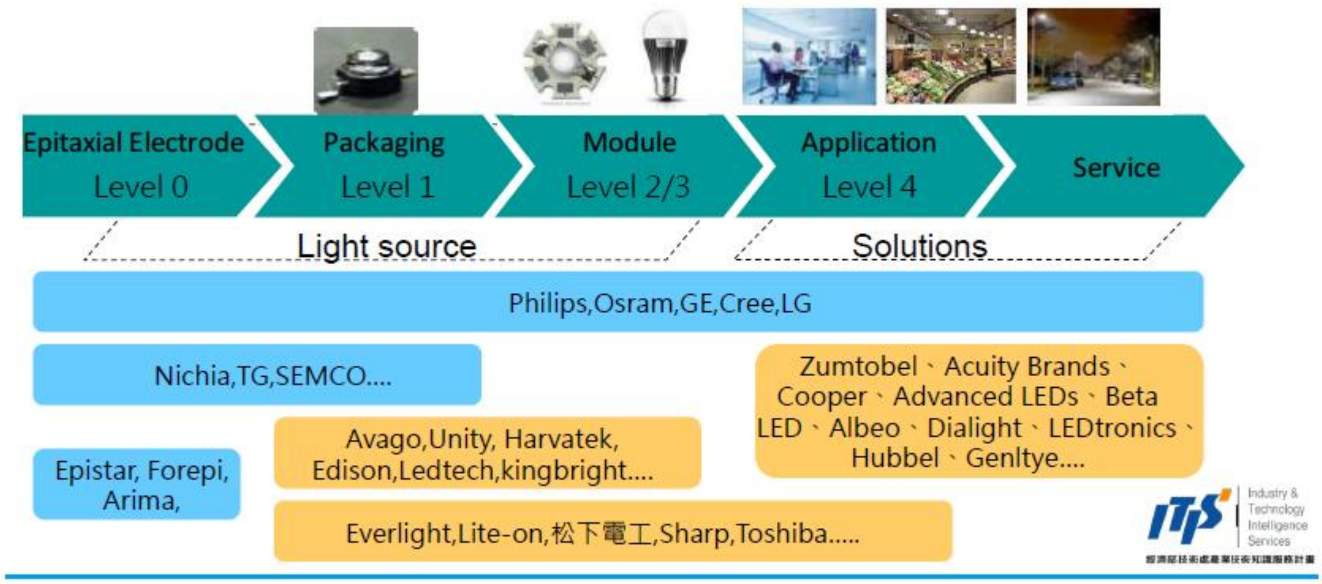
Figure 5-8 LED Industry Connection Chain



Sorce: SAS Internal

LED supply chain in Taiwan is complete with vertical distribution. There are about 200 manufacturers devoting into this industry, including epitaxy in upstream, electrode making in midstream and packaging/testing in downstream.

Figure 5-9 LED Industrial Distribution



Source:ITIS

3. Product Trends and Competition

(1) Semiconductor

According to forecast of IHS iSuppli, the market research institute, 2012 global semiconductor market will grow by 3.3%, with total revenue in $323.2 billion, and , the worldwide chip market is expected to suffer a slow year in 2012 marked by sluggish growth at best. Global economic prospects remains uncertain and semiconductor inventory is not moving quickly enough to stimulate new production according to IHS. If the United States and the rest of the world recover economically in 2013, growth from 2013 to 2015 will average 6.6%~7.9%, with total semiconductor revenue by 2015 rising to some $397.7 billion.

2012 annual growth forecast matches those of other institutes - Gartner projects to be 2.2% and WSTS projects to be 2.6%.

Because factory utilization will not recover until the middle of 2012, the IDMs will experience greater stress with underperforming factories. Capital expenditures for efficiency-increasing tools will likely be pushed to 2013.

In the memory sector, DRAM revenue will decline 16.1% in 2012, further depressing over a fell of 26.8% in 2011. NAND Flash, despite strong performance in mobile handsets and media tablets in 2011, will not require another surge in production capacity.

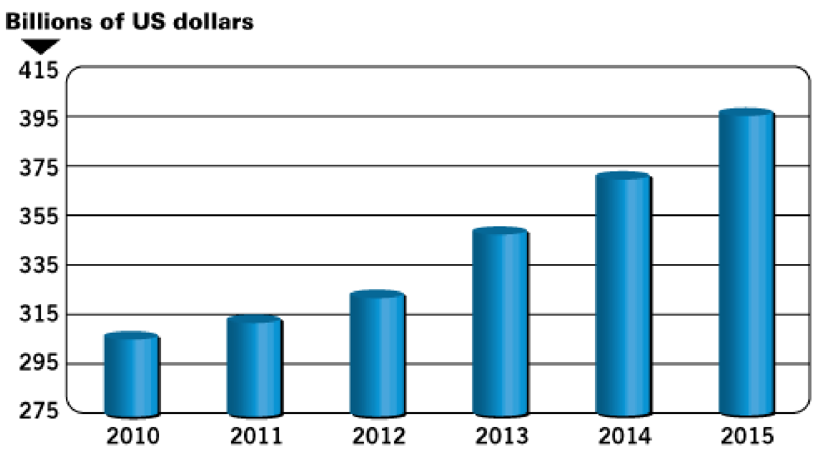
The wireless communication segment, spurred by media tablets, smartphones and industrial electronics, will drive chip revenues. The core PC and peripheral markets must see significant demand increases to boost the semiconductor industry as a whole, IHS believes.

2012 is certain to be a challenge for semiconductor industry. Macroeconomic burdens not only this industry, but also global economy. Unemployment, economic recession, European sovereign-debt crisis as well as inflation in China, India and Brazil all drag semiconductor market from boosting.

Figure 5-10 Worldwide Semiconductor Revenue

IHS iSuppli Figure: Worldwide Semiconductor Industry Revenue Forecast (Billions of US Dollars)

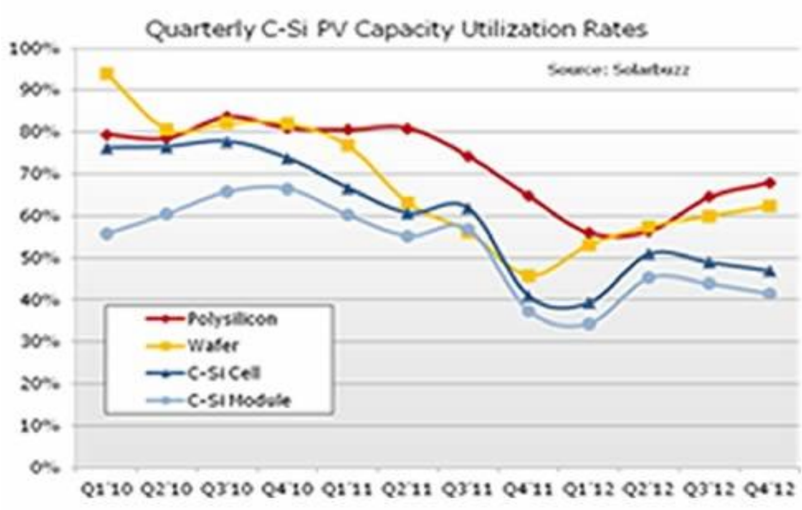
	2010	2011	2012	2013	2014	2015
Billions of US Dollars	$307.0	$312.8	$323.2	$348.7	$371.5	$397.7



(2) Solar

Solar supply chain has expanded more than market demand recently, resulting in capacity utilization rate slashing to 40%~60% since 2011Q4. Even though global inquiry remains the same, 2012 is under the shadow of oversupply. Low price directly threatens manufacturers with high production cost or laggard technology. Asian makers, mainly Taiwan and China, will augment global market share. Supply chain may be free from excess with soaring demand after 2013.

Figure 5-11 PV Capacity Utilization Rate Forecast

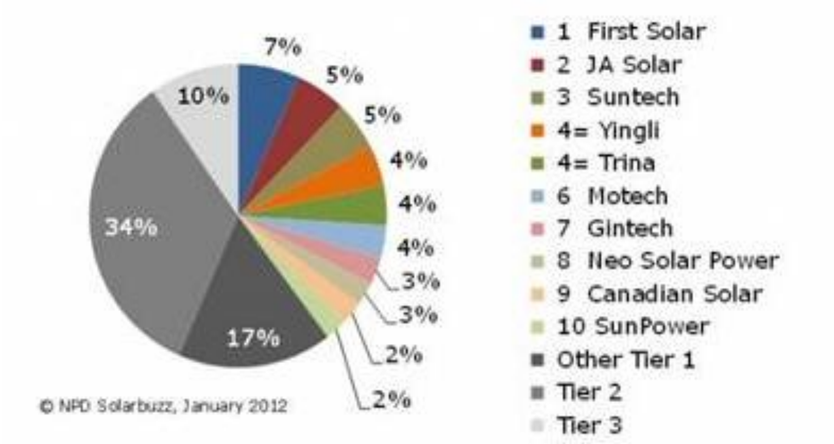


According to the latest research released by Solabuzz, Champion of solar cell capacity in 2011 goes to American First Solar, while Chinese and Taiwanese manufacturers maintained prominence, by securing 8 of the Top 10 positions. There are few changes in 2011 Top10 rankings compared to 2010, the Top 10 manufacturers now account for 40% of global production, down 4% from one year ago.

Solarbuzz predicts that 2012 is likely to be no less challenging for these manufacturers as Chinese and Taiwanese producers continue to lever their cost leadership in end markets. Cooperative and contract manufacturing was a major feature of 2011 by companies active across the c-Si value-chain, which exhibits tier 1 makers' emphases on budget control. While most tier 1 cell makers had the capacity to supply all their module requirements, many took advantage of utilizing tier 2 cell makers for their own-brand modules to minimize budget, outsourcing ratio up to 30%.

The strong demand for high-efficiency cells from downstream module producers in China, Japan, Europe and North America has retained Taiwan producers Motech, Gintech, and Neo Solar Power in the Top 10 list. Besides, American coalition urged an investigation against Chinese dumping, contingency plans being drawn up by many of the leading Chinese cell producers for sales into North America are based upon the use of Taiwan-produced cells. Therefore, this is likely to cause at least a short term increase in the share of cell production from Taiwan. Ultimately, it will be the combination of low-cost together with access to end markets that determines market share occupation, and primary companies still dominate.

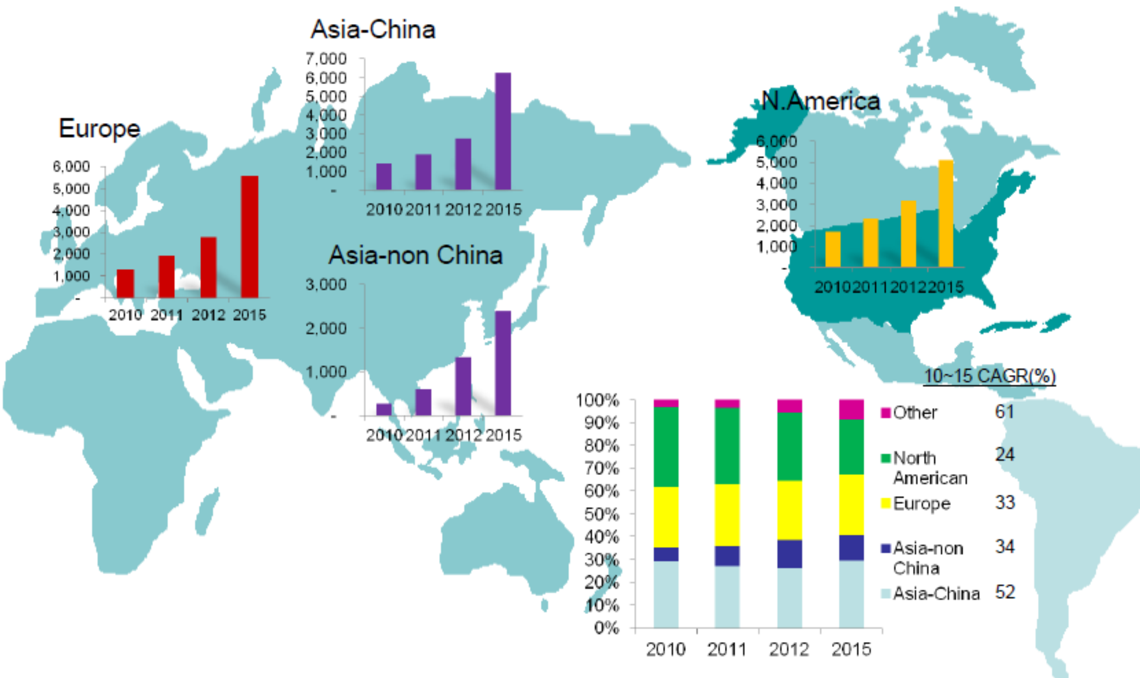
Figure 5-12 Internal Cell Production 2011



(3) LED

Entering Chinese market is an irresistible trend in the eyes of all LED manufacturers. Except for being the largest LED production base, China also contains the enormous domestic market of LED illumination. The first step in China equals commercial initiative. Aggressive deployment of manufacturers aims at strengthening power before China emerges to be the global center of LED.

Figure 5-13 Regional Market Growth Forecast



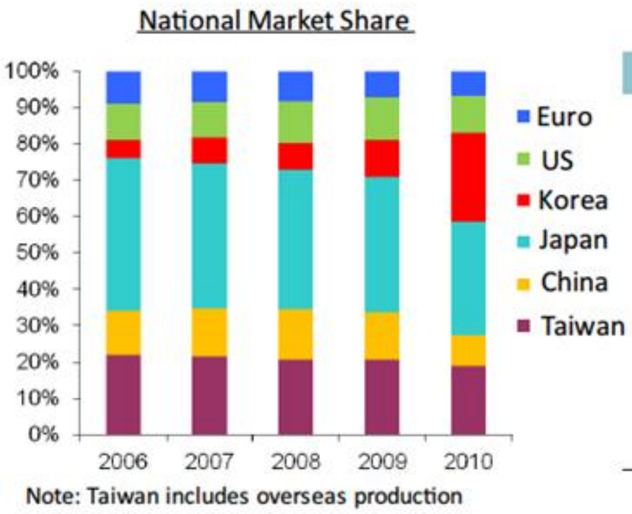
Besides, Korean market share has soared since 2010, attributed to below factors:

(A) LED-TV growth, Korea surpasses Taiwan as Top 2 Supplier

(B) Korea adopts collective growth strategy and focus on long-term development.

(C) System manufacturers pilot complete industry chain, actively elevate self-sufficient ratio of equipment and materials, also strength connection with illumination manufacturers.

Figure 5-14 National Market Share & High-Brightness LED Makers Ranking



High-Brightness LED Makers Ranking

Ranking	2009	2010
1	Nichia	Nichia
2	Osram	Samsung LED
3	Cree	Osram
4	SSL	Philips Lumileds
5	Stanley Electric	SSL
6	Toyota Gosei	LG Innotek
7	Philips Lumileds	Cree
8	Rohm	Sharp
9	Everlight	Toyota Gosei
10	Citizen	Everlight

5.1.3 Research and Development

1. Percentage of Research and Development Expenses to Net Revenue for Five Years

Unit: NTD $1000

Year	2010	2011
Net Revenue	20,079,873	14,856,313
Research and Development Expenses	485,572	381,960
Research and Development Percentage	2%	3%

2. Developed Technology and Products (from latest year to the annual report issued date)

Year	Item
2010	(1) Wafer bonding of high power electronics wafer (2) Wafer bonding of MEMS wafer (3) MCZ silicon single-crystal growth (4) RTP wafer heat treatment (5) Processes of chemical gettering and thermal gettering (6) Hot zone design of CZ grower, in order for high efficiency and low power consumption (7) Hot zone design of solar multi-crystal growth and simulation (8) Crystal growth of high quality A+ multi-crystal solar ingots (9) 150-um solar wafers of high efficiency

	(10)urface-passivation solar wafers at low temperature (11)Nano-textured anti-reflection solar wafers (12)Solar cells with black low reflection treatments (13)Hot zone design and simulation for silicon single crystal growth, to improve the light-induced degradation (14)Micro-lens array solar cells technology development (15)High efficiency n-type solar cells (16)Solar single crystal growth of Ga-doped (17)Solar multi-crystal growth of Ga-doped (18)Hot zone design and crystal growth of high output large square wafer (19)Large size single crystal sapphire crystal grower hot zone design and simulation by CZ method (20)Sapphire crystal grower hot zone design and simulation by KY method (21)Technique of Nano-Scale Pattern on Sapphire Substrate (22)Wet-etched micro-patterned sapphire substrate technology development (23)ZnO/AlN/GaN buffer layer atomic epitaxy on sapphire substrate technology development (24)LiAlO3 single crystal puller technology development (25)LiAlO3 single crystal wafer precision wafering technology development (26)Non-polar gan single crystal substrate growth technology development (27)Dry-etched submicron-circular patterned sapphire substrate technology development (28)Nano-patterned sapphire substrate by laser-interfered lithography technology development (29)High-speed device epitaxy on silicon wafer technology development
2011	(1) Hot zone design of solar multi-crystal growth and simulation of 580 KG (2) Low defect density multi-crystal growth of 580 KG (3) 9" solar single crystal growth (4) 8" solar single crystal growth of Ga-doped (5) High efficiency multi-crystal growth (average 17.43%) (6) 20" hot zone design and simulation for 8" silicon single crystal growth (7) 150-um solar wafers of high efficiency (8) High efficiency multi-crystal growth of 600 KG (9) Multi-crystal growth recharge (10)Sapphire cutting via diamond wires (11)U-grade single crystal growth (12)E-grade single crystal growth

5.1.4 Long-term and Short-term Development

(1) Semiconductor

A. Long-term Development

(1) Commitment in technology development of large size heavily-doped crystal growth and power semiconductors epitaxy, so as to achieve the largest supplier of middle and small size silicon wafers with complete production line.

(2) Commitment in technology development of high efficiency solar single-crystal growth, so as to achieve the largest silicon wafer supplier with complete production line and quality insurance.

(3) Capacity and technology integration of Japanese, Taiwanese and American sites, so as to make the best use of all resources.

(4) Due to discrete devices are undergoing size transformation from small (75mm, 100mm, 125mm) to large (150mm, 200mm), SAS shall plan advanced products in order to satisfy the change of semiconductor customer's demand and provide better options. With reference of Japanese sites in high efficiency hot zone design of single-crystal furnace and pulling technique, SAS endeavors in involving in 8.5" heavily-doped crystal or epitaxy wafers, via technology platform to decrease industrial competition yet increase promotion. As for sales, SAS aims at breaking into 8" wafer field by means of market exploration and product certification, building long-term collaboration with customers. With stable technology and orders of 8" wafers, SAS shall penetrate into integrated circuit market.

(5) Take full advantage of 8" & 12" capacity and technology of Japanese site to penetrate the market of tier 1 IC Fab.

B. Short-term Development

(1) SAS aims at heavily-doped crystal growth and wafering technology development to fulfill the requirements of power semiconductors epitaxy.

(2) SAS aims to expand market and orders of automotive and smart phone components; extend production capacity to draw more 4"/6" wafers orders; search for strategic alliance of technology and sales; research and develop new products and materials; expedite product implement and increase market share; develop core technology of large size wafer crystal growth; expanding communication with academy and research institutes, advance crystal technology to international standard.

(2) Solar

A. Long-term Development

(1) Solar industry is under the shadow of oversupply, it's difficult to detect market demand directly. Slumping price of supply chain aggravates manufacturing loss, even vertical-integrated maker hardly survive when facing enormous capital expenditures. As solar market grows, strategy is also in the phase of adjustment.

(2) The only advantage to survive is low cost and high efficiency regardless of market changes. Competitiveness of the cutthroat market comes from solar cell conversion efficiency- how to leverage high and low efficiency is the base to existence.

(3) Photovoltaic installation devices continue to grow in 2011 disregarding global recession. System cost dropping stimulated inquiry. Although market jolted with European

sovereign-debt crisis, bank introverts financing and domino effect system development. In fact, there are many systems waiting to be explored, especially in emerging market. It tells that capital is crucial when downstream developers ask for financial cooperation and credit period extension. Market demand will soar once financing difficulties relieves.

(4) FIT rate decrease after German shrinkage on solar subsidy unveils the era of Low FIT. Industry must get well preparation for Grid-Parity, demonstrating that total photovoltaic efficiency ought to improve. Research and develop high-efficiency product and technology is critical to maintain indestructible role in the market.

(5) Strategic coalition with upstream silicon material fab and advancing toward downstream system is industrial trend. SAS has invested many enterprises since 2008, such as solar cell manufacturer (Sunrise Global, Solartech Solar Energy), and system fab (SunParc in Italy, AccuSolar and Powertec Energy in Taiwan) so as to integrate vertical resources so as to maximize operation scale.

B. Short-term Development

(1) 2012 market is oversupply while end market is still uncertain. Only budget control and strategic deduction can moderate possible loss.

(2) SAS has developed the most efficient polysilicon chip (A^{3+}), and put into mass production. SAS will augment production so as to provide customers with high quality solar silicon materials and stay market competitiveness.

(3) LED

A. Long-term Development

(1) To catch the future trend of LED illumination, in-house manufacturing of sapphire crystal and crystal-growth equipment becomes a necessity in the goal of deducting production cost. Product application should aim at Pattern Sapphire Substrate (PSS) in the account for its high-stability.

(2) SAS actively involves in construction and manufacturing development of higher level sapphire crystal-growth, expending communication with academy and research institutes, advancing crystal technology to international standard, aggrandizing equipment efficiency to generate the most value of sapphire crystal with linear production module (crystal growth → drilling → slicing → lapping → polishing → pattern etching).

B. Short-term Development

(1) SAS aims at c-axis sapphire crystal-growth and ingot wafering technology development so as to maximize utilization of large-size sapphire crystal and minimize production cost of high-quality polish wafer and PSS. SAS shall commit in core technology of nano-scale pattern sapphire (PSS) to achieve superiority, and decrease industrial competition yet increase business promotion by means of strategic alliance with customers.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales Region

Unit: NTD $1,000

Area		2010		2011	
		Turnover	%	Turnover	%
Local		13,785,336	69%	9,403,629	63%
Abroad	Asia	4,639,429	23%	3,919,427	26%
	Europe	1,482,869	7%	1,136,244	8%
	Americas	153,413	1%	397,013	3%
	Australia	18,826	-	-	-
Total		20,079,873	100%	14,856,313	100%

2. Market Share (%) of Major Product

(1) Semiconductor

The Company's strategy is presently focused on small to middle-size polish wafers, epitaxial wafers and solar wafers development; Japanese site concentrates on 8" polish wafers, epitaxial wafers and 12" polish wafers. SAS persists in automotive sales exploration, increasing 12"polish wafer production in Japanese site and exportation of 6" and 8" epitaxial wafers to Japan.

(2) Solar

SAS is engrossed in high-efficiency solar wafer development, and evolving as major supplier of solar wafer in Taiwan. Accumulated capacity of Chunan branches I & II reaches 800MW with 200 MW ~300 MW spare capacity.

(3) LED

The Company is also actively engaged in the production of sapphire substrates required by the LED industry. By expanding our investments in the energy and optoelectric fields, the Company can diversify its product range and differentiate themselves from manufacturers of single specification products.

3. Future Supply And Demand in Market

(1) Semiconductor

2011 global semiconductor structure differs that of 2010 in which discrete component and sensor occupation rises. The rapid growth in 17.43% of sensor among the tepid atmosphere of semiconductor is proffered by wide promotion. Discrete component increases 0.94% while IC decreases slightly owing to slumping selling price.

RAM (Random Access Memory) accounts for the largest share in product structure by 21.3% in 2011, a decline in 3% compared with 2010, which is resulted from drastic dipping of DRAM price- the major constituent. PC DRAM even drops by over 50%, downsizing capacity of main manufacturers in late 2011. In the contrary, Nand flash overwhelms the market in the popularity of smartphone, Pad and MID, pricing smoothly diminishes. Product leverage emanates 3.1% recession in RAM market. ASSPs hastens spreading and market share; CPU also accelerates because of the huge climbing of portable computers.

As for application structure, computer, connection and consumer electronics are still deemed battlefield in IC market, totaling 87.5%. IC card replaces automotive electronics and sways the market. Computer IC does not fail its previous improvement, mounting 8.2% in annual growth.

In the next few years if global economy does not undulate, IC market will grow tranquilly yet stably in which main surge comes from PC, cell phone, LED and other well-accepted electronic. Besides, future market is under the impetus of new application, such as The Internet of Things, cloud computing, new energy, semiconductor illumination, medical and security electronics; MID, portable smart products, smart instrumentation, power management will amplify their influence over semiconductor market.

According to IC Insights, to achieve professional distribution/concentration, many large IDMs plan to stop in-house production of semiconductor wafers in the following years. With diminishing capacity of small to middle-size wafers, tier 1 fabs will surly allot resources on 12" wafers, and SAS shall solidify its leadership and enlarge economies of scale.

With the anticipating rapid growth of consumer electronics, epitaxial wafer is our 2012 target. The tactic is conducted considering not only our subsidiary's successful development and mass production of 8" wafers, but also epitaxial wafers' direct connection to the end market. Automotive devices also boost diffusion, polish and epitaxial wafers. With the aid of complete production line, SAS is optimistic in seizing more business opportunities.

(2) Solar
Enormous solar manufacturers have profited from accelerating photovoltaic industry until 2011. Capacity is ardently expanded to get the advantage from economies of scale and market share, resulting in Chinese makers as the biggest supply chain in the world. However, solar bubble bursts after the engorgement and ends up with oversupply. Industry chain undergoes the difficulty via reduction, suspension, filing for bankruptcy. However, in the viewpoint of other evaluations, 2012 is the real ordeal for solar makers since some barely struggled 2011 with 2010 revenue. 2012 is natural selection for solar manufacturers to decide who can evolve and restore the order of supply and demand. For those who survive, the selection screens out future winner by eliminating competitors. In conclusion, manufacturers with superior technology, competitive production cost, open distribution channel and abundant capital will survive.

(3) LED
LCD back-light will dominate after thoroughly analyzing all LED application. Nevertheless, LED makers also present illumination products that are similar with traditional lighting. In 2015, we believe that aside from back-light, illumination will also impel LED development.

Figure 5-15 LED Application Market Share

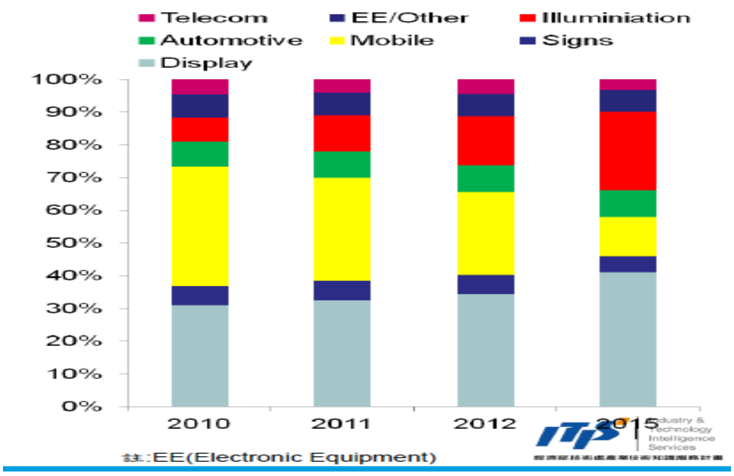
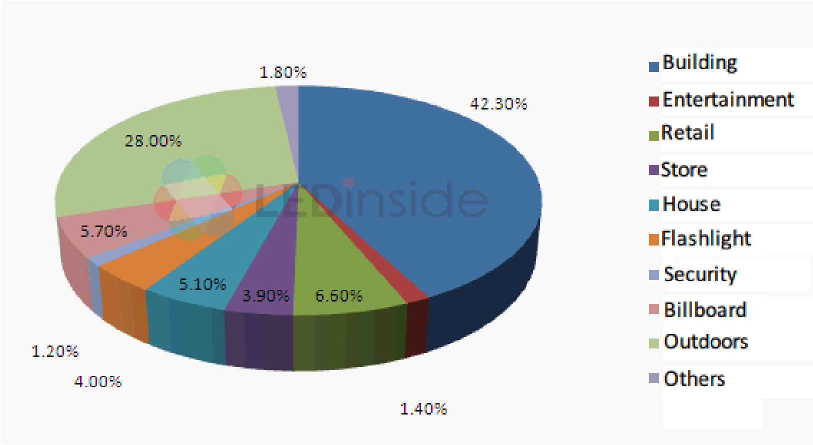


Figure 5-16 2010 Chinese LED Application Market



4. Competition Superiority

(1) Consistent investment on R&D creates core superiority.

(2) Cooperation with industry, government and science, possessing product innovativeness.

(3) Have the highest-level of capacity among domestic competitors, maintaining production flexibility and competition advantages in economics of scale.

(4) Stay current with customer demand and market trends and maintain strong long-term cooperative relationship with downstream customers.

(5) Maintain long-term cooperation with raw material suppliers, controlling constant supply of key materials and cost advantage.

5. Favorable and Unfavorable Factors in the Long-range Future

1. Favorable Factors

A. Semiconductor

(1) High occupation in small to middle-size wafer markets; vertical integration of group resource to catch downstream market.

(2) A broad range of power management applications, including information, communication, consumer electronics and automotive industry products, having great market potential.

(3) With multiple silicon sources to upgrade capacity and deployment of cost advantage.

(4) Internationally recognized R&D and process improvement for advancing products and competence.

B. Solar

(1) Even though photovoltaic industry is not mature enough to be independent from government subsidy, renewable energy is the inevitable trend that worth eternal development.

(2) With multiple silicon sources to upgrade capacity and deployment of cost advantage.

(3) Internationally recognized R&D and process improvement for advancing products and competence.

C. LED

With booming future, LED is the inevitable trend that worth eternal development.

2. Unfavorable Factors and Countermeasures:

A. Semiconductor

Small-size competitors involve and newly-explored capacity since 2011 Q2 cause oversupply possibility.

Countermeasures: Actively locate new clients; downstream integration and strategic alliance. With the coalition with Japanese site, our capacity has surpassed other rivals in small to middle-size wafer via improvement of technology and quality.

B. Solar

(1) Enormous competitors ardently undermine capacity and produce oversupply after 2011 Q2.

(2)New makers aggressively gulp solar market dip selling price and shrinking revenue.

Countermeasures:

(1) Actively locate new clients, especially China; downstream integration and strategic alliance.

(2)Strengthen technical connection with downstream clients; commitment in developing high-efficiency products with core technology; minimize production cost so as to magnify profit.

C. LED

Up-to-date technology and capacity have been explored restlessly by competitors generate slumping selling price and shrinking revenue.

Countermeasures: Strengthen technical connection with downstream clients; commitment in developing high-efficiency products with core technology; minimize production cost so as to magnify profit.

5.2.2 The Production Procedures of Main Products

1. Major Products and Their Application

Products	Main Usage
Solar ingot	Being wire-saw cut into solar wafers, which are used as substrates for solar cells.
Solar wafer	Key material of solar substrate and can be processed into solar module.
A^{+} solar multi-crystal wafer	Ingredient of multi-crystal solar cells with average conversion efficiency in 16. 9%
A^{3+} solar multi-crystal wafer	Critical ingredient of high-efficiency multi-crystal solar cells with average conversion efficiency in 17.2%
Semiconductor wafer	Major ingredient of semiconductor device. It is produced via polishing, diffusion, exposure, etching and can be processed via packaging and test so as to grow into main material of discrete devices (Schottky diode, high voltage PIN diode, bipolar transistor, thyristor, power MOSFET, IGBT, etc.), MEMS、Power Device, IC (Consumer IC, LOGIC IC) and photovoltaic component.
Sapphire Wafer	A basic substrate material on for white/blue light LED.
Nano-scale patterned sapphire wafer	A basic substrate material on for high-power blue LED epitaxy

Note: The Company has carved out the semiconductor and sapphire business units to the subsidiaries with 100% shareholding GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. on October 1, 2011

2. Process Flow

Wafering

Poly-Si → Silicon Growth → Cropping → Grinding → Slicing → Wafer Cleaning → Heat Treatment → Rounding → Lapping → Post-Lap Cleaning → Inspection → Packaging

Chips

Si Wafer → Diffusion → Sandblasting → Cleaning → Nickel Plating → Sintering → Nickel Plating→ Gold Plating → Slicing → Packaging

Polish Wafers

Lap Wafer → Wet Etching → Pre-polishing Inspection → Polishing → Initial Cleaning → Inspection → Final Cleaning → Surface Scan → Inspection → Packaging

Solar Single-Crystal Rods

Single-Crystal Growth → Cropping → Slug Inspection → Crystal Quality Assessments → Squaring and Grinding → Solar Rods

Solar Multi-Crystal Rods

Multi-Crystal Growth → Squaring → Cropping → Polishing → Solar Ingots

Solar Wafering

Poly-Si → Crystal Growth → Wire-Saw Cutting → Squaring →Lapping → Slicing → As-cut Wafer pre-Cleaning → As-cut Wafer Cleaning → Inspection → Packaging

Sapphire Wafering

Slicing →Double-Side Lapping →Edge Rounding →Rough Polishing → Fine Polishing → Final Cleaning →Appearance Inspection

5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Poly Silicon	Company A, B, C	Good
Ingots	Company B	Good

5.2.4 Major Suppliers and Clients

1. Major Suppliers Information for the Last Two Calendar Years

Unit: NTD $1000

Item	2010				2011				2012 (As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,925,336	14.57	None	A	2,885,912	19.47	None	A	251,531	23.13	None
2	B	825,681	4.11	None	B	946,773	6.39	None	B	230,341	21.18	None
3	C	1,428,738	7.12	None	C	639,499	4.31	None	C	118,645	10.91	None
4	D	2,125,245	10.58	None	D	550,516	3.71	None	D	70,479	6.48	None
5	E	938,662	4.67	None	E	549,684	3.71	None	E	37,465	3.45	None
	Others	7,276,134	36.24	None	Others	6,834,731	46.11	None	Others	307,712	28.30	None
	Net Supplies	15,519,796	100		Net Supplies	12,407,115	100		Net Supplies	1,016,173	100	

Note : Major suppliers mean each commanding 10%-plus share of annual order volume, yet contract specifies no name of suppliers or unrelated individuals shall be revealed, therefore, uses alphabet to refer.

1. Major Clients Information for the Last Two Calendar Years

Unit: NTD $1000

Item	2010				2011				2012(As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,581,033	12.85	None	A	2,163,382	14.6	None	A	136,819	12.58	None
2	B	1,363,419	6.79	None	B	1,108,454	7.48	None	B	125,912	11.58	None
3	C	1,243,930	6.19	None	C	743,719	5.02	None	C	98,352	9.05	None
4	D	1,020,417	5.08	None	D	722,222	4.87	None	D	93,352	8.60	None
5	E	1,009,441	5.03	None	E	682,790	4.61	None	E	81,128	7.46	None
	Others	12,861,633	64.05	None	Others	9,401,304	63.43	None	Others	551,587	50.73	None
	Net Sales	20,079,873	100		Net Sales	14,821,871	100		Net Sales	1,087,312	100	

Note : Major clients mean each commanding 10%-plus share of annual order volume, yet contract specifies no name of customer or unrelated individuals shall be revealed, therefore, uses alphabet to refer.

5.2.5 Production over the Last Two Years

Unit: NTD $1000

Output / Year / Major Products (or by departments)	2010			2011		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Ingots(Kg)	626,857	626,624	2,291,574	6,641,000	7,172,661	14,482,978
Silicon Wafer(1000)	156,484	153,339	18,123,456	165,305	132,232	10,424,272
Sapphire Wafer (1000)	720	616	528,401	1,998	2,177	1,352,525
Total	—	—	20,943,431	—	—	26,259,775

Note1: Capacity means the optimum amount that can be produced by means of the existent facilities, exclusive of necessary stoppage and holidays.

Note2: The Company has carved out the semiconductor and sapphire business units to the subsidiaries with 100% shareholding GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. on October 1, 2011

5.2.6 Shipments and Sales over the Last Two Years

Unit: NTD $1000

Shipments & Sales / Year / Major Products (or by departments)	2010				2011			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Ingots(Kg)	413,571	352,287	322,560	956,038	318,276	481,557	21,724	32,869
Silicon Wafer(1000)	108,493	13,056,846	36,134	5,126,408	55,082	7,345,101	29,595	3,946,466
Sapphire Wafer (1000)	428	386,925	96	61,905	18	537,380	4	136,906
Other	—	1,303	—	138,161	—	1,039,591	—	1,336,441
Total	522,492	13,797,361	358,790	6,282,512	373,376	9,403,629	51,323	5,452,684

Note: The Company has carved out the semiconductor and sapphire business units to the subsidiaries with 100% shareholding GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. on October 1, 2011

5.3 Human Resources

Year		2010	2011	By 2012/3/31
Number of Employees	Staff	390	276	261
	Manufacturing	1,372	745	753
	Total	1,762	1,021	1,014
Average Age		33	32.4	32.4
Average Years of Service		4	3.3	3.3
Education	Masters	9%	8%	8%
	Bachelor's Degree	47%	44%	47%
	Senior High School	40%	44%	41%
	Below Senior High School	4%	4%	4%

Finance-associated employees' certification status as below:
Corporation internal control basic test (SFI):
1 person (Audit department), 1 person (Finance department)

2011 Employee Training Status

Item	Class	People	Hours	Fee
New Staff orientation	29	429	198.5	0
Professional Training	644	6,238	2,449	715,424
Common Training	102	1,408	242	33,491
Total	775	8,075	2,889.5	748,915

5.4 Environmental Protection Expenditures

5.4.1 According to the Law, a Company Shall Apply Permission for Pollution Facilities Placement, Pollutant Emission; Pay Prevention Fee; Set up Environmental Department, above Explanations are as below: the Company Has Applied Permission for Pollution Facilities Placement and Set up Environmental Department to Deal with Related Matters.

5.4.2 Investment of pollution preventing main facilities, and the purposes and possible benefits:

1. Pollution and improvement

   The company continues to replace and improve old pollution preventing facilities, and operators training to avoid pollution from happening.

2. Environmental Protection Expenditures for the last three years

   A. 2009

   a. SiH_4 Exhaust duct improvement NTD $100,000

   b. Scrubber spare water pump establishment NTD $270,000

   c. Sampling platform maintenance NTD $100,000

   B.2010

   a. POCL clean room tube washing NTD $170,000

   b. Top floor heat discharging duct improvement NTD $185,000

   c. A004 Scrubber replacement NTD $2,164,000

   d. Active carbon in active carbon tower replacement NTD $440,000

   e. Dry etching local scrubber establishment NTD $350,000

   f. Scrubbers maintenances NTD $200,000

   g. T furnace process exhaustion treatment NTD $1,332,000

   h. Second process exhaustion treatment NTD $26,529,000

   C.2010

   A Waste water PH monitor electrode replacement NTD $67,200

   b. Waste water pump replacement NTD $67,800

   c. Sedimentation basin sludge pump installment NTD $48,000

   d. Annual calibration of waste water measurer NTD $12,000

   e. Reducer waste water concentrator maintenance NTD $53,600

   f. Exhaustion system maintenance NTD $262,800

   g. Scrubbers circulating pump replacement NTD $66,000

   h. Wind pressure transmitter in scrubbers replacement NTD $32,000

   i. Scrubber reagent feeder replacement NTD $27,500

   j. Electrode oil-mist machine maintenance NTD $24,000

   k. Flexible shelve in waste quartz crucible storage installment NTD $152,800

   l. EOS exhaustion pipe NTD $62,400

   m. JAC exhaustion pipe installment NTD$27,600

   n. Pipe system in 5F ingot cooling area installment NTD $243,000

   o. Motor maintenance in waste water plant NTD $15,000

   p. Waste water/air PH monitor electrode replacement NTD $30,000

   q. Second stage engineering pipe system NTD $26,530,000

r. Scrubber annual maintenance NTD $210,000

s. S whizzer filter replacement NTD $72,000

3. Anticipated Improvement

   Above investments shall improve sewage and exhaustion emission more effectively, and shall reconstruct to cope with environmental regulations amendments.

5.4.3 The Company Shall Specify if There's Any Conflict Related to Pollution in the Last Two Years to the Date Issued Annual Report: None.

5.4.4 The Company Shall Specify the Total Amount of Loss (Including Compensation), Punishment of Environment Pollution, and Disclose Future Countermeasures (Including Improvement) and Possible Expenditures (Including Estimate Of Possible Loss, Punishment, Compensation, or Specify Facts if Cannot Be Estimated) in the Last Two Years to the Date Issued Annual Report: None.

5.4.5 Effects of Current Pollution Condition and Improvement to Company Profit, Competition and Capital Expense, With Anticipated Major Environmental Protection Expenditures in The Next Two Years: None.

5.4.6 RoHs Information: Perform RoHs-Prohibitive Materials Examination on Wafers.

5.5 Labor Relations

5.5.1 Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

1. Employee Benefits:
   A. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, year end party, cash premiums for wedding/funeral, travel allowance, shuttle bus, lunch, dormitory, employee stocks and complete staff training.
   B. The company allocates 0.15% of monthly turnover and 30% of leftover income to Employee welfare committee, which operates in accordance with related regulations.

2. Retirement Policy:

   A. Two types for retirement: voluntary and mandatory.

   Voluntary retirement: work over 15 years and reach age 55 / work over 25 years
   work over 10 years and reach age 60

   Mandatory retirement: reach age 65 since 2008.5.14/ insanity/ physically disabled for work, the company can perform mandatory retirement.

B. Years of service calculation: start on the date of employment, except military service, position retained without pay should be deducted.

C. Pension payment standards:

Old System: Two units of radix shall be given when reaching one service year. One unit shall be given annually when reaching 15 service years, yet the maximum is 45. Service under 6 months is considered as one half year; service over 6 months is considered as one year. Any labor subjected to mandatory retirement, such as insanity or handicapped due to work injury, whose units of radix will be calculated according to above regulation with 20% plus.

New system: Labor who chooses new system after 2005.7, whose service year before that shall be calculated according to old system; while after that, new system.

D. Employment after 2005.7 shall be calculated according to new system. (Employer shall allocate 6% of salary into personal account in Bureau of Labor Insurance)

3. Labor Negotiations:

   Labor relations have been harmonious since company establishment, keeping open and smooth communication. Via labor relations meeting and employee welfare committee, both sides negotiate mutual benefits to meet needs and expectations.

4. Measures To Protect Employee Rights:

   Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

5.5.2 The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report:

Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land lease	Science Park Administration	1990.10.01~2020.09.30	4638 square meter, rental paid annually, NTD $2,433,837 in total	Object business purpose only
Land lease	Science Park Administration	2005.06.01~2024.12.31	12004.74 square meter, rental paid annually, NTD $1,571,664 in total	Object business purpose only
Land lease	Science Park Administration	2008.01.26~2027.12.31	13000 square meter, rental paid annually, NTD $2,345,040 in total	Object business purpose only
Sales contract	Customer A A-1	2006~2015	Sales contract	None
Sales contract	Customer A A-2	2009~2018	Sales contract	None
Sales contract	Customer A A-3	2009~2015	Sales contract	None
Sales contract	Customer A A-4	2011~2013	Sales contract	None
Sales contract	Customer B B-1	2008~2010	Sales contract	None
Sales contract	Customer B B-2	2009~2018	Sales contract	None
Sales contract	Customer B B-3	2009~2018	Sales contract	None
Sales contract	Customer B B-4	2010~2019	Sales contract	None
Sales contract	Customer B B-5	2011~2013	Sales contract	None
Sales contract	Customer C C-1	2009~2016	Sales contract	None
Sales contract	Customer C C-2	2009~2019	Sales contract	None
Sales contract	Customer D	2007~2015	Sales contract	None
Sales contract	Customer E E-1	2008~2018	Sales contract	None
Sales contract	Customer E E-2	2009~2017	Sales contract	None
Sales contract	Customer F F-2	2009~2019	Sales contract	None
Sales contract	Customer G	2009~2019	Sales contract	None
Sales contract	Customer G G-1	2007~2015	Sales contract	None
Sales contract	Customer H	2007~2015	Sales contract	None
Sales contract	Customer I	2008~2010	Sales contract	None
Sales contract	Customer J	2009~2017	Sales contract	None
Sales contract	Customer K	2009~2017	Sales contract	None
Sales contract	Customer L L-1	2010~2011	Sales contract	None
Sales contract	Customer L L-2	2010~2011	Sales contract	None
Sales contract	Customer M M-1	2011~2014	Sales contract	None
Sales contract	Customer N N-1	2011~2011	Sales contract	None
Sales contract	Customer O	2011~2013	Sales contract	None
Sales contract	Customer P	2011.03.01~2011.12.31	Sales contract	None
Sales contract	Customer Q	2011.03.01~2011.12.31	Sales contract	None
Sales contract	Customer R	2011.03.01~2011.07.31	Sales contract	None
Sales contract	Customer S	2012.03.01~2016.12.31	Sales contract	None
Sales contract	Customer T	2011.10.01~2013.09.30	Sales contract	None
Supplier contract	Supplier A A-1	2006~2015	Silicon contract	None
Supplier contract	Supplier A A-2	2009~2018	Silicon contract	None
Supplier contract	Supplier A A-3	2010~2019	Silicon contract	None
Supplier contract	Supplier A A-4	2010~2019	Silicon contract	None
Supplier contract	Supplier B B-1	2009~2011	Silicon contract	None
Supplier contract	Supplier B B-2	2009~2015	Silicon contract	None
Supplier contract	Supplier B B-3	2010~2015	Silicon contract	None

Supplier contract	Supplier B B-4	2010~2018	Silicon contract	None
Supplier contract	Supplier B B-5	2010~2018	Silicon contract	None
Supplier contract	Supplier C C-1	2009~2016	Silicon contract	None
Supplier contract	Supplier C C-2	2010~2016	Silicon contract	None
Supplier contract	Supplier C C-3	2011~2019	Silicon contract	None
Stock exchange & cooperation contract	Solartech-energy Corp.	Signed on 2011.3.11	. Share swap & strategic alliance . Share swap record date -2011/4/15	None
Share Purchase Agreement	COVALENT MATERIALS CORPORATION	2011.8.10 ~ all conditions fulfilled	Japan company acquisition	None
Syndicated Loan Agreement	Bank group (Citibank Taiwan Ltd./Chinatrust Commercial Bank Co., Ltd./First Commercial Bank/Taipei Fubon Commercial Bank Co., Ltd./ E. Sun Commercial Bank/DBS Bank (Taiwan) Ltd./ Taiwan Cooperative/ Bank/Bank of Taiwan)/ Mega International Commercial Bank/Cathay United Bank/China Development Industrial bank)	2012.03.28～2017.03.28	Syndicated loan in NTD 9 billion for acquiring semiconductor business unit in Covalent Materials Corporation	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit: NTD $1000

		Five-Year Financial Summary(Note 1)					2012/1/1~ 2012/3/31
		2007	2008	2009	2010	2011	
Current Assets		3,193,300	4,370,594	4,884,283	11,893,100	5,201,256	4,420,030
Funds & Long-Term Investments		1,936,859	4,745,893	5,773,813	6,838,931	13,345,665	21,079,790
Fixed Assets		3,134,317	4,257,529	5,797,583	7,373,450	6,250,761	5,946,377
Other Assets		2,453,024	4,867,042	4,477,082	4,091,305	4,197,949	4,490,045
Total Assets		10,717,500	18,241,058	20,932,761	30,196,786	28,995,631	35,936,242
Current Liabilities	Before Distribution	2,293,438	3,973,535	4,024,824	5,327,629	5,306,608	6,645,239
	After Distribution	3,653,171	4,527,925	4,579,214	7,338,290	–	Note 2
Long-Term Liabilities		-	2,264,706	2,721,667	2,393,000	1,100,000	7,255,294
Other Liabilities		2,298,908	4,628,732	4,304,214	4,048,873	3,596,215	3,830,815
Total Liabilities	Before Distribution	4,592,346	10,866,973	11,050,705	11,769,502	10,002,823	17,731,348
	After Distribution	5,952,079	11,421,363	11,605,095	13,780,163	–	Note 2
Capital Stock		1,983,663	2,211,777	2,994,413	3,820,256	4,431,191	4,431,191
Capital Collected In Advance		336	845	508	–	–	–
Capital Surplus		1,468,646	2,518,916	4,592,617	9,574,891	12,141,389	12,162,239
Retained Earnings	Before Distribution	2,020,087	2,272,073	1,749,731	4,808,059	3,025,038	2,402,569
	After Distribution	549,494	1,274,171	1,136,039	Note 2	–	Note 2
Unrealized Gain Or Loss On Financial Instruments		–	–	–	–	–	–
Cumulative Translation Adjustments		53,912	257,218	179,760	-106,758	161,317	(152,029)
Net Loss Unrecognized As Pension Cost		(1,538)	–	(16,049)	(21,178)	(51)	(51)
Unrealized Gains From Financial Instruments		600,048	113,256	381,076	352,014	(766,076)	(639,025)
Total Shareholders' Equity	Before Distribution	6,125,154	7,374,085	9,882,056	18,427,284	18,992,808	18,204,894
	After Distribution	4,765,421	6,819,695	9,505,102	16,416,623	–	Note 2

Note 1: Financial information for the past five years was audited and certified by Certified Public Accountants. The financial information for the first quarter 2012 has been reviewed by Certified Public Accountants.

Note 2: 2011 dividend distribution is pending Annual General Shareholders' Meeting

6.1.2 Condensed Statement of Income

Unit: NTD $1000

Item \ Year	Five-Year Financial Summary (Note 1)					2012/1/1~ 2012/3/31
	2007	2008	2009	2010	2011	
Operating Revenue	6,718,348	9,410,626	10,368,336	20,079,873	14,856,313	1,133,730
Gross Profit	2,091,457	2,285,330	826,371	4,394,490	829,204	(428,006)
Income From Operations	1,764,372	1,875,242	279,227	3,479,679	232,958	(567,690)
Non-Operating Income	392,900	231,219	324,283	751,921	195,234	55,900
Non-Operating Expenses	(70,321)	(61,661)	(74,119)	(351,375)	(59,384)	110,679
Income From Operations Of Continued Segments - Before Tax	2,097,335	1,866,207	529,391	3,880,225	368,808	(622,469)
Income From Operations Of Continued Segments - After Tax	1,805,721	1,722,579	475,560	3,568,609	428,706	(622,469)
Income From Discontinued Departments	—	—	—	—	—	—
Extraordinary Gain Or Loss	—	—	—	—	—	—
Cumulative Effect Of Accounting Principle Changes	—	—	—	—	—	—
Net Income Or Loss For Current Period	1,805,721	1,722,579	475,560	3,568,609	428,706	(622,469)
Earnings Per Share	8.67	8.03	1.69	10.00	1.02	(1.4)
Capitalization Of Interest	—	8,858	6,859	—	—	—

Note 1: Financial information for the past five years was audited and certified by Certified Public Accountants. The financial information for the first quarter 2012 has been reviewed by Certified Public Accountants.

Note 2: Financial statements of each fiscal year have been appropriately classified to match expression of Republic of China Statement of Financial Accounting Standards ("SFAS") No. 10 "Inventories" as amended.

6.1.3 Auditors' Opinions for Last Five Years

Year	CPA's Name	Auditing Opinion	Note
2007	Chen, Chien-Chen Wu, Lui- Lan	Unqualified opinion	
2008	Chen, Chien-Chen Wu, Lui- Lan	Modified unqualified opinion	Note
2009	Chen, Chien-Chen Wu, Lui- Lan	Modified unqualified opinion	Note
2010	Chen, Chien-Chen Tseng, Mei-Yu	Modified unqualified opinion	Note
2011	Chen, Chien-Chen Tseng, Mei-Yu	Modified unqualified opinion	Note

Note : The financial reports of the invested companies in the above financial statement were audited by other CPAs and not KPMG CPAs. Therefore, the opinions expressed are for the above financial statements. The amounts listed in the financial statements for related invested companies are based on reports audited by other CPAs.

6.2 Five-Year Financial Analysis

Item			2007	2008	2009	2010	2011	2012/1/1~ 2012/3/31
		Year	Financial Analysis In The Past Five Years					
Financial Structure (%)	Ratio Of Liabilities To Assets		43	60	52	39	35	49
	Ratio Of Long-Term Capital To Fixed Assets		195	226	217	282	321	428
Solvency (%)	Current Ratio		139	110	121	223	98	67
	Quick Ratio		91	67	75	172	65	45
	Times Interest Earned Ratio		99	35	8	57	7.63	(30)
Operating Ability	Accounts Receivable Turnover (Turns)		6.06	6.58	5.98	8.86	9.60	8.00
	Average Collection Period		60	55	61	41	38	46
	Inventory Turnover (Turns)		5.13	6.33	8.62	11.60	12.03	10.16
	Accounts Payable Turnover (Turns)		8.13	7.84	7.02	9.49	13.10	13.16
	Average Days In Sales		71	58	42	31	30	36
	Fixed Assets Turnover (Turns)		2.14	2.21	1.79	2.72	2.38	0.76
	Total Assets Turnover (Turns)		0.63	0.52	0.50	0.66	0.51	0.13
Profitability	Return On Total Assets (%)		21	12	3	14	1.60	(7)
	Return On Shareholders' Equity (%)		33	26	6	25	2.29	(13)
	Ratio To Issued Capital (%)	Operating Income	89	77	9	91	5.26	(51)
		Pre-Tax Income	106	84	18	102	8.32	(56)
	Profit Ratio (%)		27	18	4	18	2.89	(57)
	Earnings Per Share ($)		9.15	8.03	1.69	10.50	1.02	(1.4)
Cash Flow	Cash Flow Ratio (%)		71	55	24	67	13.47	(10.63)
	Cash Flow Adequacy Ratio (%)		43	38	35	162	42.96	28
	Cash Reinvestment Ratio (%)		11	6	2	12	(4.82)	(2)
Leverage	Operating Leverage		1	2	6	4	2.67	(0.10)
	Financial Leverage		1.01	1.03	1.36	1.02	1.31	0.97

Analysis of financial ratio change in the last two years. (the analyses can be immune if difference is less than 20%) Current Ratio: Due to decrease in current assets. Quick Ratio: Due to decrease in current assets. Times Interest Earned Ratio: Due to decrease in income before tax. Accounts Payable Turnover (Turns): Due to decrease in accounts payable. Total Assets Turnover (Turns): Due to decrease in net sales. Return On Total Assets (%): Due to decrease in income after tax. Return On Shareholders' Equity (%): Due to decrease in income after tax. Operating Income Ratio to Issued Capital (%): Due to decrease in Income from operation. Pre-Tax Income Ratio to Issued Capital (%): Due to decrease inincome before tax. Profit Ratio (%): Due to decrease in income after tax. Earnings Per Share ($): Due to decrease in net profit is larger than increase in capital. Cash Flow Ratio (%):Due to decrease in cash flow. Cash Flow Adequacy Ratio (%): Due to decrease in cash flow and inventory additions. Cash Reinvestment Ratio (%): Due to decrease in cash flow. Operating Leverage: Due to decrease in operating revenue. Financial Leverage: Due to decrease in operating profit.

Note 1: Financial information for 2007~2011 was audited and certified by Certified Public Accountants.

Note 2: The financial information for the first quarter 2012 has been reviewed by Certified Public Accountants.

Note 3: Glossary:

1. Financial Structure
(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
(2) Ratio Of Long-Term Capital To Fixed Assets = (Net Shareholder's Equity + Long-Term Liabilities)/ Net Fixed Assets
2. Solvency
(1) Current Ratio = Current Assets / Current Liabilities.
(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.
(3) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.
3. Operating Ability
(1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables.
(2) Average Collection Period = 365 / Accounts Receivable Turnover.
(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
(4) Accounts Payable Turnover = Cost Of Goods Sold / Average Accounts Payable.
(5) Average Days In Sales = 365 / Inventory Turnover.
(6) Fixed Assets Turnover = Net Sales / Net Fixed Assets.
(7) Total Assets Turnover = Net Sales / Total Assets.
4. Profitability
(1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.
(2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.
(3) Profit Ratio (%) = Net Income / Net Sales.
(4) Earnings Per Share ($)= (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding..
5. Cash Flow
(1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
(2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
(3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)
6. Leverage
(1) Operating Leverage = (Net Sales – Variable Cost) / Income form operations.
(2) Financial Leverage = Income form operations / (Income form operations – Interest Expenditures).

6.3 Supervisors' Report in the Most Recent Year

Supervisors Audit Report

The Board of Directors has prepared the Company's 2011 Business Report, Stand-alone and Consolidated Financial Statements and Earnings Distribution Proposal. Sino American Silicon Products Inc. Stand-alone and Consolidated Financial Statements have been audited and certified by Chen, Chien-Chen, CPA and Tseng, Mei-Yu, CPA, of KPMG and an audit report relating to the Financial Statements has been issued. The Business Report, Stand-alone and Consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Sino American Silicon Products Inc. According to Article 219 of the Company Law, I hereby submit this report.

Hereto

Annual Shareholder Meeting in Year 2011 of Sino American Silicon Products Inc.

Sino American Silicon Products Inc.

Supervisor：__________________
Kuo-Chow Chen

Supervisor：___________________
Su-Mei Yang

Supervisor：____________________
Kun Chang Investment Co.
Representative: May-Yuan Chang

April 24, 2012

6.4 Financial Statements for Most Recent Year

Independent Auditors' Audit Report

The board of directors
Sino-American Silicon Products Inc.

We have audited the accompanying balance sheets of Sino-American Silicon Products Inc. (the "Company") as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of equity-method investees Sunrise Global Solar Energy Corporation and GlobiTech Incorporated for the years ended December 31, 2011 and 2010, which are included in the financial statements. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Sunrise Global Solar Energy Corporation and GlobiTech Incorporated, is based solely on the reports of the other auditors. The related long-term investment balances of NT$3,934,669 thousand and NT$3,522,960 thousand (14% and 12% of total assets) as of December 31, 2011 and 2010, respectively, and the investment income amounting to NT$250,007 thousand and NT$441,293 thousand (67% and 11% of income before income taxes) for the years ended December 31, 2011 and 2010, respectively, are based solely on the reports of the other independent auditors.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sino-American Silicon Products Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Sino-American Silicon Products Inc. and subsidiaries as of and for the years ended December 31, 2011 and 2010, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.

KPMG
Hsinchu, Taiwan (the Republic of China)
March 22, 2012

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Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets

December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Assets		**2011**	**2010**
Current assets:			
Cash (notes 4 and 5)	$	2,405,021	6,206,538
Financial Assets at fair value through profit or loss (note 5)		43,922	-
Notes and accounts receivable, net (note 6)		358,735	1,793,127
Accounts receivable from related parties (note 16)		270,747	787,216
Loan to related parties (note 16)		233,820	-
Other financial assets – current		2,402	3,592
Inventories, net (note 7)		635,537	1,696,742
Prepayments for materials (note 18)		1,105,123	1,039,014
Deferred income tax assets – current (note 14)		10,061	66,155
Other current assets (note 5)		135,888	300,716
		5,201,256	11,893,100
Long-term investments:			
Equity-method investments (note 8)		11,705,708	4,964,419
Available-for-sale financial assets – non-current (note 5)		1,054,168	381,019
Financial assets carried at cost – non-current (note 5)		583,595	1,481,649
Other financial assets – non-current (note 17)		2,194	2,844
Prepayments for long-term investment in stock (note 8)		-	9,000
		13,345,665	6,838,931
Property, plant and equipment (notes 16 and 17)**:**			
Buildings and improvements		2,406,402	2,634,940
Machinery and equipment		5,697,082	6,256,177
Other equipment		890,334	975,135
		8,993,818	9,866,252
Less: accumulated depreciation		(3,223,711)	(3,160,134)
Prepayments for equipment and construction in progress		480,654	667,332
		6,250,761	7,373,450
Other assets:			
Deferred charges and others (note 11)		3,878	7,900
Deferred income tax assets – non-current (note 14)		84,519	-
Long-term prepayments for materials (note 18)		3,343,369	4,083,405
Long-term account receivable from related parties (notes 5 and 16)		766,183	-
		4,197,949	4,091,305
Total Assets	$	**28,995,631**	**30,196,786**

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets (continued)

December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity		**2011**	**2010**
Current liabilities:			
Short-term borrowings (notes 9 and 17)	$	100,000	-
Notes and accounts payable		479,143	1,490,202
Payable to related parties (note 16)		30,919	141,119
Payroll and bonus payable		136,323	729,605
Other payable to related parties (note 16)		1,299,402	-
Current portion of received in advance for sales (notes 16 and 18)		1,132,407	751,110
Current portion of long-term loans payable (notes 10 and 17)		1,995,000	1,376,000
Accrued expenses and other current liabilities		133,414	839,593
		5,306,608	5,327,629
Long-term liabilities:			
Long-term loans payable (notes 10 and 17)		1,100,000	2,393,000
Other liabilities:			
Other liabilities – other (notes 11 and 16)		23,633	69,912
Deferred income tax liabilities – non-current (note 14)		-	183,645
Revenue received in advance for sales – non-current (notes 16 and 18)		3,572,582	3,795,316
		3,596,215	4,048,873
Total liabilities		10,002,823	11,769,502
Stockholders' equity (notes 5 and 12)**:**			
Common stock		4,431,191	3,820,256
Capital surplus		12,141,389	9,574,891
Retained earnings:			
Legal reserve		944,846	587,985
Unappropriated earnings		2,080,192	4,220,074
		3,025,038	4,808,059
Other stockholders' equity:			
Foreign currency translation adjustments		161,317	(106,758)
Unrecognized pension cost		(51)	(21,178)
Unrealized gain (loss) on available-for-sale financial assets		(766,076)	352,014
		(604,810)	224,078
Total stockholders' equity		18,992,808	18,427,284
Commitments and contingencies (notes 10, 16 and 18)			
Total Liabilities and Stockholders' Equity	**$**	**28,995,631**	**30,196,786**

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Income

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2011	2010
Revenue (note 16)	$	14,738,464	19,981,080
Less: sales returns and allowances		129,892	40,671
		14,608,572	19,940,409
Processing revenue and others		247,741	139,464
Net revenue		14,856,313	20,079,873
Cost of goods sold (notes 7 and 16)		14,027,109	15,685,383
Gross profit		829,204	4,394,490
Operating expenses (note 16)**:**			
Selling		58,582	96,945
General and administrative		155,704	332,294
Research and development		381,960	485,572
		596,246	914,811
Operating income		232,958	3,479,679
Non-operating income and gains:			
Interest income		15,421	8,310
Investment income recognized by equity method (note 8)		-	662,634
Dividend income		10,947	10,052
Government grants		23,211	10,576
Gain on disposal of investments		6,979	9,534
Foreign exchange gain, net		42,278	-
Unrealized gain on valuation of financial assets (note 5)		43,922	-
Other income (note 16)		52,476	50,815
		195,234	751,921
Non-operating expenses and losses:			
Interest expense		55,660	68,911
Investment loss recognized by equity method (note 8)		3,724	-
Foreign exchange loss, net		-	140,767
Impairment loss on financial assets (note 5)		-	141,697
		59,384	351,375
Income before income taxes		368,808	3,880,225
Income tax benefit (expenses) (note 14)		59,898	(311,616)
Net income	$	428,706	3,568,609

		2011 Before Tax	2011 After Tax	2010 Before Tax	2010 After Tax
Earnings per share (in dollars) (note 13)					
Basic earnings per share	$	0.88	1.02	11.42	10.50
Basic earnings per share – retroactively adjusted				10.88	10.00
Diluted earnings per share	$	0.87	1.01	11.24	10.34
Diluted earnings per share – retroactively adjusted				10.70	9.85

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.
Statements of Changes in Stockholders' Equity
Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	Common stock	Advance receipts for common stock	Capital surplus	Retained earnings		Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Total
				Legal reserve	Unappro-priated earnings				
1.1.1.1.									
1.1.1.2.Balance at January 1, 2010	$ 2,994,413	508	4,592,617	540,429	1,209,302	179,760	(16,049)	381,076	9,882,056
1.1.1.3. Appropriation of earnings:									
Legal reserve	-	-	-	47,556	(47,556)	-	-	-	-
Stock dividends	209,738	-	-	-	(209,738)	-	-	-	-
Cash dividends	-	-	-	-	(299,627)	-	-	-	(299,627)
Issuance of global depository receipts	610,000	-	4,958,757	-	-	-	-	-	5,568,757
Stock dividends to employees as bonus	4,255	-	22,745	-	-	-	-	-	27,000
Issuance of stock from exercised employee stock options	1,850	(508)	772	-	-	-	-	-	2,114
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(29,062)	(29,062)
Foreign currency translation adjustments	-	-	-	-	-	(286,518)	-	-	(286,518)
Adjustment arising from changes in percentage of ownership in equity-method investees	-	-	-	-	(916)	-	-	-	(916)
Pension adjustment - unrecognized pension cost	-	-	-	-	-	-	(5,129)	-	(5,129)
Net income for 2010	-	-	-	-	3,568,609	-	-	-	3,568,609
1.1.1.4.Balance at December 31, 2010	3,820,256	-	9,574,891	587,985	4,220,074	(106,758)	(21,178)	352,014	18,427,284
1.1.1.5. Appropriation of earnings:									
Legal reserve	-	-	-	356,861	(356,861)	-	-	-	-
Stock dividends	201,066	-	-	-	(201,066)	-	-	-	-
Cash dividends	-	-	-	-	(2,010,661)	-	-	-	(2,010,661)
Issuance of common stock for cash	200,000	-	740,000	-	-	-	-	-	940,000
Stock dividends to employees as bonus	8,803	-	61,197	-	-	-	-	-	70,000
Issuance of common stock to acquire available-for-sale financial assets	201,066	-	1,650,826	-	-	-	-	-	1,851,892
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(1,118,090)	(1,118,090)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	-	43,698	-	-	-	-	-	43,698
Foreign currency translation adjustments	-	-	-	-	-	268,075	-	-	268,075
Adjustment arising from changes in percentage of ownership in equity-method investees	-	-	70,777	-	-	-	-	-	70,777
Pension adjustment - unrecognized pension cost	-	-	-	-	-	-	21,127	-	21,127
Net income for 2011	-	-	-	-	428,706	-	-	-	428,706
1.1.1.6.Balance at December 31, 2011	$ 4431,191	-	12,141,389	944,846	2,080,192	161,317	(51)	(766,076)	18,992,808

Note 1: Directors' and supervisors' remuneration and employee bonuses amounting to $12,274 thousand and $92,054 thousand, respectively, were excluded from net income for 2009.
Note 2: Directors' and supervisors' remuneration and employee bonuses amounting to $53,012 thousand and $397,590 thousand, respectively, were excluded from net income for 2010.

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

		2011	2010
Cash flows from operating activities:			
Net income	$	428,706	3,568,609
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation		1,373,907	1,106,990
Amortization		88	176
Provision for (reversal of) allowance for doubtful accounts		5,857	(36,785)
Provision for inventory obsolescence and devaluation loss		33,599	21,459
Investment loss (income) recognized by equity method		3,724	(662,634)
Cash dividends received from equity-method investees		9,540	115
Cash dividends received from available-for-sale financial assets		76,419	-
Loss on disposal of property, plant and equipment		(239)	15
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees		43,698	-
Gain on disposal of equity-method investment		(6,979)	(9,534)
Impairment loss on financial assets		-	141,697
Unrealized gain on valuation of financial assets		(43,922)	-
Expense (income) with no effect on cash flow		223,356	(220,836)
Change in operating assets and liabilities:			
Notes and accounts receivable		723,741	(86,816)
Notes and accounts receivable from related parties		(1,916,965)	(502,652)
Inventories		577,238	(709,856)
Prepayments for materials		(214,277)	162,606
Other financial assets – current		1,190	8,421
Deferred income tax assets – net		(206,505)	(3,082)
Other operation-related assets		(65,361)	119,557
Notes and accounts payable		(934,880)	283,068
Payable to related parties		(110,200)	(326,980)
Other payable		1,372,810	-
Revenue received in advance		158,563	(248,704)
Accrued pension liabilities		2,066	(1,017)
Deferred credits		(25,804)	33,322
Other operation-related liabilities		(794,788)	917,295
Net cash provided by operating activities		714,582	3,554,434
Cash flows from investing activities:			
(Acquisitions of) proceeds from disposal of available-for-sale financial assets		(15,767)	10,215
Increase in equity-method investments		(837,000)	(891,676)
Acquisition of financial assets carried at cost		(579,660)	(26,096)
Proceeds from disposal of equity-method investments		14,436	-
Acquisition of property, plant and equipment		(1,508,098)	(2,578,442)
Proceeds from disposal of property, plant and equipment		54,001	676
(Increase) decrease in refundable deposits		650	(740)
Increase in restricted assets		-	(195)
Decrease in deferred charges		-	2,255
Net cash used in investing activities		(2,871,438)	(3,484,003)

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows (continued)

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	100,000	(648,665)
Increase in long-term loans payable	680,000	860,000
Repayment of long-term loans payable	(1,354,000)	(221,000)
Payments of cash dividends	(2,010,661)	(299,627)
Proceeds from capital increase	940,000	5,568,757
Proceeds from issuance of stock for employee stock options exercised	-	2,114
Net cash provided by (used in) financing activities	(1,644,661)	5,261,579
Net increase (decrease) in cash	(3,801,517)	5,332,010
Cash at beginning of year	6,206,538	874,528
Cash at end of year	$ 2,405,021	6,206,538
Supplemental disclosures of cash flow information:		
Cash payments of interest (excluding interest capitalized)	$ 56,639	65,886
Cash payments of income taxes	$ 475,165	1,317
Non-cash investing and financing activities:		
Issuance of common stock to acquire available-for-sale financial asset	$ 1,851,892	-
Current portion of long-term loans payable	$ 1,995,000	1,376,000
Bonuses to employees – stock	$ 70,000	27,000
Reclassification of financial assets carried at cost to long-term accounts receivable for related parties and equity-method investments	1,477,714	-
Acquisition of property, plant and equipment:		
Increase in property, plant and equipment	$ 1,156,210	2,683,801
Changes in payables for equipment	351,888	(105,359)
	$ 1,508,098	2,578,442

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Assets and liabilities spun-off to GlobalWafers and Sino Sapphire, and acquisition of equity-method investments		
Notes and accounts receivable	$ 704,794	-
Other receivables – related parties	2,154,337	-
Inventories	450,368	-
Prepayments for materials	888,204	-
Deferred income tax assets – current	1,457	-
Other current assets	9353	-
Long-term investments	3,952,393	-
Buildings and improvements	75,868	-
Machinery and equipment	672,481	-
Prepayment for equipment and construction in progress	51,982	-
Leasehold improvements	50,899	-
Deferred pension costs	26,538	-
Accounts payable	(76,179)	-
Accrued expenses and other current liabilities	(98,428)	-
Accrued pension liabilities	(26,538)	-
Deferred income tax liabilities	(75,195)	-
Foreign currency translation adjustment	(232,334)	-
Net assets	**$ 8,530,000**	**-**

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

December 31, 2011 and 2010

(Amounts expressed in thousands of New Taiwan dollars, except for per share information and unless otherwise noted)

1. Organization and Principal Activities

Sino-American Silicon Products Inc. ("the Company") was incorporated in January 1981 under the ROC Company Act and established the Chunan Branch in June 2005. The Company's main activities include the research, development, production, and sale of semiconductor ingots/wafers, solar ingots/wafers, and sapphire wafers, and services consisting of the integration and installment of photovoltaic systems.

The Company's common shares were publicly listed on the Over-the-Counter Market ("OTC") in March 2001.

In order to conduct corporate restructuring and specialization and to enhance competitiveness and operating performance, on June 17, 2011, the stockholders' meeting resolved to transfer the semiconductor business and sapphire business (and their related assets and liabilities) from the Company to its wholly owned, newly incorporated subsidiaries GlobalWafers and Sino Sapphire, respectively. The date of the spin-off was set as October 1, 2011, and the Company transferred its semiconductor business to GlobalWafers by issuing 180,000 thousand newshares at $38.5 per share. In addition, the Company transferred its sapphire business by issuing 40,000 thousand new shares at $40 per share. The relevant information about the spin-off is as follows:

	Global Wafers	Sino Sapphire	Total
Assets:			
Accounts and notes receivable	$ 608,266	96,528	704,794
Other receivables - related parties	1,193,500	960,837	2,154,337
Inventories	305,475	144,893	450,368
Prepaid inventory	888,204	-	888,204
Deferred income tax asset - current	-	1,457	1,457
Other current assets	9,346	7	9,353
Long-term equity investment	3,952,393	-	3,952,393
Buildings and plants	75,868	-	75,868
Machinery equipment	293,334	379,147	672,481
Prepayment for equipment and construction in progress	51,982	-	51,982
Leasehold improvements	-	50,899	50,899
Deferred pension cost	26,401	137	26,538

(Continued)

	Global Wafers	Sino Sapphire	Total
Liabilities:			
Accounts payable	(58,781)	(17,398)	(76,179)
Expense payable and other current liabilities	(82,058)	(16,370)	(98,428)
Accrued pension liabilities	(26,401)	(137)	(26,538)
Deferred tax liabilities	(75,195)	-	(75,195)
Net assets	7,162,334	1,600,000	8,762,334
Effect of changes in foreign exchange rates	(232,334)	-	(232,334)
	$ 6,930,000	1,600,000	8,530,000

Furthermore, the Company has already obtained permission to continue listing on the OTC after the spin-off. The permission is in accordance with Article 15-20 of the GreTai Securities Market Rules Governing Securities Trading on the GTSM.

As of December 31, 2011 and 2010, the Company had 1,021 and 1,799 employees, respectively.

2. Summary of Significant Accounting Policies

The financial statements were prepared in conformity with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

A summary of significant accounting policies is as follows:

(1) Spin-off

The Company established GlobalWafers and Sino Sapphire by virtue of a spin-off, and acquired 100% ownership of both companies. Accounting treatment related to the spin-off is the Company transfers assets and liabilities based on book value (if impairment occurs, the new book value shall be based on impairment loss recognized) without any transfer gains/(loss).

(2) Use of Estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent liabilities. Actual results could differ from these estimates.

(Continued)

(3) Foreign-currency Transactions and Translation

The Company records transactions in New Taiwan dollars. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting exchange gains or losses from settlement of such transactions or translation of foreign-currency-denominated monetary assets or liabilities are reflected as non-operating gains or losses in the accompanying statements of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into New Taiwan dollars at the rates prevailing at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such transactions are recorded in current profit or loss. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, then the resulting unrealized exchange gains or losses from such transactions are recorded as a separate component of stockholders' equity.

In translating foreign currency financial statements into New Taiwan dollars, balance sheet date rates are used for asset and liability accounts; historical rates are used for equity accounts, except that the prior-year translated balance is carried forward for the beginning retained earnings, and weighted-average rates are used for profit and loss accounts. Translation differences are included in the cumulative translation adjustment account under stockholders' equity.

(4) Classification of Current and Noncurrent Assets and Liabilities

Current assets are cash and cash equivalents, assets held for trading purposes, and assets expected to be converted to cash, sold, or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

(5) Asset Impairment

The Company reviews the Company's assets (an individual asset or cash-generating unit associated with the asset, other than goodwill) for impairment at each balance sheet date. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment is reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

(Continued)

(6) Financial Instruments

(a) Financial assets and liabilities measured at fair value through profit or loss: Except for effective hedging derivative financial instruments, all financial derivatives are included in this category and transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings.

(b) Available-for-sale financial assets: These are measured at fair value, and any changes, excluding impairment loss and unrealized foreign currency exchange gain or loss, are reported as a separate component of stockholders' equity until realized. Realized gain or loss on financial instruments is charged to current operations. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss has decreased, the previously recognized impairment loss for equity securities is reversed to the extent of the decrease and recorded as an adjustment to equity, while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurs after the impairment loss is recognized.

(c) Financial assets carried at cost: Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(d) Notes receivable, accounts receivable, and other receivables:

Notes and accounts receivable are amounts owed to a business by a customer as a result of a purchase of goods or services from it on a credit basis. Other receivables are any receivable generated from non-operating business. For financial assets, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment is the difference between the book value of assets and the discounted future cash flows based on the original effective rate. The impairment is recorded by the allowance account and as current-period loss. When calculating the impairment amount, the estimated future cash flow should include the recoverable amount of collateral and insurance.

(Continued)

If the subsequent impairment decreases because of events after the recognition of impairment, the impairment amount previously recognized should be added back (through the allowance account). However, the amount added back should not let the book value exceed the depreciated book value without impairment. The amount added back should be recorded as current-period gain.

(7) Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. If hedging relationships meet the criteria for hedge accounting, the hedging instruments are accounted for as fair value hedges.

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

(8) Inventories

The cost of inventories consists of costs of purchase, costs of processing, and other costs incurred in bringing the inventories to their present location and condition. The fixed production overheads are allocated to the finished goods and work in progress based on the normal capacity of the production facilities. If the actual yield is approximately the normal capacity, the fixed production overheads are allocated based on the actual yield of the production facilities. In contrast, if the actual yield is greater than the normal capacity, the fixed production overheads are allocated based on the actual yield of the production facilities. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are measured individually at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted-average-cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(9) Equity-Method Investments

The equity method is adopted when the aggregate shareholding of the Company and its affiliated companies in the investee exceeds 20% of common shares, or is less than 20% of the investee’s common stock ownership, but the Company and its affiliated companies have a significant influence on the investee. The cost of such an investment shall be analyzed, and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions of fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). If the book values of those non-current assets are reduced to zero, the remaining excess should be recorded as extraordinary gains.

If an investee company issues new shares and the Company does not subscribe in proportion to its original ownership percentage, the equity in the investee’s net assets might be changed. The resulting change in the equity interest is adjusted against capital surplus and long-term investments. If the Company’s capital surplus is insufficient to offset the adjustment to long-term investment, the difference is charged as a reduction of retained earnings.

(Continued)

If the equity investment that was previously measured at cost is changed to the equity method, the book value of the equity investment at the beginning of the year should be used as the initial book value of the long-term equity investment under the equity method.

Unrealized inter-company profits or losses resulting from transactions between the Company and affiliated companies and their investees accounted for under the equity method are deferred. The profits or losses resulting from depreciable or amortizable assets are recognized over the estimated useful lives of such assets. The profits or losses from other assets are recognized when realized.

(10) Property, Plant and Equipment, and Idle Assets

Property, plant and equipment are stated at cost. Significant renewals and improvements are treated as capital expenditures. Repairs and maintenance are charged to expenses as incurred.

Depreciation of property, plant and equipment is provided for by using the straight-line method over the estimated useful lives of the respective assets. At the end of each fiscal year, the Company reviews the remaining useful life, depreciation method, and salvage value of property, plant and equipment. Any changes in the remaining useful life, depreciation method, and salvage value are regarded as changes in accounting estimates. The useful lives of the main property, plant and equipment are as follows:

(a) Buildings and improvements: 2 to 40 years.
(b) Machinery and equipment: 2 to 15 years.
(c) Other equipment: 2 to 20 years.

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or losses.

Property, plant and equipment not used in operations are reclassified to idle assets, which are measured at the lower of carrying amount or net realizable value. In accordance with the amended Statement of Financial Accounting Standards (SFAS) No. 1 “Conceptual Framework for Financial Accounting and Preparation of Financial Statements”, the cost, accumulated depreciation, and accumulated impairment of property, plant and equipment not used in operations are reclassified to idle assets. Depreciation of idle assets is provided for by using the straight-line method over the remaining estimated useful life.

(Continued)

(11) Intangible Assets

Expenditure on research, other than goodwill and intangible assets acquired in a business combination, is charged to expense as incurred. An intangible asset arising from technology development is recognized when the Company can demonstrate all of the recognition criteria.

The residual value, useful life, and amortization method for an in tangible asset with a finite useful life are reviewed at least at each fiscal year-end. Any changes therein are accounted for as changes in accounting estimate.

Goodwill represents the excess of the cost of the acquisition over the interest in the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. Goodwill is no longer amortized but is measured at cost less accumulated impairment losses.

(12) Deferred Charges

Deferred charges, including syndicated loan application expense and electrical facility installation charges which are capitalized as deferred charges, are amortized on a straight-line basis over their estimated useful lives, ranging from two to five years.

(13) Retirement Plan

The Company established an employee non-contributory defined benefit retirement plan ("the Plan") covering all regular employees employed before December 31, 2005. In accordance with the Plan, the Company's employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the years of service and the average salary for the six-month period before the employee's retirement. Each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. Beginning July 2005, pursuant to the ROC Labor Pension Act (hereinafter referred to as the "New Act"), employees who elected to participate in the New Act or joined the Company after July 1, 2005, are covered by a defined contribution plan under the New Act. For these employees, the Company is required to make a monthly contribution at a rate of no less than 6% of the employee's monthly wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance. Anything not covered by the original retirement plan is handled pursuant to the New Act.

(Continued)

For the defined benefit plan under the ROC Labor Standards Law (the "old system"), the Company carries out an actuarial calculation of their pension obligation at year-end. Based on the actuarial calculation, the Company recognizes a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, interest cost, the actual return on plan assets, unrecognized pension obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis over the estimated residual service periods of employees participating in the "Plan". In accordance with the requirement of the ROC Labor Standards Law, the Company contributes monthly at the rate of 2% of salaries and wages to a pension fund.

(14) Share-based Payment

The Company adopted SFAS No. 39 "Share-based Payment" for share-based payment arrangements with a grant date on or after January 1, 2008. The Accounting Research and Development Foundation ("ARDF") Interpretations No. (92) 070, 071, and 072 were applied for employee share options that were granted before January 1, 2008.

(a) An equity-settled share-based payment transaction is measured based on the fair value of the award at the grant date, and recognized as expenses over the vesting period with a corresponding increase in equity. The vesting period is estimated based on the vesting conditions under the share-based payment arrangement. Vesting conditions include service conditions and performance conditions (including market conditions). In estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into consideration.

(b) The fair value of a share-based award is estimated using the Black-Scholes option-pricing model, taking into account the exercise price, the current market price of the underlying shares, management's best estimate of the expected term, the expected volatility, the expected dividends, and the risk-free interest rate.

(c) The Company did not apply SFAS No. 39 retrospectively to a share-based payment award that was granted before January 1, 2008; however, pro forma net income and earnings per share must be disclosed.

The capital increase by cash arising from the exercise of employee stock subscription rights commencing from January 1, 2008, is accounted for in accordance with ARDF Interpretation No. (96) 267. According to this Interpretation, compensation cost is calculated based on the option-pricing model on the grant date and is amortized over the vesting period. The grant date is either the ex-rights date or the date of approval by the board of directors if the approval from the board of directors is required.

(Continued)

(15) Revenue Recognition

Sales revenue is recognized when title to the products and the risks and rewards of ownership are transferred to the clients, which occurs principally at the time of shipment. Processing revenue is recognized when the services have been completed and processed products are delivered.

(16) Government Grants

Income from government grants for research and development is recognized as non-operating income when qualifying expenditures are made and income is realizable.

(17) Employee Bonuses and Remuneration to Directors and Supervisors

Effective from January 1, 2008, in accordance with Interpretation No. (96) 052 issued by the ARDF, the Company estimates the amount of employee bonuses and remuneration to directors and supervisors and charges it to current operations, classified under cost of goods sold or operating expense, whichever is appropriate. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements is treated as a change in accounting estimate, and charged to profit or loss in the subsequent year.

(18) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences and tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred income tax assets will not be realized, a valuation allowance is recognized accordingly. If the Company can control the timing of the reversal of the temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

According to SFAS No. 22 “Income Taxes,” when a change in the income tax rate is enacted, any deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the recalculated amount and original amount of a deferred tax liability or asset is reported as an adjustment to income tax expense (benefit) for income from continuing operations.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related assets or liabilities. If the deferred income tax asset or liability is not directly related to a specific asset or liability, the classification is based on the expected realization period.

According to the ROC Income Tax Act, the Company’s earnings are subject to an additional 10 percent corporate income surtax if not distributed. This surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

(Continued)

(19) Earnings per Common Share

Basic EPS are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. The weighted-average number of outstanding shares is retroactively adjusted for the effect of stock dividends transferred from retained earnings and capital surplus to common stock, and employee stock bonuses issued prior to January 1, 1998.

The Company’s options and employee bonuses which are distributable in the form of shares of stock but have not yet been resolved by the stockholders are potential common shares. If the potential common shares are not dilutive, only the basic earnings per common share are disclosed; otherwise, disclosure of diluted earnings per common share is added. In computing the diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming the dilutive share equivalent had been issued.

Effective January 1, 1998, in accordance with ARDF Interpretation No. (97)160, in computing diluted EPS, the accrued employee bonus was based on the assumption of ARDF interpretation No. (96) and assumed to be distributed in the form of shares of stock and considered the fair value on balance date after the effect of ex-dividend of most recently period. If the potential common shares are dilutive and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock

(20) Operating Segment Information

The Company discloses its operating segment information in the Sino-American Silicon products Inc. and subsidiaries consolidated financial statements.

(Continued)

3. Reasons for and Effect of Changes in Accounting Principles

Effective from January 1, 2011, the Company adopted the newly issued SFAS No. 41 “Operating Segments”. This Standard was to regulate the disclosure of operation segment information to enable users of financial statements to evaluate the nature and financial effects of an entity’s business activities in which it engages and the economic environments in which it operates. The statement requires identification and disclosure of operating segments on the basis of how the Company’s chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20 “Segment Reporting”. This accounting change had no profit and loss effect on the Company’s financial statements as of and for the year ended December 31, 2011.

Effective from January 1, 2011, the Company adopted the third amendment to SFAS No. 34 “Financial Instruments: Recognition and Measurement” to account for the recognition of receivables and the subsequent evaluation. This change in accounting principles had no significant effect on net income or earnings per share for the year ended December 31, 2011.

The identification of related parties was pursuant to ARDF Interpretation No. (99) 371. The interpretation had no effect on net income or earnings per share for the year ended December 31, 2011.

4. Cash

The components of cash as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	**2010**
Cash on hand	$	454	442
Time deposits		400,000	1,893,450
Cash in banks		2,004,567	4,312,646
	$	**2,405,021**	**6,206,538**

(Continued)

5. Financial Instruments and Hedge Accounting

(1) Available-for-sale financial assets－non-current

		December 31, 2011	December 31, 2010
Publicly listed companies:			
Solartech Energy Corp.	$	789,028	-
Acron Technology Corp.		265,140	381,019
	$	**1,054,168**	**381,019**

On March 11, 2011, the boards of directors of the Company and Solartech Energy resolved to invest in each other through stock exchange. The purpose was to increase operating scale and industrial advantage through upstream and downstream integration. The exchange of stock was based on issuing new shares on April 15, 2011. The Company issued 20,107 thousand shares in exchange for 25,473 thousand shares of Solartech Energy. The exchange rate was 1.2669 shares of Solartech Energy for 1 share of SAS. The investment cost was recognized at Solartech Energy's exchange day market price and accounted for as available-for-sale financial assets. The cash dividend received from Solartech Energy amounted to $76,419 and is recorded as recovery of investment cost.

(2) Financial assets carried at cost－non-current

		December 31, 2011	December 31, 2010
Non-publicly listed stocks:			
Equity investment	$	605,105	1,629,060
Accumulated impairment loss		(21,510)	(147,411)
	$	**583,595**	**1,481,649**
Movement of accumulated impairment loss was as follows:			
Accumulated loss, beginning of period	$	147,411	5,714
Current-period loss		-	141,697
Impact of spin-off		(125,901)	-
Accumulated loss, end of period	$	**21,510**	**147,411**

Due to the lack of an active market and a reasonable method to estimate fair value, the abovementioned stocks held by the Company are recorded at cost.

The investments in 21-Century Silicon, Inc., ZE Poly Pte Ltd., and Clean Venture 21 Corporation had been impaired due to operating losses; therefore, the Company recognized impairment loss amounting to $141,697 for the year ended December 31, 2010.

(Continued)

For the organizational alignment of associates, the board of directors of the Company resolved to sell the investment in SILFAB SPA., ZE Poly Pte Ltd., and Clean Venture 21 Corporation amounting to $1,477,714 to the wholly owned subsidiary Sino Silicon Technology Inc. on June 16, 2011, and the receivables totaling USD 26,555 thousand were used for the investment in wholly owned subsidiary Global Semiconductor Inc. (GSI). As of October 1, 2011, for the purpose of company restructuring, GSI was 100% split off to GlobalWafers. And for the year ended December 31, 2011, the remaining balance of $766,183 (equivalent to USD 25,295 thousand) was recognized as long-term receivables－related parties. Please refer to Note 19 for detailed information.

In 2011, in order to integrate operating strategy and industrial layout upstream and downstream, the Company initially invested in Bao-De Energy Technology and increased its investment in ZE Ply Pte Ltd. As of December 31, 2011, the Company and its subsidiaries owned 13.63% and 19.10%, respectively, of the aforementioned investees. Furthermore, the Company initially invested AccuSolar in 2010, as of December 31, 2011, the Company held 11.22% ownership of AccuSolar Power Inc.

Please refer to Note 8 for the investment in Sunrise Global Solar Energy.

(3) Hedge accounting

As described in Note 21, the Company entered into firm purchase agreements denominated in foreign currency which are subject to the risk of fluctuation of fair values resulting from exchange rate changes. The Company recognized the higher risk it may be exposed to and therefore held foreign currencies to hedge starting from September 2010. As of December 31, 2010, details of hedged items designated as fair value hedges and their respective hedging against non-derivative financial instruments were as follows:

Hedged item	Hedging instruments	Fair value of designated instrument for hedging
Firm commitment	Foreign currencies	$ 2,261,891

(4) Forward exchange contracts

As of December 31, 2011, the unexpired financial instrument contracts were as follows:

Buy	Sell	Nominal Amount	Contract Period	Fair Value
JPY	USD	USD30,000	Oct. 31, 2011~Jan. 31, 2012	$ 22,824
JPY	USD	USD 40,000	Oct. 31, 2011~Jan. 31, 2012	21,098

(Continued)

$	43,922

The above derivative instruments are accounted for as financial assets measured at fair value－current, and unrealized gains (losses) resulting from change in fair value of derivative contracts recognized in earnings amounted to $43,922 for the year ended December 31, 2011.

6. Notes and Accounts Receivable, Net

Notes and accounts receivable as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	2010
Notes receivable	$	2,180	18,975
Accounts receivable		362,412	1,774,152
Less: allowance for doubtful accounts		(5,857)	-
	$	358,735	1,793,127

7. Inventories, Net

The components of inventories as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	2010
Merchandise	$	-	2,198
Less: provision for devaluation		-	(627)
		-	1,571
Finished goods		282,153	771,561
Less: provision for devaluation		(45,809)	(31,411)
		236,344	740,150
Work in process		65,605	30,296
Less: provision for devaluation		(3,875)	(2,027)
		61,730	28,269
Raw materials		234,686	675,983
Less: provision for devaluation		(28,651)	(31,536)
		206,035	644,447
Supplies		155,743	303,163
Less: provision for devaluation		(24,315)	(20,858)

(Continued)

	December 31,	
	131,428	282,305
	$ 635,537	1,696,742

In 2011 and 2010, the inventory write-downs to estimated net realizable values charged to costs of goods sold and inventories related expenses were as follows:

	2011	2010
Physical inventory loss (gain)	$ (21)	544
Loss on inventory devaluation	33,599	21,459
Compensation for disaster	-	(7,330)
	$ 33,578	14,673

8. Equity-Method Investments and Prepayments on Long-term Investment

The Company's ownership interest and investments in investee entities as of December 31, 2010 and 2011, consisted of the following:

	December 31, 2011		December 31, 2010	
Investee	**Amounts**	**Percentage of ownership**	**Amounts**	**Percentage of ownership**
Equity-Method Investments:				
Sino Silicon Technology Inc. (SSTI)	$ 1,066,854	100%	1,441,459	100%
GlobiTech Incorporated (GT)	-	-	2,461,551	100%
GWVI Inc. (GWVI)	-	100%	-	-
GlobalWafers Co., Ltd.	7,276,548	100%	-	-
Sino Sapphire Co., Ltd.	1,522,725	100%	-	-
Sunrise Global Solar Energy Corp. (SGSE)	**1,011,786**	23.93%	1,061,409	24.16%
FreeSolar Corp.	827,795	41.88%	-	-
	$ 11,705,708		4,964,419	
Prepaid long-term investment fund:				
FreeSolar Corp.	$ -		9,000	
Investment income (loss) recognized by equity method, net	$ (3,724)		662,634	

(Continued)

Originally, the Company acquired a grant from the Investment Commission, MOEA and invested indirectly in Kunshan Sino Silicon Technology Co., Ltd. through SSTI. For the purpose of the Company's restructuring, starting from October 1, 2011, the investment in Kunshan Sino Silicon Technology Co., Ltd. was spun off to GlobalWafers and invested indirectly through GLOBALSEMICONDUCTOR Inc. (GSI). Please refer to Note 5(1) for detailed information. In addition, Kunshan Sino Silicon Technology Co., Ltd. is mainly in charge of the manufacture and sale of silicon wafers.

Due to the Company's restructuring starting from May 2011, the Company formed 100%-owned GWI in the Cayman Islands and transferred the 100% ownership of the American subsidiary GT from the Company to GWI. GlobalWafers indirectly acquired GT through GWI after spun-off on October 1, 2011.

In June, 2011, for the purpose of the promotion of administrative efficiency in related investment, operating flexibility, and investment efficiency, the Company formed a subsidiary, GWVI, in the Virgin Islands and reinvested in GWCM as a 100%-owned sub-subsidiary in the Cayman Islands.

On August 10, 2011, the board of directors of the Company resolved to acquire 100% ownerships of Covalent Material Corporation's subsidiaries, Covalent Silicon Corporation and Covalent Materials Sekikawa Corporation, which are semiconductor and silicon business entities. The abovementioned acquisition was approved by the special stockholders' meeting, and the acquirers would be either subsidiaries 100% owned by GWCM or other directly or indirectly 100%-owned subsidiaries of the Company. The payment date was scheduled to be March 29, 2012, and the transfer of rights and obligations was scheduled to be on April 1, 2012. According to the Memorandum of Understanding signed on January 12, 2012, the acquisition amount was tentatively set at 28 billion Japanese Yen for the related assets and business. On October 25, 2011, the board of directors of SAS resolved to replace GWCM with GWafers to commence investment restructuring.

GWVI ended its operation on January 1, 2012, and is currently liquidating, additionally; GWCM had completed the struck off procedures

As SGSE launched a capital increase in September 2010, the Company increased its ownership interest in SGSE from 10% to 25.5%. Consequently, the investment in SGSE was accounted for under the equity method, and related investment income or loss was recognized. Additionally, the difference between the cost of investment and the underlying equity in SGSE's net assets which was attributable to amortized assets amounted to $279,587. As of December 31, 2011 and 2010, the Company's ownership in SGSE was 23.93% and 24.16%, respectively, as a result of disproportionate participation in SGSE's equity change.

The movement of the difference between the investment cost and the underlying equity in SGSE's net assets which was attributable to amortized assets was as follows:

	For the year ended December 31, 2011				
	Beginning balance	Additions	Amortization	Foreign currency translation	Ending balance
Amortized assets	$ 523,753	-	(75,799)	9,493	457,447
Goodwill	622,593	-	-	24,792	647,385
	$ 1,146,346	-	(75,799)	34,285	1,104,832

(Continued)

		For the year ended December 31, 2010				
		Beginning balance	**Additions**	**Amortization**	**Foreign currency translation**	**Ending balance**
Amortized assets	$	289,802	279,587	(20,672)	(24,964)	523,753
Goodwill		684,575	-	-	(61,982)	622,593
	$	974,377	279,587	(20,672)	(86,946)	1,146,346

On November 29, 2010, the Company entered into a joint venture agreement with Solartech Energy Corp. and Sing Tung Investment Ltd. to co-establish Free Solar Corp., which was successfully registered on January 17, 2011.

The Company invested in GlobalWafers' equity offerings on January 12, 2012. Please refer to Note 20 for detailed information.

9. Short-term Borrowings

As of December 31, 2011 and 2010, details were as follows:

		December 31,	
		2011	**2010**
Loan for working capital	$	100,000	-
Unused facilities	$	4,073,913	3,743,040
Interest rate range		1.54%	-

Refer to Note 16 for buildings and improvements which were pledged as collateral to secure short-term borrowings.

(Continued)

10. Long-term Loans Payable

As of December 31, 2011 and 2010, details were as follows:

			December 31,	
Financial institution	**Redemption**		**2011**	**2010**
Chang Hwa Bank (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing	$	900,000	1,500,000
Mega International Commercial Bank (lead bank of syndicated loan)	Repayable quarterly in 15 installments starting from 18 months after the date of borrowing		1,440,000	2,044,000
E. Sun Bank	From June 15, 2009, to June 15, 2012, repayable quarterly, starting from September 15, 2010.		75,000	225,000
Fubon Bank	From December 29, 2011, to March 24, 2014, repayable monthly, starting from January 29, 2012		280,000	-
First Bank	From December 26, 2011, to March 23, 2014, repayable monthly, starting from January 26, 2012		400,000	-
Less: current portion			(1,995,000)	(1,376,000)
		$	**1,100,000**	**2,393,000**
Interest rate range			**1.33% to 1.65%**	**1.62% to 1.65%**
Unused credit facility		$	**1,206,769**	**310,000**

On March 12, 2008 the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 with Chang Hwa Bank and 7 other banks. These credit facilities contained covenants that required the Company, on its annual consolidated financial statements and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

On December 18, 2008, the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 with Mega International Commercial Bank and 5 other banks. These credit facilities contained covenants that required the Company, on its annual consolidated financial statements and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio,

(Continued)

debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

If the Company does not maintain certain financial ratios as specified in the loan agreements, the Company should apply for a waiver, stating therein the reasons and measures to be taken, based on the loan agreements. The banks have the right to request repayment if the banks verify a breach of the loan agreement.

According to the loan agreements, a commitment fee is charged at an annual rate of 0.1% to 0.2% based on the committed-to-withdraw but unused balance, if any. As of December 31, 2011, the credit facilities had been withdrawn on schedule and no commitment fee was paid.

The Company was in compliance with the aforementioned financial covenants as of December 31, 2011 and 2010.

Refer to Note 16 for assets pledged as collateral to secure long-term loans payable.

11. Retirement Plans

The following table sets forth the defined benefit obligation and the amounts recognized related to the Company’s retirement plans.

	December 31,	
	2011	**2010**
Benefit obligation:		
Vested benefit obligation	$ (2,466)	(22,584)
Non-vested benefit obligation	(20,516)	(61,866)
Accumulated benefit obligation	(22,982)	(84,450)
Additional benefits based on future salary increase	(6,259)	(21,692)
Projected benefit obligation	(29,241)	(106,142)
Fair value of plan assets	7,371	40,839
Funded status	(21,870)	(65,303)
Unrecognized net transition obligation	1,212	1,414
Unrecognized pension loss	(2,479)	42,870
Additional accrued pension liabilities	-	(22,592)
Accrued pension liabilities (included in other liabilities)	**$ (23,137)**	**(43,611)**

(Continued)

The components of net periodic pension cost for 2011 and 2010 are summarized as follows:

		2011	2010
Defined benefit plan:			
Service cost	$	104	1,790
Interest cost		150	1,851
Expected return on plan assets		(57)	(629)
Amortization and deferral		(127)	1,980
Net periodic pension cost		70	4,992
Defined contribution plan		40,765	33,347
Total	$	40,835	38,339

As of December 31, 2011 and 2010, the vested benefit of employees meeting the Company's retirement requirements amounted to $3,212 and $28,425, respectively.

Significant underlying actuarial assumptions were as follows:

	December 31,	
	2011	2010
Discount rate	2.00%	2.00%
Rate of increase in future compensation levels	2.00%	2.00%
Expected long-term rate of return on plan assets	2.00%	2.00%

12. Stockholders' Equity

(1) Common stock

Pursuant to a stockholders' resolution on June 15, 2010, the Company increased its common stock by 21,399 thousand new shares through the capitalization of unappropriated earnings of $209,738 and employee bonuses of $27,000. The number of common shares issued through the capitalization of employee bonuses was 426 thousand shares, which was determined by the amount of employee bonuses divided by the closing price (after considering the effect of dividends) of the shares on the day preceding the stockholders' meeting. The issuance price for the shares was $63.46 per share and aforementioned capital increase was approved by SFB on June 25, 2010. The date fixed for the capital increase was July 18, 2011. The registration procedures related to the capital increase were completed.

(Continued)

On September 9, 2010, the Company offered 61,000 thousand global depositary receipts (GDRs) on the Luxembourg Stock Exchange representing 61,000 thousand shares of common stock. Each GDR represents one share of the Company's common stock. The offering price was US$2.9048 per GDR. The offering and issuance of the GDRs was authorized and approved by the ROC Securities and Futures Bureau (SFB) through its notice letter No. 0990041383 dated August 13, 2010. The total capital received from the offering of these GDRs amounted to US$177,193 thousand on September 9, 2010, and the net proceeds thereof, after deducting the underwriting expense of US$2,262 thousand, amounted to US$174,931 thousand (equivalent to $5,580,288). The issuance cost for the GDR offering was $11,531. The paid-in capital in excess of par value of $4,958,757 was recognized as "capital surplus".

On March 11, 2011, the Company's board of directors resolved to issue 20,107 thousand new shares in exchange for the common stock of Solartech Energy; please refer to the Note 5(1).

On June 27, 2011, the Company's board of directors resolved to issue 20,000 thousand new shares at $60 per share. The capital increase in cash had previously been approved by FSC notice letter No. 1000032816. Later, considering the change in environment and recent fluctuation of the stock price, the issuance price was decreased to $47 as resolved by the special board of directors' meeting. The shares reserved for employee subscription were recognized as compensation cost amounting to $15,900. The date fixed for the capital increase was October 14, 2011. The registration procedures related to the capital increase were completed.

Pursuant to a stockholders' resolution on June 17, 2011, the Company increased its common stock by 20,987 thousand new shares through the capitalization of unappropriated earnings of $201,066 and employee bonuses of $70,000. Within the issuance, the 880 thousand shares derived from the employee bonuses of $70,000 were based on the ex-dividend price of $79.52, and it was approved by the FSC on July 12, 2011. The date fixed for the capital increase was August 13, 2011. The registration procedures related to the capital increase were completed.

As of December 31, 2011 and 2010, the authorized capital of the Company was $6,000,000 and $5,000,000, respectively, of which $200,000 was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2011 and 2010, the issued capital was $4,431,191 and $3,820,256, respectively, with par value of $10 per share.

(2) Employee stock option plans

In June 2010, the board of directors resolved to issue the First Employee Stock Option Plan in 2010 (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe 1 share of the Company's common stock. The contractual life is 6 years. The Plan was approved by the SFB on November 12, 2010 and officially granted on August 10, 2011.

(Continued)

In June 2004, the SFB approved the Company's plan to issue 10,000,000 units of employee stock options. Each unit entitles the holder to subscribe one common share of the Company, and the exercise period for the options is 6 years starting from the grant date. As of December 31, 2011, the outstanding employee stock option plans were as follows:

Item	Authorization date	Grant date	Vesting period	Issued units in thousands	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2004 first employee stock option plan	June 1, 2004	August 11, 2004	Service periods between two and four years	5,000	16.20	16.20	10.20
2004 second employee stock option plan	June 1, 2004	January 31, 2005	Service periods between two and four years	5,000	23.00	23.00	15.20
2010 employee stock option plan	November 12, 2010	August 10, 2011	Service periods between two and four years	10,000	60.50	60.50	59.90

In the year ended December 31, 2010, 147 thousand units of the Company's employee stock options were exercised, and as of December 31, 2010, the abovementioned employee stock options issued in 2004 had been fully exercised. The registration procedures related to the issuance were completed.

For options granted in 2011, the Company recognized compensation cost of $27,798 using the fair value method in accordance with SFAS No. 39 for the year ended December 31, 2011.

The fair value of the options granted in 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions. The factors to account for share-based payments were as follows:

	2010 employee stock option plan
Expected dividend yield	3.6%
Expected volatility	48.065%
Risk-free interest rate	1.2905%
Remaining contractual life	6 years

(Continued)

A summary of the Company's stock option plans and related information for the years ended December 31, 2011 and 2010, is as follows:

	2011		2010	
Employee stock options	**Options (thousands)**	**Weighted-average exercise price**	**Options (thousands)**	**Weighted-average exercise price**
Outstanding at beginning of year	-	-	147	14.38
Options granted	10,000	60.50	-	-
Options exercised	-	-	147	14.38
Options forfeited (expired)	-	-	-	-
Outstanding at end of year	10,000	59.90	-	-
Options exercisable at end of year	-	-	-	-
Weighted-average fair value of employee stock options	$ 23.36		1.20~1.60	

The weighted-average market price per share of common stock was $78.69 for the year ended December 31, 2010. The vested maturity dates of option plans authorized in 2004 were in 2008 and 2009; therefore, pro forma net income and pro forma earnings per share for the year ended December 31, 2010, were not disclosed.

(3)Capital surplus

The components of capital surplus consisted of the following:

	December 31, 2011	December 31, 2010
Additional paid-in capital	$ 11,838,954	9,448,128
Investments accounted for using equity method	70,777	-
Treasury stock transactions	546	546
Others	231,112	126,217
	$ 12,141,389	9,574,891

According to the revised ROC Company Act, effective from January 2012, capital surplus shall be used to offset accumulated deficits before it can be used to increase common stock or distribute cash dividends. The aforementioned capital surplus includes premium from issuing stock and donations received. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the sum total of capital surplus capitalized per annum shall not exceed 10% of the issued capital.

(Continued)

(4) Legal reserve

According to the revised ROC Company Act, 10 percent of the annual earnings after payment of income taxes due and offsetting accumulated deficits, if any, shall be allocated as legal reserve until the accumulated legal reserve equals the issued common stock. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a stockholders' meeting, distribute its legal reserve to stockholders by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25 percent of the issued capital may be distributed.

(5) Distribution of earnings and dividend policy

According to the Company's articles of incorporation as revised on June 17, 2011, when allocating current year's net profits for each fiscal year, if any, they shall be distributed in the following order:

(a) Offset prior year's operating losses;

(b) Legal reserve at 10% of the profits left over, until the accumulated legal reserve equals the Company's issued capital;

(c) Special reserve in accordance with relevant laws or regulations or as requested by authorities;

(d) After deducting items (a), (b), and (c) above from the net current profits, bonus to directors of the Company of not more than 5% and profit sharing to employees of not less than 10%; the distribution of the remaining portion including the previous years unappropriated earnings, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, distribution of cash dividends should not be less than 50% of total dividends. If employee bonuses are paid in the form of stock subject to compliance with certain conditions, the stock dividends may be paid to the Company's affiliates' qualified employees as determined by the chairman of the board.

Pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB), the Company shall set aside special reserve equivalent to the net debit balance of the other components of stockholders' equity, and it shall be made from its after-tax earnings of the current year and unappropriated earnings. If the aforementioned special surplus is a debit account of cumulative stockholders' equity carried from previous periods, then an equal amount of such special surplus appropriated from previously undistributed earnings cannot be distributed until an offsetting amount appears in the debit account to stockholders' equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

For the years ended December 31, 2011 and 2010, the employee bonuses and remuneration to directors and supervisors were based on the Company's net income for the years then ended, and after setting aside 10% as legal reserve and special reserve, the board of directors estimated the amount by taking into consideration the Company's articles of incorporation and previous average rates approved by stockholders' meetings. Accordingly, the Company recognized and accrued employee bonuses of $0 and $397,590 for the years ended December 31, 2011 and

(Continued)

2010, respectively. The Company also recognized remuneration to directors and supervisors of $0 and $53,012 for the years ended on December 31, 2011 and 2010, respectively. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of the Company's stock one day prior to the approved date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the statement of income in the following year.

The information on dividend per share, employee bonuses, and directors' and supervisors' remuneration allocated from earnings of 2010 and 2009 which were approved by the stockholders' meeting on June 17, 2011, and June 15, 2010, respectively, is as follows:

		2010	2009
Dividend per common share:	$	5.00	1.00
Cash		0.50	0.70
Stock (at par value)	$	**5.50**	**1.70**
Employee bonuses－stock	$	70,000	27,000
Employee bonuses－cash		329,710	65,054
Directors' and supervisors' remuneration		53,295	12,274
	$	**453,005**	**104,328**

The actual payments of employee bonuses and directors' and supervisors' remuneration determined by the board of directors and approved by the stockholders' meeting were $450,602, which was $2,403 different from the estimation. The difference is regarded as a change in accounting estimate and is reflected in the statement of income for the year ended December 31, 2011.

The amount of employee bonuses and directors' and supervisors' remuneration of the Company for 2011 is subject to the recommendation of the board of directors and the approval of the stockholders. The related information on the board of directors' recommendation and stockholders' approval can be obtained from the Market Observation Post System.

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13. Earnings per Share ("EPS")

The basic earnings per share and diluted earnings per share attributable to the stockholders of the Company for the years ended December 31, 2011 and 2010, were calculated as follows:

	2011		2010	
	Before taxes	After taxes	Before taxes	After taxes
Basic earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Shares of common stock at beginning of year (thousand shares)	382,026	382,026	299,479	299,479
Add: Issuance of new stock (thousand shares)	18,597	18,597	-	-
Employee bonus (thousand shares)	20,580	20,580	21,207	21,207
Issuance of stockholders' stock dividends and employees stock bonus (thousand shares)	-	-	135	135
Issuance of stock from exercise of stock options (thousand shares)	-	-	19,052	19,052
Weighted-average number of common shares outstanding	421,203	421,203	339,873	339,873
Basic earnings per common share	$ 0.88	1.02	11.42	10.50
Basic earnings per common share – retroactively adjusted			$ 10.88	10.00
Diluted earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Effects of dilution:				
Weighted-average number of common shares outstanding (thousand shares)	421,203	421,203	339,873	339,873
Add: Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance (thousand shares)	1,637	1,637	11	11
Stock bonus compensation before approval by the	405	405	5,300	5,300

(Continued)

	2011 Before taxes	2011 After taxes	2010 Before taxes	2010 After taxes
stockholders' meeting (thousand shares)				
Diluted weighted-average number of common shares outstanding	423,245	423,245	345,184	345,184
Diluted earnings per share	$ 0.87	1.01	11.24	10.34
Diluted earnings per share – retroactively adjusted			$ 10.70	9.85

14. Income Taxes

Pursuant to the Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries, the Company is entitled to elect appropriate tax incentives for exemption from corporate income taxes for five consecutive years based on subsequent capital increases for the purpose of manufacturing wafers and ingots of semiconductor materials. The Company spun off the related business and net assets to GlobalWafers and Sino Sapphire, and in accordance with the Business Mergers and Acquisitions Act, effective from October 1, 2011, partial tax incentives will be taken over by GlobalWafers and Sino Sapphire. As of December 31, 2011, the details of the Company's tax exemption due to the capital increase were as follows:

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
GlobalWafers	Increase in capital by capitalizing retained earnings and employee bonuses in 2003	Exemption from corporate income taxes for a five-year period	December 2004	2008~2012
The Company	Increase in capital by capitalizing retained earnings and employee bonuses in 2004	Exemption from corporate income taxes for a five-year period	November 2005	2009~2013
The Company	Increase in capital by cash in 2005	Exemption from corporate income taxes for a five-year period	August 2007	2007~2011
GlobalWafers	Increase in capital by capitalizing retained earnings	Exemption from corporate income taxes for a	February 2007	2010~2014

(Continued)

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
	and employee bonuses in 2005	five-year period		
The Company	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2006	Exemption from corporate income taxes for a five-year period	August 2008	2011~2015
Sino Sapphire	Increase in capital by capitalizing the retained earnings and employee bonuses in 2007	Exemption from corporate income taxes for a five-year period	February, 2009	Oct. 31, 2008~ Nov. 30, 2013
The Company	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2008	Shareholder investment tax credits	Stockholders' investment credits approved on March 8, 2012	-
The Company	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2009	Shareholder investment tax credits	Notification to the authorities and related application under process	-

The components of income tax expense for the years ended December 31, 2011 and 2010, were as follows:

		2011	2010
Current	$	146,607	314,698
Deferred		(206,505)	(3,082)
	$	59,898	311,616

Pursuant to the Income Tax Act as revised on May 27, 2009, the statutory income tax rate applicable to the Company was reduced from 25% to 20% starting from 2010. On June 15, 2010, pursuant to further revision of the Income Tax Act, the statutory income tax rate applicable to the Company was changed from 20% to 17% starting from 2010. The statutory tax of the Company for the year of 2011 and 2009 was 17%. Effective January 1, 2006, an alternative minimum tax ("AMT") in accordance with the Income Basic Tax Act ("IBTA") would be calculated. The tax rates for the foreign subsidiary companies are based on the tax law of each tax jurisdiction. The expected income tax calculated at the statutory tax rate was reconciled with income tax expense for the years ended December 31, 2011 and 2010, as follows:

		2011	2010
Income tax on pretax income at the statutory tax rate	$	62,697	659,638
Estimated 10% surtax on unappropriated earnings		100,002	-
Income tax exemption		(17,000)	(153,144)
Tax effect of permanent differences		10,090	(21,720)
Investment tax credits		(722,885)	(50,163)
Change in valuation allowance and prior year's adjustment		507,198	(98,413)
Effect of tax rate adjustment		-	(24,582)
Income tax (benefit) expense	**$**	**(59,898)**	**311,616**

The components of deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	**2010**
Deferred income tax assets (liabilities) – current:			
Unrealized foreign currency exchange loss (gain)	$	77	(830)
Provision for inventory devaluation		17,451	14,698
Investment tax credits		-	52,287
Unrealized gain on financial liability valuation		(7,467)	-
	$	**10,061**	**66,155**
Deferred income tax assets (liabilities) – non-current:			
Investment tax credits		587,151	-
Investment income recognized by equity method	$	(27,043)	(128,859)
Impairment loss on financial assets carried at cost		3,657	24,835
Foreign currency translation adjustment		7,885	16,595
Provision for foreign investment		-	(76,217)
Others		3,403	11,999
		575,053	(151,647)
Loss: valuation allowance		(490,534)	(31,998)
	$	**84,519**	**(183,645)**
Total deferred income tax assets	**$**	**619,624**	**120,414**
Total deferred income tax liabilities	**$**	**34,510**	**205,906**

(Continued)

	December 31,	
	2011	2010
Total valuation allowance	$ 490,534	31,998

Pursuant to article 12 of the ROC Statute for Upgrading Industries, a company making foreign investments under the statute may set aside an amount up to 20% of the total outward investment as reserve to cover any investment loss when it occurs. In accordance with statements of Statute of Upgrading Industries, the investment loss recognition is based on the actual reduction on outward investments, and shall be subjected to the direct outward investees. In May, 2011, the Company transferred GT with its net asset value to GWI; accordingly, the Company has revised the aforementioned reserve and charged to net income for the year ended December 31, 2011.

According to the Industrial Innovation Act, the Company's investment credits from research and development expenditures can be deducted from the current income tax payable, subject to a maximum of 30% of current income tax payable. Based on the Industrial Innovation Act, the deduction of investment credits from the current-year income tax payable amounted to $56,987 for the year ended December 31, 2011. Pursuant to the Statute for Upgrading Industries, tax credits from the purchase of machinery and research and development expenditure may be applied to offset income tax payable over a period of five years. The amount of tax credits available to be applied in any year is limited to 50% of the income tax payable for that year, except for the final year in which such tax credit expires. Furthermore, an application for investing in the Chunan branch submitted by the Company in 2005, which is in accordance with the tax ruling entitled "The rule on investment tax credits for investing in a county or township area with scanty natural resources or with slow development", completed the application process in April 2011. The tax-deductible amount is estimated as $665,898 and can be used to reduce income tax throughout the coming five years, including the current year.

As of December 31, 2011, the Company's unused investment tax credits and related expiration years were as follows:

Year of assessment	Expiration year	Remaining credit
2010 (filed)	2010~2014	$ 587,151

The Company's income tax returns for all fiscal years up to 2008 have been examined and approved by the R.O.C. Tax Authority

Information related to the undistributed earnings and the imputation credit account ("ICA") of the Company as of December 31, 2011 and 2010, is as follows:

	December 31,	
	2011	2010
Unappropriated earnings:		
Earned before January 1, 1998	$ 10,095	10,095
Earned after January 1, 1998	2,070,097	4,209,979
	$ 2,080,192	4,220,074

(Continued)

		December 31,	
ICA balance	$	135,800	52,701
Creditable ratio for earnings distribution to resident stockholders		12.77% (estimated)	7.81% (actual)

15. Information on Financial Instruments

(1) Derivative financial instruments

There was no derivative financial instrument transaction by the Company in 2010. Please refer to Note 5(1) for detailed information on derivative financial instrument transactions in 2011. For the year ended December 31, 2011, the Company recognized unrealized gain arising from changes in fair value of financial assets of $43,922.

(2) Non-derivative financial instruments

As of December 31, 2011 and 2010, except for certain financial assets and liabilities identified below, the carrying amounts of financial instruments approximated their fair value.

	December 31,			
	2011		2010	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Financial assets at fair value through profit or loss - current $	43,922	43,922	-	-
Financial assets carried at cost	1,904,118	see (3)(d) below	1,481,649	see (3)(d) below
Off-balance-sheet financial instruments:				
Letters of credit	-	-	-	104,606
Guarantee	-	956,690	-	853,495

(3) Methods and assumptions used to estimate fair values of financial instruments:

(a) Fair values of financial assets and liabilities at fair value through profit or loss are based on quoted market prices, and if available market quotes are not immediately available, the fair values of those financial instruments are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

(b) The Company's non-derivative financial assets and liabilities with short maturities include notes and accounts receivable (including related parties), other current financial assets,

(Continued)

short-term borrowings, accrued salary, and other current liabilities whose carrying amounts approximate their fair value due to their short maturities.

(c) The fair value of available-for-sale financial assets is determined based on the active market quoted price if it is available.

(d) Financial assets measured at cost, whose fair values are not practically determinable because they are not traded in an active public market, are carried at cost. Refer to Note 5 for details.

(e) The fair value of other non-current financial assets, such as refundable deposits for operating use and restricted time deposits, is estimated based on the present value of expected cash flows, which approximates their carrying amounts.

(f) The fair value of long-term loans payable bearing a floating rate approximates the carrying value.

(g) The fair value of off-balance-sheet financial instruments is estimated based on the contract price.

(4) The fair values of financial assets and liabilities evaluated by the Company using active market quotations or valuation techniques were as follows:

	December 31,			
	2011		2010	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:				
Cash	$ 2,405,021	-	6,206,538	-
Financial assets at fair value through profit or loss – current	-	43,922	-	-
Available-for-sale financial assets – non-current	1,054,168	-	381,019	-
Long-term account receivable from related parties	766,183	-	-	-
Notes and accounts receivable (including related parties)	-	629,482	-	2,580,343
Loan to related parties	-	233,840	-	-
Other financial assets – current	-	2,402	-	3,592
Other financial assets –	-	2,194	-	2,844

(Continued)

	December 31,			
	2011		2010	
	Active market quotation	**Valuation technique**	**Active market quotation**	**Valuation technique**
non-current				
Financial liabilities:				
Short-term borrowings	-	100,000	-	-
Notes and accounts payable (including related parties)	-	510,062	-	1,631,321
Other payable to related parties	-	1,299,402	-	-
Accrued salary and bonuses	-	136,323	-	729,605
Accrued expenses and other current liabilities	-	133,414	-	839,593
Long-term loans payable (including current portion)	-	3,095,000	-	3,769,000

(4) Financial risk information

(a) Market price risk

The Company entered into the derivative instruments transaction to hedge committed foreign-currency liabilities' exchange rate fluctuations. Therefore, the market exchange rate risk of these derivatives will be offset by the foreign exchange risk of these hedged items. Financial assets and liabilities denominated in foreign currency and publicly traded available-for-sale financial assets held by the Company are measured at fair value; hence, the Company would exposure to the risk of fluctuations in market interest rates and market prices will result in changes in fair values of these equity securities.

(b) Credit risk

The Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk for cash.

The main customers of the Company belong to the silicon wafer and related industries. It is the Company's normal practice to provide customers with a credit limit according

(Continued)

to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2011 and 2010, 51% and 64%, respectively, of the Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(c) Liquidity risk

The Company has sufficient capital and working capital to reduce the risk of being unable to fulfill contract obligations. As there is no active market for financial assets carried at cost, the Company is exposed to liquidity risk thereon.

(d) Cash flow interest rate risk

The Company's short-term and long-term borrowings bear floating interest rates. As a result, the Company is exposed to fluctuation in interest rates that affects cash flows for interest payments on these borrowings. At December 31, 2011 and 2010, if interest rates increased by 0.25%, the future annual interest expense would increase by $7,987 and $9,423, respectively.

16. Related-party Transactions

(1) Names and relationships of related parties with significant transactions with the Company were as follows:

Name of related party	Relationship with the Company
SSTI	Subsidiary
GlobalWafers Co., Ltd.	Subsidiary
Sino Sapphire Co., Ltd.	Subsidiary
GT	Reinvestment company 100% held by the Company (note 1)
Kunshan Sino Silicon Technology Co., Ltd.	Reinvestment company 100% held by the Company (note 1)
GWafers	Reinvestment company 100% held by the Company
Actron Technology Corporation (ATC)	The Company's chairman of the board of directors is the same as ATC's
Sunrise Global Solar Energy Corp. (SGSE)	Investee of the Company under the equity method (note 2)
Solartech Energy	Legal director of the Company (note 3)

(Continued)

Name of related party	Relationship with the Company
Sinosolar Corp	Investee of the Company under the equity method
Directors, supervisors, president and vice president	The Company management team

Note 1: Previously, the Company invested in Kunshan Sino Silicon Technology Co., Ltd. (Kunshan SST) through SSTI and directly invested in GT. Due to corporate reorganization starting from May 2011, Kunshan SST was acquired through GSI, and GT was acquired through GWI. However, after the split-off on October 1, 2011, GlobalWafers indirectly invested in Kunshan SST and GT through GSI and GWI, respectively.

Note 2: On September 17, 2010, SGSE became an equity investee of the Company, and the transactions with SGSE starting from September 17, 2010, were disclosed accordingly.

Note 3: On June 17 2011, after re-election of directors, Solartech Energy became a legal director of the Company, and the transactions between the Company and Solartech are disclosed as related-party transactions.

(2) Significant transactions with related parties

a. Sales and accounts receivable

Net sales to related parties for the years ended December 31, 2011 and 2010, were as follows:

	2011		2010	
	Amount	Percentage of net sales	Amount	Percentage of net sales
SGSE	$ 593,356	4	397,083	2
Solartech	461,325	3	-	-
ATC	290,025	2	383,341	2
GlobalWafers	59,932	-	-	-
Sino Sapphire	7,745	-	-	-
	$ 1,412,383	9	780,424	4

The selling prices for sales to related parties were determined by the products' specifications, which were not comparable with those of other customers. The credit terms for the related parties were between month-end 35 days and next month-end 60 days and month-end 60~150 days during 2011 and 2010, respectively, while the terms for third parties were month-end 0~120 days during 2011 and 2010.

(Continued)

As of December 31, 2011 and 2010, accounts receivable resulting from sales to related parties were as follows:

	December 31,				
	2011			2010	
		Amount	Percentage of total receivables	Amount	Percentage of total receivables
ATC	$	30,715	3	152,934	6
Solartech		3,142	-	-	-
SGSE		-	-	146,747	6
	$	33,857	3	299,681	12

Furthermore, in order to maintain a stable supply of material, SGSE and Solartech have both signed long-term supply contracts with the Company. As of December 31, 2011 and 2010, revenue received in advance for sales resulting, from the aforementioned related parties were as follows:

	December 31,		
		2011	2010
Solartech	$	1,177,531	-
SGSE		310,360	324,660
	$	1,487,891	324,660

b. Purchases and accounts payable

Purchases from related parties for the years ended December 31, 2011 and 2010, were as follows:

	December 31,				
	2011			2010	
		Amount	Percentage of net purchase	Amount	Percentage of net purchase
SSTI	$	550,516	5	1,429,035	9
Kunshan SST		461,636	4	-	-
GT		255,527	2	249,543	2
Solartech		44,342	-	-	-
GlobalWafers		50,175	-	-	-

(Continued)

	December 31,			
	2011		2010	
	Amount	Percentage of net purchase	Amount	Percentage of net purchase
SGSE	34,828	-	-	-
Sino Sapphire	16,131	-	-	-
	$ 1,413,155	11	1,678,578	11

As inventory procurement from related parties is different from third parties, no comparable prices existed. The payment terms of related parties were month-end 45 days and month-end 45~120 days during 2011 and 2010, respectively, while the terms of third parties were month-end 0~120 days during 2011 and 2010.

As of December 31, 2011 and 2010, the payables generated from the above transactions had been settled. Payables resulting from the above transactions were as follows:

	December 31,			
	2011		2010	
	Amount	Percentage of payables	Amount	Percentage of payables
GT	$ -	-	39,189	2
GlobalWafers	30,919	6	-	-
SSTI	-	-	101,917	6
	$ 30,919	6	141,106	8

c. Guarantees

In 2011 and 2010, the maximum credits which the Company had provided guarantees to financial institutions for its related parties' financing were USD31,600 thousand and USD 28,600 thousand, respectively, the details of guarantees were as follows:

	December 31,	
	2011	2010
SSTI	$ 13,600	16,600
GT	18,000	12,000

(Continued)

	December 31,	
$	31,600	28,600

d. Monetary loan

In 2011, the maximum amount of monetary loans to GWafers was JPY 600,000 thousand. As of December 31, 2011, the outstanding loans amounted to JPY 233,820 thousand and were recognized as loan to related party.

credits

e. Throughout the years, the unrealized gain from selling fixed assets to Kunshan Sino Silicon Technology Co., Ltd. was recognized as "deferred credits – gains on inter-affiliate accounts". Disposal of fixed assets and deferred

Amortization is evaluated on a straight-line basis over the estimated useful lives of fixed assets of five years. For the years ended December 31, 2010 and 2011, the deferred gain on disposal of fixed assets arising from amortization was $120 and $253, respectively.

f. Property transactions

In 2010 and 2011, the Company purchased property, plant and equipment from Kunshan Sino Silicon Technology Co., Ltd. through SSTI, which amounted to $55,444 and $34,631, respectively. For the years ended December 31, 2010 and 2011, outstanding payables amounted to $0 and $13, respectively, which were accounted for under "other payable – related parties".

g. Pledged assets

The buildings and machinery spun off to GlobalWafers and Sino Sapphire by the Company were used as collateral for the Company to secure long-term loans. As of December 31, 2011, book values of the buildings and machinery were $47,949 and $18,888, respectively.

h. Royalty revenue

The Company entered into a technology and patent licensing agreement with SGSE on January 21, 2011. The agreement term shall continue for a period of 3 years from the effective date of this agreement. The royalty shall be paid to the Company by SGSE in accordance with this agreement, and the Company recognized it as royalty revenue

(Continued)

under service revenue amounting to $20,000 in 2011. For the year ended December 31, 2011, the above-mentioned royalty-related revenue has been collected.

i. Management service revenue

In 2011, the Company received management service revenue from GlobalWafers and Sino Sapphire of $22,700 and $5,045, respectively, recognized as operating revenue.

j. Rental income and rental expense

The Company leased its factory buildings to GlobalWafers and Sino Sapphire, and recognized rental income of $581 and $1,118, respectively, for the year ended December 31, 2011. As of December 31, 2011, the uncollected rental receivables – Sino Sapphire were $385, booked in accounts receivable from related parties. The Company leased buildings from GlobalWafers in 2011, and rental expense incurred from these lease contracts, recognized as operating expense, amounted to $198 in 2011. As of December 31, 2011, the rental payable had been paid.

k. Other payable – GlobalWafers and Sino Sapphire

As a result of spin-off of the semiconductor business and sapphire business, the difference between the assets and liabilities, and shareholders' equity was recognized as other payable – related party.

As of December 31, 2011, other payables – related party were as follows:

		December 31, 2011
GlobalWafers	$	443,859
Sino Sapphire		855,543
	$	**1,299,402**

l. Others

(i) In 2010 and 2011, the indirect sales to Kunshan Sino Silicon Technology Co., Ltd. through SSTI were $314,112 and $727,471, and in 2011 the direct sales to Kushan SST were $388,665, which the Company purchased back as finished goods and sold to customers after Kunshan SST had manufactured them. The aforementioned

(Continued)

transactions were determined on the basis of cost-plus pricing. The related sales revenue and purchases are written off in the financial statements instead of being regarded as the Company's transactions.

Materials purchased on behalf of GT amounted to $678,994 and $784,325 in 2010 and 2011, respectively. In respect of the unrealized gain or loss and the service revenue that arose from the above transactions, the former was deferred, and the latter amounted to $199,996 and $133,570 in 2010 and 2011, respectively.

(ii) In 2010 and 2011, the commission revenue which GT agreed to pay to the Company was $4,062 and $4,591, respectively, and the Company recognized it as service revenue.

Receivables generated from the aforementioned transactions were as follows:

	2011.12.31		2010.12.31	
	Amount	**% of receivables**	**Amount**	**% of receivables**
GT	$ -	-	363,606	15
Kunshan Sino Silicon Technology Co., Ltd.	15,755	4	-	-
SSTI	-	-	123,543	5
	$ 15,755	**4**	**487,149**	**20**

As of December 31, 2011 and 2010, the corresponding unrealized deferred credits amounted to $0 and $11,500, respectively, and were recognized under deferred credits – gains on inter-affiliate accounts.

(iii) The outstanding receivables from related parties generated from expense paid on behalf of related parties for the years ended December 31, 2011 and 2010, were as follows:

(Continued)

		2011	2010
GlobalWafers	$	175,978	-
Sino Sapphire		42,283	-
FreeSolar		25	-
SSTI		2,464	386
	$	**220,750**	**386**

(iv) The long-term receivables – related parties arose from investment restructuring and amounted to $766,183 at the end of 2011, please refer to Note 5 (2) for further discussion.

(v) Compensation of the principal management team

For the years ended December 31, 2011 and 2010, the compensation to the principal management team, including all directors and supervisors, the president, and the vice president, was as follows:

		2011	2010
Salaries	$	25,563	29,311
Compensation		-	1,909
Service charges		11,730	37,629
Employee bonuses		-	119,600
	$	**37,293**	**188,449**

The above amounts include the accruals for remuneration to directors and supervisors and for employee bonuses; please refer to the section “stockholders’ equity” for further details.

17. Pledged Assets

Assets pledged as collateral as of December 31, 2011 and 2010, were as follows:

		December 31,	
Pledged assets	**Purpose of pledge**	**2011**	**2010**
Buildings and improvements	Short-term borrowings and	1,904,971	1,985,133

(Continued)

Pledged assets	Purpose of pledge		December 31, 2011	December 31, 2010
	long-term loans payable	$		
Machinery and equipment	Long-term loans payable		1,067,102	1,456,431
Time deposits (recorded in other financial assets－non-current)	Guarantees for solar energy system demonstration		246	246
		$	**2,972,319**	**3,441,810**

18. Commitments and Contingencies

Aside from those matters discussed in notes 9 and 10, the commitments and contingencies were as follows:

(1) As of December 31, 2011 and 2010, the Company had outstanding letters of credit of $0 and $104,606, respectively.

(2) Effective 2005, the Company entered into several non-cancelable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancelable, and paid by the Company on the schedule stipulated in the contract. The materials supply is guaranteed by the suppliers. In addition, due to the economic downturn, the market prices of silicon fluctuated rapidly. Therefore, the Company negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. As of December 31, 2011, the materials for future delivery from suppliers under the current effective agreements were as follows:

	December 31, 2011 (In thousands)
USD	**558,178**
EUR	**62,122**

In addition, the Company also entered into several non-cancelable long-term sales agreements with polysilicon purchasers. According to these agreements, from January 1, 2006, to December 31, 2019, the purchasers agree to make prepayments, and the Company is obligated to deliver the product on the schedule stipulated in the contracts. Also, if the Company defaults on the delivery schedule, the Company has to offer sales discounts or compensation ranging from one and a half times to four times the undelivered products' applicable prepayments. However, the Company is required to refund the prepayments if the Company delays the delivery for three months. Additionally, due to the economic downturn, which caused a decline in demand, solar battery purchasers attempted to negotiate with the Company to reduce the wafer prices. The Company agreed to revise the agreements with pricing based on market conditions at that time.

(Continued)

As of December 31, 2011, the amounts of future product delivery under current effective sales agreements were as follows:

	December 31, 2011 (In thousands)
USD	893,643
EUR	235,932
NTD	5,189,633

(3) As of December 31, 2011 and 2010, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $0 and $495,309, respectively.

(4) As of December 31, 2011 and 2010, the Company had issued promissory notes of $3,234,318 and $3,739,960, respectively, as collateral for bank loans.

(5) The Company entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Hsinchu site of the Hsinchu Science Park. The land lease agreement covers the period from October 1, 2000, to December 30, 2020. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $2,616. The rent contract was transferred to GlobalWafers starting from October 1, 2011. The rent term is from October 2011 to December 30, 2013. The rent is subject to the regulated land price and is about $816 per year.

The Company entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Chu-Nan site of the Hsinchu Science Park. The land lease agreement covers the period from March 17, 2005, to December 31, 2027. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $3,926.

The Company entered into a car lease agreement with HOTAL Leasing Corporation for a car intended for business use. The lease covers the period from December 2010 to December 2013. The annual rent is approximately $756.

As of December 31, 2011, minimum lease commitments in future years under the current operating lease agreements were as follows:

	Amount
January 2012 to December 2016	$ 21,261
January 2017 to December 2027	37,291
	$ 58,552

19. Significant Disaster: None.

(Continued)

20. Subsequent Events

(1) On January 12, 2012, the Company's board of director resolved to subscribe the Globalwafers 's capital increase in cash, the issuance price is NT40 dollars per share and total subscribed shares are 123,750 thousand shares with amounting to NT4,950,000.

(2) In order to acquire the ownership of the semiconductor business of the Japanese company Covalent, the Company signed a syndicated loan agreement with Citibank and 11 other banks. The credit facility amount is $9,000,000, and it had not been used as of the report date.

21. Other Information

(1) The personnel expenses, depreciation, and amortization, categorized by function, for the years ended December 31, 2011 and 2010, were as follows:

	2011			2010		
Account	**Cost of goods sold**	**Operating expenses**	**Total**	**Cost of goods sold**	**Operating expenses**	**Total**
Personnel expenses:						
Salaries	$ 841,674	187,843	1,029,517	880,347	496,772	1,377,119
Labor and health insurance	64,426	11,069	75,495	56,807	8,327	65,134
Pension	33,263	7,572	40,835	32,197	6,142	38,339
Others	52,369	6,718	59,087	59,013	6,086	65,099
Depreciation	1,300,821	73,086	1,373,907	1,029,513	77,477	1,106,990
Amortization	85	3	88	169	7	176

The salary expense for the years ended December 31, 2011 and 2010, includes employee bonuses and remuneration of directors and supervisors of $0 and $450,602, respectively.

(2) The Company has provided a reserve for loss on outward investment, in accordance with the "Statute for Upgrading Industries". This reserve was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses within five years after the initial provision of this reserve, the loss reserve should be reversed and recognized as revenue in the sixth year. However, as such reserve does not conform to accounting principles generally accepted in the Republic of China, the loss reserve is reversed during the preparation of the financial statements, but the Company does not adjust the books. Accordingly, retained earnings on the Company's books were decreased by $0 and $448,334 as of December 31, 2011 and 2010, respectively.

(Continued)

(3) The significant financial assets and liabilities in foreign currency were as follows (in thousands):

	December 31,					
	2011			2010		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
US Dollars	12,930	30.275	391,456	146,881	29.130	4,278,644
JPY	222,941	0.3906	87,081	668,281	0.3582	239,378
EURO	359	39.18	14,066	4,914	38.920	191,253
Equity-method investment						
USD	68,791	30.275	2,082,648	83,864	29.130	2,442,958
Financial liabilities						
Monetary Items						
US Dollars	2,055	30.275	62,215	12,759	29.130	371,670
JPY	377,355	0.3906	147,395	253,316	0.3582	90,738
EURO	-	39.18	-	3,497	38.920	136,103

22. Operating Segment Information:

Please refer to the Sino-American Silicon Products Inc. and subsidiaries consolidated financial statements for operating segment information.

6.5 Audited Consolidated Financial Statements for Most Recent Year

Independent Auditors' Audit Report

The Board of Directors

Sino-American Silicon Products Inc.

We have audited the accompanying consolidated balance sheets of Sino-American Silicon Products Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a subsidiary, GlobiTech Incorporated, and an equity method investee, Sunrise Global Solar Energy Corporation, for the years ended December 31, 2011 and 2010, which are included in the consolidated financial statements. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for GlobiTech Incorporated and Sunrise Global Solar Energy Corporation, is based solely on the reports of the other auditors. The total assets of GlobiTech Incorporated were NT$3,040,610 thousand and NT$2,442,969 thousand (10% and 8% of consolidated total assets) as of December 31, 2011 and 2010, respectively, and its total revenue was NT$2,331,660 thousand and NT$2,306,868 thousand (13% and 10% of consolidated total revenue) for the years ended December 31, 2011 and 2010, respectively. The related long-term investment balances of NT$1,011,786 thousand and NT$1,061,409 thousand as of December 31, 2011 and 2010, respectively, and the investment loss amounting to NT$103,405 thousand in 2011 and investment income amounting to NT$79,764 thousand in 2010 are based solely on the reports of the other independent auditors.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sino-American Silicon Products Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG
Hsinchu, Taiwan (the Republic of China)
March 22, 2012

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Assets	2011	2010
Current assets:		
Cash (notes 4 and 5)	$ 4,532,226	7,070,626
Financial assets at fair value through profit or loss	43,922	-
Notes and accounts receivable, net (note 6)	1,204,256	2,356,811
Accounts receivable from related parties (note 17)	98,099	299,681
Other financial assets – current	14,237	25,106
Inventories, net (note 7)	1,335,313	1,986,145
Prepayments for materials (note 19)	1,335,910	1,055,944
Deferred income tax assets – current (note 15)	9,736	66,155
Other current assets (note 5)	208,368	314,959
	8,782,067	13,175,427
Long-term investments:		
Equity-method investments (note 8)	1,839,581	1,061,409
Available-for-sale financial assets – non-current (note 5)	1,054,168	381,019
Financial assets carried at cost – non-current (note 5)	1,904,118	1,481,649
Other financial assets – non-current (note 18)	19,590	4,542
Prepayments for long-term investment in stocks (note 8)	-	9,000
	4,817,457	2,937,619
Property, plant and equipment (notes 10, 11 and 18)**:**		
Land	24,232	23,304
Buildings and improvements	4,691,409	4,129,309
Machinery and equipment	10,316,590	8,271,654
Other equipment	1,509,353	1,352,339
	16,541,584	13,776,606
Less: accumulated depreciation	(6,157,153)	(4,661,632)
Prepayments for equipment and construction in progress	754,762	975,793
	11,139,193	10,090,767
Intangible assets (notes 9 and 18)**:**		
Goodwill	647,385	622,593
Land use rights	9,759	9,102
	657,144	631,695
Other assets:		
Deferred charges and other assets	27,561	11,689
Long-term prepayments for materials (note 19)	4,003,448	4,083,405
	4,031,009	4,095,094
Total Assets	**$ 29,426,870**	**30,930,602**

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity	2011	2010
Current liabilities:		
Short-term borrowings (notes 10 and 18)	$ 1,020,694	221,769
Notes and accounts payable	600,770	1,734,724
Payroll and bonus payable	225,562	774,436
Current portion of revenue received in advance for sales (notes 17 and 19)	1,232,513	973,989
Current portion of long-term loans payable (notes 11 and 18)	1,995,000	1,376,000
Accrued expenses and other current liabilities	470,778	930,163
	5,545,317	6,011,081
Long-term liabilities:		
Long-term loans payable (notes 11 and 18)	1,100,000	2,393,000
Other liabilities:		
Other liabilities – other (note 12)	62,345	43,611
Deferred income tax liabilities – non-current (note 15)	153,818	260,310
Revenue received in advance for sales – non-current (notes 17 and 19)	3,572,582	3,795,316
	3,788,745	4,099,237
Total liabilities	10,434,062	12,503,318
Stockholders' equity (note 13)**:**		
Common stock	4,431,191	3,820,256
Capital surplus	12,141,389	9,574,891
Retained earnings:		
Legal reserve	944,846	587,985
Unappropriated earnings	2,080,192	4,220,074
	3,025,038	4,808,059
Other stockholders' equity:		
Foreign currency translation adjustment	161,317	(106,758)
Unrecognized pension cost	(51)	(21,178)
Unrealized gain (loss) on available-for-sale financial assets	(766,076)	352,014
	(604,810)	224,078
Total stockholders' equity	18,992,808	18,427,284
Commitments and contingencies (notes 11 and 19)		
Total Liabilities and Stockholders' Equity	$ 29,426,870	30,930,602

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2011	2010
Revenue (note 17)	$	17,648,921	22,565,391
Less: sales returns and allowances		131,684	45,875
		17,517,237	22,519,516
Processing revenue and others		31,826	9,186
Net revenue		17,549,063	22,528,702
Cost of goods sold (notes 7 and 17)		15,813,764	16,997,889
Gross profit		1,735,299	5,530,813
Operating expenses:			
Selling		121,685	156,263
General and administrative		308,419	490,414
Research and development		550,546	619,669
		980,650	1,266,346
Operating income		754,649	4,264,467
Non-operating income and gains:			
Interest income		34,189	8,559
Investment income recognized by equity method (note 8)		-	79,764
Dividend income		10,947	10,052
Government grants		23,211	10,576
Gain on disposal of investments		6,979	9,534
Foreign exchange gain, net		77,732	-
Unrealized gain on valuation of financial assets (note 5)		43,922	-
Other income		51,084	59,980
		248,064	178,465
Non-operating expenses and losses:			
Interest expense		68,760	74,714
Investment loss recognized by equity method (note 8)		121,609	-
Foreign exchange loss, net		-	141,759
Impairment loss on financial assets (note 5)		250,000	141,697
		440,369	358,170
Income before income taxes		562,344	4,084,762
Income tax expenses (note 15)		133,638	516,153
Net income	$	**428,706**	**3,568,609**

	2011 Before Tax	2011 After Tax	2010 Before Tax	2010 After Tax
Earnings per share (in dollars) (note 14)				
Basic earnings per share	$ **0.88**	**1.02**	**11.42**	**10.50**
Basic earnings per share – retroactively adjusted			$ **10.88**	**10.00**
Diluted earnings per share	$ **0.87**	**1.01**	**11.24**	**10.34**
Diluted earnings per share – retroactively adjusted			$ **10.70**	**9.85**

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSI DIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

					Retained earnings					
		Common stock	Advance receipts for common stock	Capital surplus	Legal reserve	Unappro-priated earnings	Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Total
1.1.1.7.										
1.1.1.8.Balance at January 1, 2010	$	2,994,413	508	4,592,617	540,429	1,209,302	179,760	(16,049)	381,076	9,882,056
1.1.1.9. Appropriation of earnings:										
Legal reserve		-	-	-	47,556	(47,556)	-	-	-	-
Stock dividends		209,738	-	-	-	(209,738)	-	-	-	-
Cash dividends		-	-	-	-	(299,627)	-	-	-	(299,627)
Issuance of global depository receipts		610,000	-	4,958,757	-	-	-	-	-	5,568,757
Stock dividends to employees as bonus		4,255	-	22,745	-	-	-	-	-	27,000
Issuance of stock from exercised employee stock options		1,850	(508)	772	-	-	-	-	-	2,114
Net change in fair value of available-for-sale financial assets		-	-	-	-	-	-	-	(29,062)	(29,062)
Foreign currency translation adjustments		-	-	-	-	-	(286,518)	-	-	(286,518)
Adjustment arising from changes in percentage of ownership in equity-method investees		-	-	-	-	(916)	-	-	-	(916)
Pension adjustment - unrecognized pension cost		-	-	-	-	-	-	(5,129)	-	(5,129)
Net income for 2010		-	-	-	-	3,568,609	-	-	-	3,568,609
1.1.1.10.Balance at December 31, 2010		3,820,256	-	9,574,891	587,985	4,220,074	(106,758)	(21,178)	352,014	18,427,284
1.1.1.11. Appropriation of earnings:										
Legal reserve		-	-	-	356,861	(356,861)	-	-	-	-
Stock dividends		201,066	-	-	-	(201,066)	-	-	-	-
Cash dividends			-	-	-	(2,010,661)	-	-	-	(2,010,661)
Issuance of common stock for cash		200,000	-	740,000	-	-	-	-	-	940,000
Stock dividends to employees as bonus		8,803	-	61,197	-	-	-	-	-	70,000
Issuance of common stock to acquire available-for-sale financial assets		201,066	-	1,650,826	-	-	-	-	-	1,851,892
Net change in fair value of available-for-sale financial assets		-	-	-	-	-	-	-	(1,118,090)	(1,118,090)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees		-	-	43,698	-	-	-	-	-	43,698
Foreign currency translation adjustments		-	-	-	-	-	268,075	-	-	268,075
Adjustment arising from changes in percentage of ownership in equity-method investees		-	-	70,777	-	-	-	-	-	70,777
Pension adjustment - unrecognized pension cost		-	-	-	-	-	-	21,127	-	21,127
Net income for 2011		-	-	-	-	428,706	-	-	-	428,706
1.1.1.12.Balance at December 31, 2011	**$**	**4,431,191**	**-**	**12,141,389**	**944,846**	**2,080,192**	**161,317**	**(51)**	**(766,076)**	**18,992,808**

Note 1: Directors' and supervisors' remuneration and employee bonuses amounting to $12,274 thousand and $92,054 thousand, respectively, were excluded from net income for 2009.
Note 2: Directors' and supervisors' remuneration and employee bonuses amounting to $53,012 thousand and $397,590 thousand, respectively, were excluded from net income for 2010.

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 428,706	3,568,609
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,767,848	1,421,726
Provision for (reversal of) allowance for doubtful accounts	5,350	(35,110)
Provision for inventory obsolescence and devaluation loss	49,633	20,735
Investment loss (income) recognized by equity method	121,609	(79,764)
Cash dividends received from equity-method investees	9,540	115
Cash dividends received from available-for-sale financial assets	76,419	-
Loss on disposal of property, plant and equipment	133	6,571
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	43,698	-
Gain on disposal of equity-method investment	(6,979)	(9,534)
Impairment loss on financial assets	250,000	141,697
Unrealized gain on valuation of financial assets	(43,922)	-
Expense (income) with no effect on cash flow	223,356	(220,836)
Change in operating assets and liabilities:		
Notes and accounts receivable	1,182,056	(159,692)
Notes and accounts receivable from related parties	201,582	(195,636)
Inventories	621,377	(706,955)
Prepayments for materials	(200,009)	156,019
Other financial assets – current	10,869	(11,620)
Deferred income tax assets	(129,300)	80,164
Other operation-related assets	(114,245)	140,799
Notes and accounts payable	(1,133,954)	326,129
Revenue received in advance	35,790	(248,748)
Accrued pension liabilities	3,069	(1,017)
Deferred credits	4,589	-
Other operation-related liabilities	(653,603)	1,141,434
Net cash provided by operating activities	2,753,612	5,335,086
Cash flows from investing activities:		

See accompanying notes to financial statements.

(Acquisition of) proceeds from disposal of available-for-sale financial assets – non-current	(15,767)	10,215
Increase in equity-method investment	(837,000)	(891,676)
Acquisition of financial assets carried at cost	(579,660)	(26,096)
Proceeds from disposal of equity-method investments	14,436	-
Acquisition of property, plant and equipment	(3,045,570)	(3,556,243)
Proceeds from disposal of property and equipment	84,458	42,568
Decrease (increase) in deposits-out	(5,301)	100
Increase in restricted assets	(9,747)	(195)
Decrease (increase) in deferred charges	(7,170)	14,499
Net cash used in investing activities	(4,401,321)	(4,406,828)

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	798,925	(811,277)
Increase in long-term loans payable	680,000	860,000
Repayment of long-term loans	(1,354,000)	(221,000)
Payments of cash dividends	(2,010,661)	(299,627)
Proceeds from capital increase	940,000	5,568,757
Proceeds from issuance of stock for employee stock options exercised	-	2,114
Net cash provided by (used in) financing activities	(945,736)	5,098,967
Effect of exchange rate changes on cash	55,045	70,082
Net increase (decrease) in cash	(2,538,400)	6,097,307
Cash at beginning of year	7,070,626	973,319
Cash at end of year	$ 4,532,226	7,070,626
Supplemental disclosures of cash flow information:		
Cash payments of interest (excluding interest capitalized)	$ 69,456	71,372
Cash payments of income taxes	$ 549,624	77,667
Non-cash investing and financing activities:		
Issuance of common stock to acquire available-for-sale financial assets	$ 1,851,892	-

See accompanying notes to financial statements.

Current portion of long-term loans payable	**$ 1,995,000**	**1,376,000**
Bonuses to employees – stock	**$ 70,000**	**27,000**
Acquisition of property, plant and equipment:		
Increase in property, plant and equipment	$ 2,775,715	3,662,745
Changes in payables for equipment	269,855	(106,502)
	$ 3,045,570	**3,556,243**

See accompanying notes to financial statements.

(Amounts expressed in thousands of New Taiwan dollars except for per share amounts and unless otherwise specified)

1. Organization and Principal Activities

Sino-American Silicon Products Inc. ("SAS") was incorporated in January 1981 under the ROC Company Act and established the Chunan Branch in June 2005. SAS's main activities include the research, development, production, and sale of semiconductor ingots/wafers, solar ingots/wafers, and sapphire wafers, and services consisting of the integration and installment of photovoltaic systems.

SAS's common shares were publicly listed on the Over-the-Counter Market ("OTC") in March 2001.

In order to conduct corporate restructuring and specialization and to enhance competitiveness and operating performance, on June 17, 2011, the stockholders' meeting resolved to transfer the semiconductor business and sapphire business (and their related assets and liabilities) from SAS to its wholly owned, newly incorporated subsidiaries GlobalWafers and Sino Sapphire, respectively. The date of the spin-off was set as October 1, 2011, and SAS transferred its semiconductor business to GlobalWafers by issuing 180,000 thousand new shares at $38.5 per share. In addition, SAS transferred its sapphire business by issuing 40,000 thousand new shares at $40 per share. The relevant information about the spin-off is as follows:

	Global-Wafers	Sino Sapphire	Total
Assets:			
Accounts and notes receivable	$ 608,266	96,528	704,794
Other receivables – related parties	1,193,500	960,837	2,154,337
Inventories	305,475	144,893	450,368
Prepaid inventory	888,204	-	888,204
Deferred income tax asset - current	-	1,457	1,457
Other current asset	9,346	7	9,353
Long-term equity investment	3,952,393	-	3,952,393
Buildings and plants	75,868	-	75,868
Machinery and equipment	293,334	379,147	672,481
Prepayment for equipment and construction in progress	51,982	-	51,982
Leasehold improvements	-	50,899	50,899

(Continued)

Deferred pension cost	26,401	137	26,538
Liabilities:			
Accounts payable	(58,781)	(17,398)	(76,179)
Expense payable and other current liabilities	(82,058)	(16,370)	(98,428)
Accrued pension liabilities	(26,401)	(137)	(26,538)
Deferred income tax liabilities	(75,195)	-	(75,195)
Net assets	7,162,334	1,600,000	8,762,334
Effect of changes in foreign exchange rates	(232,334)	-	(232,334)
	$ 6,930,000	1,600,000	8,530,000

Furthermore, SAS has already obtained permission to continue listing on the OTC after the spin-off. The permission is in accordance with Article 15-20 of the GreTai Securities Market Rules Governing Securities Trading on the GTSM.

As of December 31, 2011 and 2010, SAS and its subsidiaries had 1,883 and 2,321 employees, respectively.

2. Summary of Significant Accounting Policies

The consolidated financial statements were prepared in conformity with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

A summary of significant accounting policies is as follows:

(1) Overview of Consolidated Entities

(a)The consolidated subsidiaries are summarized as follows:

Name of Investor	Name of investee	Main activities	Percentage of ownership at December 31, 2011	Percentage of ownership at December 31, 2010
SAS	Sino Silicon Technology Inc. (SSTI)	Investment holding and sales of products through a subsidiary in China	100	100
SAS	GlobalWafers	Silicon material for semiconductor and trading	100	-
SAS	Sino Sapphire	Manufacturing and trading of	100	-

(Continued)

Name of Investor	Name of investee	Main activities	Percentage of ownership at December 31, 2011	2010
		optoelecronic wafers and substrates		
SAS	GWVI Inc. (GWVI)	Various investments	100	-
SAS	GlobiTech Incorporated (GT)	Production of epitaxial wafers and silicon wafers, and operation of a wafer foundry	-	100
GlobalWafers	Global Semiconductor Inc. (GSI)	Various investments	100	-
GlobalWafers	Global Wafers Inc. (GWI)	Various investments	100	-
GlobalWafers	GWafers	Various investments	100	-
SSTI	Kunshan Sino Silicon Technology Co.	Processing and trade of ingots and wafers	-	100
GSI	Kunshan Sino Silicon Technology Co.	Processing and trade of ingots and wafers	100	-
GWI	GT	Production of epitaxial wafers and silicon wafers, and operation of a wafer foundry	100	-
GWVI	GWCM Inc.	Various investments	100	-

(b) Explanation of change in subsidiaries

Due to corporate reorganization starting from May 2011, SAS set up a new 100%-owned subsidiary, GSI, in the Cayman Islands and transferred the 100% ownership of SST from SSTI to GSI. Further, SAS set up 100%-owned GWI in the Cayman Islands and transferred the 100% ownership of the American subsidiary GT from SAS to GWI. Further, SAS set up 100%-owned GWVI in the British Virgin Islands and set up 100%-owned GWCM in the Cayman Islands through GWVI.

SAS commenced its spin-off on October 1, 2011, and the new subsidiaries, GlobalWafers and Sino Sapphire, were founded.

Due to the spin-off, SAS transferred the 100% ownership of GSI and GWI to GlobalWafers.

(Continued)

GWafers, a 100%-owned subsidiary, was founded by GlobalWafers in Japan on October 20, 2011.

On August 10, 2011, the board of directors of the Company resolved to acquire 100% ownerships of Covalent Material Corporation's subsidiaries, Covalent Silicon Corporation and Covalent Materials Sekikawa Corporation, which are semiconductor and silicon business entities. The abovementioned acquisition was approved by the special stockholders' meeting, and the acquirers would be either subsidiaries 100% owned by GWCM or other directly or indirectly 100%-owned subsidiaries of the Company. The payment date was scheduled to be March 29, 2012, and the transfer of rights and obligations was scheduled to be on April 1, 2012. According to the Memorandum of Understanding signed on January 12, 2012, the acquisition amount was tentatively set at 28 billion Japanese Yen for the related assets and business. On October 25, 2011, the board of directors of SAS resolved to replace GWCM with GWafers to commence investment restructuring.

GWVI ended its operation on January 1, 2012, and is currently liquidating.

(2) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority-owned subsidiaries of SAS and the accounts of investees in which SAS's ownership percentage is less than 50% but in which SAS has a controlling interest (jointly referred to as the Company). All significant intercompany balances and transactions are eliminated upon consolidation.

(3) Use of Estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent liabilities. Actual results could differ from these estimates.

(4) Foreign-currency Transactions and Translation

Entities included in the consolidated financial statements record transactions in their respective functional currencies. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting exchange gains or losses from settlement of such transactions or translation of foreign-currency-denominated monetary assets or liabilities are reflected as non-operating gains or losses in the accompanying consolidated statements of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into

(Continued)

New Taiwan dollars at the rates prevailing at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such transactions are recorded in current profit or loss. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such transactions are recorded as a separate component of stockholders' equity.

In translating foreign currency financial statements into New Taiwan dollars, balance-sheet-date rates are used for asset and liability accounts; historical rates are used for equity accounts, except that the prior-year translated balance is carried forward for the beginning retained earnings, and weighted-average rates are used for profit and loss accounts. Translation differences are included in the cumulative translation adjustment account under stockholders' equity.

(5) Classification of Current and Noncurrent Assets and Liabilities

Current assets are cash and cash equivalents, assets held for trading purposes, and assets expected to be converted to cash, sold, or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

(6) Asset Impairment

The Company reviews the Company's assets (an individual asset or cash-generating unit associated with the asset, other than goodwill) for impairment at each balance sheet date. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment is reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

(7) Financial Instruments

(a) Financial assets and liabilities measured at fair value through profit or loss: Except for effective hedging derivative financial instruments, all financial derivatives are included in this category and transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings.

(b) Available-for-sale financial assets: These are measured at fair value, and any changes, excluding impairment loss and unrealized foreign currency exchange gain or loss, are reported as a separate component of stockholders' equity until realized. Realized gain or loss on financial instruments is charged to current operations. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss has decreased, the previously recognized impairment loss for equity securities is reversed to the extent of the decrease and recorded as an adjustment to equity, while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurs after the impairment loss is recognized.

(c) Financial assets carried at cost: Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original

(Continued)

cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(7) Notes receivables, accounts receivable, and other receivables:

Notes and accounts receivable are amounts owed to a business by a customer as a result of a purchase of goods or services from it on a credit basis. Other receivables are any receivable generated from non-operating business. For financial assets, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment is the difference between the book value of assets and the discounted future cash flows based on the original effective rate. The impairment is recorded by the allowance account and as current-period loss. When calculating the impairment amount, the estimated future cash flow should include the recoverable amount of collateral and insurance.

If the subsequent impairment decreases because of the events after the recognition of impairment, the impairment amount previously recognized should be added back (through the allowance account). However, the amount added back should not let the book value exceed that depreciated book value without impairment. The amount added back should be recorded as current-period gain.

(8) Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. If hedging relationships meet the criteria for hedge accounting, the hedging instruments are accounted for as fair value hedges.

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

(9) Inventories

The cost of inventories consists of costs of purchase, costs of processing, and other costs incurred in bringing the inventories to their present location and condition. The fixed production overheads are allocated to the finished goods and work in progress based on the normal capacity of the production facilities. If the actual yield is approximately the normal capacity, the fixed production overheads are allocated based on the actual yield of the production facilities. In contrast, if the actual yield is greater than the normal capacity, the fixed production overheads are allocated based on the actual yield of the production facilities. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are measured individually at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted-average-cost method. Net realizable value is the estimated

(Continued)

selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(10) Equity-Method Investments

The equity method is adopted when the aggregate shareholding of the Company and its affiliated companies in the investee exceeds 20% of common shares, or is less than 20% of the investee's common stock ownership, but the Company and its affiliated companies have a significant influence on the investee. The cost of such an investment shall be analyzed, and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions of fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). If the book values of those non-current assets are reduced to zero, the remaining excess should be recorded as extraordinary gains.

If an investee company issues new shares and the Company does not subscribe in proportion to its original ownership percentage, the equity in the investee's net assets might be changed. The resulting change in the equity interest is adjusted against capital surplus and long-term investments. If the Company's capital surplus is insufficient to offset the adjustment to long-term investment, the difference is charged as a reduction of retained earnings.

If the equity investment that was previously measured at cost is changed to the equity method, the book value of the equity investment at the beginning of the year should be used as the initial book value of the long-term equity investment under the equity method.

Unrealized inter-company profits or losses resulting from transactions between the Company and affiliated companies and their investees accounted for under the equity method are deferred. The profits or losses resulting from depreciable or amortizable assets are recognized over the estimated useful lives of such assets. The profits or losses from other assets are recognized when realized.

(11) Property, Plant and Equipment, and Idle Assets

Property, plant and equipment are stated at cost. Significant renewals and improvements are treated as capital expenditures. Repairs and maintenance are charged to expenses as incurred.

Depreciation of property, plant and equipment is provided for by using the straight-line method over the estimated useful lives of the respective assets. At the end of each fiscal year, the Company reviews the remaining useful life, depreciation method, and salvage value of property, plant and equipment. Any changes in the remaining useful life, depreciation method, and salvage value are regarded as changes in accounting estimates. The useful lives of the main property, plant and equipment are as follows:

(a) Buildings and improvements: 2 to 40 years.
(b) Machinery and equipment: 2 to 15 years.
(c) Other equipment: 2 to 20 years.

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or losses.

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Property, plant and equipment not used in operations are reclassified to idle assets, which are measured at the lower of carrying amount or net realizable value. In accordance with the amended Statement of Financial Accounting Standards (SFAS) No. 1 “Conceptual Framework for Financial Accounting and Preparation of Financial Statements”, the cost, accumulated depreciation, and accumulated impairment of property, plant and equipment not used in operations are reclassified to idle assets. Depreciation of idle assets is provided for by using the straight-line method over the remaining estimated useful life.

(12) Intangible Assets

Expenditure on research, other than goodwill and intangible assets acquired in a business combination, is charged to expense as incurred. An intangible asset arising from technology development is recognized when the Company can demonstrate all of the recognition criteria.

The residual value, useful life, and amortization method for an in tangible asset with a finite useful life are reviewed at least at each fiscal year-end. Any changes therein are accounted for as changes in accounting estimate.

Goodwill represents the excess of the cost of the acquisition over the interest in the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. Goodwill is no longer amortized but is measured at cost less accumulated impairment losses.

Land use rights are recorded at acquisition cost and are amortized using the straight-line method over the shorter of the contract period or estimated benefit duration, which was 50 years.

(13) Deferred Charges

Deferred charges, including syndicated loan application expense and electrical facility installation charges which are capitalized as deferred charges, are amortized on a straight-line basis over their estimated useful lives, ranging from two to five years.

(14) Retirement Plan

SAS and its domestic subsidiaries established an employee non-contributory defined benefit retirement plan (“the Plan”) covering all regular employees employed before December 31, 2005. In accordance with the Plan, the Company and its domestic subsidiaries’ employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the years of service and the average salary for the six-month period before the employee’s retirement. Each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. Beginning July 2005, pursuant to the ROC Labor Pension Act (hereinafter referred to as the “New Act”), employees who elected to participate in the New Act or joined the Company and its domestic subsidiaries’ after July 1, 2005, are covered by a defined contribution plan under the New Act. For these employees, SAS and its domestic subsidiaries are required to make a monthly contribution at a rate of no less than 6% of the employee’s monthly wages to the employee’s individual pension fund account at the ROC Bureau of Labor Insurance. Anything not covered by the original retirement plan is handled pursuant to the New Act.

For the defined benefit plan under the ROC Labor Standards Law (the “old system”), SAS and its domestic subsidiaries carry out an actuarial calculation of their pension obligation at year-end. Based on the actuarial calculation, SAS and its domestic subsidiaries recognize a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan

(Continued)

participants, including current service cost, interest cost, the actual return on plan assets, unrecognized pension obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis over the estimated residual service periods of employees participating in the "Plan". In accordance with the requirement of the ROC Labor Standards Law, SAS and its domestic subsidiaries contribute monthly at the rate of 2% of salaries and wages to a pension fund.

Under the New Act, SAS, Global Wafers, and Sino Sapphire contribute 6% of each employee's monthly wages to the Bureau of Labor Insurance. Pension cost is recognized in the period when the contribution is made.

SST and GT have set up their respective retirement plans based on local government regulations. Pension costs are recognized in the period when the actual contributions are made. SSTI, GSI, GWI, GWVI, GWCM, and GWafers do not recognize pension costs as they have no employees.

(15) Share-based Payment

SAS adopted SFAS No. 39 "Share-based Payment" for share-based payment arrangements with a grant date on or after January 1, 2008. The Accounting Research and Development Foundation ("ARDF") Interpretations No. (92) 070, 071, and 072 were applied for employee share options that were granted before January 1, 2008.

(e) An equity-settled share-based payment transaction is measured based on the fair value of the award at the grant date, and recognized as expenses over the vesting period with a corresponding increase in equity. The vesting period is estimated based on the vesting conditions under the share-based payment arrangement. Vesting conditions include service conditions and performance conditions (including market conditions). In estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into consideration.

(f) The fair value of a share-based award is estimated using the Black-Scholes option-pricing model, taking into account the exercise price, the current market price of the underlying shares, management's best estimate of the expected term, the expected volatility, the expected dividends, and the risk-free interest rate.

(g) SAS did not apply SFAS No. 39 retrospectively to a share-based payment award that was granted before January 1, 2008; however, pro forma net income and earnings per share must be disclosed.

The capital increase by cash arising from the exercise of employee stock subscription rights commencing from January 1, 2008, is accounted for in accordance with ARDF Interpretation No. (96) 267. According to this Interpretation, compensation cost is calculated based on the option-pricing model on the grant date and is amortized over the vesting period. The grant date is either the ex-rights date or the date of approval by the board of directors if the approval from the board of directors is required.

(16) Revenue Recognition

(Continued)

Sales revenue is recognized when title to the products and the risks and rewards of ownership are transferred to the clients, which occurs principally at the time of shipment. Processing revenue is recognized when the services have been completed and processed products are delivered.

(17) Government Grants

Income from government grants for research and development is recognized as non-operating income when qualifying expenditures are made and income is realizable.

(18) Employee Bonuses and Remuneration to Directors and Supervisors

Effective from January 1, 2008, in accordance with Interpretation No. (96) 052 issued by the ARDF, the Company estimates the amount of employee bonuses and remuneration to directors and supervisors and charges it to current operations, classified under cost of goods sold or operating expense, whichever is appropriate. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements is treated as a change in accounting estimate, and charged to profit or loss in the subsequent year.

(19) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences and tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred income tax assets will not be realized, a valuation allowance is recognized accordingly. If the Company can control the timing of the reversal of the temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

According to SFAS No. 22 "Income Taxes," when a change in the income tax rate is enacted, any deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the recalculated amount and original amount of a deferred tax liability or asset is reported as an adjustment to income tax expense (benefit) for income from continuing operations.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related assets or liabilities. If the deferred income tax asset or liability is not directly related to a specific asset or liability, the classification is based on the expected realization period.

According to the ROC Income Tax Act, SAS's earnings are subject to an additional 10 percent corporate income surtax if not distributed. This surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

(20) Earnings per Common Share

Basic EPS are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. The weighted-average number of outstanding shares is retroactively adjusted for the effect of stock dividends transferred from retained earnings and capital surplus to common stock, and employee stock bonuses issued prior to January 1, 1998.

The Company's options and employee bonuses which are distributable in the form of shares of stock but have not yet been resolved by the stockholders are potential common shares. If the potential common shares are not dilutive, only the basic earnings per common share are disclosed; otherwise, disclosure of diluted earnings per common share is added. In computing the diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming the dilutive share equivalent had been issued.

(21) Operating Segment Information

Operating segments are components of the Company which engage in operations that generate profit and expenses (including intercompany transactions within the consolidated corporation). The segment's operating results were reviewed regularly by the Company's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information was available.

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3. Reasons for and Effect of Changes in Accounting Principles

Effective from January 1, 2011, the Company adopted the newly issued SFAS No. 41 “Operating Segments”. This Standard was to regulate the disclosure of operation segment information to enable users of financial statements to evaluate the nature and financial effects of an entity’s business activities in which it engages and the economic environments in which it operates. The statement requires identification and disclosure of operating segments on the basis of how the Company’s chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20 “Segment Reporting”, and the comparative operating segment information has been presented accordingly. This accounting change had no profit and loss effect on the Company’s financial statements as of and for the year ended December 31, 2011.

Effective from January 1, 2011, the Company adopted the third amendment to SFAS No. 34 “Financial Instruments: Recognition and Measurement” to account for the recognition of receivables and the subsequent evaluation. This change in accounting principles had no significant effect on consolidated net income or consolidated earnings per share for the year ended December 31, 2011.

The identification of related parties was pursuant to ARDF Interpretation No. (99) 371. The interpretation has no effect on consolidated net income or consolidated earnings per share for the year ended December 31, 2011.

4. Cash

The components of cash as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	2010
Cash on hand	$	808	681
Time deposits		946,776	2,470,828
Cash in banks		3,584,642	4,599,117
	$	4,532,226	7,070,626

5. Financial Instruments and Hedge Accounting

(1) Available-for-sale financial assets－non-current

	December 31, 2011	December 31, 2010
Publicly listed companies:		
Solartech Energy Corp.	$ 789,028	-
Acron Technology Corp.	265,140	381,019
	$ 1,054,168	381,019

On March 11, 2011, the boards of directors of SAS and Solartech Energy resolved to invest in each other through stock exchange. The purpose was to increase operating scale and industrial advantage through upstream and downstream integration. The exchange of stock was based on issuing new shares on April 15, 2011. SAS issued 20,107 thousand shares in exchange for 25,473 thousand shares of Solartech Energy. The exchange rate was 1.2669 shares of Solartech Energy for 1 share of SAS based on Solartech Energy’s exchange day market price. The investment cost was recognized at Solartech Energy’s exchange day market price and accounted for as available-for-sale financial assets. The cash dividend received from Solartech Energy amounted to $76,419 and is recorded as recovery of investment cost.

(2) Financial assets carried at cost－non-current:

	December 31, 2011	December 31, 2010
Non-publicly listed stocks:		
Equity investment	2,309,437	1,629,060
Accumulated impairment loss	(405,319)	(147,411)
	1,904,118	1,481,649
Movement of accumulated impairment loss was as follows:		
Accumulated loss, beginning of period	147,411	5,714
Current period loss	250,000	141,697
Effect of changes in foreign exchange rates	7,908	-
Accumulated loss, end of period	405,319	147,411

Due to the lack of an active market and a reasonable method to estimate fair value, the abovementioned stocks held by SAS are recorded at cost.

The investments in SILFAB SPA, 21-Century Silicon, Inc., ZE Poly Pte Ltd., and Clean Venture 21 Corporation had been impaired due to operating losses; therefore, the Company recognized impairment loss amounting to $250,000 and $141,697 for the years ended December 31, 2011 and 2010, respectively.

In 2011, in order to integrate operating strategy and industrial layout upstream and downstream, SAS initially invested in Bao-De Energy Technology and increased its investment in ZE Ply Pte Ltd. As of December 31, 2011, SAS and its subsidiaries owned 13.63% and 19.10%, respectively, of the aforementioned investees. Furthermore, as of December 31, 2011, SAS held 11.22% ownership of AccuSolar Power Inc.

(Continued)

Please refer to Note 8 for the investment in Sunrise Global Solar Energy.

(3) Hedge accounting

As described in Note 21, SAS entered into firm purchase agreements denominated in foreign currency which are subject to the risk of fluctuation of fair values resulting from exchange rate changes. SAS recognized the higher risk it may be exposed to and therefore held foreign currencies to hedge starting from September 2010. As of December 31, 2010, details of hedged items designated as fair value hedges and their respective hedging against non-derivative financial instruments were as follows:

Hedged item	Hedging instruments	Fair value of designated instrument for hedging
Firm commitment	Foreign currencies	$ 2,261,891

(4) Forward exchange contract

As of December 31, 2011, the unexpired financial instrument contracts were as follows:

Buy	Sell	Nominal Amount	Contract Period	Fair Value
JPY	USD	USD 30,000	Oct. 31, 2011 ~ Jan. 31, 2012	$ 22,824
JPY	USD	USD 40,000	Oct. 31, 2011 ~ Jan. 31, 2012	21,098
				$ 43,922

The above derivative instruments are accounted for as financial assets measured at fair value－current, and unrealized gains (losses) resulting from change in fair value of derivative contracts recognized in earnings amounted to $43,922 for the year ended December 31, 2011.

6. Notes and Accounts Receivable, Net

Notes and accounts receivable as of December 31, 2011 and 2010, were as follows:

	December 31, 2011	December 31, 2010
Notes receivable	$ 69,124	93,348
Accounts receivable	1,142,159	2,265,150
Less: allowance for doubtful accounts	(7,027)	(1,687)

(Continued)

		December 31,	
		2011	2010
	$	1,204,256	2,356,811

7. Inventories, Net

The components of inventories as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	2010
Merchandise	$	42,533	28,815
Less: provision for devaluation		(330)	(627)
		42,203	28,188
Finished goods		480,033	818,979
Less: provision for devaluation		(61,773)	(33,392)
		418,260	785,587
Work in process		143,970	76,029
Less: provision for devaluation		(11,345)	(2,756)
		132,625	73,273
Raw materials		569,313	836,100
Less: provision for devaluation		(39,868)	(35,936)
		529,445	800,164
Supplies		239,165	320,001
Less: provision for devaluation		(26,385)	(21,068)
		212,780	298,933
	$	1,335,313	1,986,145

In 2011 and 2010, the inventory write-downs to estimated net realizable values charged to costs of goods sold and inventories related expenses were as follows:

		2011	2010
Physical inventory loss (gain)	$	(21)	544
Loss on inventory devaluation		49,633	20,735
Compensation for disaster		-	(7,330)
	$	49,612	13,949

(Continued)

8. Equity-Method Investments and Prepayments on Long-term Investment

Investee	December 31, 2011 Amounts	December 31, 2011 Percentage of ownership	December 31, 2010 Amounts	December 31, 2010 Percentage of ownership
Equity-Method Investments:				
Sunrise Global Solar Energy Corp. (SGSE)	$ 1,011,786	23.93%	1,061,409	24.16%
FreeSolar Corp.	827,795	41.88%	-	-
	$ 1,839,581		1,061,409	
Prepayments on long-term investment:				
FreeSolar Corp.	$ -		9,000	
Investment income (loss) recognized by equity method, net	$ (121,609)		79,764	

As SGSE launched a capital increase in September 2010, SAS increased its ownership interest in SGSE from 10% to 25.5%. Consequently, the investment in SGSE was accounted for under the equity method, and related investment income or loss was recognized. Additionally, the difference between the cost of investment and the underlying equity in SGSE's net assets which was attributable to amortized assets amounted to $279,587. As of December 31, 2011 and 2010, SAS's ownership in SGSE was 23.93% and 24.16%, respectively, as a result of disproportionate participation in SGSE's equity change.

The movement of the difference between the investment cost and the underlying equity in SGSE's net assets which was attributable to amortized assets was as follows:

	For the year ended December 31, 2011				
	Beginning balance	Additions	Amortization	Foreign currency translation	Ending balance
Amortized assets	$ 274,748	-	(61,050)	-	213,698

	For the year ended December 31, 2010				
	Beginning balance	Additions	Amortization	Foreign currency translation	Ending balance
Amortized assets	$ -	279,587	(4,839)	-	274,748

(Continued)

On November 29, 2010, SAS entered into a joint venture agreement with Solartech Energy Corp. and Sing Tung Investment Ltd. to co-establish Free Solar Corp., which was successfully registered on January 17, 2011.

9. Intangible Assets

Intangible assets as of December 31, 2011 and 2010, consisted of the following:

	For the year ended December 31, 2011			
	Beginning balance	Amortization	Foreign currency translation	Ending balance
Goodwill	$ 622,593	-	24,792	647,385
Land use rights	9,102	(228)	885	9,759
	$ 631,695	(228)	25,677	657,144

	For the year ended December 31, 2010			
	Beginning balance	Amortization	Foreign currency translation	Ending balance
Goodwill	$ 684,575	-	(61,982)	622,593
Land use rights	9,972	(228)	(642)	9,102
	$ 694,547	(228)	(62,624)	631,695

10. Short-term Borrowings

As of December 31, 2011 and 2010, details were as follows:

	December 31, 2011	December 31, 2010
Loan for working capital	$ 1,020,694	221,769
Unused credit facility	$ 4,277,284	4,989,120
Interest rate range	**1.54% to 4.55%**	**1.61% to 1.80%**

Refer to Note 18 for assets pledged as collateral to secure short-term borrowings.

11. Long-term Loans Payable

As of December 31, 2011 and 2010, details were as follows:

		December 31	
Financial institution	**Redemption**	**2011**	**2010**
Chang Hwa Bank (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing	$ 900,000	1,500,000
Mega International Commercial Bank (lead bank of syndicated loan)	Repayable quarterly in 15 installments starting from 18 months after the date of borrowing	1,440,000	2,044,000
E. Sun Bank	From June 15, 2009, to June 15, 2012, repayable quarterly, starting from September 15, 2010.	75,000	225,000
Fubon Bank	From December 29, 2011, to March 24, 2014, repayable monthly, starting from January 29, 2012	280,000	-
First Bank	From December 26, 2011, to March 23, 2014, repayable monthly , starting from January 26, 2012	400,000	-
Less: current portion		(1,995,000)	(1,376,000)
		$ 1,100,000	2,393,000
Interest rate range		1.33% to 1.65%	1.62% to 1.65%
Unused credit facility		$ 1,206,769	310,000

On March 12, 2008 the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 with Chang Hwa Bank and 7 other banks. These credit facilities contained covenants that required the Company, on its annual consolidated financial statements and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

On December 18, 2008, the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 with Mega International Commercial Bank and 5 other banks. These credit facilities contained covenants that required the Company, on its annual consolidated financial statements and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

If the Company does not maintain certain financial ratios as specified in the loan agreements, the Company should apply for a waiver, stating therein the reasons and measures to be taken, based on the loan agreements. The banks have the right to request repayment if the banks verify a breach of the loan agreement.

According to the loan agreements, a commitment fee is charged at an annual rate of 0.1% to 0.2% based on the committed-to-withdraw but unused balance, if any. As of December 31, 2011, the credit facilities had been withdrawn on schedule and no commitment fee was paid.

The Company was in compliance with the aforementioned financial covenants as of December 31, 2011 and 2010.

Refer to Note 18 for assets pledged as collateral to secure long-term loans payable.

12. Retirement Plans

The following table sets forth the defined benefit obligation and the amounts recognized related to SAS and its domestic subsidiaries' retirement plans.

	December 31,	
	2011	**2010**
Benefit obligation:		
Vested benefit obligation	$ (15,148)	(22,584)
Non-vested benefit obligation	(54,386)	(61,866)
Accumulated benefit obligation	(69,534)	(84,450)
Additional benefits based on future salary increase	(17,184)	(21,692)
Projected benefit obligation	(86,718)	(106,142)
Fair value of plan assets	34,183	40,839
Funded status	(52,535)	(65,303)
Unrecognized net transition obligation	(6,700)	(1,414)
Unrecognized pension loss	35,201	42,870
Additional accrued pension liabilities	(18,843)	(22,592)
Accrued pension liabilities (included in other liabilities)	**$ (42,877)**	**(43,611)**

The components of net periodic pension cost for 2011 and 2010 are summarized as follows:

	2011	**2010**

(Continued)

		2011	2010
Defined benefit plan:			
Service cost	$	385	1,790
Interest cost		475	1,851
Expected return on plan assets		(191)	(629)
Amortization and deferral		545	1,980
Net periodic pension cost		1,214	4,992
Defined contribution plan		43,355	33,347
Total	$	44,569	38,339

As of December 31, 2011 and 2010, the vested benefit of employees meeting the Company's retirement requirements amounted to $3,212 and $28,425, respectively.

Significant underlying actuarial assumptions were as follows:

	December 31,	
	2011	2010
Discount rate	2.00%	2.00%
Rate of increase in future compensation levels	2.00%	2.00%
Expected long-term rate of return on plan assets	2.00%	2.00%

The total periodic pension costs of SST and GT which were recognized in accordance with their local regulations amounted to $9,287 and $6,813 for the years ended December 31, 2011 and 2010, respectively.

13. Stockholders' Equity

(1) Common stock

Pursuant to a stockholders' resolution on June 15, 2010, SAS increased its common stock by 21,399 thousand new shares through the capitalization of unappropriated earnings of $209,738 and employee bonuses of $27,000. The number of common shares issued through the capitalization of employee bonuses was 426 thousand shares, which was determined by the amount of employee bonuses divided by the closing price (after considering the effect of dividends) of the shares on the day preceding the stockholders' meeting. The issuance price for the shares was $63.46 per share and aforementioned capital increase was approved by SFB on June 25, 2010. The date fixed for the capital increase was July 18, 2010. The registration procedures related to the capital increase were completed.

On September 9, 2010, the Company offered 61,000 thousand global depositary receipts (GDRs) on the Luxembourg Stock Exchange representing 61,000 thousand shares of common stock. Each

(Continued)

GDR represents one share of the Company's common stock. The offering price was US$2.9048 per GDR. The offering and issuance of the GDRs was authorized and approved by the ROC Securities and Futures Bureau (SFB) through its notice letter No. 0990041383 dated August 13, 2010. The total capital received from the offering of these GDRs amounted to US$177,193 thousand on September 9, 2010, and the net proceeds thereof, after deducting the underwriting expense of US$2,262 thousand, amounted to US$174,931 thousand (equivalent to $5,580,288). The issuance cost for the GDR offering was $11,531. The paid-in capital in excess of par value of $4,958,757 was recognized as "capital surplus".

On March 11, 2011, SAS's board of directors resolved to issue 20,107 thousand new shares in exchange for the common stock of Solartech Energy; please refer to the Note 5(1).

On June 27, 2011, SAS's board of directors resolved to issue 20,000 thousand new shares at $60 per share. The capital increase in cash had previously been approved by FSC notice letter No. 1000032816. Later, considering the change in environment and recent fluctuation of the stock price, the issuance price was decreased to $47 which was resolved by the special board of directors' meeting. The shares reserved for employee subscription were recognized as compensation cost amounting to $15,900. The date fixed for the capital increase was October 14, 2011. The registration procedures related to the capital increase were completed.

Pursuant to a stockholders' resolution on June 17, 2011, SAS increased its common stock by 20,987 thousand new shares through the capitalization of unappropriated earnings of $201,066 and employee bonuses of $70,000. Within the issuance, the 880 thousand shares derived from the employee bonuses of $70,000 were based on the ex-dividend price of $79.52, and it was approved by the FSC on July 12, 2011. The date fixed for the capital increase was August 13, 2011. The registration procedures related to the capital increase were completed.

As of December 31, 2011 and 2010, the authorized capital of SAS was $6,000,000 and $5,000,000, respectively, of which $200,000 was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2011 and 2010, the issued capital was $4,431,191 and $3,820,256, respectively, with par value of $10 per share.

(2) Employee stock option plans

In June 2010, the board of directors resolved to issue the First Employee Stock Option Plan in 2010 (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe 1 share of SAS's common stock. The contractual life is 6 years. The Plan was approved by the SFB on November 12, 2010 and officially granted on August 10, 2011.

In June 2004, the SFB approved SAS's plan to issue 10,000,000 units of employee stock options. Each unit entitles the holder to subscribe one common share of SAS, and the exercise period for the options is 6 years starting from the grant date. As of December 31, 2011, the outstanding employee stock option plans were as follows:

(Continued)

Item	Authorization date	Grant date	Vesting period	Issued units in thousands	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2004 first employee stock option plan	June 1, 2004	August 11, 2004	Service periods between two and four years	5,000	16.20	16.20	10.20
2004 second employee stock option	June 1, 2004	January 31, 2005	Service periods between two and four years	5,000	23.00	23.00	15.20
2010 employee stock option	November 12, 2010	August 10, 2011	Service periods between two and four years	10,000	60.50	60.50	59.90

In the year ended December 31, 2010, 147 thousand units of SAS's employee stock options were exercised, and as of December 31, 2010, the abovementioned employee stock options issued in 2004 had been fully exercised. The registration procedures related to the issuance were completed.

For options granted in 2011, SAS recognized compensations cost of $27,798 using the fair value method in accordance with SFAS No. 39 for the year ended December 31, 2011.

The fair value of the options granted in 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions. The factors to account for share-based payments were as follows:

(Continued)

	2010 employee stock option plan
Expected dividend yield	3.6%
Expected volatility	48.065%
Risk-free interest rate	1.2905%
Remaining contractual life	6 years

A summary of the SAS's stock option plans and related information for the years ended December 31, 2011 and 2010, is as follows:

	2011		2010	
Employee stock options	Options (thousands)	Weighted-ave	Options (thousands)	Weighted-ave
Outstanding at beginning of year	-	-	147	14.38
Options granted	10,000	60.50	-	-
Options exercised	-	-	147	14.38
Options forfeited (expired)	-	-	-	-
Outstanding at end of year	10,000	59.90	-	-
Options exercisable at end of year	-	-	-	-
Weighted-average fair value of employee stock options (dollars)	23.36		1.20~1.60	

The weighted-average market price per share of common stock was $78.69 for the year ended December 31, 2010. The vested maturity dates of option plans authorized in 2004 were in 2008 and 2009; therefore, pro forma net income and pro forma earnings per share for the year ended December 31, 2010, were not disclosed.

(Continued)

(3) Capital surplus

The components of capital surplus consisted of the following:

	December 31, 2011	December 31, 2010
Additional paid-in capital	$ 11,838,954	9,448,128
Investments accounted for using equity method	70,777	-
Treasury stock transactions	546	546
Others	231,112	122,217
	$ 12,141,389	9,574,891

According to the revised ROC Company Act, effective from January 2012, capital surplus shall be used to offset accumulated deficits before it can be used to increase common stock or distribute cash dividends. The aforementioned capital surplus includes premium from issuing stock and donations received. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the sum total of capital surplus capitalized per annum shall not exceed 10% of the issued capital.

(4) Legal reserve

According to the revised ROC Company Act, 10 percent of the annual earnings after payment of income taxes due and offsetting accumulated deficits, if any, shall be allocated as legal reserve until the accumulated legal reserve equals the issued common stock. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a stockholders' meeting, distribute its legal reserve to stockholders by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25 percent of the issued capital may be distributed.

(5) Distribution of earnings and dividend policy

According to SAS's articles of incorporation as revised on June 17, 2011, when allocating current year's net profits for each fiscal year, if any, they shall be distributed in the following order:

(e) Offset prior year's operating losses;

(f) Legal reserve at 10% of the profits left over, until the accumulated legal reserve equals SAS's issued capital;

(g) Special reserve in accordance with relevant laws or regulations or as requested by authorities;

(h) After deducting items (a), (b), and (c) above from the net current profits, bonus to directors of SAS of not more than 5% and profit sharing to employees of not less than 10%; the distribution of the remaining portion including the previous years unappropriated earnings, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

(Continued)

After considering both the long-term development of the business and the goal of stable growth of earnings per share, distribution of cash dividends should not be less than 50% of total dividends. If employee bonuses are paid in the form of stock subject to compliance with certain conditions, the stock dividends may be paid to SAS's affiliates' qualified employees as determined by the chairman of the board.

Pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB), SAS shall set aside special reserve equivalent to the net debit balance of the other components of stockholders' equity, and it shall be made from its after-tax earnings of the current year and unappropriated earnings. If the aforementioned special surplus is a debit account of cumulative stockholders' equity carried from previous periods, then an equal amount of such special surplus appropriated from previously undistributed earnings cannot be distributed until an offsetting amount appears in the debit account to stockholders' equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

For the years ended December 31, 2011 and 2010, the employee bonuses and remuneration to directors and supervisors were based on SAS's net income for the years then ended, and after setting aside 10% as legal reserve and special reserve, the board of directors estimated the amount by taking into consideration SAS's articles of incorporation and previous average rates approved by stockholders' meetings. Accordingly, SAS recognized and accrued employee bonuses of $0 and $397,590 for the years ended December 31, 2011 and 2010, respectively. SAS also recognized remuneration to directors and supervisors of $0 and $53,012 for the years ended on December 31, 2011 and 2010, respectively. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of SAS's stock one day prior to the approved date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the consolidated statement of income in the following year.

The information on dividend per share, employee bonuses, and directors' and supervisors' remuneration allocated from earnings of 2010 and 2009 which were approved by the stockholders' meeting on June 17, 2011, and June 15, 2010, respectively, is as follows:

		2010	2009
Dividend per common share:	$	5.00	1.00
Cash		0.50	0.70
Stock (at par value)	$	5.50	1.70
Employee bonuses－stock	$	70,000	27,000
Employee bonuses－cash		329,710	65,054
Directors' and supervisors' remuneration		53,295	12,274
	$	453,005	104,328

The actual payments of employee bonuses and directors' and supervisors' remuneration determined by the board of directors and approved by the stockholders' meeting were

$450,602, which was $2,403 different from the estimation. The difference is regarded as a change in accounting estimate and is reflected in the consolidated statement of income the year ended December 31, 2011.

The amount of employee bonuses and directors' and supervisors' remuneration of SAS for 2011 is subject to the recommendation of the board of directors and the approval of the stockholders. The related information on the board of directors' recommendation and stockholders' approval can be obtained from the Market Observation Post System.

14. Earnings per Share ("EPS")

The basic earnings per share and diluted earnings per share attributable to the stockholders of SAS for the years ended December 31, 2011 and 2010, were calculated as follows:

	2011		2010	
	Before taxes	**After taxes**	**Before taxes**	**After taxes**
Basic earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Shares of common stock at beginning of year (thousand shares)	382,026	382,026	299,479	299,479
Add: Issuance of new stock (thousand shares)	18,597	18,597	-	-
Issuance of stockholders' stock dividends and employees stock bonus (thousand shares)	20,580	20,580	21,207	21,207
Issuance of stock from exercise of stock options (thousand shares)	-	-	135	135
Issuance of global depository receipts (thousand shares)	-	-	19,052	19,052
Weighted-average number of common shares outstanding	421,203	421,203	339,873	339,873
Basic earnings per common share (NT)	$ 0.88	1.02	11.42	10.50
Basic earnings per common share (NT) – retroactively adjusted			$ 10.88	10.00
Diluted earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Effects of dilution:				

(Continued)

	2011		2010	
	Before taxes	After taxes	Before taxes	After taxes
Weighted-average number of common shares outstanding (thousand shares)	421,203	421,203	339,873	339,873
Add:Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance (thousand shares)	1,637	1,637	11	11
Stock bonus compensation before approval by the stockholders' meeting (thousand shares)	405	405	5,300	5,300
Diluted weighted-average number of common shares outstanding	423,245	423,245	345,184	345,184
Diluted earnings per share (NT)	$ 0.87	1.01	11.24	10.34
Diluted earnings per share (NT) – retroactively adjusted			$ 10.70	9.85

15. Income Taxes

Pursuant to the Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries, SAS is entitled to elect appropriate tax incentives for exemption from corporate income taxes for five consecutive years based on subsequent capital increases for the purpose of manufacturing wafers and ingots of semiconductor materials. SAS spun off the related business and net assets to GlobalWafers and Sino Sapphire, and in accordance with the Business Mergers and Acquisitions Act, effective from October 1, 2011, partial tax incentives will be taken over by GlobalWafers and Sino Sapphire. As of December 31, 2011, the details of the Company's tax exemption due to the capital increase were as follows:

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
GlobalWafers	Increase in capital by capitalizing retained earnings and employee bonuses in 2003	Exemption from corporate income taxes for a five-year period	December 2004	2008~2012
SAS	Increase in capital by capitalizing retained earnings and employee bonuses in 2004	Exemption from corporate income taxes for a five-year period	November, 2005	2009~2013
SAS	Increase in capital by cash in 2005	Exemption from corporate income taxes for a five-year period	August, 2007	2007~2011
GlobalWafers	Increase in capital by capitalizing retained earnings and employee bonuses in 2005	Exemption from corporate income taxes for a five-year period	February, 2007	2010~2014
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2006	Exemption from corporate income taxes for a five-year period	August, 2008	2011~2015

(Continued)

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
Sino Sapphire	Increase in capital by capitalizing the retained earnings and employee bonuses in 2007	Exemption from corporate income taxes for a five-year period	February, 2009	Oct. 31, 2008~Nov. 30, 2013
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2008	Shareholder investment tax credits	Stockholders' investment credits approved on March 8, 2012	-
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2009	Shareholder investment tax credits	Notification to the authorities and related application under process	-

The income tax return of each consolidated entity is filed separately and is not consolidated with the Company.

The components of income tax expense for the years ended December 31, 2011 and 2010, were as follows:

	2011	2010
Current	$ 262,938	435,989
Deferred	(129,300)	80,164
	$ 133,638	516,153

Pursuant to the Income Tax Act as revised on May 27, 2009, the statutory income tax rate applicable to SAS was reduced from 25% to 20% starting from 2010. On June 15, 2010, pursuant to further revision of the Income Tax Act, the statutory income tax rate applicable to SAS was changed from 20% to 17% starting from 2010. The statutory tax of SAS and its domestic subsidiaries for year of 2011 and 2010 was 17%. Effective January 1, 2006, an alternative minimum tax ("AMT") in accordance with the Income Basic Tax Act ("IBTA") would be calculated. The tax rates for the foreign subsidiary companies are based on the tax law of each tax jurisdiction. The expected income tax calculated at the statutory tax rate was reconciled with income tax expense for the years ended December 31, 2011 and 2010, as follows:

(Continued)

		2011	2010
Income tax on pre-tax income at the statutory tax rate	$	244,726	883,731
Estimated 10% surtax on unappropriated earnings		100,002	-
Income tax exemption		(17,000)	(154,040)
Tax effect of permanent differences		10,090	(21,720)
Investment tax credits		(726,190)	(50,163)
Change in valuation allowance and prior year's adjustment		522,010	(117,073)
Effect of tax rate adjustment		-	(24,582)
Income tax expense	$	**133,638**	**516,153**

The components of deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

		December 31,	
		2011	2010
Deferred income tax assets (liabilities) – current:			
Unrealized foreign currency exchange gain	$	(3,381)	(830)
Provision for inventory devaluation		21,105	14,698
Investment tax credits		-	52,287
Unrealized gain on financial liability valuation		(7,467)	-
Others		938	-
		11,195	66,155
Less: Valuation allowance		(1,459)	-
	$	**9,736**	**66,155**
Deferred income tax assets (liabilities) – non-current:			
Investment tax credits	$	587,151	-
Investment income recognized by equity method		(32,391)	(128,859)
Impairment loss on financial assets carried at cost		3,657	24,835
Foreign currency translation adjustment		(64,008)	16,595
Provision for foreign investment		-	(76,217)
Loss carryforward		12,887	-
Others		(154,517)	(64,666)
		352,779	(228,312)
Loss: valuation allowance		(506,597)	(31,998)
	$	**(153,818)**	**(260,310)**

(Continued)

	December 31, 2011	December 31, 2010
Total deferred income tax assets	$ 624,800	120,414
Total deferred income tax liabilities	$ 260,826	282,571
Total valuation allowance	$ 508,056	31,998

Pursuant to article 12 of the ROC Statute for Upgrading Industries, a company making foreign investments under the statute may set aside an amount up to 20% of the total outward investment as reserve to cover any investment loss when it occurs. In accordance with statements of Statute of Upgrading Industries, the investment loss recognition is based on the actual reduction on outward investments, and shall be subjected to the direct outward investees. In May, 2011, SAS transferred GT with its net asset value to GWI; accordingly, SAS has revised the aforementioned reserve and charged to net income for the year ended December 31, 2011.

According to the Industrial Innovation Act, the Company's investment credits from research and development expenditures can be deducted from the current income tax payable, subject to a maximum of 30% of current income tax payable. Based on the Industrial Innovation Act, the deduction of investment credits from the current-year income tax payable amounted to $60,292 for the year ended December 31, 2011. Pursuant to the Statute for Upgrading Industries, tax credits from the purchase of machinery and research and development expenditure may be applied to offset income tax payable over a period of five years. The amount of tax credits available to be applied in any year is limited to 50% of the income tax payable for that year, except for the final year in which such tax credit expires. Furthermore, an application for investing in the Chunan branch submitted by SAS and its domestic subsidiary in 2005, which is in accordance with the tax ruling entitled "The rule on investment tax credits for investing in a county or township area with scanty natural resources or with slow development", completed the application process in April 2011. The tax-deductible amount is estimated as $665,898 and can be used to reduce income tax throughout the coming five years, including the current year.

As of December 31, 2011, the Company's unused investment tax credits and related expiration years were as follows:

Year of assessment	Deductible period	Remaining credit
2010 (filed)	2010~2014	$ 587,151

According to the revised tax law, effective from January 2009, domestic subsidiaries' tax losses can be carried forward for ten years. As of December 31, 2011, unutilized accumulated loss and its expiry year were as follows:

Period of loss	Unutilized accumulated loss	Expiry year
2011.10.1~2011.12.31	$ 75,807	2021

Since GlobalWafers and Sino Sapphire are in their first year of establishment, they had not filed an income tax return as of December 31, 2011.

SAS's income tax returns for all fiscal years up to 2008 have been examined and approved by the R.O.C. Tax Authority.

Information related to the unappropriated earnings and the imputation credit account ("ICA") of SAS as of December 31, 2011 and 2010, is as follows:

	December 31, 2011	December 31, 2010
Unappropriated earnings:		
Earned before January 1, 1998	$ 10,095	10,095
Earned after January 1, 1998	2,070,097	4,209,979
	$ 2,080,192	4,220,074
ICA balance	$ 135,800	52,701
Creditable ratio for earnings distribution to resident stockholders	12.77% (estimated)	7.81% (actual)

16. Information on Financial Instruments

(1) Derivative financial instruments

There was no derivative financial instrument transaction by the Company in 2010. Please refer to note 5(1) for detailed information on derivative financial instrument transactions in 2011. For the year ended December 31, 2011, the Company recognized unrealized gain arising from changes in fair value of financial assets of $43,922.

(2) Non-derivative financial instruments

As of December 31, 2011 and 2010, except for certain financial assets and liabilities identified below, the carrying amounts of financial instruments approximated their fair value.

	December 31,			
	2011		2010	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Financial assets at fair value through profit or loss – current	$ 43,922	43,922	-	-
Financial assets carried at cost	1,904,118	see (3)(d)	1,481,649	see (3)(d)

(Continued)

	December 31,			
	2011		2010	
	Book value	Fair value	Book value	Fair value
		below		below
Off-balance-sheet financial instruments:				
Letters of credit	-	-	-	104,606
Guarantee	-	956,690	-	853,495

(3) Methods and assumptions used to estimate fair values of financial instruments:

(h) Fair values of financial assets and liabilities at fair value through profit or loss are based on quoted market prices, and if available market quotes are not immediately available, the fair values of those financial instruments are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

(i) The Company's non-derivative financial assets and liabilities with short-term maturities include notes and accounts receivable (including related parties), other current financial assets, short-term borrowings, accrued salary, and other current liabilities whose carrying amounts approximate their fair value due to their short maturities.

(j) The fair value of available-for-sale financial assets is determined based on the active market quoted price if it is available.

(k) Financial assets measured at cost, whose fair values are not practically determinable because they are not traded in an active public market, are carried at cost. Refer to note 5 for details.

(l) The fair value of other non-current financial assets, such as refundable deposits for operating use and restricted time deposits, was estimated based on the present value of expected cash flows, which approximates their carrying amounts.

(m) The fair value of long-term loans payable bearing a floating rate approximates the carrying value.

(n) The fair value of off-balance-sheet financial instruments was estimated based on the contract price.

(4) The fair values of financial assets and liabilities evaluated by the Company using active market quotations or valuation techniques were as follows:

(Continued)

	December 31,			
	2011		2010	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:				
Cash	$ 4,532,226	-	7,070,626	-
Financial assets at fair value through profit or loss – current	-	43,922	-	-
Available-for-sale financial assets – non-current	1,054,168	-	381,019	-
Notes and accounts receivable (including related parties)		1,302,355	-	2,656,492
Other financial assets – current		14,237	-	25,106
Other financial assets – non-current		19,590	-	4,542
Financial liabilities:				
Short-term borrowings		1,020,694	-	221,769
Notes and accounts payable (including related parties)		600,770	-	1,734,724
Accrued salary and bonuses		225,562		774,436
Accrued expenses and other current liabilities		470,778	-	930,163
Long-term loans payable (including current portion)		3,095,000	-	3,769,000

(4) Financial risk information

(e) Market price risk

The Company entered into the derivative instruments transaction to hedge committed foreign-currency liabilities' exchange rate fluctuations. Therefore, the market exchange rate risk of these derivatives will be offset by the foreign exchange risk of these hedged items. Financial assets and liabilities denominated in foreign currency and publicly traded available-for-sale financial assets held by the Company are measured at fair value; hence, the Company would exposure to the risk of fluctuations in market interest rates and market prices will result in changes in fair values of these equity securities.

(Continued)

(f) Credit risk

The Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk for cash.

The main customers of the Company belong to the silicon wafer and related industries. It is a normal practice of the Company to provide customers with a credit limit according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2011 and 2010, 40% and 52%, respectively, of the Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(g) Liquidity risk

The Company has sufficient capital and working capital to reduce the risk of being unable to fulfill contract obligations. As there is no active market for financial assets carried at cost, the Company is exposed to liquidity risk thereon.

(h) Cash flow interest rate risk

The Company's short-term and long-term borrowings bear floating interest rates. As a result, the Company is exposed to fluctuation in interest rates that affects cash flows for interest payments on these borrowings. At December 31, 2011 and 2010, if interest rates increased by 0.25%, the future annual interest expense would increase by $8,289 and $9,977, respectively.

(Continued)

17. Related-party Transactions

(1) Names and relationships of related parties with significant transactions with the Company were as follows:

Name of related party	Relationship with the Company
Actron Technology Corporation (ATC)	SAS's chairman of the board of directors is the same as ATC's
Sunrise Global Solar Energy Corporation (SGSE)	Equity investee (note 1)
Sinosolar Corporation	Equity investee
Solartech Energy Corporation (Solartech)	An SAS director (note 2)
Directors, supervisors, president and vice president	The Company management team

Note 1: On September 17, 2010, SGSE became an equity investee of SAS, and the transactions with SGSE starting from September 17, 2010, were disclosed accordingly.

Note 2: On June 17 2011, after re-election of directors, Solartech Energy became a legal director of SAS, and the transactions between SAS and Solartech are disclosed as related-party transactions.

(2) Significant transactions with related parties

(a)Sales and accounts receivable

Net sales to related parties for the years ended December 31, 2011 and 2010, were as follows:

	2011		2010	
	Amount	Percentage of net sales	Amount	Percentage of net sales
SGSE	$ 593,356	3	397,083	2
Solartech	461,325	3	-	-
ATC	350,720	2	383,341	2
	$ 1,405,401	8	780,424	4

The selling prices for sales to related parties were determined by the products' specifications, which were not comparable with those of other customers. The credit terms for the related parties were between month-end 35 days and next month-end 60 days and month-end 60~150

(Continued)

days during 2011 and 2010, respectively, while the terms for third parties were month-end 0~120 days for the years 2011 and 2010.

As of December 31, 2011 and 2010, accounts receivable resulting from sales to related parties were as follows:

	December 31,				
	2011		2010		
		Amount	Percentage of total receivables	Amount	Percentage of total receivables
ATC	$	94,932	7	152,934	6
Solartech		3,142	-	-	-
SGSE		-	-	146,747	5
	$	98,074	7	299,681	11

Furthermore, in order to maintain a stable supply of material, SGSE and Solartech have both signed long-term supply contracts with SAS. As of December 31, 2011 and 2010, revenue received in advance for sales resulting from the aforementioned related parties were as follows:

		December 31,	
		2011	2010
Solartech	$	1,177,531	-
SGSE		310,360	324,660
	$	1,487,891	324,660

(b) Purchases and accounts payable

Purchases from related parties for the years 2011 and 2010 were as follows:

	2011			2010	
		Amount	Percentage of net purchases	Amount	Percentage of net purchases
Solartech		44,342	-	-	-
SGSE		34,828	-	-	-
	$	79,170	-	-	-

(Continued)

As inventory procurement from related parties is different from third parties, no comparable prices existed. The payment terms of related parties were month-end 45 days and month-end 45~120 days during 2011 and 2010, respectively, while the terms of third parties were month-end 0~120 days for the years in 2011 and 2010.

As of December 31, the payables generated from the above transactions had been settled.

(c)Others

As of December 31, 2011, the unsettled receivables from related parties due to the advance for FreeSolar amounted to $25.

On January 21, 2011, SAS entered into a technology and patent cross-licensing contract with SGSE. The cross licensing period of the contract is a three years, effective from January 21, 2011, and SGSE is obligated to pay a royalty. Income from the royalty during 2011 was $20,000 and was recorded as service revenue and others. As of December 31, 2011, the related royalty generated from the aforementioned transaction had been collected.

(3) Compensation of the principal management team

For the years ended December 31, 2011 and 2010, the compensation to the principal management team, including all directors and supervisors, the president, and the vice president, was as follows:

	2011	**2010**
Salaries	$ 31,309	34,301
Compensation	-	1,909
Service charges	15,174	37,629
Employee bonuses	-	119,600
	$ 46,483	**193,439**

The above amounts include the accruals for remuneration to directors and supervisors, and for employee bonuses; please refer to the section “stockholders’ equity” for further details.

18. Pledged Assets

Assets pledged as collateral as of December 31, 2011 and 2010, were as follows:

		December 31,	
Pledged assets	**Purpose of pledge**	**2011**	**2010**

(Continued)

Pledged assets	Purpose of pledge	December 31, 2011	December 31, 2010
Buildings and improvements	Short-term borrowings and long-term loans payable	$ 1,908,261	2,057,835
Machinery and equipment	Long-term loans payable	1,133,939	1,546,999
Machinery	Revenue received in advance	185,275	152,330
Land use rights	Short-term borrowings	1,448	9,102
Time deposits (recorded in other financial assets－non-current)	Guarantee for the leasing contract of the land owned by the Hsinchu Science and Industrial Park	2,747	-
Time deposits (recorded in other financial assets－non-current)	Guarantee for customs duty	7,000	-
Time deposits (recorded in other financial assets－non-current)	Guarantees for solar energy system demonstration	246	246
		$ 3,238,916	3,766,512

19. Commitments and Contingencies

Aside from those matters discussed in notes 10 and 11, the commitments and contingencies were as follows:

(1) As of December 31, 2011 and 2010, the Company had outstanding letters of credit of $0 and $104,606, respectively.

(2) Effective 2005, SAS has entered into several non-cancelable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancelable, and paid by SAS on the schedule stipulated in the contract. The materials supply is guaranteed by the suppliers. In addition, due to the economic downturn, the market prices of raw materials of silicon fluctuated rapidly. Therefore, SAS negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. As of December 31, 2011, the materials for future delivery from suppliers under the current effective agreement were as follows:

	December 31, 2011 (In thousands)
USD	$ 709,126

(Continued)

	December 31, 2011
EUR	$ 118,481

In addition, SAS also entered into several non-cancelable long-term sales agreements with polysilicon purchasers. According to these agreements, from January 1, 2006, to December 31, 2019, the purchasers agree to make prepayments, and SAS is obligated to deliver the product on the schedule stipulated in the contracts. Also, if SAS defaults on the delivery schedule, SAS has to offer sales discounts or compensation ranging from one and a half times to four times the undelivered products' applicable prepayments. However, SAS is required to refund the prepayments if SAS delays the delivery for three months. Additionally, due to the economic downturn, which caused a decline in demand, solar battery purchasers attempted to negotiate with SAS to reduce the wafer prices. SAS agreed to revise the agreements with pricing based on market conditions at that time. As of December 31, 2011, the amounts of future product delivery under current effective sales agreements were as follows:

	December 31, 2011 (In thousands)
USD	893,643
EUR	235,932
NTD	5,189,633

(3) GT has entered into several sales prepayment agreements with customers. According to these agreements, from October 2011 to December 2012, the customers agree to make prepayments and purchase a minimum volume on a quarterly basis, and accordingly, GT is obligated to supply a minimum production volume. Furthermore, if the customers meet the minimum quarterly procurement, GT is obligated to return the amount received in advance.

(4) As of December 31, 2011 and 2010, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $10,526 and $495,309, respectively.

(5) As of December 31, 2011 and 2010, the Company had issued promissory notes of $3,234,318 and $3,739,960, respectively, as collateral for bank loans.

(6) In order to help the subsidiaries to get financing from banks, the Company provided guarantees to the banks in favor of those subsidiaries. The details of these guarantees as of December 31, 2011 and 2010, were as follows:

(Continued)

		December 31,	
		2011	**2010**
		(In thousands of USD)	
SSTI	$	13,600	16,600
GT		18,000	12,000
	$	**31,600**	**28,600**

(7) In May 2005, MEMC Southwest Inc. filed a lawsuit against GT in US District Court in Texas, United States. MEMC Southwest Inc. claimed that GT had hired a former employee of MEMC Southwest Inc. who illegally utilized the confidential business information of MEMC Southwest Inc. As of the issue date of the consolidated financial report, GT has vigorously contested every aspect of this, and management believes GT is not guilty of any of MEMC's allegations.

(8) GT has entered into an agreement with Sherman Economic Development Corporation ("SEDCO") in 2011. In the agreement, GT committed to increase capital expenditures by US$18,200 thousand at the Sherman, Texas, facility. SEDCO will then grant to GT a total of US$910 thousand in government grants during 2012.

(9) SAS entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Hsinchu site of the Hsinchu Science Park. The land lease agreement covers the period from October 1, 2000, to December 31, 2020. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $2,616. The rent contract was transferred to GlobalWafers starting from October 1, 2011. The rent term is from October 2011 to December 31, 2020, 9 years in total. The rent is subject to the regulated land price and is about $2,747 per year.

SAS entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Chu-Nan site of the Hsinchu Science Park. The land lease agreement covers the period from March 17, 2005, to December 31, 2027. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $3,926.

SAS entered into a car lease agreement with HOTAL Leasing Corporation for a car intended for business use. The lease covers the period from December 2010 to December 2013. The annual rent is approximately $756.

As of December 31, 2011, minimum lease commitments in future years under the current operating lease agreements were as follows:

		Amount
January 2012 to December 2016	$	21,261
January 2017 to December 2027		37,291

(Continued)

	Amount
	$ 58,552

20. Significant Disaster Loss: None.

21. Subsequent Events

In order to acquire the ownership of the semiconductor business of the Japanese company Covalent, SAS signed a joint loan with Citibank and 11 other banks. The credit facility amount is $9,000,000 and had not been used as of the report date.

22. Other Information

(1) The personnel expenses, depreciation, and amortization, categorized by function, for the years ended December 31, 2011 and 2010, were as follows:

	2011			2010		
Account	**Cost of goods sold**	**Operating expenses**	**Total**	**Cost of goods sold**	**Operating expenses**	**Total**
Personnel expenses:						
Salaries	$1,123,129	307,465	1,430,594	1,028,731	608,928	1,637,659
Labor and health insurance	102,050	18,033	120,083	72,447	11,858	84,305
Pension	43,711	10,145	53,856	37,679	7,473	45,152
Others	71,964	11,030	82,994	75,034	9,728	84,762
Depreciation	1,666,947	94,703	1,761,650	1,303,626	113,659	1,417,285
Amortization	1,631	4,567	6,198	653	3,788	4,441

The salary expense for the years ended December 31, 2011 and 2010, includes employee bonuses and remuneration of directors and supervisors of $0 and $450,602, respectively.

(2) SAS has provided a reserve for loss on outward investment, in accordance with the "Statute for Upgrading Industries". This reserve was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses within five years after the initial provision of this reserve, the loss reserve should be reversed and recognized as revenue in the sixth year. However, as such reserve does not conform to accounting principles generally accepted in the Republic of China, the loss reserve is reversed during the preparation of the financial statements, but the Company does not adjust the books. Accordingly, retained earnings on the Company's books were decreased by $0 and $448,334 as of December 31, 2011 and 2010, respectively.

(3) The significant financial assets and liabilities in foreign currency were as follows (in thousands):

	December 31,					
	2011			2010		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	96,020	30.275	2,907,006	158,072	29.130	4,604,637
JPY	1,367,739	0.3906	534,239	668,281	0.3582	239,378
RMB	61,257	4.807	294,462	163,311	4.383	715,792
EURO	572	39.18	22,411	4,914	38.920	191,253
Financial liabilities						
Monetary Items						
USD	37,156	30.275	1,124,898	13,696	29.130	398,964
JPY	394,310	0.3906	154,017	253,316	0.3582	90,738
RMB	17,759	4.807	85,368	77,583	4.383	340,046
EURO	-	39.18	-	3,436	38.920	133,729

23. Segment Information

(1) General information and industrial information

There are three segments that need to be reported: The semiconductor business unit (Semi), the solar energy business unit (Solar) and the optoelectronic business unit (Opto). The main operations of Semi are R&D, manufacturing, and sales of silicon materials, and the main products are silicon-related components. The main operations of Solar are R&D, manufacturing, and sales of silicon materials used in generating solar energy and the main products are solar energy-related components. The main operations of Opto are R&D, manufacturing, and sales of optoelectronic materials, and the main products are optoelectronic-related components

(2) Segment information

The Company does not allocate non-operating income (loss) and tax expense (profit) to reportable segments. The reported amount is in accordance with the reports used by the decision maker of the operation. The accounting policies used by the operating segment are the same as those of the Company. The performance of the segments is evaluated by sales and operating profit.

Information on and adjustments for the segments are as follows:

	2011				
	Semi	Solar	Opto	Adj.	Total

(Continued)

Revenue					
From outsiders	$ 5,029,268	11,799,986	719,809	-	17,549,063
Inter-segment	50,175	-	16,131	(66,306)	-
Total revenue	$ 5,079,443	11,799,986	735,940	(66,306)	17,549,063
Segment profit (loss)	$ 1,273,276	(410,512)	(84,636)	(23,479)	754,649
Depreciation and amortization	$ 503,442	1,127,396	137,010	-	1,767,848
Segment assets	$ 9,492,494	19,067,273	1,653,575	(2,626,053)	27,587,289
Long-term equity investment					1,839,581
Total assets					$29,426,870

	2010				
	Semi	**Solar**	**Opto**	**Adj.**	**Total**
Revenue					
From outsiders	$ 2,878,157	19,196,927	453,618	-	22,528,702
Segment profit (loss)	$ 1,623,040	2,657,192	(15,765)	-	4,264,467
Depreciation and amortization	$ 387,308	999,476	34,942	-	1,421,726
Segment assets	$				29,869,193
Long-term equity investment					1,061,409
Total assets					$30,930,602

Note: In order to conduct corporate restructuring and specialization, and enhance competitiveness and operating performance, the board of directors of SAS had resolved that the semiconductor business and optoelectronic business would be spun off to form GlobalWafers and Sino Sapphire, respectively. The spin-off date was October 1, 2011, from which date there should be three reporting segments: Semi, Solar and Opto. However, it is impractical to obtain the related information to re-report the assets of the segments on December 31, 2010. As a result, the comparative financial information is not disclosed.

(3) General information

(a) Information by product and service

	2011	**2010**

		2011	2010
Solar energy ingot	$	509,497	1,276,937
Solar energy chip		11,456,296	14,534,852
Semiconductor ingot		33,729	15,637
Semiconductor chip		4,779,782	6,252,606
Sapphire chip		737,933	448,670
Others		31,826	-
	$	**17,549,063**	**22,528,702**

(b) Geographical information

Sales to customers classified by location of customers is as follows, within which revenue is recognized based on the location of the customer and noncurrent assets are recognized based on the location of asset.

(Continued)

I Revenue from third parties:

Area		2011	2010
Taiwan	$	9,503,097	14,250,288
Japan		2,274,203	2,524,675
Korea		1,881,040	1,088,558
United States		1,097,352	998,722
China		751,001	1,514,047
Other Countries		2,042,370	2,152,412
	$	**17,549,063**	**22,528,702**

II Noncurrent assets:

Area		2011	2010
Taiwan	$	12,045,990	12,334,441
China		1,152,778	688,807
United States		2,609,761	1,792,894
	$	**15,808,529**	**14,816,142**

(c) Information on significant customers

Significant information on customers that account for more than 10% of net sales:

		2011	2010
Solartech	**$**	**2,163,382**	**2,581,032**

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NTD $1000

Item \ Year	2011	2010	Difference	
			Amount	%
Current Assets	5,201,256	11,893,100	(6,691,844)	(56.27)%
Long-term Investment	13,345,665	6,838,931	6,506,734	95.14%
Fixed Assets	6,250,761	7,373,450	(1,122,689)	(15.23)%
Other Assets	4,197,949	4,091,305	106,644	2.61%
Total Assets	28,995,631	30,196,786	(1,201,155)	(3.98)%
Current Liabilities	5,306,608	5,327,629	(21,021)	(0.39)%
Long-term Liabilities	1,100,000	2,393,000	(1,293,000)	(54.03)%
Other Liabilities	3,596,215	4,048,873	(452,658)	(11.18)%
Total Liabilities	10,002,823	11,769,502	(1,766,679)	(15.01)%
Capital	4,431,191	3,820,256	610,935	15.99%
Capital Surplus	12,141,389	9,574,891	2,566,498	26.80%
Retained Earnings	3,025,038	4,808,059	(1,783,021)	(37.08)%
Equity - Other	(604,810)	224,078	(828,888)	(369.91)%
Total Equity	18,992,808	18,427,284	565,524	3.07%

Note 1：Explain any major changes in assets, liabilities and equity totaling 20% or more or amounting to over NT$10,000,000 or more over the past two years, their effect and future countermeasures:

(1) Current Assets: Decreased over previous period mainly due to global economy recession causing slipping revenue, accounts payable and inventory. Also, the carve-out of GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. scheduled on Oct 1st, 2011 collaterally carve-out current assets.

(2) Long-term Investment: Increased over previous period mainly due to the carve-out of GlobalWafers Co., Ltd. and Sino Sapphire Co., Ltd. with 100% shareholding subsidiaries. Plus investment in Sinosolar Corp and share swap with Solartech Energy Corp. in 2011 and corporatal restructure via selling financial assets measured at cost – non-current to subsidiary, SSTI.

(3) Long-term Liabilities: Decreased over the previous period mainly due to new shares issuance via capital increase to pay back loans.

(4) Capital Surplus: Increased mainly due to capital increase at premium rate.

(5) Retained Earnings: Decreased over the previous period mainly due to deducted income in 2011 and shareholder dividends are higher than 2010.

(6) Equity – Other: Decreased over the previous period mainly due to recognition of Actron Technology Corp. and Solartech Energy Corp. unrealized losses.

(7) Other changes that did not exceed NT$10,000,000 or reach 20%: Regulations do not require explanation.

Explanation 2: Their effect and future countermeasures:

The above changes will not have a significant disadvantageous effect on the Company, the Company's overall performance is normal so no countermeasures are needed at this point.

7.2 Analysis of Operating Results

7.2.1. Comparison Analysis of Business Results

Unit: NTD $1000

	2011		2010		Percent Change	
	Subtotal	Total	Subtotal	Total	Increase (Decrease)	（%）
Total Operating Revenue	14,986,205		20,120,544		(5,134,339)	(25.52)%
Less: Sales Returns	129,892		40,671		89,221	219.37%
Net Operating Revenue		14,856,313		20,079,873	(5,223,560)	(26.01)%
Operating Cost		14,027,109		15,685,383	(1,658,274)	(10.57)%
Less: Unrealized Profits From Sales On Inter-Affiliate Accounts		—		—	—	—
Gross Profit		829,204		4,394,490	(3,565,286)	(81.13)%
Operating Expense		596,246		914,811	(318,565)	(34.82)%
Operating Profit		232,958		3,479,679	(3,246,721)	(93.31)%
Non-Operating Income And Profit		195,234		751,921	(556,687)	(74.04)%
Non-Operating Expense And Loss		59,384		351,375	(291,991)	(83.10)%
Continuing Operations' Income Before Tax		368,808		3,880,225	(3,511,417)	(90.50)%
Less: Income Tax Expense		(59,898)		311,616	(371,514)	(119.22)%
Cumulative Effect Of Changes In Accounting Principles		—		—	—	—
Continuing Operations' Income After Tax		428,706		3,568,609	(3,139,903)	(87.99)%

Analysis of changes in these ratios:

1. Decrease in Operating Revenue: Due to global recession in 2011Q4, weak demand in downstream decreases operating revenue.
2. Decrease in Operating Cost: Due to global recession in 2011 Q4, weak demand in downstream decreases operating revenue and cost collaterally.
3. Decrease in Gross Profit: Due to global recession in 2011Q4, selling prices falls greater than cost and decreases gross profit.
4. Decrease in Operating Expense: Due to deducting operating revenue diminishes selling and management expenses.
5. Decrease in Non-Operating Income and Profit: Due to global recession in 2011 imposes poor revenue of reinvested subsidiary, and investment loss is recognized under equity method.
6. Non-Operating Expense and Loss: Due to impairment loss ad foreign exchange loss are recognized in 2010 while no such circumstance in 2011.
7. Continuing Operations' Income Before Tax: Due to European sovereign debt crisis

impacts global economy and operating revenue.
8. Income Tax Expense: Due to decrease in income before tax in 2011, resulting in taxable income diminishes and income tax benefit.
9. Continuing Operations' Income After Tax: Due to European sovereign debt crisis impacts global economy and income before tax.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis for the Recent Two Years

Item	2011	2010	Change (%)
Current Ratio (%)	13.47%	66.72%	(79.81)%
Cash Flow Adequacy Ratio (%)	42.96%	162.33%	(73.54)%
Cash Flow Reinvestment Ratio (%)	(4.82)	11.90%	(4,150.42)%

Analysis of changes in these ratios:
1. The cash flow ratio decreased over the previous period mainly due to the decrease in cash provided by operating activities in 2011.
2. The cash flow adequacy ratio decreased over the previous period mainly due to the decrease in cash provided by operating activities and inventory addition in 2011.
3. The cash flow reinvestment ratio increased over the previous period mainly due to the decrease in cash provided by operating activities in 2011.

7.3.2 Cash Liquidity Analysis for the Following Year

Unit: NTD $1000

Initial cash balance	Annual operating net cash flow	Annual net cash outflow	Amount of cash surplus (shortfall)	Remedial measures for cash shortfall	
				Investment plan	Financial plan
2,405,021	(433,441)	(5,726,554)	(3,754,974)	-	New share issuance via capital increase in cash

1. 2012 cash flow analysis:
   A. Operating activities: The Company expects sales and profits to maintain flat and is expected to generate a net cash outflow.
   B. Investment activities: The Company plans to increase domestic investment, capital expenditures and allot dividends, which will generate a net cash outflow.
   C. Financing activities: Net cash inflow mainly from long-term loans and capital raise.
2. Remedy measures for expected capital shortfalls and liquidity analysis: Raise capital through capital markets.

7.4 Major Capital Expenditure Items influence on Financial Business

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NTD $1000

Item	Actual / planned capital source	Actual or planned date of completion	Total required capital	Actual/scheduled capital utilization						
				2005	2006	2007	2008	2009	2010	2011
Chunan 2 plant facilities and land	Own capital, rights issue and long-term bank loans	Dec 2009	2,446,575	-	-	-	615,053	1,485,361	346,161	15,575
Chunan 2 plant equipments	Own capital, long-term bank Loans and GDR	Aug 2010	1,070,000	-	-	-	-	39,166	1,030,834	670,843

7.4.2 Forecast possible resulting effects:

A. Forecast increase in production amount, value and gross margin

Unit: 100 million NT$, MW

Year	Item	Production Amount	Sales Amount	Sales Value	Gross Margin
2012	Solar wafers	150	300	40~50	1.5
2013	Solar wafers	400	400	50~70	4

B. Explanation of other effects:

New specifications help to complete production line, expending economic of scale and equipment flexibility so as to provide total solution.

7.5 Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year

1. Reinvestment policy

   The Company’s reinvestment policy is gradually implemented based on the Company’s future operating direction. At this stage, the focus has been on strategic alliance or reinvestment of high-value section in solar industrial chain for operating synthesis.

2. Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

Unit: NTD $1000

Reinvested Company	2011 Profits (Losses) Recognized	Major Reasons For Profits Or Losses	Improvement Plan	Investment Plant For Following Year
Sino Silicon Technology Inc.	(249,074)	Corporal restructure and recognize asset impairment loss	None	None
GlobalSemiconductor Inc.	(3,767)	Corporal restructure by founding GSI at June 2012 and recognize partial loss of reinvestment in SSTI	Strategically concentrate resources and focus on high level, high value products.	None
GlobalWafers Co., Ltd.	121,608	Corporal restructure by carving out as subsidiary with 100% shareholding. Profit from recognizing the subsidiary revenue	None	None
Sino Sapphire Co., Ltd.	(77,275)	Corporal restructure by carving out as subsidiary with 100% shareholding. Loss is occurred by falling demand in 2011Q4	Strategically concentrate resources and focus on high level, high value products, deducting cost, improve selling combination and increase market share	None
GlobiTech Incoporated(GT)	272,703	Profit from brisk market demand	None	None
GlobalWafers Inc.(GWI)	53,659	After corporal restructure, recognize investment benefit via pricing the book value to GWI from 100%-owned American subsidiary GT	None	None
Kunshan Sino Silicon Technology Co., Ltd.	(2,989)	Operating loss recognized owing to disorder in market supply/demand	Exploring new process to combine with subsidiary business opportunity, and increase performance	None
Sunrise Global Solar Energy	(103,405)	Investing for vertical integration. Loss from disorder in market supply/demand and solar recession in	Strategically concentrate resources and focus on high level, high value products, deducting cost,	None

		2011	improve selling combination and increase market share	
SinoSolar Co., Ltd.	(18,205)	SinoSolar is established in 2011, expenses is high due to starting business	Discuss reinvestment with internal shareholders and group resource integration strategy, so as to increase return on capital	None

7.6 Analysis of Risk Management

7.6.1 Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

Due to stable domestic interest rate, the Company's sound financial structure, good credit history, and better terms of financial institutions, the Company can apply loan with less cost. Loans are divided into short term and long term based on actual capital needs. The evaluation criteria for company loan is cost and conditions, and the short-term loans for some turnover is foreign currency, exchange rates must be taken into consideration when using. America adopts easing monetary policy in 2011Q1~Q3, resulting in 28.5~29 NTD to 1 USD; however, NTD starts to depreciate after American economy maintains sable since Q4 and rebounds to 29.5 after circulation of hot money since 2012Q1. There is little risk to company operation owing to stable currency under the guidance of Central Bank, natural hedge occurred by adopting foreign currency for purchase/sale, cash manipulation for foreign currency margin. The inflation has no magnificent influence on corporal operation, the company also carefully monitors commodity price and will take countermeasure when necessary.

7.6.2 Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

Our company does not engage in high risk, high leveraged transactions or derivative financial products. As for capital needed for acquiring the semiconductor business unit of Covalent Material Corporation, the Company performs forward forex hedge to offset potential losses by procuring JPY/USD equivalent to 30% of total acquisition capital. Though the contract hedge doesn't satisfy our expectation, the overall cost is NTD 1 billion less than the original estimate. The Company has severe internal control and regulations upon derivative products, executing department also strictly review and monitor according to relevant governing regulations, causing no impact on operation. In response to subsidiary operating requirements, the Company does not lend any fund to other companies according to “Procedures for Endorsement and Guarantee” and “Procedures for Lending Funds to Other Parties” of the Company. The Company made endorsement and guarantees to subsidiaries in the aggregate amount of NTD $8,132,342,00 as of the date of this Annual Report.

7.6.3 Future Research & Development Projects and Corresponding Budget

Recent Year Plan	Current Status	Future R&D expense estimate	Mass product target date	Determinants
A^{4+} multicrystal growth technology development	Efficiency reaches 17.2%~17.4% (target-17.5%)	NTD 60 million	2012.12	Design on heat simulation in multicrystal grower and Crucible
Energy Saving multicrystal growth technology development	Electricity consumption of ingot down to 15 degree per kg (Target: 12 degree)	NTD 30 million	2014.03	Grower design on hot zone, heat preservation Development on crystal growth parameter of high speed/low Cycletime
600 Kg High efficiency $G5^{+}$multi-crystal growth	Recharging 530kg per grower (Target: 600kg)	NTD 30 million	2014.06	Grower design on structure, hot zone and heat preservation
GaN on Silicon epi wafer technology development	Designing MOCVD epi wafer equipment (Target: GaN template growth on Silicon)	NTD 80 million	2014.12	Temperature consistency and airflow stability in Epitaxial reactor
Large sapphire crystal growth by CZ method	Vertical extensible 4” c-axis sapphire (target: to grow 10” A-axis sapphire)	NTD 50 million	2014.12	Grower design on hot zone and bottom heater

7.6.4 Impact of the Company's Financial Operations of Important Policies Adopted and Changes in the Local and International Legal Environment, and Countermeasures:

National renewable energy policies, such as green energy supply proportion and subsidy for solar generation, strongly shape market demand. Being the leader of possessing largest capacity of solar generation, Germany policy dominates global economy; also, some emerging countries, like USA, Japan, China and India, start to launch solar generator installation, and solar market starts to radiate globally. The Company extends cooperation to downstream manufacturers via commercial alliance and reinvestment so as to expend distribution channel and minimize risks.

7.6.5 Impact of Technological Change and Industry Changes upon the Financial Standing of the Company and the Countermeasures:

Solar product selling price plunges since 2011Q2 owing to oversupply and shrinking market resulted by European sovereign debt crisis, which is the major solar battlefield, causing challenging operation. However, the debt crisis will gradually dissolve with international dedication on financial reform; emerging solar markets, such as USA, Japan and China accelerate on legislation of installing solar equipments subsidy, the industrial demand is expected to revive slowly yet consistently. Oversupply is also overcome after eliminating unqualified competitors or downsizing capacity and investment scale. SAS will upgrade operating performance via strategic alliance and reinvestment to integrate synthesis, gain the upper hand after industrial adjustment.

7.6.6 Impact of Changes in Company Image on Crisis Management and Countermeasures: None

7.6.7 Expected Benefits and Possible Risks Associated With any Merger and Acquisitions:

Subsidiary, GlobalWafers, completes acquisition of the Silicon Wafer Business of Covalent Materials Corporation (CVS) on April 1st, 2012. Owing to the renouned reputation and product quality, vertical supply chain containing 6”~12” crystal growth/slicing/polishing/ diffusion/epi wafer, more than 350 patents across innovation process and self-development of next-generation products, CVS not only makes a great complementary for GlobalWafers, but also multiply operation. By means of the acquisition, GlobalWafers can advance its technology, penetrate into the Japanese market, and explore application of all products. With distribution to downstream, GlobalWafers can satisfy global customers with one simple order as well as manipulate the advantage of worldwide deployment and regional supply.

7.6.8 Expected Benefits and Possible Risks Associated with any Plant Expansion:

Under the solar industrial adjustment, the Company makes no solar productivity expansion to avoid extravagant capital investment in 2011. Semiconductor performs no extension neither having strategic acquisition undergoing. As for Sapphire, slump economy along with dipping price freezes enlargement as well. Nevertheless, economy revives since 2012QI with soaring demand, the Company seizes initiative by extending productivity. Focusing on high-brightness sapphire wafer, the main product that matches commercial application, the Company expects inquiry growth absorbs the reasonable enlargement of Sapphire business, no possible risks therefore.

7.6.9 Risks Associated with any Consolidation of Sales or Purchasing Operations: None

7.6.10 Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None

7.6.11 The Impact of Change in Management and its Potential Risks: None

7.6.12 Litigation or Non-litigation Matters

Major ongoing lawsuits, non-lawsuits or administrative lawsuit, ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

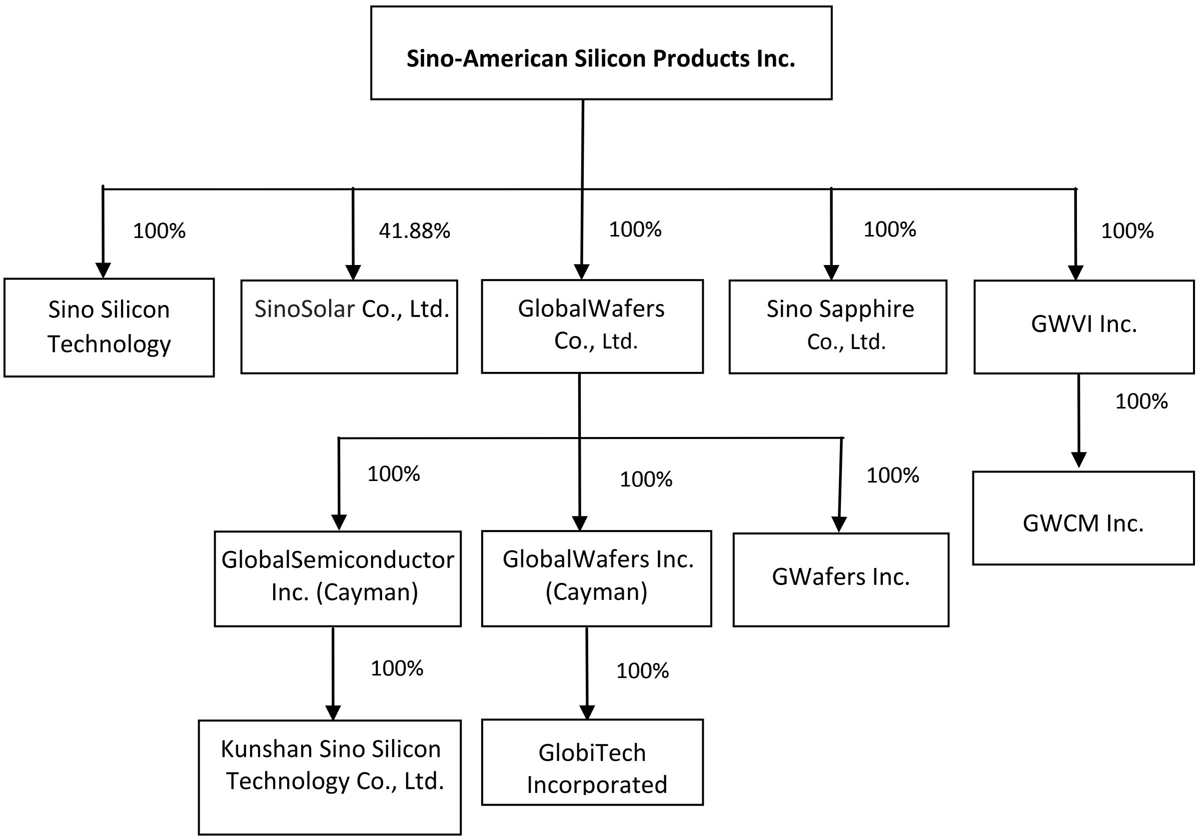
7.6.13 Other major risks and countermeasures: None

7.7 Other Major Events: None

VIII. Special Disclosure

8.1 Affiliated Businesses

8.1.1 Affiliated Company Chart



8.1.2 Relationship with Affiliated Companies and Share Crossholdings

Unit: US $1000

Name of affiliated company	Establishment	Address	Paid-in Capital	Major Business Items
Sino Silicon Technology Inc.	1999.08.05	3rd Floor, Omar Hodge building, Wickhams Cay 1, P.O. Box362, Road Town, Tortola British Virgin Islands	USD 21,729	Shareholding, international trading
SinoSolar Co., Ltd.	2011.01.17	No.16, Guangfu N. Rd., Hukou Township, Hsinchu County 303, Taiwan	NTD 400,000	Electronic components manufacturing, selling
GlobalWafers Co., Ltd.	100.10.01	No. 8. Industrial East Road 2, Hsinchu Science Park, Taiwan	NTD 3,175,000	Silicon-based semiconductor materials and their components manufacturing, selling
Sino Sapphire Co., Ltd.	100.10.01	5F, No. 21, Kejung Rd., Chunan Science Park,Chunan, Miaoli County, Taiwan	NTD 400,000	Sapphire wafer and patterned substrate manufacturing, selling
GlobalWafers Inc.	2011.05.11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003	USD 73,423	Shareholding, international trading
GlobalSemiconductor Inc.	2011.05.11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003	USD 26,555	Shareholding, international trading
GWafers Inc.	2011.10.25	5-10-6, Nishiogikita, Suginami-ku, Tokyo, Japan	JPY 8,000	(1) Investing in securities, such as stocks and bonds, etc. (2) Research and development of semiconductor materials, and (3) Any and all business activities incidental to any of the foregoing items.
Kushan Sino Silicon Technology Company	1999.08.01	Kushan industrial park, Kushan City, Jiangsu Province, China	USD 21,729	Wafer products manufacturing, selling
GlobiTech Incorporated	1998.12.15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 73,423	Epitaxial wafer and EPI foundry trade
GWVI Inc.	2011.06.27	Plam Grove House, P.O. Box 438, Road Town, Tortola British Virgin Islands	0	Shareholding, international trading
GWCM Inc.	2011.06.27	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003	0	Shareholding, international trading

8.1.3 Common Shareholders of SAS and Its Subsidiaries or Its Affiliates with Actual of Deemed Control: None

8.1.4 Business Scope and the Affiliated Companies

The Company and its affiliated enterprises engage in below business:

A. Research and development, design, manufacture and sell the following products:

(a) Silicon-based semiconductor materials and their components

(b) Varistor

(c) Photovoltaic and communication materials

(d) Sapphire wafer and patterned substrate

B. The technology, management and advisory business related to the products listed above.

C. Photovoltaic system integration and installation services.

D. Import-export activities related to the above mentioned business.

8.1.5 List of Directors, Supervisors and Presidents of Affiliated Companies

2012/3/31; Unit: USD $1000

Name of affiliated company	Title	Name or representative	Shares held	
			Shares or capital contribution	%
Sino Silicon Technology Inc.	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	USD 21,729	100%
SinoSolar Co., Ltd.	Chairman	Ming-Kuang Lu	NTD 846,000	41.88%
	Director/ President	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Director	Sino-American Silicon Products Inc. Representative: Hao-Chun Shih		
GlobalWafers Co., Ltd.	Chairwoman/ President	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	NTD 12,484,574	98.6%
	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu		
	Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Director	Sino-American Silicon Products Inc. Representative: Ching-Lung Chang		
	Director	Sino-American Silicon Products Inc. Representative: Lin-Lin Sun		
	Supervisor	Sino-American Silicon Products Inc. Representative: Kan-Hsin Liu		
	Supervisor	Sino-American Silicon Products Inc. Representative: Mong-Fan Wu		
Sino Sapphire Co., Ltd.	Chairman/ President	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao	NTD1,600,000	100%
	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu		
	Director	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		

	Director	Sino-American Silicon Products Inc. Representative: Ching-Lung Chang		
	Director	Sino-American Silicon Products Inc. Representative: Lin-Lin Sun		
	Supervisor	Sino-American Silicon Products Inc. Representative: Kan-Hsin Liu		
	Supervisor	Sino-American Silicon Products Inc. Representative: Mong-Fan Wu		
GlobalWafers Inc.	Director	Hsiu-Lan Hsu	USD 73,423	100%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	USD 26,555	100%
GWafers Inc.	Director	Hsiu-Lan Hsu	JPY 13,834,364	100%
	Director	Mr. Einoshin Endo		
Kushan Sino Silicon Technology Company	Chairman	Sino Silicon Technology Inc. Representative: Tan-Liang Yao	USD 26,555	100%
	Vice Chairwoman	Sino Silicon Technology Inc. Representative: Hsiu-Lan Hsu		
	Director/ President	Sino Silicon Technology Inc. Representative: Ching-Chang Chin		
	Director	Sino Silicon Technology Inc. Representative: Yu-Tze Lin		
	Director	Sino Silicon Technology Inc. Representative: Yu-Hsin Lin		
GlobiTech Incorporated	Chairman	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	USD 73,423	100%
	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu		
	Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Director/ President	Sino-American Silicon Products Inc. Representative: Mr. Mark England		
	Director	Sino-American Silicon Products Inc. Representative: Mr. Curtis Hall		

8.1.6 Operation Highlights of Affiliated Companies

Financial status and operation of affiliated companies

2011/12/31 Unit: NTD $1000

Name Of Affiliated Company	Capital	Assets	Liabilities	Net Worth	Operating Income	Operating Profit	Income (After Tax)	EPS (After Tax)
Sino Silicon Technology Inc.	713,300	2,112,018	794,591	1,317,427	1,033,022	2,666	249,074	0.00
SinoSolar Co., Ltd.	1,,010,000	1,990,263	13,733	1,976,530	0	(835)	(43,470)	0.00
GlobalWafers Co., Ltd.	1,800,000	7,857,694	581,146	7,276,548	475,968	122,259	121,608	0.68
Sino Sapphire Co., Ltd.	400,000	1,653,575	130,850	1,522,725	82,809	(78,224)	(77,275)	(1.93)
GlobalWafers Inc.	2,241,668	0	0	0	0	0	0	0
GlobalSemiconductor Inc.	756,809	991,601	13,470	978,131	9,391	307	(49,252)	0
GWafers Inc.	38,530	0	0	0	0	0	0	0
Kushan Sino Silicon Technology Company	769,177	2,307,537	1,306,336	1,001,201	1,690,237	(14,880)	(3,068)	0
GlobiTech Incorporated	756,809	991,601	13,470	978,131	9,391	307	(49,252)	0

Foreign exchange rate as of 2011/12/31 USD：NTD=1：30.275 JPY：NTD=0.3906：1

Note1：All affiliated enterprises shall be disclosed regardless of operation scale

Note2：If an affiliated enterprise is foreign, related figures shall be exchanged to NTD as of the report date.

8.1.7 Consolidated Financial Statements of Affiliated Enterprises

Please refer to P.46 of the audited consolidated financial statements of 2011.

8.1.8 Affiliation Reports: Not applicable.

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years: None

8.4 Other Necessary Supplement: None

8.5 Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None

(End)