Stock Code：5483

Sino-American Silicon Products Inc.

2012 Annual Report

Issue Date: May 16, 2013

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

I. Company Spokesperson:

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

2. Deputy spokesperson:
   Name: CW Lee
   Position: Strategic Planning Manager
   Tel:+886-3-577-2233
   E-mail: CWLee @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: +886-3-577-2255
   Fax: +866-3-578-1706

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: Tseng, Mei-Yu, Chen, Chien-Chen
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

Table of Contents

I. Letter to Shareholders

Sino-American Silicon Products Inc.

Fiscal 2012 Business Report

Dear shareholders,

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

In 2012, though solar industry suffered from economic recession and oversupply, with help of SAS' restless dedication and contribution of semiconductor business, we manage to minimize loss and survive. SAS' consolidated revenue for 2012 was NT$19.08 billion; YoY is 8.78%; net loss is NT$2.36 billion, EPS is NTD$ -4.9. Please refer below for operation performance and guideline, future plan, influences of competition, regulation and economic.

A. Operation Performance in 2012

1. Operation Performance

Unit：NTD$ thousands

Year / Item	2012	2011	Change (%)
Operating Revenue	19,089,330	17,549,063	8.78%
Operating Costs	18,188,222	15,813,764	15.02%
Gross Profit from Operations	901,108	1,735,299	-48.07%
Operating Expenses	2,113,712	980,650	115.54%
Operating Income	(1,212,604)	754,649	-260.68%
Income before Income Tax	(2,682,037)	562,344	-576.94%
Net Income	(2,360,471)	428,706	-650.60%

2012 is tough for solar industry devastated by European sovereign-debt crisis, subsidy reduction and excessive capacity, and has been suffered from recession. SAS strictly monitors inventory, lowers activation to minimize cost and devotes in high conversion technology to increase product value and strengthen capital structure. With the aid of reinvestment, GlobalWafers has contributed NTD$ 14 billion, occupying group revenue by over 70%. Sino Sapphire has merged with Crystalwise Technology and SAS is the largest shareholder with 43% of shareholding.

2. Budget Implementation：No financial forecast for 2012

3. Profitability Analysis

Item		2012	2011
Capital structure analysis	Debt ratio (%)	51	36
	Long-term funds to fixed assets (%)	122	180
Return on investment analysis	Rate of return on assets (%)	(5.09)	1.37
	Rate of return on stock equity (%)	(12.51)	2.29
	Operating income to capital (%)	(23.18)	17.03
	Income before tax to capital	(51.27)	12.69
	Net income to sales (%)	(12.37)	2.44
	Earnings per share (NTD)	(4.9)	1.02

4. Financial structure

2012 revenue is NTD$ 19,089,330,000; operation cost is NTD$18,188,222,000; operation expense is NTD$ 2,113,712,000. Other income is NTD$ 129,960,000, other loss is NTD$ 1,599,393,000; net income before tax is NTD$ 2,682,037,000; tax benefit is NTD$ 321,566,000; financial structure is healthy.

5. Research & Development Status

1) 2012 Research & Development Expenditure

Unit：NTD$ thousands

Item /Year	2012	2011
Research and Development Expenses	799,685	550,546
Net Revenue	19,089,330	17,549,063
%	4.19	3.14

2) Research & Development Achievement in 2011

Our technology / product

(1) Anti-reflection nanometer black wafer

(2) High efficiency/ low oxygen multi-crystal growth

(3) Hot zone design and simulation for low consumption crystal growth

(4) Oxygen monitoring in magnet field technology

(5) Wafer delicate slicing

(6) Recycle of slurry and solvent

3) Future Plan

(1) A5^{+} solar multi-crystal growth
(2) Nanometer wafering
(3) SiC recycle from linear slicing slurry
(4) PAG solvent recycle from linear slicing slurry
(5) Oxygen monitoring in magnet field in horizon puller

B. 2013 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.
4) Via vertical integration to seize terminal market and strength connections with customers; explore high efficiency products with core technology
5) Production flexibility to enhance competitively

2. Sales forecast：EU anti-dumping and anti-subsidy tariff imposition promise order bonanza for Taiwan. Recruitment will also increase activation.

C. Sales and Production Policy

1. Dedication in R &D to acquire leading technology and put into mass production. Provide customers with superior solar and semiconductor wafers so as to occupy in global market share.
2. Develop highest conversion efficiency multi-crystal wafer and put into mass production.
3. Endeavor in highest conversion efficiency crystal growth, aiming at the best wafer supplier.

D. Future Strategy

1. Elevate utilization and make the best of resources, synthesize 4”~12” capacity and technology of seven semiconductor sites located in Taiwan, America, China and Japan, aiming at penetrating into tier 1 companies.
2. Maintain long cooperation with suppliers, by controlling key ingredients to ensure constant supply and low cost.

E. Influences from Completion, Regulation and Economy

With new competitors and capacity, solar industry has suffered from excessive supply and dipping price/ In order to cope with the aforesaid difficulties, we carefully monitors market trend and insights, restlessly explore high value products and emphasizes protection on patent and intellectual property.

The company is optimistic for solar/semiconductor market, and sound believes in future operation. In solar business, EU trade war promises order bonanza for Taiwan; in semiconductor business, with seven production bases locating different continents, GlolbalWafers, the subsidiary, efficiently seizes initiatives and contributes group revenue. The management team focus on our superiority and maximize strategic alliance, hoping to share our prosperous wit h shareholders.

Again, thank you very much for your support and encouragement. We wish you a healthy and prosperous life.

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.

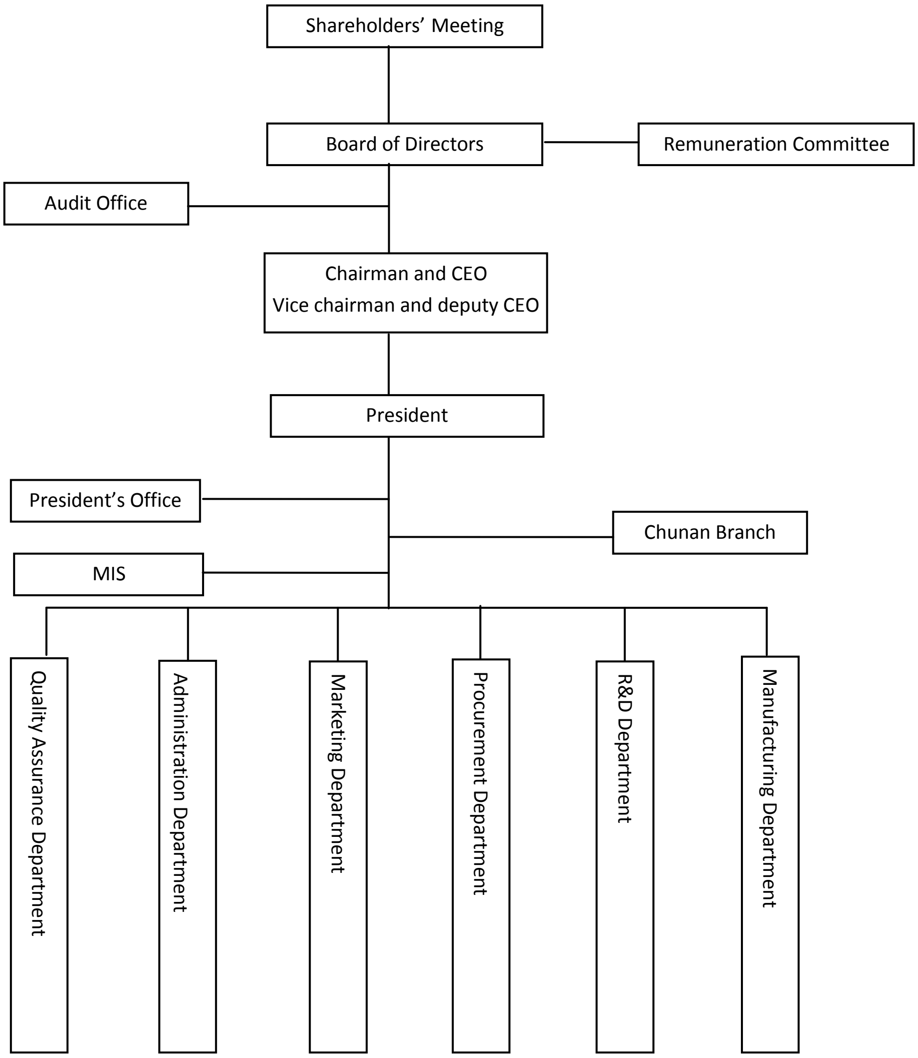
Dec. 1999	Capital increase to NT$780 million.
Mar. 2000	Polish wafers mass production succeeded and assumed to officially run.
Sep. 2000	Mass production in Kushan Sino Silicon assumed.
Mar. 2001	The Company officially listed on the Gre Tai Securities Market of Taiwan.
Oct. 2001	The award and grant due 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.
Oct. 2011	SAS completed to carve out semiconductor business to GlobalWafers Co., Ltd. and sapphire business to Sino Sapphire Co., Ltd.
Apr. 2011	Subsidiary, GlobalWafers Co., Ltd., finished acquisition of semiconductor department of Covalent Silicon Corporation
Sep. 2012	Aegis® Wafer received Silicon Innovation Award in 2012 Solar Industry Awards
Jan. 2013	Subsidiary, Sino Sapphire Co., Ltd., is merged with Crystalwise Technology Inc.
Feb. 2013	TIPS certificate approved.

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. -Execute resolutions from Board of Directors Meeting and Shareholder Meeting
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.
MIS	-Maintain IT hardware & software -Plan and execute E-working
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, finance and accounting. -Human resource planning, recruitment, educations, and trainings.
Marketing Department	-Market strategy, explore potential market, customer communication and after service. -Collect market information, customer service and product application, assist the R&D and promotion activities of new products.
Procurement Department	-Procure and purchase -Evaluate new suppliers. -Manage raw materials and suppliers.
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 27, 2013 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	11,000,000	2.10	2,001,685	0.38	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	2,018,395	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	2,076,085	0.40	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	4.18 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	4.18 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	3,239,724	0.62	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	0.58	30,490	0	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	0.57 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,	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
													National Chung Hsing University - CEO of the Foundation of China Periodicity Center - Director of Economic Division, Mainland Affairs Council				
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	Note 11	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	0.38	11,000,000	2.10	0	0	- Bachelor degree in Accounting from Ming Chuan University - Chairwoman of Hsuhsin Investment Company	Note 12	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	0.49	0	0	0	0	- Graduated from Nan Ying Vocation High School - Chairman of Nan-hai Toy Co. Ltd. - Director of COTA Commercial Bank	Note 13	N/A	N/A	N/A
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	Jun. 17, 2011 Jun. 17, 2011	Jun. 17, 2011 Jun. 17, 2011	3 years 3 years	2,000 0	0 0	2,202,100 0	0.42 0	0 0	0 0	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 14	N/A N/A	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, chairman of Sinosolar Corporation, chairman of Right Way Industrial Co. Ltd., chairman of Formerica Optoelectronics Inc., legal representative of Solar Energy Corp., director of Lite-On Semiconductor Corp., chairman of Ze Poly Pte Ltd., director of GlobalWafers Japan Co., Ltd., legal representative of GlobalWafers Co., Ltd., legal representative of Sino Sapphire Co., Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co., Ltd, chairman and president of Sino Sapphire Co., Ltd., legal representative of GlobalWafers Co., Ltd., director and president of Sinosolar Corporation, director of Actron Technology Corporation, supervisor of Giga Epitaxy Technology Corp., GlobalWafers Japan Co., Ltd., legal representative of Solar Energy Corp., director and CEO of Crystalwise Technology, director of Right Way Industrial Co. Ltd.

Note 3: Concurrently chairperson and CEO of subsidiary GlobiTech Incorporated in U.S., chairperson and president of GlobalWafers Co., Ltd., chairperson of GlobalWafers Japan Co., Ltd., director of GWafers Inc., legal representative of Sino Sapphire Co., Ltd., vice chairperson of Kushan Sino Silicon Technology Company, director of SilFab Spa in Italy, director of Sunrise Global Solar Energy, director of Sunshine PV Corp.

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., legal representative of True Honour Limited in Samoa, chairperson of Astro Solartech Inc. in U.S., director of Solar PV Corp. in Cayman island, vice chairman of Sinosolar Corporation

Note 5: Concurrently president and director of Solar Energy Corp., legal representative and president of Sunshine PV Corp., director of Solar Energy Material and Mega Solar Energy Corp., legal representative of GlobalWafers Co., Ltd., director of Sino Sapphire Co., Ltd., director of True Honour Limited in Samoa, ;egal representative of Astro Solartech Inc. in U.S., director of Solar PV Corp. in Cayman island, director of Sinosolar Corporation

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

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

Note 8: Concurrently supervisor of Career Consulting Co. Ltd., director of Yung Fu Co. Ltd., director of Business World Consulting Co., Ltd.

Note 9: Concurrently chairman of Chinese Academy of Business Foundation, chairman of Institute of Economics, Academia Sinica, chief consultant of Ruentex Group, member of Namchow Group Remuneration Committee

Note 10: Dean of Management Institute in Taipei, professor of National Taipei University, course professor of Takming University of Science and Technology, consultant of Straits Exchange Foundation, independent director of Emit Co., Ltd., member of Kenda Rubber Industrial Co., Ltd. Remuneration Committee

Note 11: Concurrently director of Kwong Lung Enterprise Co., Ltd., supervisor of Leotek Electronics Corporation

Note 12: Concurrently chairperson of Hsuhsin Investment Company

Note 13: Concurrently chairman of Nan-hai Toy Co. Ltd., director of COTA Commercial Bank, supervisor of Sinosolar Corporation

Note 14: Concurrently president of Captec partners Management Corp., independent director of Taiwan Surface Mounting Technology Corp., independent director of AmTRAN Technology, supervisor of Xander International Corp., chairperson and legal representative of Intumit Inc., legal representative of Power Radio Co., Ltd., supervisor of VIA Labs Inc., supervisor of WonderMedia Technologies Inc., legal representative of Solar Energy Corp., legal representative of Sinosolar Corporation, legal representative of JTOUCH Corporation, legal representative of Superior Plating Technology Co, Ltd., supervisor of Sino American Silicon Products Inc., legal representative of Jetvox Acoustic Corporation, legal representative of 3S Silicon Tech., Inc., legal representative of Openfind Information Technology, Inc.

(2) Major Shareholders of Institutional Shareholders

Table 1: Major Shareholder of Institutional Shareholders

April 27, 2013

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Solartech Energy Group	Sino-American Silicon Products Inc. (8.35%), Vialian Technology Co., Ltd. (4.17%), China Development Industrial Bank (2.45%), Keysheen Co., Ltd.((2.28%) 、HsinDong Investment Company (2.08%), China Development Investment Co., Ltd.(1.43%), Solartech Energy Group safekeeping account in Chinatrust (1.03%), Liu Hsin-Tzu (0.63%), Tsai Meng-Hsia(0.60%), Liu Kang-Hsin(0.59%)
Maoyang Corporation	Chang Feng-Ming(76.66%), Hsu Hsu-Hua (4.96%), ThongLo Corporation (14.09%), Chang Hsi-Ning (0.36%), Chang An-Shih (0.36), Hsu Jia-Li (1.42%), Chang Ai-Ling (2.15%),
Kun Chang Investment Company	Wang Hsueh-Hung (45.00%), Mercy Social Welfare Committee (12.00%), Christian Faith/Hope/Love Welfare Committee (11.00%), 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 27, 2013

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Vialian Technology Co., Ltd.	Christian Faith/Hope/Love Welfare Committee Via Technology Welfare Committee
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	Christian Faith/Hope/Love Welfare Committee Via Technology Welfare Committee
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%)
ThongLo Corporation	Feng-Ming Chang (80.84%), Hsu Hsu-Hua (11.87%), Maoyang Corporation(6.67%), Chang Hsi-Ning (0.31%), Chang An-Shih (0.31%)

(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 "√" 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.

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:

April 27, 2013 Unit: share; %

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	11,000,000	2.10%	2,001,685	0.38%	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	2,018,395	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	2,076,085	0.40%	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	56,257	0.01%	0	0	0	0	- Bachelor degree in Engineering Science , National Cheng Kung University - Vice president of Manufacturing Center of Sampo Technology Corp.	Note 4	N/A	N/A	N/A
Material Vice President	Cheng-Mu Wu	Dec. 1, 2005	160,040	0.03%	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	486,808	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	50,369	0.02%	238	0	0	0	- Master degree in Mineral and Metallurgical Engineering.,National Cheng Kung University - Vice manager of General Semiconductor Taiwan	Note 5	N/A	N/A	N/A
Manufacturing Assistant Vice President	Chien-Hsiung Lo	May 1, 2009	31,145	0	0	0	0	0	- Master degree in Management Science, Chiao Tung University - Vice president of LTW Technology Co. LTD	Note 6	N/A	N/A	N/A
Procurement Assistant Vice President	Ching-Wen Chou	Oct 1, 2009	102,000	0.02%	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
Manufacturing Director	Tai-Lung Ma	Jul 1, 2012	70,000	0.01%	0	0	0	0	- Master degree in Business Administration, Royal Roads University - Technical senior manager of Littelfuse, Inc. - Manufacturing manager of Littelfuse, Inc. Dongguan subsidiary	Note 7	N/A	N/A	N/A
Finance Manager	Shang -Chih Tai	Apr 27, 2010	55,177	0.01%	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	Note 8	N/A	N/A	N/A
Finance Accounting Manager	Mei -Ying Chiu	Apr 27, 2010	79,213	0.02%	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, chairman of Sinosolar Corporation, chairman of Right Way Industrial Co. Ltd., chairman of Formerica Optoelectronics Inc., legal representative of Solar Energy Corp., director of Lite-On Semiconductor Corp., chairman of Ze Poly Pte Ltd., director of GlobalWafers Japan Co., Ltd., legal representative of GlobalWafers Co., Ltd., legal representative of Sino Sapphire Co., Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co., Ltd, chairman and president of Sino Sapphire Co., Ltd., legal representative of GlobalWafers Co., Ltd., director and president of Sinosolar Corporation, director of Actron Technology Corporation, supervisor of Giga Epitaxy Technology Corp., GlobalWafers Japan Co., Ltd., legal representative of Solar Energy Corp., director and CEO of Crystalwise Technology, director of Right Way Industrial Co. Ltd.

Note 3: Concurrently chairperson and CEO of subsidiary GlobiTech Incorporated in U.S., chairperson and president of GlobalWafers Co., Ltd., chairperson of GlobalWafers Japan Co., Ltd., director of GWafers Inc., legal representative of Sino Sapphire Co., Ltd., vice chairperson of Kushan Sino Silicon Technology Company, director of SilFab Spa in Italy, director of Sunrise Global Solar Energy, director of Sunshine PV Corp.

Note 4: Resign on July 31, 2012

Note 5: Concurrently director of Accu Solar Corp

Note 6: Reassign as Manufacturing Assistant Vice President of GlobalWafers Co., Ltd. on July 1, 2012

Note 7: Reassign as Manufacturing Assistant Vice President of SAS from GlobalWafers Co., Ltd. on July 1, 2012

Note 7: Reassign as Finance/Accounting manager of GlobalWafers Co., Ltd. on March 26, 2012

3.2.3 Compensation Paid to CEO, President and Vice Presidents

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

Date: December 31, 2011 Unit: NTD$ 1000

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of 2011 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 2011 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)		Restricted Stock (I)				
																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	From SAS	From All Consolidated Entities	
Director	Ming-Kuang Lu	0	0	0	0	0	0	60	60	-0.0025	-0.0025	7,315	7,315	108	108	0	0	0	0	0	0	0	0	-0.32	-0.32	NA
Director	Tan-Liang Yao	0	0	0	0	0	0	60	60	-0.0025	-0.0025	8,085	11,144	108	108	0	0	0	0	0	0	0	0	-0.35	-0.48	NA
Director	Hsiu-Lan Hsu	0	0	0	0	0	0	60	60	-0.0021	-0.0021	8,949	12,030	108	108	0	0	100	0	0	0	0	0	-0.38	-0.52	NA
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	0	0	0	0	0	0	50	50	-0.0021	-0.0021	0	0	0	0	0	0	0	0	0	0	0	0	-0.0021	-0.0021	NA
Director	Solar Energy Corp. Representative: Chin-Lung Chang	0	0	0	0	0	0	45	45	-0.0019	-0.0019	0	0	0	0	0	0	0	0	0	0	0	0	-0.0019	-0.0019	NA
Director	Lin-Lin Sun	0	0	0	0	0	0	60	60	-0.0021	-0.0021	0	0	0	0	0	0	0	0	0	0	0	0	-0.0021	-0.0021	NA
Director	Wen-Hui Tsai	0	0	0	0	0	0	60	60	-0.0021	-0.0021	0	0	0	0	0	0	0	0	0	0	0	0	-0.0021	-0.0021	NA
Independent Director	Maoyang Corporaton Representative: Tie-Chih Sun	0	0	0	0	0	0	45	45	-0.0019	-0.0019	0	0	0	0	0	0	0	0	0	0	0	0	-0.0019	-0.0019	NA
Independent Director	Ting-Ko Chen	1,080	1,080	0	0	0	0	55	55	-0.0023	-0.0023	0	0	0	0	0	0	0	0	0	0	0	0	-0.0023	-0.0023	NA
Independent Director	Ming-Chang Chen	1,080	1,080	0	0	0	0	45	45	-0.0019	-0.0019	0	0	0	0	0	0	0	0	0	0	0	0	-0.0019	-0.0019	NA
Independent Director	Meng-Hua Huang	1,080	1,080	0	0	0	0	60	60	-0.0025	-0.0025	0	0	0	0	0	0	0	0	0	0	0	0	-0.0025	-0.0025	NA

Remark: 2012actual retirement payment: NTD $0

Allowance or funding of pension obligation: NTD $324,000

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From SAS	From All Consolidated Entities (I)	From SAS	From All Consolidated Entities (J)
Under NT$2,000,000	Ming-Kung Lu Lin-Lin Sun Tang-Liang Yao Hsiu-Lan Hsu Wen-Huei Tsai Ming-Chang Chen Meng-Hua Huang Ting-Ko Chen Solar Energy Corp. Rep: Kang-Hsin Liu Solar Energy Corp. Rep: Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun	Ming-Kung Lu Lin-Lin Sun Tang-Liang Yao Hsiu-Lan Hsu Wen-Huei Tsai Ming-Chang Chen Meng-Hua Huang Ting-Ko Chen Solar Energy Corp. Rep: Kang-Hsin Liu Solar Energy Corp. Rep: Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun	Lin-Lin Sun Wen-Huei Tsai Ming-Chang Chen Meng-Hua Huang Ting-Ko Chen Solar Energy Corp. Rep: Kang-Hsin Liu Solar Energy Corp. Rep: Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun	Lin-Lin Sun Wen-Huei Tsai Ming-Chang Chen Meng-Hua Huang Ting-Ko Chen Solar Energy Corp. Rep: Kang-Hsin Liu Solar Energy Corp. Rep: Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun
NT$2,000,000~NT$5,000,000	0	Hsiu-Lan Hsu	Ming-Kung Lu	Ming-Kung Lu
NT$5,000,000~NT$10,000,000	0	0	Tang-Liang Yao Hsiu-Lan Hsu	Tang-Liang Yao Hsiu-Lan Hsu
NT$10,000,000~NT$15,000,000	0	0	0	0
NT$15,000,000~NT$30,000,000	0	0	0	0
NT$30,000,000~NT$50,000,000	0	0	0	0
NT$50,000,000~NT$100,000,000	0	0	0	0
Over NT$100,000,000	0	0	0	0
Total	11	11	11	11

(2) Remuneration Paid to Supervisors

Date: December 31, 2012 Unit: NT$ thousand

Title	Name	Remuneration Paid to Supervisors						Total Remuneration(A+B+C) as a% of 2011 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	55	55	-0.0023	-0.0023	NA
Supervisor	Kuo-Chow Chen	0	0	0	0	45	45	-0.0019	-0.0019	NA
Supervisor	Kun Chang Investment Co. Rep: May-Yuan Chang	0	0	0	0	40	40	-0.0017	-0.0017	NA

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	Su-Mei Yang Kuo-Chow Chen Kun Chang Investment Co. Rep: May-Yuan Chang	Su-Mei Yang Kuo-Chow Chen Kun Chang Investment Co. Rep: May-Yuan Chang
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	3	3

(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 2011 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	32,270	43,411	711	711	0	0	0	0	0	0	-1.61	-1.87	0	0	None
Vice CEO	Tang-Liang Yao															
President	Hsiu-Lan Hsu															
Vice President	Hao-Chun Shih															
Vice President	Cheng-Mu Wu															
Vice President	Weng-Ching Hsu															
Vice President	Yu-Tse Lin															

Remark: 2012 actual retirement payment: NTD $0
Allowance or funding of pension obligation: NTD $711,000
Hao-Chun Shih resigned on July 31, 2012.

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	0	0
NT$2,000,000~NT$5,000,000	Hao-Chun Shih Cheng-Mu Wu Weng-Ching Hsu Yu-Tse Lin	Hao-Chun Shih Cheng-Mu Wu Weng-Ching Hsu Yu-Tse Lin
NT$5,000,000~NT$10,000,000	Ming-Kung Lu Tang-Liang Yao Hsiu-Lan Hsu	Ming-Kung Lu
NT$10,000,000~NT$15,000,000	0	Tang-Liang Yao Hsiu-Lan Hsu
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	7	7

(4) Employee Profit Sharing Granted to Management Team

Date: December 31,2011 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 2011 Net Income
Management Team	Chairman	Ming-Kung Lu	0	0	0	0%
	Vice Chairman	Tang-Liang Yao				
	President	Hsiu-Lan Hsu				
	Vice President	Hao-Chun Shih				
	Vice President	Cheng-Mu Wu				
	R&D Vice President	Weng-Ching Hsu				
	Sales & Marketing Vice President	Yu-Tse Lin				
	Manufacturing Vice President	Chien-Hsiung Lo				
	Manufacturing Director	Tai-Long Ma				
	Procurement Assistant Vice President	Ching-Wen Chou				
	Finance Manager	Shang-Chih Tai				
	Accounting Manager	Mei-Ying Chiu				

Remark: Vice President, Hao-Chun Shih, resigned on July 31, 2012.
Chien-Hsiung Lo was reassign as Manufacturing Assistant Vice President of GlobalWafers Co., Ltd. on July 1, 2012
Tai-Long Ma was reassigned as Manufacturing Assistant Vice President of SAS from GlobalWafers Co., Ltd. on July 1, 2012

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 2011 Net Income

Title	2012		2011	
	Form SAS	From All Consolidated Entities	Form SAS	From All Consolidated Entities
Directors	-0.025%	-0.025%	1.55%	2.86%
Supervisors	-0.006%	-0.006%	0.54%	0.54%
President and Vice President	-1.61%	-1.87%	5.96%	6.50%

2.1 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 includes earning distribution and execution fees, which are specified in the Articles of Incorporation, and approved by shareholder meeting. Remuneration to presidents and vice presidents includes salary, bonus and cars along with earning distribution. Board of directors authorizes chairman to pay in accordance with related regulations of SAS.

2.2 Procedures of remuneration

Remuneration to the directors and supervisors are performed in accordance with Article 30 of Articles of Incorporation:

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.

Also, execution fee is transportation expenses of each board of directors meeting, remuneration to presidents and vice president are in accordance with operation performance set in forth in Year Plan, its distribution is proceeded according to Procedure of Performance Evaluation and Procedure of Employee Stock Option.

SAS established Remuneration Committee at the end of 2011, which periodically examines performance of directors, supervisors and managers, as well as remuneration policy, system, standard and structure. Report if above-mentioned will be reported in the Board of Directors.

2.3 Connection between operation performance and future risk

Performance evaluation and remuneration of directors, supervisors and managers are measured based on market average, monetary amount, distribution method and future risk of the company. It has a positive correlation with the performance and responsibility of the company's business.

3.3 Implementation of Corporate Governance

3.3.1 Attendance of Directors for Board Meetings

A total of 11 meetings of the board of directors were held in the previous period. Director attendance was as follows: (2012/1/1~2012/12/31)

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Ming-Kung Lu	11	0	100%	
Vice Chairman	Tang-Liang Yao	11	0	100%	
Director	Hsiu-Lan Hsu	11	0	100%	
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	10	1	91%	
Director	Solar Energy Corp. Representative: Chin-Lung Chang	9	2	82%	
Director	Lin-Lin Sun	11	0	100%	
Director	Wen-Huei Tsai	11	0	100%	
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	9	2	82%	
Independent Director	Ming-Chang Chen	8	3	73%	
Independent Director	Ting-Ko Chen	11	0	100%	
Independent Director	Meng-Hua Huang	11	0	100%	

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: No abovementioned matters 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: No abovementioned matters so far.

3. Measures taken to strengthen the functionality of the Board (such as Audit Committee, information transparency elevation):

To Strengthen BOD Functionality	Evaluation
Establishment of independent director	Strength objectiveness of independent directors so as to supervise BOD performance
Establishment of remuneration committee	Assist BOD to execute and evaluate overall remuneration and benefit system; periodically examine adequateness of reward for directors, supervisors and managers
Information transparency	Assigned employee to disclose information and update company website
Strengthen communication with interested parties	SAS has spokesman and deputy spokesman as communication channel for interested parties. We have designated period before AGM for shareholder to propose agendas, which will be reviewed by BOD according to related regulations.
Elevate BOD operation efficiency and decision	SAS has legislated "Rules and Procedures of Board of Directors Meeting" to strength BOD function and improve development of BOD decision.
Advance expertise	SAS' directors and supervisors have to fulfill authorities'

	training hour requirement, SAS also encourages BOD members to participate in professional courses. Also, SAS advocates regulations in each meeting so as to satisfy government inquiries.

3.3.2 Attendance of Audit Committee

SAS has not established Audit Committee. Audit function is performed by supervisors instead for now. Therefore, not applicable.

3.3.3 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: (2012/1/1~2012/12/31)

Title	Name	Attendance in Person	Attendance In Proxy	Attendance Rate in Person (%)	Notes
Supervisor	Kuo-Chow Chen	8	0	73%	
Supervisor	Su-Mei Yang	9	0	82%	
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	11	0	100%	

Other mentionable items:

1. Supervisors' duties:
   (1) Communication between supervisors and employee & shareholders:
   Communication between supervisors and employee & shareholders is available through paper document, phone call, fax and email, communication status is smooth.

   (2) Communication between supervisors and audit manager & CPA:
   Supervisors exercise supervision, business and finance investigation in accordance with related regulations. Regarding accounting documents prepared by CPA, supervisors can communicate with CPA and managers in charge anytime if necessary, and also competent to explain to BOD and shareholders.

   Supervisors attend BOD whether ordinary or extraordinary. SAS' audit manager reports and explains according to audit results of business and finance operation. A meeting may be convened anytime if necessary.

2. If supervisor makes a statement, BOD date, term, contents of motions, resolution and countermeasure of supervisor's statement should be specified: No abovementioned matters so far.

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	(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	No significant deviation
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	(2) The Company monitors shareholding of directors, supervisors, managers and major shareholders with over 10% company shares; submit reports to MOPS monthly.	No significant deviation
(3) Risk management mechanism and "firewall" between the Company and its affiliates	(3) Internal control system includes enterprise risk monitoring and operation. SAS also legislates "Supervision and Management of Subsidiary" to execute risk control. SAS also legislates "Procedure of Investment Management" to control import/export, acquisition/deposal of assets, endorsement/guarantee, fund lending of affiliated companies.	No significant deviation
2. Composition and Responsibilities of the Board of Directors		
(1) Independent Directors	(1) Established 3 Independent Directors: Ting-Ko Chen, Ming-Chang Chen, Meng-Hua Huang	No significant deviation
(2) Regular evaluation of external auditors' independence	(2) The Board of Directors annually evaluate external auditors' independence	No significant deviation
3. Communication channel with interest-related party	We have spokesman/deputy spokesman to keep smooth communication with interested parties	No significant deviation

<table>
<tr><td>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 website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)</td><td>
(1) Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status
(2) SAS constructs English website, and designating employee to handle information collection and disclosure and appointing spokespersons</td><td>
No significant deviation

No significant deviation</td></tr>
<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 and convened in accordance with regulations, please refer P.32 & P.33.</td><td>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 fully discloses via MOPS and official website to familiarize investors with corporal operation, and communicates with investors through shareholder meeting and spokesman.
(4) Supplier relationship:
The Company has maintained stable relationship with suppliers, random audits to ensure suppliers’ quality.
(5) The rights of interest-related party: The company has established official website (http://www.saswafer.com) to disclose financial, sales,corporate governance information and stock agency.</td></tr>
</table>

(6) Continuing education/training of Directors and Supervisors:

Title	Name	Date	Host by	Course	Duration hours	Matching Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies
Chairman	Ming-Kung Lu	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Vice Chairman	Tang-Liang Yao	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Hsiu-Lan Hsu	2012/06/14	Taiwan Corporate Governance Association	Corporate governance and risk management	3	Yes
		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Lin-Lin Sun	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	2012/10/18	Taiwan Corporate Governance Association	Introduction to stock income tax	3	Yes
Director	Solar Energy Corp. Representative: Chin-Lung Chang	2012/10/18	Taiwan Corporate Governance Association	Introduction to stock income tax	3	Yes
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Wen-Huei Tsai	2012/06/06	Taiwan Corporate Governance Association	Regulation & Operation of Remuneration Committee	3	Yes
Independent Director	Ting-Ko Chen	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Independent Director	Ming-Chang Chen	2012/06/08	Taiwan Corporate Governance Association	Financial statements guidelines for Directors, supervisors	3	Yes
Independent Director	Meng-Hua Huang	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Supervisor	Kuo-Chow Chen	2012/09/13	Taiwan Corporate Governance Association	BOD practice and corporate governance	3	Yes
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
		2012/11/02	Securities & Futures Institute	Training class for corporate governance and security laws	3	Yes
Supervisor	Su-Mei Yang	2012/08/17	GreTai Securities Market	Insider stock for GTSM-listed and Emerging company	3	Yes

		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes

Specified in MOPS/ 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.

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.

3.3.5. Operation of Remuneration Committee

1. Member Information

Title	Condition / Name	If independent directors equip with over 5 years of working experience and below qualifications			Independence（Note 1）								Concurrently serving in remuneration committee of other listed companies (Counting in company)	Remark（Note 2）
		Owning qualification of national/private college instructor or above of commence, law, finance or corporal operation-related professions	Certified technicians or judge, prosecutor, lawyer, CPA or corporal operation-related national certifications	Experienced in commence, law, finance, accounting or other corporal operation-related business	1	2	3	4	5	6	7	8		
Independent Director	Ting-Ko Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	1	NA
Independent Director	Ming-Chang Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	NA
Independent Director	Meng-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	NA	NA

Note 1: Check in blocks if matching below description in tenure or two years before the tenure.

(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 percent of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

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

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.

(6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent 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 managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) Not matching description in Article 30 of Company Act

Note 2: If a remuneration committee member is director, please specify if matching item5, Article 6 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”

2. Attendance of Remuneration Committee

Title	Name	Attendance in Person(B)	Attendance In Proxy	Attendance Rate in Person (%) (B/A)	Remark
Independent Director	Ting-Ko Chen	3	0	100%	
Independent Director	Ming-Chang Chen	2	1	67%	
Independent Director	Meng-Hua Huang	3	0	100%	

Other mentionable items:

(1) If remuneration committee's suggestions are objected ir modified by BOD, BOD date, term, contents of motions, resolution and countermeasure of remuneration committee's statement (if remuneration resolved by BOD is better than that of remuneration committee, discrepancy and reason should be specified): NA

(2) If any member is against or reserves his/her opinion with record or paper statement regarding committee's resolution, remuneration committee's date, term, contents of motions, resolution and countermeasure of member's statement should be specified: NA

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. (2) The Company set up department to perform social responsibility. (3) Regularly hold training classes and advocacy for boards, supervisors and employees, combining with a merit system to evaluate all staffs.	(1) Though no policies are made, we carry out our responsibility, and prescribe related rules depending on future development. (2) Our social responsibility department performs related affairs. (3) SAS advocates corporate spirit in various meetings and has "Work Regulations" to specify merit system.	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." No Significant deviation No Significant deviation
2. Environmental Protection (1) The Company works to promote ecological	(1) Recycle useless products to increase	No Significant deviation

sustainability and use low-impact recycled materials. (2) The Company sets up suitable environmental management system according to its industrial specialty. (3) The Company sets up department to perform environmental management. (4) The Company pays attention to climate change impact on corporation, prescribing CO_2 and Greenhouse gas reduction policy.	efficiency. (2) Promotion of green activities: internal training, energy-saving environment and realization of environment management policy (received ISO 14000 certification.) (3) Establish Labor Safety and Unit to monitor environmental protection, safety and hygiene issues. (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 No Significant deviation 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	No Significant deviation No Significant deviation No Significant deviation

	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. 2012.12 Dream Come True Program-donate $129,000 presents to 258 children in remote elementary schools. 2. 2012.9 Purchase 137 moon cake sets from CareUs and donate to Taiwan Fund for Children and Families, Catholic Blue Sky Homeland, Catholic ShihKuang Education Institute, Huakuang Education Institute and Teresa Child Center 3. 2012.6 Donation 84,000 cc blood and granted certification from Hsinchu Blood Center 4. 2012.11 Sponsor $15,000 and provide goodies for Garden Party of Taiwan Fund for Children and Families	 No Significant deviation No Significant deviation
4. Information disclosure (1) The Company discloses contact measures of industrial relativity and reliability information. (2) The Company edits CSR report to disclose corporate social responsibility promotion.	 (1) Establishment of a corporate website http://www.saswafer.com to disclose corporate social responsibility information, such as environmental protection, CO_2 reduction and eternal energy. (2) The Company has not edited CSR report	 No Significant deviation No Significant deviation

	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.	

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:
1. 2012.12 Dream Come True Program- donate $129,000 presents to 258 children in remote elementary schools.
2. 2012.09 Purchase 137 moon cake sets from CareUs and donate to Taiwan Fund for Children and Families, Catholic Blue Sky Homeland, Catholic ShihKuang Education Institute, Huakuang Education Institute and Teresa Child Center
3. 2012.06 Donation 84,000 cc blood and granted certification from Hsinchu Blood Center
4. 2012.11 Sponsor $15,000 and provide goodies for Garden Party of Taiwan Fund for Children and Families
(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.
(4) Human rights: SAS emphasizes on human rights, same work rights applies to everyone no matter races, gender, age; SAS also provides opportunity for individual opinion and development and respects personal dignity.
(5) Safety/Hygiene: Our goal is zero pollution. We dedicate in safety policy realization and improve manufacturing situation. We improve safety and hygiene via all employees' efforts.
(6) Employee Care: SAS provides annual health examination for employees. Via the examination, employees under and care health. SAS sets alarm and periodically evaluates working environment so as to maintain safe and monitor hazardous factors.

7. If the Company products and CSR report pass related institutes examinations are stated as follows:
ISO-9001, ISO/TS 16949, ISO14001, TIPS certifications granted.

3.3.7 Status and Execution of Fulfilling Operational Integrity

Item	Implementation Status	Non-implementation and Its Reason(s)
1. Adoption of ethical corporate management policies and programs (1) Status of SAS' progress in clearly adopting ethical corporate management policies in its rules and external documents, and of the board of directors and the management in undertaking to rigorously and thoroughly enforce such policies (2) Status of SAS' adoption of a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, and education and training operations (3) when establishing the program to prevent unethical conduct, to address which business activities within its business	(1) SAS' "Ethical Corporate Management Best Practice Principles" is legislated by President's Office and supervised its execution. (2) SAS has signed "Non-disclosure Agreement of Intellectual Property" with employees to prevent company's rights compromised by individual's interest. SAS holds employee training to advocate the importance of non-disclosure. SAS specifies that all suppliers should follow restrictions on bribery as well as presents and related party transaction, any disobedience the trade will be terminated. We do so for the most reasonable price, best quality and service. (3) To ensure execution, SAS has complete accounting and internal control system, auditors periodically supervise its practice.	No Significant deviation No Significant deviation No Significant deviation

scope pose higher risk of unethical conduct, and to adopt preventive measures against the offering and acceptance of bribes, illegal political donations, and so forth		
2. Enforcement of ethical corporate management (1) Status of SAS' establishment and operation of a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management, and supervision by the board of directors. (2) Status of SAS' establishment and operation of channels for receiving reports on unethical conduct, and disciplinary and complaint system for handling violations of the ethical corporate management rules. (3) Status of SAS' adoption of policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof. (4) Status of SAS' establishment and operation of effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits by internal auditors.	(1) SAS specifies that all suppliers should follow restrictions on bribery as well as presents and related party transaction, any disobedience the trade will be terminated. We do so for the most reasonable price, best quality and service. (2) CSR department is not established yet, all departments shall fulfill CSR by themselves. (3) SAS has signed "Non-disclosure Agreement of Intellectual Property" with employees to prevent company's rights compromised by individual's interest. (4) To ensure execution, SAS has completed accounting and internal control system, auditors periodically supervise its practice.	No Significant deviation No Significant deviation No Significant deviation No Significant deviation
3. Status of SAS' efforts in its business activities to avoid dealings with persons who have any record of unethical conduct, and to include ethical conduct clauses in its business contracts.	SAS has complaint box and designated departments to take care.	No Significant deviation

<table>
<tr><td>4. Information Disclosure
(1) Establishment of a corporate website to disclose information regarding ethical corporate management.

(2) Other information disclosure channels (e.g., maintaining an English website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)</td><td>(1) Establishment of a corporate website http://www.saswafer.com to disclose ethical management, such as corporate culture and operation guideline.

(2) SAS designates employee to handle information collection and disclosure and appointing spokespersons</td><td>No Significant deviation

No Significant deviation</td></tr>
<tr><td colspan="3">5. If the Company has legislated Ethical Corporate Management Best Practice Principles, please describe any discrepancy between the policies and their implementation.
SAS has legislated Ethical Corporate Management Best Practice Principles basing on Ethical Corporate Management Best Practice Principles for Public/GTSM-listed companies and execute accordingly. No significant deviation</td></tr>
<tr><td colspan="3">6. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., advocate ethical determination, policies to related companies and invite them to participate training courses so as to examine and amend ethical principles.):
(1) SAS strictly obeys Company Act, Securities and Exchange Act, Business Entity Accounting Act and other associating regulations
(2) Rules and Procedures of Board of Directors Meeting specifies:
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 in the meeting. 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) The Company legislates "Procedure of Inside Trading Prevention," specifying:
No director, supervisor, managerial officer, or employee having knowledge of any material inside information of the Corporation may divulge the information to others.
No director, supervisor, managerial officer, or employee of the Corporation may seek to obtain any material inside information of the Corporation from a person having knowledge of such information, nor may they gather or collect, any non-public material inside information of the Corporation not within the scope of their office functions. They also may not divulge to others any non-public material inside information of the Corporation coming to their knowledge not as a result of performing their duties.</td></tr>
</table>

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 The company has legislated "Operational Procedures for Handling Material Inside Information" and Announcement Method:

SAS has approved "Operational Procedures for Handling Material Inside Information" on March, 2010, BOD advocates the procedure to all directors and supervisors, and send related document for their reference. SAS uploads the procedure and notice to internal website for all managers, officers and employees to follow and prevent disobedience from happening.

3.3.10 Continuing Education/Training of Directors and Supervisors in 2012

Title	Name	Date	Host by	Course	Duration hours	Matching Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies
Chairman	Ming-Kung Lu	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Chairman	Ming-Kung Lu	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Hsiu-Lan Hsu	2012/06/14	Taiwan Corporate Governance Association	Corporate governance and risk management	3	Yes
		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Lin-Lin Sun	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	2012/10/18	Taiwan Corporate Governance Association	Introduction to stock income tax	3	Yes
Director	Solar Energy Corp. Representative: Chin-Lung Chang	2012/10/18	Taiwan Corporate Governance Association	Introduction to stock income tax	3	Yes
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes

Director	Wen-Huei Tsai	2012/06/06	Taiwan Corporate Governance Association	Regulation & Operation of Remuneration Committee	3	Yes
Independent Director	Ting-Ko Chen	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Independent Director	Ming-Chang Chen	2012/06/08	Taiwan Corporate Governance Association	Financial statements guidelines for Directors, supervisors	3	Yes
		2012/06/08	Taiwan Corporate Governance Association	Training class for corporate governance and security laws	3	Yes
Independent Director	Meng-Hua Huang	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
Supervisor	Kuo-Chow Chen	2012/09/13	Taiwan Corporate Governance Association	BOD practice and corporate governance	3	Yes
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes
		2012/11/02	Securities & Futures Institute	Training class for corporate governance and security laws	3	Yes
Supervisor	Su-Mei Yang	2012/08/17	GreTai Securities Market	Insider stock for GTSM-listed and Emerging company	3	Yes
		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3	Yes

3.3.11 Continuing Education/Training of Managers

Title	Name	Date	Host by	Course	Duration hours
Director	Hsiu-Lan Hsu	2012/06/14	Taiwan Corporate Governance Association	Corporate governance and risk management	3
		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3
Finance Manager	Shang -Chih Tai	2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3
		2012/12/12	Deloitte Learning Center	Teller Management and Practice	6
		2013/01/17	Deloitte Learning Center	Income Tax Accounting under IFRS	7
Accounting Manager	Mei -Ying Chiu	2012/01/10-11	Accounting Research and Development Foundation	Continuing Education For Accounting Manager	12
		2012/10/23	Taiwan Corporate Governance Association	Countermeasure with IFRS	3

		2012/12/27-28	Accounting Research and Development Foundation	Continuing Education For Accounting Manager	12
Audit Manager	Tzu-Chen Fan	2012/03/22	IIA (Institute of International Auditors)	Subsidiary Management Workshop	3
		2012/03/02	IIA (Institute of International Auditors)	IFRS & Audit	3
		2012/05/31	Li & Cai Intellectual Property Office	Deployment and Strategy for Enterprise Intellectual Property	2
		2012/06/21	D.M.S. Consulting in U.S.A.	Management and Analysis of Intellectual Property	1.5
		2012/08/30	IIA (Institute of International Auditors)	IFRS adoption – Audit & Internal Control	6
		2012/11/23	IIA (Institute of International Auditors)	IFRS guideline – Internal Control	3
		2012/11/23	IIA (Institute of International Auditors)	Remuneration Committee and Corporate Governance	3
		2012/08/19	D.M.S. Consulting in U.S.A.	Internal Control Inspection DIY	6

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

1. MOPS: http://mops.twse.com.tw/
2. SAS official website/Investor Relation: 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 26, 2013

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 2012:

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 2012[*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 2012 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 26, 2013, with zero of the eleven 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.

1. Annual Shareholders' Meeting

Date	Meeting	Resolutions
2012/06/27	Annual Shareholders' Meeting	1. Approve FY 2011 business report and financial statements 2. Approve the proposal for distribution of 2011 profits 3. Approve to revise SAS' Articles of Incorporation 4. Approve to revise SAS' Acquisition or Disposal Procedure 5. Approve to revise SAS' Lending Funds to Other Parties Procedure 6. Approve new share issuance through GDR or local SPO

2. Board of Directors Meeting

Date	Meeting	Resolutions
2012/01/12	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.
2012/03/05	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
2012/03/22	Board of Directors Meeting	1. Approve 2012 standalone/ consolidated financial statements 2. Approve 2012 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.
2012/04/10	Board of Directors Meeting	1. Propose to issue Sino Sapphire Co., Ltd. shares
2012/04/25	Board of Directors Meeting	1. Approve 2011 profit allocation 2. Approve new share issuance through GDR or local SPO 3. Approve new items for 2012 Annual Meeting of Shareholders 4. Approve to merge Sino Sapphire with Crystalwise Technology 5. Renewal of Taiwan Corporative Bank of Compositive Loan
2012/06/21	Board of Directors Meeting	1. Approve amount and price of

		new share issuance through local SPO 2. Approve to invest Sunshine PV Corp. 3. Approve to proceed Debt-Equity Swap with accounts receivable (USD$ 25,294,917) of related party Sino Silicon Technology Inc. 4. Approve to provide promise letter to Fubon Financial for supporting Sino Sapphire finance. 5. Loan guarantee of Chinatrust Commercial Bank for subsidiary GlobiTech Incorporated. 6. Renewal of short-term general credit limit of E.Sun Bank 7. Renewal of mid-term general credit limit of E.Sun Bank
2012/07/24	Board of Directors Meeting	1. Approve 2011 stock dividend distribution 2. Revise "Policies and Procedures for Financial Derivatives Transactions" according to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" 3. Approve reassignment 4. Approve Promotion 5. Approve to provide promise letter to Chinatrust Commercial Bank for supporting GlobalWafers finance.
2012/08/23	Board of Directors Meeting	1. Approve 2012 1H standalone & consolidated financial statements 2. Approve to provide promise letter to Entie Commercial Bank for supporting GlobalWafers finance. 3. Approve general credit limit/ foreign currency 4. Approve suggestions made by Remuneration Committee's 2 meeting
2012/10/23	Board of Directors Meeting	1. Approve Amendment of Rules and Procedures of Board of Directors Meeting 2. Legislate Procedure of Directors Evaluation 3. Legislate Procedure of Directors' Remuneration Allocation 4. 2013 Internal Audit Plan 5. Approve general credit limit/

		foreign currency
2012/11/08	Board of Directors Meeting	1. Approve correction of 2011, 2012Q1 & 2012 1H standalone & consolidated financial statements 2. Approve CVS acquisition price adjustment by subsidiary, GlobalWafers. 3. Legislate “Rules for Share Repurchase and Transfer to Employees” 4. Repurchase company stocks 5. Guarantee and endorsement of grand subsidiary
2012/12/20	Board of Directors Meeting	1. Approve the 2012Q3 standalone financial statements 2. Approve the 2012Q3 consolidated financial statements 3. Revise “Rules for Share Repurchase and Transfer to Employees” 4. Revise “Procedures for Lending Funds to Other Parties” 5. Revise “Procedures for Endorsement and Guarantee” 6. Approve 2013 operation plan. 7. Approve general credit limit/ foreign currency 8. Approve to provide promise letter to Ta Chong Bank for supporting Sino Sapphire finance. 9. Loan guarantee of Chinatrust Commercial Bank for subsidiary GlobiTech Incorporated.
2013/02/26	Board of Directors Meeting	1. Capital injection to Sunshine PV Corp. 2. Approve to 2012 treasury stock 3. Approve suggestions made by Remuneration Committee’s 3 meeting 4. Approve suggestions made by Remuneration Committee’s 1 meeting
2013/03/26	Board of Directors Meeting	1. Revise 2013 Internal Audit Plan 2. Propose to revise internal control system, internal audit system, internal control system-self check, accounting system and related documents. 3. Approve 2012 standalone & consolidated financial statements 4. Retained earnings and special reserve adjustment by adopting

		IFRSs 5. 2012 loss distribution 6. 2012 Statement of Internal Control 7. Reassignment of deputy spokesperson (CW Lee) 8. Reassignment of financial manager (Mei-Ying Chiu) 9. Revise Articles of Incorporation 10. Convene 2013 AGM 11. Syndicated loan agreement authorization 12. Approve general credit limit/ foreign currency 13. Approve to provide promise letter to Chinatrust Commercial Bank for supporting GlobalWafers finance. 14. Approve to provide promise letter to Ta Chong Bank Bank for supporting GlobalWafers finance.

3. Review on execution of 2012 Annual Shareholders' Meeting resolutions

1. Approve 2011 business report & financial reports	Uploaded to MOPS after resolved by AGM
2. Approve 2011 profit distribution	AGM resolution: 2011 net income: NTD 428,706,160 Legal reserve: NTD 42,870,616 Special earning reserve: NTD 604,810,272 No employee bonus nor director/supervisor remuneration according to Article 30 of Articles of Incorporation. Shareholder cash bonus: NTD 443,119,081 Distribution completed on 2012/08/24
3. Approve to revise "Articles of Incorporation"	Execute in accordance with revised "Articles of Incorporation" after resolved by AGM
4. Approve to revise "Acquisition or Disposal of Assets Procedure"	Execute in accordance with revised "Acquisition or Disposal of Assets Procedure" after resolved by AGM
5. Approve to revise "Procedures for Lending Funds to Other Parties"	Execute in accordance with revised "Procedures for Lending Funds to Other Parties" after resolved by AGM
6. Approve new share issuance through GDR or local SPO	FY 2012 Implementation of Rights issue was approved by Chin-Kuan Cheng one Tze No. 1010023340 on 2012/6/12 Issuance of 80,000,000 common shares via cash capital increase, issuing price as NTD$43.27, raising NT$3,461,600,000. Completed on 2012/6/29

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):

Title	Name	Date of Appointment	Date of Dismissal	Reason
Finance Manager	Shang-Chih Tai	2010.04.27	2013.03.26	Job Reassignment

3.4 Information Regarding Audit Fees

3.4.1 Audit Fees

Accounting Firm	Name of CPA		Audit Period	Note
KPMG	Tseng, Mei-Yu	Chen, Chien-Chen	2013.01-2013.12	

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	5,800	1,134	6,934
5	NT$8,000~NT$10,000 thousand	-	-	-
6	Over NT$10,000 thousand	-	-	-

Unit: NT$ 1000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
KPMG	Tseng, Mei-Yu Chen,Chien-Chen	5,800	-	1,060	-	74	1,134	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	2012		As of April 27, 2013		Note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairman	Ming-Kuang Lu	111,330	0	600,000	0	CEO of the Company
Vice Chairman	Tang-Liang Yao	(410,000)	0	418,000	0	Vice CEO of the Company
Director	Hsiu-Lan Hsu	(204,000)	0	635,000	0	The Company's President
Director	Solar Energy Corp. Representative: Kang-Hsin Liu	0 0	0 0	0 0	0 0	
Director	Solar Energy Corp. Representative: Chin-Lung Chang	0 0	0 0	0 0	0 0	
Director	Lin-Lin Sun	(245,000)	0	(230,000)	0	
Director	Wen-Huei Tsai	0	1,300,000	0	0	
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	0 0	0 0	0 0	0 0	
Independent Director	Ting-Ko Chen	0	0	0	0	
Independent Director	Ming-Chang Chen	0	0	0	0	
Independent Director	Meng-Hua Huang	0	0	0	0	
Supervisor	Su-Mei Yang	0	0	0	0	
Supervisor	Kuo-Chow Chen	0	0	0	0	
Supervisor	Kun Chang Investment Co. Representative: May-Yuan Chang	0 0	0 0	0 0	0 0	
Manager	Ching-Chang Chin	(69,000)	0	0	0	
Manager	Hao-Chun Shih	(63,000)	0	102,000	0	Resigned on July 31, 2012
Manager	Cheng-Mu Wu	111,330	0	600,000	0	
Manager	Weng-Ching Hsu	(13,000)	0	98,000	0	

Manager	Yu-Tse Lin	0	0	(16,000)	0	
Manager	Chien-Hsiung Lo	0	0	0	0	Resigned on July 01, 2012
Manager	Ching-Wen Chou	(11,000)	0	98,291	0	
Manager	Tai-Lung Ma	0	0	0	0	Assume office on July 01, 2012
Finance Manager	Shang -Chih Tai	0	0	50,000	0	Resigned on March 26, 2013
Accounting Vice Manager	Mei -Ying Chiu	0	0	27,000	0	

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	4.18%	0	0	0	0	NA	NA	
Solar Energy Corp. Representative: Kang-Hsin Liu	0	0%	0	0	0	0	NA	NA	
Cathay life insurance Corp.	19,298,450	3.69%	0	0	0	0	NA	NA	
Cathay life insurance Corp. Representative: Hung-Tu Tsai	0	0%	0	0	0	0	NA	NA	
Ming-Kuang Lu	11,000,000	2.06%	2,001,685	0.38%	0	0	NA	NA	
Feng-Ming Chang	10,800,120	2.06%	0	0	0	0	NA	NA	
Public Service Pension Fund Committee	10,109,956	1.48%	0	0	0	0	NA	NA	
Public Service Pension Fund Committee Representative: Je-Shen Chang	0	0%	0	0	0	0	NA	NA	
Fubon Financial	7,748,000	1.48%	0	0	0	0	NA	NA	
Fubon Financial Representative: Ben-Yuan Cheng	0	0%	0	0	0	0	NA	NA	
Wenang Chung	7,293,105	1.39%	0	0	0	0	NA	NA	
Chu-One Chan	5,025,000	0.96%	0	0	0	0	NA	NA	
Citibank Singapore government investment fiduciary account	4,724,949	0.90%	0	0	0	0	NA	NA	
Lin-Lin Sun	3,239,724	0.62%	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

2012/12/31 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.	47,023797	100%	0	0	47,023,797	100%
GlobalWafers Co., Ltd.	313,056,000	98.60%	0	0	313,056,000	98.60%
Sino Sapphire Co., Ltd.	38,048,000	95.12%	0	0	38,048,000	95.12%
KUNSHAN SINO SILICON TECHNOLOGY CO., LTD.	No shares for Limited Corporation	0	0	98.60%	No shares for Limited Corporation	98.60%
GlobiTech Incorporated	0	0	1000	98.60%	1000	98.60%
Sinosolar Corp.	82,779,408	41.88%	52,190,000	26.40%	134,969,408	68.30%
GlobalSemiconductor Inc.	0	0	25,000,000	98.60%	25,000,000	98.60%
GlobalWafers Ltd.	0	0	90,000,000	98.60%	90,000,000	98.60%
GWafers Inc.	No shares for Limited Corporation	0	No shares for Limited Corporation	98.60%	No shares for Limited Corporation	98.60%
GlobalWafers Japan Co., Ltd.	0	0	128,002	98.60%	128,002	98.60%

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 3,250,000	None	Note 18
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
2011/03	10	350,000,000	3,500,000,000	299,479,276	2,994,792,760	Execution of stock options 380,000	None	Note 32
2011/04	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
2011/07	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
2011/10	10	500,000,000	5,000,000,000	382,025,580	3,820,255,800	Cash offering 610,000,000	None	Note 35
2012/05	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
101/08	10	800,000,000	8,000,000,000	523,119,081	5,231,190,810	Cash offering 80,000,000	None	Note 39

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
Note 39: Approval Document No. The 7 August 2012 Letter No. Science-Park-Listed-Company –1010024319 of Science Park Administration

2. Type of Stock

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued hares	Total	
Common Stock	523,119,081	276,880,919	800,000,000	OTC Stock

3. Shelf Registration: None

4.1.2 Shareholder Structure

Date: April 27, 2013

Structure / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institution & Persons	Total
Number	8	3	210	81,300	190	81,711
Ownership (Share)	16,029,046	2,868,500	85,086,749	380,016,848	39,117,938	523,119,081
Ownership (%)	3.06%	0.55%	16.27%	72.64%	7.48%	100.00%

Note: Foreign issuers shall specify its Chinese ownership: Chinese ownership refers to Chinese people, legal entity, group, other institute or companies invested by third area, the aforementioned are stipulated in Article 3 of Statute For Investment By Overseas Chinese.

4.1.3 Diffusion of Ownership

1. Common Shares

Each share having a par value of NT$ 10

Date: April 27, 2013

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~999	22,762	4,211,424	0.81%
1,000~5,000	45,023	93,112,744	17.80%
5,001~10,000	7,684	56,404,753	10.78%
10,001~15,000	2,434	29,699,468	5.68%
15,001~20,000	1,207	21,911,901	4.19%
20,001~30,000	1,082	26,551,266	5.08%
30,001~40,000	454	15,892,510	3.04%
40,001~50,000	261	12,083,273	2.31%
50,001~100,000	458	32,112,974	6.14%

100,001~200,000	181	25,096,085	4.80%
200,001~400,000	71	19,750,509	3.78%
400,001~600,000	37	18,282,099	3.49%
600,001~800,000	15	10,074,635	1.93%
800,001~1,000,000	6	5,673,000	1.08%
Over 1,000,001	36	152,262,440	29.09%
Total	81,711	523,119,081	100.00%

4.1.4 Major Shareholders

Date: April 27, 2013

Share / Name	Ownership (Share)	Ownership (%)
Solartech-energy Corp.	21,860,379	4.18%
Cathay life insurance Corp.	19,298,450	3.69%
Ming-Kuang Lu	11,000,000	2.10%
Feng-Ming Chang	10,800,120	2.06%
Public Service Pension Fund Committee	10,109,956	1.93%
Fubon Financial	7,748,000	1.48%
Wenang Chung	7,293,105	1.39%
Chu-One Chan	5,025,000	0.96%
Citibank Singapore government investment fiduciary account	4,724,949	0.90%
Lin-Lin Sun	3,239,724	0.62%

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

Year / Item			2011	2012	2012/1/1~2012/3/31
Market Price per Share	Highest		146.5	69.6	45.80
	Lowest		35.35	28.0 5	34.55
	Average		92.74	47.16	40.78
Net Worth per Share	Before Distribution		42.86	35.37	35.57
	After Distribution		146.5	Note 1	Not applicable.
Earnings per Share	Weighted Average Shares (thousands)		35.35	481,729	483,378
	Earnings per Share	Before Adjustment	1.02	(4.90)	0.41
		After Adjustment	42.86	Note 1	Not applicable.
Dividends per Share	Cash Dividends		41.86	Note 1	Not applicable.
	Stock Dividend	Retained Earning	421,203	Note 1	Not applicable.
		Capital Surplus	1.02	Note 1	Not applicable.
	Accumulated undistributed dividends		1.02	Note 1	Not applicable.
Return on Investment	Price/Earnings Rate		1	(9.62)	95.85
	Price/Dividend Rate		0	Note 1	-
	Cash dividend Yield		0	Note 1	-

Note 1: Pending 2012 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

No earnings distribution owing to net loss of 2012.

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

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 2011 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) 2012 distribution of employee bonus and directors' and supervisors' remuneration is the same with proposal.

4.1.9 Repurchase of Company Shares:

Execution of Treasury Stock

2013/03/31

Repurchase times	Second
Purpose	Transfer to employees
Period	2012/11/21 ~ 2013/01/02
Price range	NTD$ 30.00~50.00 SAS will repurchase if share price is lower than the range.
Type & number of shares repurchased	7,763,000 common shares
Monetary amount of shares repurchased	NTD $ 262,601,739
Retired and transferred shares	7,763,000 shares
Cumulative number of own shares held	0
Ratio of the shares to be repurchased to total issued shares of the Company（%）	0%

4.2 Status of Corporate Bonds: None

4.3 Status of Preferred Stocks: None

4.4 GDR Issuance

Date: March 31, 2012

Date of Issuance			September 8, 2011
Issuance and Listing			Luxembourg Stock Exchange
Total Amount			US$ 177,192,800
Offering Price per GDS			US$ 2.9048
Units Issued			61,000,000 Units
Underlying Securities			Common shares of Sino-American Silicon Products Inc.
Common Shares Represented			61,000,000 Shares
Rights and Obligations of GDS Holders			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.
Trustee			Not Applicable
Depositary Bank			Citibank, N.A.
Custodian Bank			Citibank Taiwan Ltd.
GDSs Outstanding			456,750
Apportionment of expenses for the issuance and maintenance			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.
Terms and Conditions in the Deposit Agreement and Custody Agreement			-
Closing Price per GDS	2012	High	US$ 2.299
		Low	US$ 0.966
		Average	US$ 1.523
	01/01/2013~ 03/31/2013	High	US$ 1.499
		Low	US$ 1.197
		Average	US$ 1.362

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

Date: March 31, 2013

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	1.912%
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	56.10
Unexercised shares as a percentage of total issued shares	1.912%
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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">No. of Option Shares</th><th rowspan="2">Option Shares as a Percentage of Shares Issued</th><th colspan="4">Exercised</th><th colspan="4">Unexercised</th></tr>
<tr><th>No. of Shares Converted</th><th>Strike Price (NT$)</th><th>Amount (NT$ thousand)</th><th>Converted Shares as a Percentage of Shares Issued</th><th>No. of Shares Converted</th><th>Strike Price (NT$)</th><th>Amount (NT$ thousand)</th><th>Converted Shares as a Percentage of Shares Issued</th></tr>
<tr><td rowspan="12">Managers</td><td>Chairman</td><td>Ming-Kuang Lu</td><td rowspan="12">2,990,000</td><td rowspan="12">0.57%</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0%</td><td rowspan="12">2,990,000</td><td rowspan="12">56.1</td><td rowspan="12">167,739,000</td><td rowspan="12">0.32%</td></tr>
<tr><td>Vice Chairman</td><td>Tan-Liang Yao</td></tr>
<tr><td>President</td><td>Hsiu-Lan Hsu</td></tr>
<tr><td>Vice President</td><td>Ching-Chang Chin</td></tr>
<tr><td>Vice President</td><td>Hao-Chun Shih</td></tr>
<tr><td>Vice President</td><td>Weng-Ching Hsu</td></tr>
<tr><td>Vice President</td><td>Yu-Tse Lin</td></tr>
<tr><td>Vice President</td><td>Cheng-Mu Wu</td></tr>
<tr><td>Assistant Vice President</td><td>Chien-Hsiung Lo</td></tr>
<tr><td>Department Director</td><td>Ching-Wen Chou</td></tr>
<tr><td>Manager</td><td>Shang -Chih Tai</td></tr>
<tr><td>Manager</td><td>Mei -Ying Chiu</td></tr>
<tr><td rowspan="10">Employees</td><td>Employee</td><td>Yu-Hsin Lin</td><td rowspan="10">730,000</td><td rowspan="10">0.13%</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0%</td><td rowspan="10">730,000</td><td rowspan="10">56.1</td><td rowspan="10">40,953,000</td><td rowspan="10">0.078%</td></tr>
<tr><td>Employee</td><td>Wei-Wen Chen</td></tr>
<tr><td>Employee</td><td>Chin-Chen Chiu</td></tr>
<tr><td>Employee</td><td>Wei-Ko Huang</td></tr>
<tr><td>Employee</td><td>Chen-Huei Chang</td></tr>
<tr><td>Employee</td><td>Ming-Sung Yan</td></tr>
<tr><td>Employee</td><td>Sung-Lin Hsu</td></tr>
<tr><td>Employee</td><td>Tai-Lung Ma</td></tr>
<tr><td>Employee</td><td>Hsin-Chung Chao</td></tr>
<tr><td>Employee</td><td>Jung-Tsung Wang</td></tr>
</table>

Vice President, Hao-Chun Shih, resigned on July 31, 2012.

4.6 Status of New Shares Issuance of Limited Stocks for Employees

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

Subdisiary, GlobalWafers Co., Ltd., acquires semiconductor business units of Covalent Material Corporation on April 1, 2012, yet does not issue shares.

4.8 Financing Plans and Implementation

4.8.1 FY 2008 Implementation of Rights Issue Report

FY 2010 Implementation of Rights issue

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$5,673,182,000

3 Sources of funding:

GDR issuance of 61,000,000 common shares via cash capital increase, issuing price as US$2.9048, raising US$174,931,000(NT$5,673,182,000) after deducting US$2,262,000 as issuing cost.

4 Plan schedule

Unit: thousands

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

Note: Foreign exchange rate is calculated based on case occurrence rate.

II. Implementation

Unit: NT$thousands

Plan	Status		Total Amount as of 06/30/2011	Total Amount as of 06/30/2011	Reasons of project ahead or delayed and the improvement plan
Purchase raw material overseas	Amount	Projected	1,418,296	4,254,886	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. By 06/30/2011, the project has completed.
		Actual	640,393	5,580,299	
	Status (%)	Projected	25.00	75.00	
		Actual	11.29	98.36	

FY 2011 issuance of GDR for the new common shares from cash capital increase was implemented on September 8, 2010. A total amount of USD$174,931,000 (NT$5,673,182,000) raised fund was projected to purchase raw materials overseas. The plan is projected at NT$2,836,590,000. As of June 30, 2011, the scheduled amount is NT$ 4,254,886,000 while actual amount is NT$5,580,299,000. The plan is completed; any discrepancy caused is foreign currency ratio. Execution status is reasonable.

III. The reasonableness for reserve balance

Capital collected is USD 174,931,000 and is used up. No reserve balance.

4.8.2 FY 2011 Implementation of Global Depositary Shares Issue Report

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:

   Issuance of 20,000,000 common shares via cash capital increase, issuing price as NTD$47, raising NT$940,000,000

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 09/30/2012	Reasons of project ahead or delayed and the improvement plan
Bank Loan payment	Amount	Projected	940,000	Keep the schedule
		Actual	940,000	
	Status(%)	Projected	100.00%	
		Actual	100.00%	
Total	Amount	Projected	940,000	-
		Actual	940,000	
	Status(%)	Projected	100.00%	

Plan	Status		Total Amount as of 09/30/2012	Reasons of project ahead or delayed and the improvement plan
Bank Loan payment	Amount	Projected	940,000	Keep the schedule
		Actual	940,000	
	Status(%)	Projected	100.00%	
		Actual	100.00%	
		Actual	100.00%	

FY 2011 rights issuance was implemented on October, 2011. A total amount of NTD$940,000,000 raised fund was projected to pay back bank loan since 2011Q4. As of September 30, 2012, actual amount is NT$940,000,000, 100% executed. Plan completed.

III. The reasonableness for reserve balance

Capital collected is NT$ 940,000,000 and is used up. No reserve balance.

4.8.3 FY 2012 Implementation of Rights issue

I. Description

1. Approval date and documents No.: in accordance with the letter of June 12, 2012 Chin-Kuan Cheng one Tze No. 1010023340 issued by the relevant regulatory authority.
2. Total amount: NT$3,461,600,000
3. Sources of funding:

   Issuance of 80,000,000 common shares via cash capital increase, issuing price as NTD$43.27, raising NT$3,461,600,000

Unit: NT$thousands

Plan	Estimated Target Schedule	Total Amount	Status of Projected Use of Capital
			2012
			Q3
Bank Loan payment	Q3 2012	3,461,600	3,461,600
Total		3,461,600	3,461,600

II. Implementation

Unit: NT$thousands

Plan	Status		Total Amount as of 09/30/2012	Reasons of project ahead or delayed and the improvement plan
Bank Loan payment	Amount	Projected	3,461,600	Keep the schedule
		Actual	3,461,600	
	Status(%)	Projected	100.00%	
		Actual	100.00%	
		Actual	3,461,600	

FY 2012 rights issuance was implemented on June, 2012. A total amount of NTD$3,461,600,000 raised fund was projected to pay back bank loan since 2012Q3. As of September 30, 2012, actual amount is NT$3,461,600,000, 100% executed. Plan completed.

III. The reasonableness for reserve balance

Capital collected is NT$ 3,461,600,000 and is used up. No reserve balance.

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 2012	(%) of total sales
Silicon Ingot	2,825,967	64.61%
Silicon Wafer	329,728	7.54%
Other	1,217,875	27.85%
Total	4,373,570	100%

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) Nano wafer
   (8) Aegis Wafer
   (9) Silicon ingots of heavily Phosphorous doped (super low resistivity)
   (10)Silicon ingots of heavily Arsenic doped (super low resistivity)
   (11)Silicon ingots of Boron heavily-doped (super low resistivity)
   (12)MCZ ingot (super low oxygen)
   (13)Polish wafers/Epi wafers
   (14)Non-polish wafers /super thin wafers
   (15)SOI wafers/high power electronics bonding wafers
   (16)Diffused wafers/deep-diffusion polish wafers

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) Technology development of slicing sludge recycle
(16) High efficiency and speed diamond wires cutting technology with little pollution
(17) High efficiency $G5^{+}$ multi-crystal growth
(18) Multi-crystal growth of 650 KG
(19) High productivity multi-crystal growth
(20) Low power consumption multi-crystal growth
(21) High intensity wafering
(22) Thin film deposition on cell buffer
(23) Hot zone design of CZ grower, in order for high efficiency and low power consumption
(24) Solar single crystal growth of Ga-doped
(25) Crystal Growth of 8”crystals of Heavily Phosphorous Doped t
(26) Crystal Growth of 8” Crystals of Heavily Arsenic Doped
(27) Wafer bonding of high power electronics wafer
(28) Wafer bonding of MEMS wafer
(29) MCZ silicon single-crystal growth
(30) RTP wafer heat treatment
(31) Processes of chemical gettering and thermal gettering
(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) GaN on Silicon Epitaxy
(42) GaN on Silicon substrate
(43) Technology development of polishing sludge recycle
(44) High brightness etch wafer

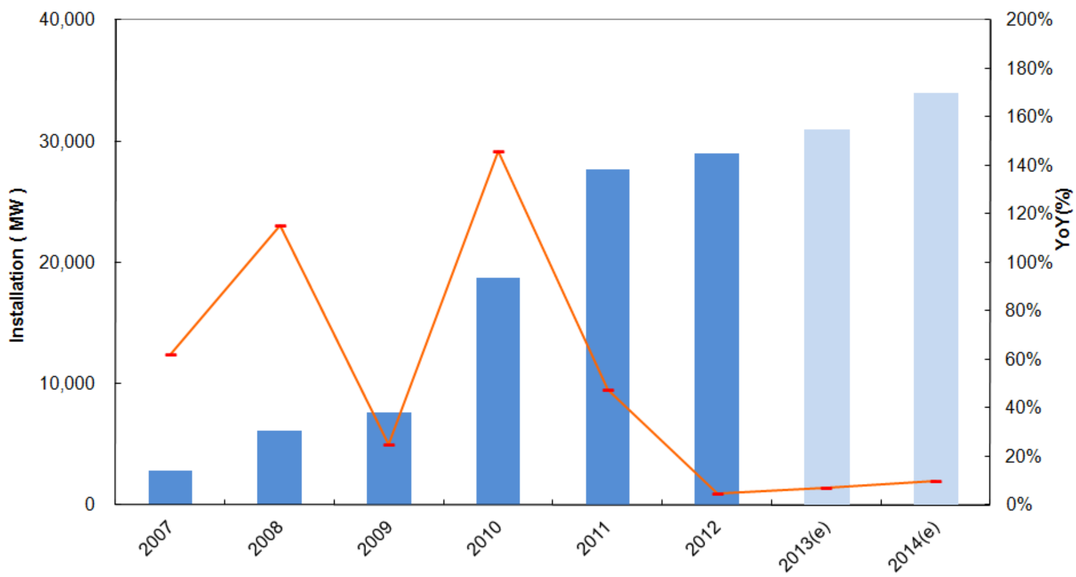
5.1.2 Industry Overview

1. Industrial Current Status and Future Development

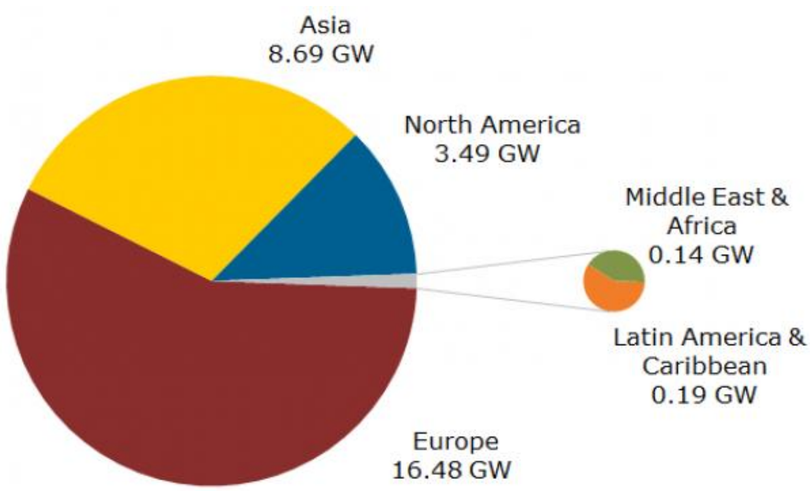
(1) Solar

NPD Solarbuzz reports show 2012 global solar production is 29GW, growing merely 5% over 27.7GW of 2011. Even though tariff and subsidy reduction in 2012, Europe still has the most inquiries, total installation reaching 16.45GW, accounting for 60% of global market. Being the runner up, Asian installation is 8.69 GW, urged by fast growth of Chinese terminal market.

Solar Market Demand Forecast (2007~2014)

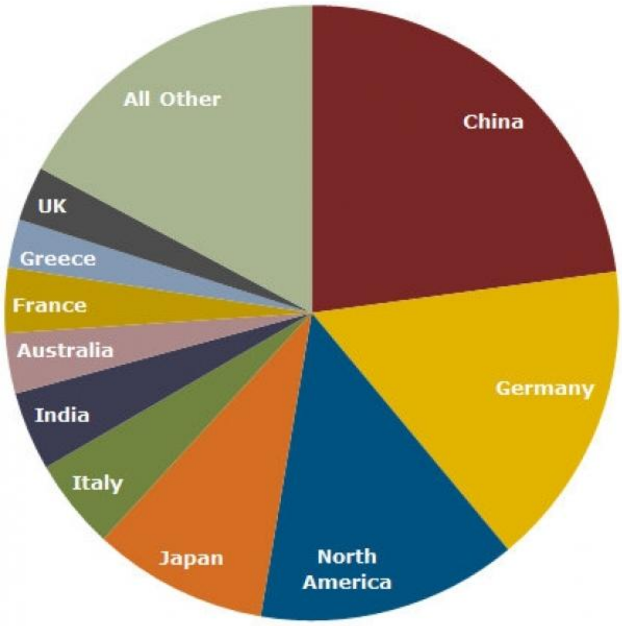


Source: NPD Solarbuzz



2012 Regional Solar Demand（Source: NPD Solarbuzz）

Despite unsatisfactory performance in 2012, another record is built - 30% of installation concentrated in yearend, which means supply is higher than inquiry by 50%.



2013 Regional Solar Demand（Source: NPD Solarbuzz Marketbuzz 2013）

NPD Solarbuzz indicates ground solar mounting system still leads 2013 market by 14% shares owing to policy support; residential installation occupies 20% of market share, target market is Japan, Germany, Australia, Italy and England – which stand for 3 quarters of residential market. This also demonstrates the importance of global application and distributed generation.

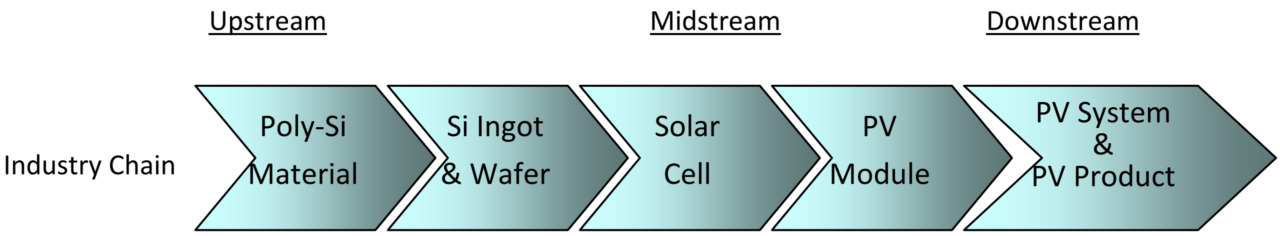
(2) Semiconductor

According to the latest data from WSTS, in 2012 total annual sales for the global semiconductor market were US$291.6 billion, slightly decreasing by 2.7% compared to 2011. Total U.S. semiconductor market sales in 2012 decreases by 1.5% over 2011. Semiconductor sales in the Japanese market declines by 4.3% compared to 2011. Semiconductor sales in the European market slumped 11.3% over 2011. Semiconductor sales in the Asia diminishes 0.6% compared to 2011.

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

(1) Solar

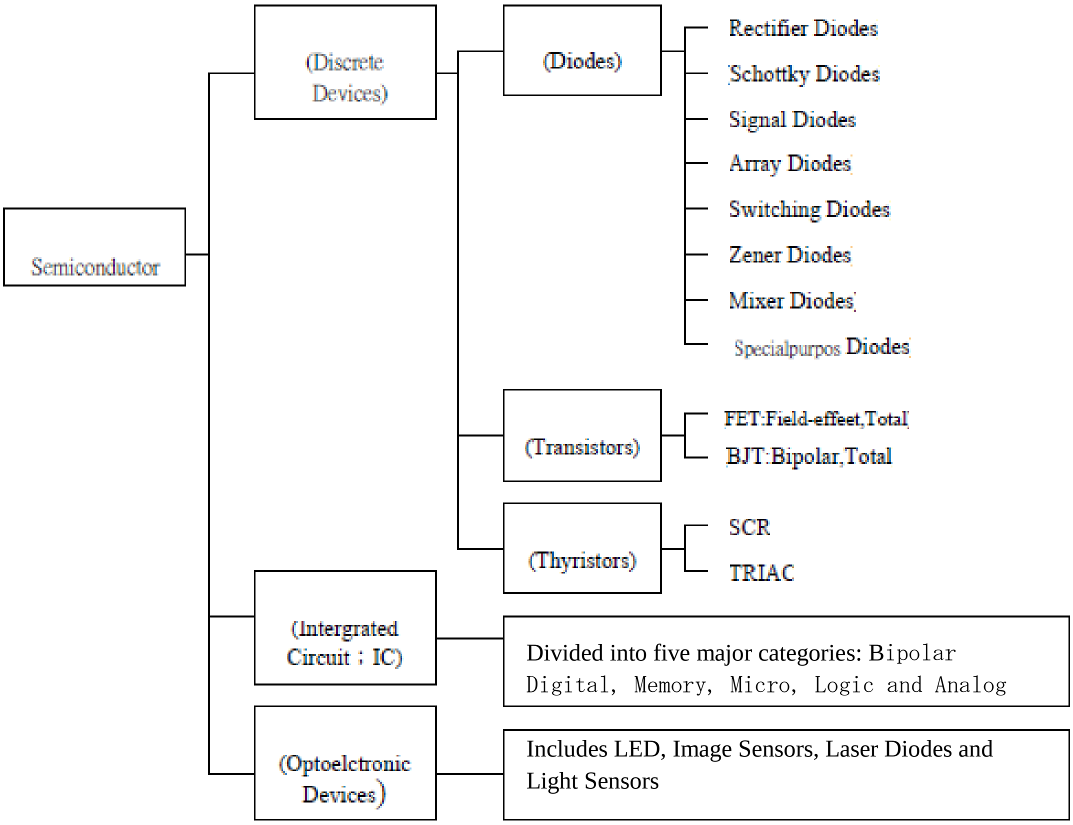
Solar Industry Connection Chain



Source: SAS Internal

(2) Semiconductor

Semiconductor Industry Connection Chain



Source: SAS Internal

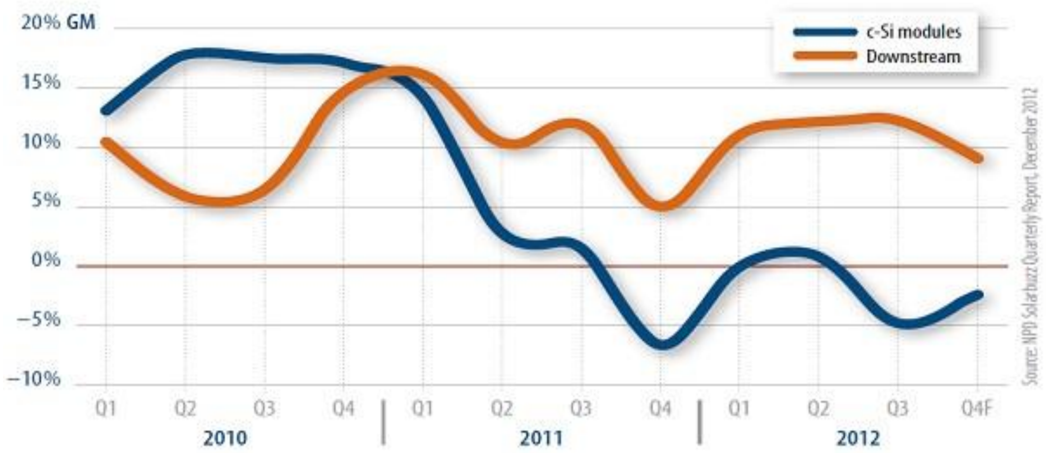
3. Product Trends and Competition

(1) Solar

According to EnergyTrend, though 2012 solar market is devastated by financial crisis and buzzard trade war, Taiwan cell shipment still hit record in 2012 compared to 2011.

According to the latest research, Taiwan solar cell shipment in 2012 reaches 5,500 MW, Motech, Gintech, Neo Solar Power and Solartech account for 67%, shipment ratio betwem 1H and 2H is around 55:45. Though shipment grow by 2~25% compared to 2011, but revenue is impact by oversupply and dipping price and dropped about 25~50%.

2012 is the most challenging for solar manufacturers. To cope with the difficulty, new trade pattern and strategy emerge. Most producers extend to terminal market so as to increase GMP and guarantee distribution channel. Below figure exhinits the attraction of terminal market and the timing of sales pattern variation.

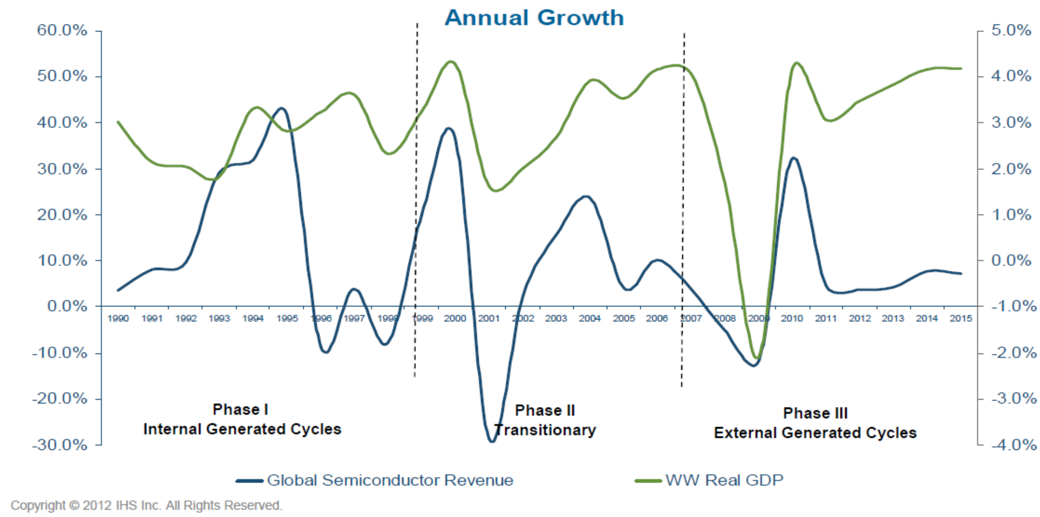


Poly-Si Module and Downstream Project GMP（Source ：NPD Solarbuzz）

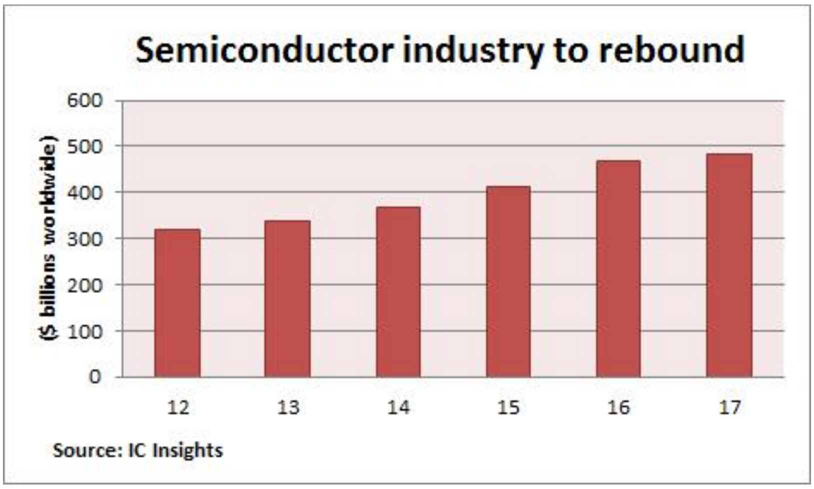
(2) Semiconductor

After financial cliff, European sovereign crisis and national protectionism, macro economic is devastated. With the new year coming, major institutes predict global economy will grow by 3.9%.

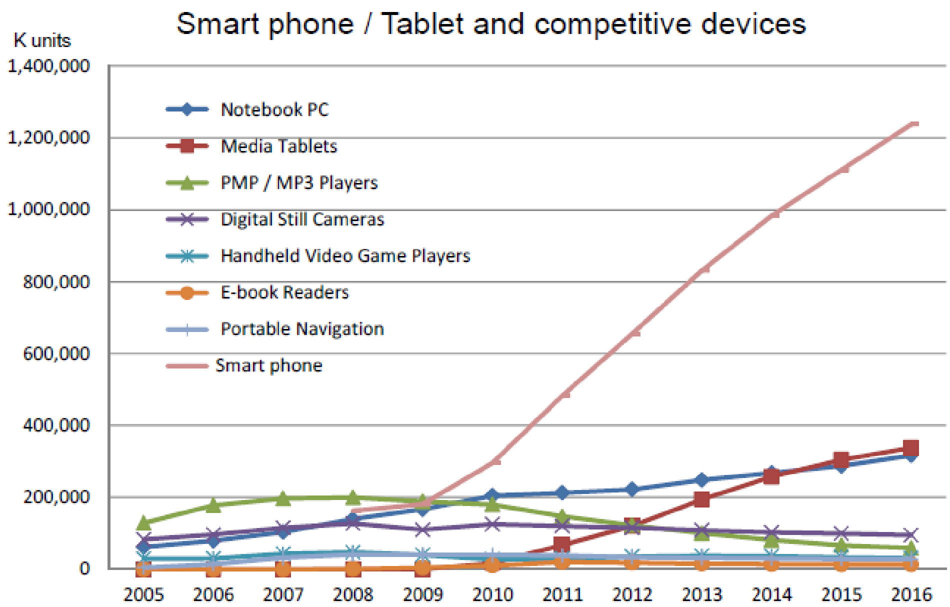
Semiconductor industry, deeply connected to technology and economy, will also increase along with economy, driven by strong demand of smart phone and ultrabook.



Economy and Semiconductor Connection (Source: IHS)



According to forecast of TRI, the market research institute, 2013 smartphone shipment YoY will reach 26%, tablet shipment YoY will reach 42%. Communication devices still spur semiconductor market, 2013 YoY is expected to achieve 4.5%.



Source: IHS

Automobile semiconductor thrives

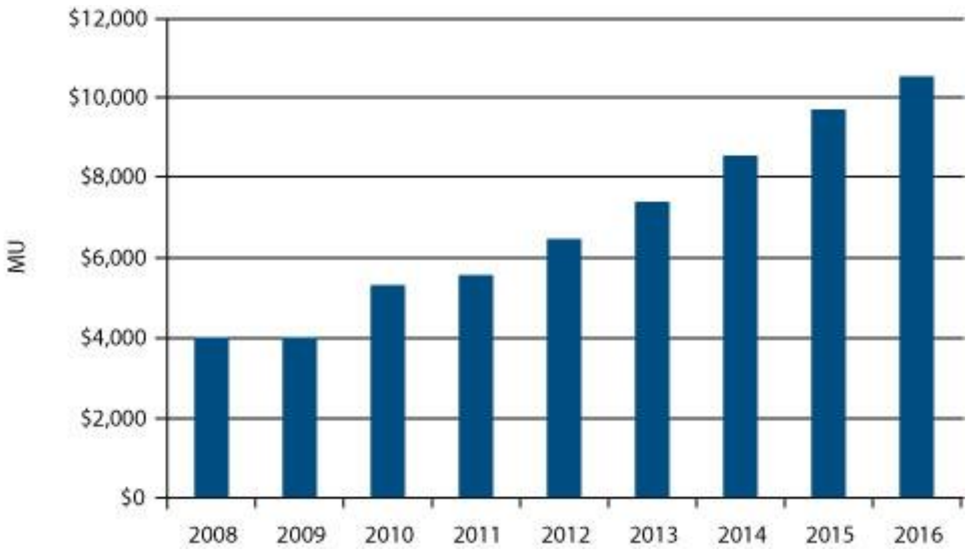
Automobile electronics stimulates semiconductor market. Along with recovery, hybrid and high emphasis on driving safety, CAGR of automobile semiconductor soars. According to IHS, automobile electronics contribute USD 6.67 billion to global semiconductor market with 3% YoY, such strong soaring is anticipated to last for the next five years.

Medical electronics

Portable medical equipment will lead future semiconductor trend. Below is shipment forecast.

Global Medical Semiconductor Shipment Forecast

Source: Databeans



5.1.3 Research and Development

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

Unit: NTD $1000

Year	2011	2012	By 2013/3/31
Net Revenue	17,549,063	19,089,330	4,911,883
Research and Development Expenses	550,546	799,685	176,318
Research and Development Percentage	3%	4%	4%

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

Project	Content	Investment
A5+ solar multi-crystal growth	Via computer simulation to develop hot-zone design of low power consumption and ingot of low defect for multi-crystal puller. Efficiency reaches 18% at top. Applying pattern protection	150 million
Nanometer wafering	Received Silicon Solar Award in Frankfort, Germany	50 million
Sci recycle from linear slicing slurry	Applying pattern protection	12 million
PAG solvent recycle from linear slicing slurry	Applying pattern protection	50 million

Oxygen monitoring in magnet field in horizon puller	Via computer simulation to control lava flow and oxygen.	150 million

5.1.4 Long-term and Short-term Development

(1) Long-term Development

A. Solar

(1) Subsidy reduction in numerous European countries has resulted in sluggish demand; 2013 is still under the shadow of oversupply.

(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 2012 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. Research and develop high-efficiency product and technology is critical to maintain indestructible role in the market.

(4) 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. Semiconductor

(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.

(1)Short-term Development

A. Solar

(1) 2013 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^{4+}), and put into mass production. SAS will augment production so as to provide customers with high quality solar silicon materials and stay market competitiveness.

B. Semiconductor

(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.

(3) SAS aims to extend 8” production capacity and elevate 12” efficiency, so as to augment global market share of 8” & 12” wafer.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales Region

Unit: NTD $1,000

Area		2011		2012	
		Turnover	%	Turnover	%
Local		9,375,884	63%	2,215,952	51%
Abroad	Asia	3,919,427	26%	2,007,334	46%
	Europe	1,136,244	8%	42,884	1%
	Americas	397,013	3%	107,401	2%
	Australia	0	0	0	0
Total		14,828,568	100%	4,373,570	100%

2. Market Share (%) of Major Product

(1) 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.

(2) Semiconductor

Market share is about 7%

3. Future Supply And Demand in Market

(1) Solar

2012 is turning point for solar industry to separate shortage and oversupply. Enormous solar manufacturers have profited from accelerating photovoltaic industry until 2012- same reason for excessive supply and low price.

Dipping price creates new opportunities in emerging market owing to the possibility of reaching "grid parity." With solar projects expand and installation soars, China occupy the biggest share. China's 12th Five-Year Plan initiates domestic inquiry, installation and annual production are expected to reach 21GW and 250 GW/h respectively.

Huge loss in solar industry during 2011~2012 reveals the urgency to relocate capital chain, especially equilibrium between upstream and downstream. Solar industry also needs governmental support, such as tax policy and subsidy.

2013 is natural selection for solar manufacturers to decide who can evolve and restore the order of supply and demand. For those nail capital, 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.

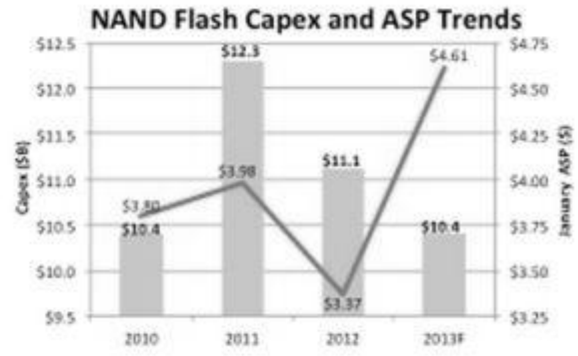
(2)Semiconductor

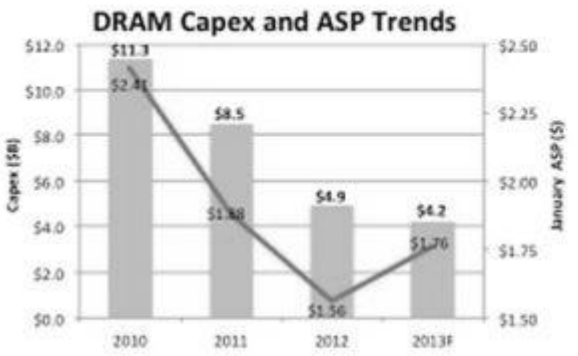
IC Insights expect PAD and smartphone processors to grow by 9% or more in 2013, overall IC market will also grow by 6%.

22 IC products will increase in 2013, compared only 10 products in 2012. DRAM will accelerate 9% while average selling price grow by 7% in 2013

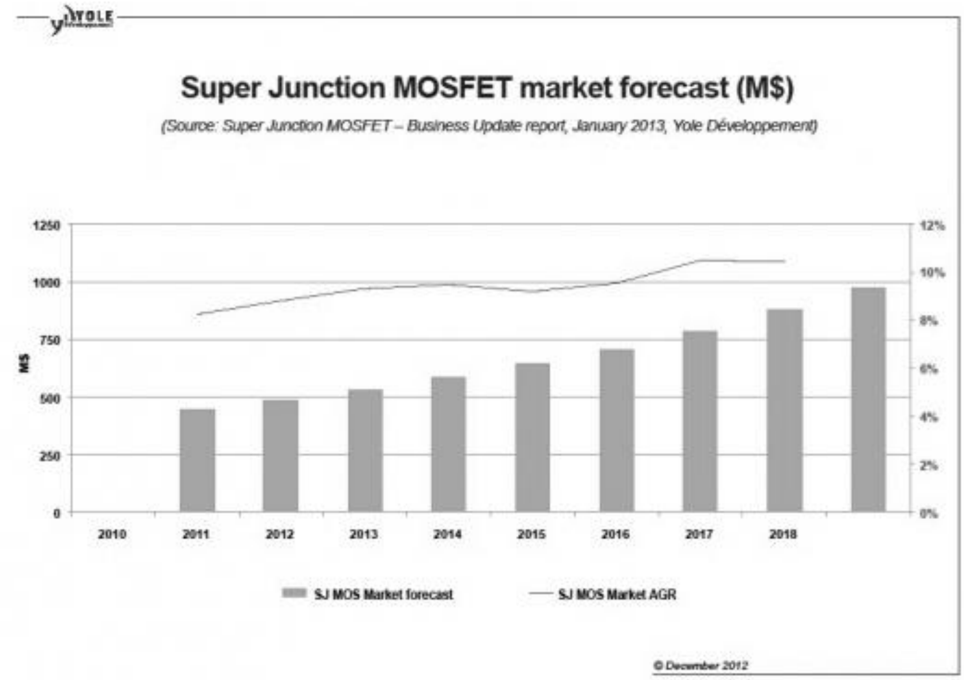
Product Category	2012 Growth	2013F Growth
Tablet MPUs	60%	50%
Cellphone App MPUs	41%	28%
Wired Telecom—Spcl Purpose Logic/MPR	17%	13%
NAND Flash	6%	12%
Wired Telecom—App-Specific Analog	24%	11%
DRAM	-10%	9%
Wireless Telecom—Spcl Purpose Logic/MPR	9%	9%
Auto—Spcl Purpose Logic/MPR	2%	7%
Consumer—Special Purpose Logic/MPR	12%	7%
32-bit MCU	4%	7%
Total IC Market	**-2%**	**6%**
Std PC, Server, etc. MPUs*	-5%	5%
Auto—App-Specific Analog	-3%	5%
Display Drivers	1%	3%
PLDs	-7%	3%
General Purpose Logic	0%	2%
Industrial/Other—Spcl Purpose Logic/MPR	-2%	2%
Voltage Reg. & Ref.	-3%	2%
Wireless Telecom—App-Specific Analog	-5%	2%
Industrial/Other—App-Specific Analog	-7%	2%
Interface	-15%	2%
4-/8-bit MCU	-4%	1%
Data Conversion	-12%	1%
EEPROM/Other	-6%	-2%
Amplifiers/Comparators	-13%	-2%
DSP	-28%	-2%
16-bit MCU	-6%	-3%
Computer—App-Specific Analog	-17%	-4%
Consumer—App-Specific Analog	-9%	-4%
Standard Cell	-9%	-4%
Computer and Peripherals—Spcl Purpose Logic/MPR	-16%	-6%
ROM/EPROM	-25%	-9%
Gate Array	-18%	-10%
NOR Flash	-23%	-15%
SRAM	-24%	-15%

*Includes embedded processors but does not include graphics processors.





Source: IC Insights



2013 semiconductor is optimistic and anticipating, overall growth rate is about 5.65~5.8%. DRAM, IC Design, wafer foundry and test can grow by 5%. PC, NB will slightly revive in early 2013.

Overall, major manufacturers continue to dominate semiconductor industry, such as MediaTek's smartphone chips sway China market with its dual-core processor MT6577 and quad-core processor MT6589. Exploration of new specifications also brings a lot of imagination and opportunities to upstream manufacturers.

4. Competition Superiority

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

(2) Cooperation with industry, government and academy, 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. 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) Trade war of USA and EU shift orders from China to Taiwan.

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

B. 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) Internationally recognized R&D and process improvement for advancing products and competence. After acquisition of Covalent (renamed as GWJ), product quality and competitiveness are highly approved by tier 1 makers.

2. Unfavorable Factors and Countermeasures:

A. Solar

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

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

Countermeasure:

(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.

B. Semiconductor

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

Countermeasure:

With the caoalition with Japanese site, our capacity has surpassed other rivals in small to middle-size wafer via improvement of technology and quality. s

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.

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

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	2011				2012				2013 (As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,885,912	23.26	None	A	1,048,559	27.69	None	A	303,744	32.45	None
2	B	946,773	7.63	None	B	722,981	19.10	None	B	253,417	27.07	None
3	C	639,499	5.15	None	C	604,511	15.97	None	C	120,909	12.92	None
4	D	550,516	4.44	None	D	326,168	8.61	None	D	28,148	3.01	None
5	E	549,684	4.43	None	E	125,017	3.30	None	E	27,638	2.95	None
	Others	6,834,731	55.09	None	Others	958,936	25.33	None	Others	202,322	21.60	None
	Net Supplies	12,407,115	100		Net Supplies	3,786,172	100		Net Supplies	936,178	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.

2. Major Clients Information for the Last Two Calendar Years

Unit: NTD $1000

Item	2011				2012				2013(As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,163,382	14.59	None	A	1,118,479	25.57	None	A	506,391	45.21	None
2	B	1,108,454	7.48	None	B	322,808	7.38	None	B	102,910	9.19	None
3	C	743,719	5.02	None	C	269,649	6.17	None	C	73,805	6.59	None
4	D	722,222	4.87	None	D	251,214	5.74	None	D	40,592	3.62	None
5	E	682,790	4.60	None	E	225,597	5.16	None	E	35,633	3.18	None
	Others	9,408,001	63.45	None	Others	2,185,823	49.98	None	Others	360,852	32.21	None
	Net Sales	14,828,568	100		Net Sales	4,373,570	100		Net Sales	1,120,184	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

Year / Output / Major Products (or by departments)	2011			2012		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Ingots(Kg)	6,641,000	7,172,661	14,482,978	4,259,724	1,635,571	1,016,240
Silicon Wafer(1000)	165,305	132,232	10,424,272	146,959	68,656	2,394,756
Total	—	—	26,259,775	—	—	3,410,996

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

5.2.6 Shipments and Sales over the Last Two Years

Unit: NTD $1000

Year / Shipments & Sales / Major Products (or by departments)	2011				2012			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Ingots(Kg)	12,156	20,218	116,950	307,430	51,469	32,598	90,798	232,855
Silicon Wafer(1000)	93,901	8,101,271	38,088	3,656,567	39,340	1,497,548	26,268	1,319,021
Sapphire Wafer (1000)	—	1,254,395	—	1,488,687	—	685,806	—	605,743
Other	106,057	9,375,884	155,038	5,452,684	90,808	2,215,952	117,066	2,157,619
Total	12,156	20,218	116,950	307,430	51,469	32,598	90,798	232,855

5.3 Human Resources

Year		2011	2012	By 2013/3/31
Number of Employees	Staff	276	204	201
	Manufacturing	745	638	645
	Total	1,021	842	846
Average Age		33	31.7	31.8
Average Years of Service		4	3.8	3.8
Education	Masters	8%	8%	6%
	Bachelor's Degree	44%	50%	50%
	Senior High School	44%	40%	41%
	Below Senior High School	4%	2%	3%

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

2012 Employee Training Status

Item	Class	People	Hours	Fee
New Staff orientation	36	402	262.5	0
Professional Training	437	4,501	1,723	178,680
Common Training	105	1,432	254	19,400
Total	578	6,335	2,239.5	198,080

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. 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

   B. 2011
      a. Air pollution prevention NTD $27,515,300
      b. Water pollution prevention NTD $335,600
      c. Industrial waste process NTD $152,800

   C. 2012
      a. Air pollution prevention NTD $3,040,400
      b. Water pollution prevention NTD $645,000
      c. Industrial waste process NTD $30,000

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 0.05% of monthly turnover and 30% of leftover income to Employee welfare committee, which operates in accordance with related regulations.

2. Training and Practice:

   SAS has diverse training programs and profession advancements, including orientation, pm-site training, safety and sanitary training, profession courses and other related external programs. SAS aims to foster competent employees for all challenges.

3. 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)

4. 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.

5. 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.

5.5.3 Employee Ethical Conduct

For better understanding of ethics, integrity, discipline and team spirit, SAS legislates related regulations for all company to follow, please refer below:

1. Delegation of the Authorization:

   SAS adopts delegation and deputy system to ensure smooth operation, and all departments strictly obey authority level.

2. Reward and Punishment System:
   Working regulation specifies commendation, merit citation as well as excellence merit citation for reward, and reprimand, demerit and two demerit points for punishment. Reward/Punishment may be given via bonus or deduction.
3. Trade Secret Protection:
   To ensure trade secret and intellectual property, employees must sign nondisclosure agreement of trade secret and intellectual property.
4. Performance Evaluation:
   To encourage team spirit and performance as well as explore talents, SAS legislates standard for performance evaluation for fair promotion and reward/punishment.
5. Prevention and Procedure for Sexual Harassment:
   For fair opportunity of different genders as well as dignity, SAS strictly forbids sexual harassment, specifies rules and complaint channel, so as to better behave employees.
6. Work Regulation & Behavior standard:
   For better definition of right and duty of both employer and employees, SAS legislates this regulation, catalog please refer below:

Chapter I	Appointment
Chapter II	Attendance
Chapter III	Overtime payment & Weekend Shift
Chapter IV	Salary, Allowance & Bonus
Chapter V	Evaluation, Reward/Punishment & Promotion
Chapter VI	Resign, Position Retained without Pay, Severance, Dismissal & Retirement
Chapter VII	Labor Insurance & Health Insurance
Chapter VIII	Welfare Committee
Chapter IX	Subsidy (Marriage, Funeral, Birthday) & Emergency Allowance
Chapter X	Compensation of Occupational Accident
Chapter XI	Safety and Sanitary
Chapter XII	Communication System & Others

7. Work Regulation & Behavior standard in Factory:

   SAS legislates “Work Regulation & Behavior standard in Factory” for manufacturers in factory, so as to ensure product quality and SOP, such as dress code in clean room. The aforementioned are made for efficiency and work environment.

   (1) Obey all work regulations and laws.
   (2) Obey assignment, supervisors with no excuses.
   (3) No operation conflicts with SAS, no abuse of company name.
   (4) No personal interest via occupational convenience
   (5) No leak of company technology, management and trade secrets.
   (6) No news distribution unless approved by SAS
   (7) No personal storage, nor distribution of company confidential information.
   (8) No contraband, nor combustibles in company as well as production line.
   (9) No arbitrary entrance into forbidden area, nor bringing companions and discharged employees into company.
   (10) Salary is confidential, discussion is strictly forbidden
   (11) No gambling, drug abuse, smoking and betel nut nor other inappropriate behavior in company
   (12) No liquor in work time
   (13) Cherish public property, no waste, breakage, exchange nor occupying.
   (14) Keep adequate appearance, wearing uniform and identification badge.

   New employees are informed of above rules when orientation, the latest version is also announced on billboard.

5.5.4 Precaution of Environment And Labor Safety

SAS sets up specific unit and legislates “Procedure of Occupational Safety, Health and Inspection”, assigning designates staffs to take charge of related events. Content please refer below:

1. Regulation on work
   (1) All staffs shall keep health physical and mental status, as well as good sanity.

   (2) Through 5S execution
   (3) No smoking, betel nuts and liquor in factory
   (4) Smoking is only allowed in smoking area and no littering cigarette butts.

(5) Wear protection when handling hazardous materials.
(6) Mark hazardous materials and no breakage.
(7) Set qualified dispensers in factory and regularly exams.
(8) Disinfect whole factory annually
(9) Keep great toilet ventilation
(10) Full observation of 6S
(11) No spitting, littering cigarette butts and trash

2. Employee Safety

(1) Follow protocol and SOP in every work
(2) Don't be abrupt when facing no SOP work. One should carefully apply other SOPs or discuss with leaders before execute.
(3) Workers and inspectors should wear helmet with fasten strings when working at over 2 meters heights or falling objects.
(4) Use safe rope when working in open areas with over 2 meters heights.
(5) Set up "danger" signs when power outage. Signs can only be removed when all problems are cleared and employees are off the spot.
(6) Wear personal protections according to different stations. Any danger should be reported immediately.
(7) No chasing, running or anything dangerous while working.
(8) Following instruments and equipments limitations

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	2012~2013	Sales contract	None
Sales contract	Customer B B-1	2008~2011	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	2011~2019	Sales contract	None
Sales contract	Customer B B-5	2012~2013	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	2008~2011	Sales contract	None
Sales contract	Customer J	2009~2017	Sales contract	None
Sales contract	Customer K	2009~2017	Sales contract	None
Sales contract	Customer M M-1	2012~2014	Sales contract	None
Sales contract	Customer O	2012~2013	Sales contract	None
Sales contract	Customer S	2012.01.01~2016.12.31	Sales contract	None
Sales contract	Customer T	2014.10.01~2013.09.30	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	2011~2019	Silicon contract	None
Supplier contract	Supplier A A-4	2011~2019	Silicon contract	None
Supplier contract	Supplier B B-2	2009~2015	Silicon contract	None
Supplier contract	Supplier B B-3	2009~2015	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	2013~2019	Silicon contract	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
Syndicated Loan Agreement	Taiwan Cooperative Bank/ Taipei Fubon Commercial Bank Co., Ltd./ E. Sun Commercial Bank/ Mega International Commercial Bank/ First Commercial Bank/ Ta Chong Bank	2013.05.09～2017.05.09	Syndicated loan in NTD 4 billion for bank loan payment and mid-term operation fund	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit: NTD $1000

Item / Year		Five-Year Financial Summary(Note 1)				
		2008	2009	2010	2011	2012
Current Assets		4,370,594	4,884,283	11,893,100	5,201,256	2,345,976
Funds & Long-Term Investments		4,745,893	5,773,813	6,838,931	13,345,665	18,498,237
Fixed Assets		4,257,529	5,797,583	7,373,450	6,034,006	4,850,205
Other Assets		—	—	—	—	—
Total Assets		4,867,042	4,477,082	4,091,305	4,197,949	3,150,096
Current Liabilities	Before Distribution	3,973,535	4,024,824	5,327,629	5,089,853	4,946,735
	After Distribution	4,527,925	4,579,214	7,338,290	5,532,972	Note 3
Long-Term Liabilities		2,264,706	2,264,706	2,721,667	2,393,000	1,100,000
Other Liabilities		4,628,732	4,628,732	4,304,214	4,048,873	3,596,215
Total Liabilities	Before Distribution	10,866,973	11,050,705	11,769,502	9,786,068	10,344,236
	After Distribution	11,421,363	11,605,095	13,780,163	10,229,187	Note 3
Capital Stock		2,211,777	2,211,777	2,994,413	3,820,256	4,431,191
Capital Collected In Advance		845	845	508	—	—
Capital Surplus		2,518,916	2,518,916	4,592,617	9,574,891	12,141,389
Retained Earnings	Before Distribution	2,272,073	1,749,731	4,808,059	3,025,038	213,967
	After Distribution	1,274,171	1,136,039	2,596,332	2,581,919	Note 3
Unrealized Gain Or Loss On Financial Instruments		–	113,256	381,076	352,014	(766,076)
Cumulative Translation Adjustments		257,218	—	—	—	—
Net Loss Unrecognized As Pension Cost		–	257,218	179,760	(106,758)	161,317
Unrealized Gains From Financial Instruments		113,256	—	(16,049)	(21,178)	(51)
Total Shareholders' Equity	Before Distribution	7,374,085	9,882,056	18,427,284	18,992,808	18,500,278
	After Distribution	6,819,695	9,505,102	16,416,623	18,549,689	Note 3

Note 1: Financial information for the past five years was audited and certified by Certified Public Accountants. The financial information for the first quarter 2013 has been reviewed by Certified Public Accountants.

Note 2: No asset reevaluation

Note 3: 2011dividend 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)					2013/1/1~ 2013/3/31
	2008	2009	2010	2011	2012	
Operating Revenue	—	—	—	—	—	11,725,147
Gross Profit	—	—	—	—	—	5,319,390
Income From Operations	—	—	—	—	—	15,970,714
Non-Operating Income	—	—	—	—	—	639,399
Non-Operating Expenses	—	—	—	—	—	4,480,878
Income From Operations Of Continued Segments - Before Tax	—	—	—	—	—	38,135,528
Income From Operations Of Continued Segments - After Tax	—	—	—	—	—	12,760,635
Income From Discontinued Departments	—	—	—	—	—	Note 3
Extraordinary Gain Or Loss	—	—	—	—	—	6,766,950
Cumulative Effect Of Accounting Principle Changes	—	—	—	—	—	19,527,585
Net Income Or Loss For Current Period	—	—	—	—	—	Note 3
Earnings Per Share	—	—	—	—	—	18,429,400
Capitalization Of Interest	—	—	—	—	—	5,231,191

Note 1: Financial information of 2013 Q1 was certified by Certified Public Accountants.

6.1.3 Auditors' Opinions for Last Five Years

Year	CPA's Name	Auditing Opinion	Note
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
2012	Tseng, Mei-Yu Chen, Chien-Chen	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

6.2.1 Taiwan GAAP

Item		Year	Financial Analysis In The Past Five Years				
			2008	2009	2010	2011	2012
Financial Structure (%)	Ratio Of Liabilities To Assets		60	52	39	34	37
	Ratio Of Long-Term Capital To Fixed Assets		226	217	282	393	450
Solvency (%)	Current Ratio		110	121	223	102	47
	Quick Ratio		67	75	172	70	23
	Times Interest Earned Ratio		35	8	57	7.63	(12.05)
Operating Ability	Accounts Receivable Turnover (Turns)		6.58	5.98	8.86	9.98	7.95
	Average Collection Period		55	61	41	35.57	45.91
	Inventory Turnover (Turns)		6.33	8.62	11.60	12.03	12.94
	Accounts Payable Turnover (Turns)		7.84	7.02	9.49	13.10	10.47
	Average Days In Sales		58	42	31	30	28.2
	Fixed Assets Turnover (Turns)		2.21	1.79	2.72	2.46	0.9
	Total Assets Turnover (Turns)		0.52	0.50	0.66	0.52	0.15
Profitability	Return On Total Assets (%)		12	3	14	1.61	(7.55)
	Return On Shareholders' Equity (%)		26	6	25	2.29	(12.63)
	Ratio To Issued Capital (%)	Operating income	77	9	91	5.26	(42.46)
		Pre-tax profit	84	18	102	8.32	(47.96)
	Profit Ratio (%)		18	4	18	2.89	(54.14)
	Earnings Per Share ($)		8.03	1.69	10.50	1.02	(4.9)
Cash Flow	Cash Flow Ratio (%)		55	24	67	8.34	(5.43)
	Cash Flow Adequacy Ratio (%)		38	35	162	41.58	29.28
	Cash Reinvestment Ratio (%)		6	2	12	(5.90)	(2.51)
Leverage	Operating Leverage		2	6	4	2.58	0.27

	Financial Leverage	1.03	1.36	1.02	1.31	0.92
Analysis of financial ratio change in the last two years. (the analyses can be skipped if difference is less than 20%) Ratio Of Long-Term Capital To Fixed Assets: cash reduction owing to CVS acquisition Current Ratio & Quick Ratio:. cash reduction & long-term loan owing to CVS acquisition Times Interest Earned Ratio, sub-items of profitability: European subsidy reduction in 2012 resulting in over supply. Average selling price is lower than production cost, therefore SAS executes reduction strategy to control loss. Top ten customers adjust product portfolio or procurement strategy or vanished from market, wafer procurement drops drastically and impacts related ratios.						

Note 1: Financial information for 2007~2012 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 from operations.
   (2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

Note 4: EPS calculation shall pay attention to below:

1. Weighted average common shares instead of circulated shares by yearend.
2. If capital increase or treasury stock happens, its circulation period should be considered in calculating weighted average shares.
3. If capital increase out of earnings or surplus happens, instead of circulation period, it should be adjusted according increase ratio in calculating previous EPS.
4. If preferred stock is inconvertible accumulated, stock dividend of that year (whether distributing or not) should be deducted from net income after tax, or be added to net loss after tax. If preferred stock is not accumulated, its stock dividend should be deducted from net income after tax, and no adjustment needed if encountering net loss after tax.

Note 5: Cash flow calculation shall pay attention to below:

1. Net Cash Provided by Operating Activities refers to Net cash flows from (used in) operating activities of Statements of Cash Flows
2. Capital expenditure refers to cash outflow of capital investment.
3. Inventory increase can only be calculated when yearend balance is more than year beginning. If inventory decreases in yearend, it shall be deemed zero.
4. Cash dividend includes common shares and preferred share.
5. Property, plant and equipment gross figure deducts accumulated depreciation

Note 6: Each operating cost/expense should be categorized to fixed and varied, when comes to estimation or subjective judgment, the issuer should pay attention to its reasonableness and consistency

Note 7: Instead of paid-in capital, foreign company should adopts net value as denominator

6.2.1 IFRS

Item	Year	Financial Analysis In The Past Five Years					2013/1/1~ 2013/3/31
		2008	2009	2010	2011	2012	
Financial Structure (%)	Ratio Of Liabilities To Assets	—	—	—	—	—	551
	Ratio Of Long-Term Capital To Fixed Assets	—	—	—	—	—	159
Solvency (%)	Current Ratio	—	—	—	—	—	92
	Quick Ratio	—	—	—	—	—	50
	Times Interest Earned Ratio	—	—	—	—	—	6.68
Operating Ability	Accounts Receivable Turnover (Turns)	—	—	—	—	—	5.36

	Average Collection Period		—	—	—	—	—	68.10
	Inventory Turnover (Turns)		—	—	—	—	—	5.20
	Accounts Payable Turnover (Turns)		—	—	—	—	—	7.41
	Average Days In Sales		—	—	—	—	—	70.20
	Fixed Assets Turnover (Turns)		—	—	—	—	—	1.24
	Total Assets Turnover (Turns)		—	—	—	—	—	0.52
Profitability	Return On Total Assets (%)		—	—	—	—	—	0.56
	Return On Shareholders' Equity (%)		—	—	—	—	—	1.19
	Ratio To Issued Capital (%)	Operating income	—	—	—	—	—	(1.64)
		Pre-tax profit	—	—	—	—	—	4.02
	Profit Ratio (%)		—	—	—	—	—	4.48
	Earnings Per Share ($)		—	—	—	—	—	0.41
Cash Flow	Cash Flow Ratio (%)		—	—	—	—	—	(3.66)
	Cash Flow Adequacy Ratio (%)		—	—	—	—	—	59.11
	Cash Reinvestment Ratio (%)		—	—	—	—	—	(0.70)
Leverage	Operating Leverage		—	—	—	—	—	(3.45)
	Financial Leverage		—	—	—	—	—	0.70
Analysis of financial ratio change in the last two years. (the analyses can be skipped if difference is less than 20%) Not applicable								

Note 1: Financial information for 2007~2012 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:

7. Financial Structure
   (3) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
   (4) Ratio Of Long-Term Capital To Fixed Assets = (Net Shareholder's Equity + Long-Term Liabilities)/ Net Fixed Assets
8. Solvency
   (4) Current Ratio = Current Assets / Current Liabilities.
   (5) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.
   (6) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.
9. Operating Ability
   (8) Accounts Receivable Turnover = Net Sales / Average Trade Receivables.
   (9) Average Collection Period = 365 / Accounts Receivable Turnover.

(10) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
(11) Accounts Payable Turnover = Cost Of Goods Sold / Average Accounts Payable.
(12) Average Days In Sales = 365 / Inventory Turnover.
(13) Fixed Assets Turnover = Net Sales / Net Fixed Assets.
(14) Total Assets Turnover = Net Sales / Total Assets.

10. Profitability
    (5) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.
    (6) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.
    (7) Profit Ratio (%) = Net Income / Net Sales.
    (8) Earnings Per Share ($)= (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding..
11. Cash Flow
    (4) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
    (5) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
    (6) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)
12. Leverage
    (3) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.
    (4) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

Note 3: EPS calculation shall pay attention to below:

5. Weighted average common shares instead of circulated shares by yearend.
6. If capital increase or treasury stock happens, its circulation period should be considered in calculating weighted average shares.
7. If capital increase out of earnings or surplus happens, instead of circulation period, it should be adjusted according increase ratio in calculating previous EPS.
8. If preferred stock is inconvertible accumulated, stock dividend of that year (whether distributing or not) should be deducted from net income after tax, or be added to net loss after tax. If preferred stock is not accumulated, its stock dividend should be deducted from net income after tax, and no adjustment needed if encountering net loss after tax.

Note 4: Cash flow calculation shall pay attention to below:

6. Net Cash Provided by Operating Activities refers to Net cash flows from (used in) operating activities of Statements of Cash Flows
7. Capital expenditure refers to cash outflow of capital investment.
8. Inventory increase can only be calculated when yearend balance is more than year beginning. If inventory decreases in yearend, it shall be deemed zero.
9. Cash dividend includes common shares and preferred share.
10. Property, plant and equipment gross figure deducts accumulated depreciation

Note 5: Each operating cost/expense should be categorized to fixed and varied, when comes to estimation or subjective judgment, the issuer should pay attention to its reasonableness and consistency

Note 6: Instead of paid-in capital, foreign company should adopts net value as denominator

6.3 Supervisors' Report in the Most Recent Year

Supervisors Audit Report

The Board of Directors has prepared the Company's 2012 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 2013 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 22, 2013

6.4 Standalone Financial Statements for Most Recent Year

SINO-AMERICAN SILICON PRODUCTS INC.

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

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.

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, 2012 and 2011, 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 for the years ended December 31, 2012 and 2011, 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 is based solely on the reports of the other independent auditors insofar as it relates to the differences between acquisition cost and identifiable net assets, for which we have performed the required procedures and adjusted accordingly. The related long-term investment balances of NT$12,839,360 thousand and NT$4,754,368 thousand (45% and 16% of total assets) as of December 31, 2012 and 2011, respectively, and the investment income amounting to NT$270,860 thousand and NT$147,803 thousand (11% of loss before income taxes and 40% of income before income taxes) for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.

KPMG
Hsinchu, Taiwan (the Republic of China)
March 26, 2012

<u>Note to Readers</u>

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with 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, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

Assets		2012	2011
Current assets:			
Cash (note 4)	$	459,154	2,405,021
Financial assets at fair value through profit or loss (note 5)		-	43,922
Notes and accounts receivable, net (note 6)		209,663	358,735
Accounts receivable from related parties (note 16)		85	33,857
Other receivables – related parties		260,259	236,890
Loan to related parties (note 16)		-	233,820
Other financial assets – current		2,442	2,402
Inventories, net (note 7)		339,722	635,537
Prepayments for materials (note 18)		856,133	1,105,123
Deferred income tax assets – current (note 14)		15,998	10,061
Other current assets (note 5)		202,250	135,888
		2,345,976	5,201,256
Long-term investments:			
Equity-method investments (note 8)		17,004,311	11,705,708
Available-for-sale financial assets – non-current (note 5)		703,328	1,054,168
Financial assets carried at cost – non-current (notes 5 and 15)		781,595	583,595
Other financial assets – non-current (note 17)		9,003	2,194
		18,498,237	13,345,665
Property, plant and equipment (notes 16 and 17)**:**			
Buildings and improvements		2,514,436	2,406,402
Machinery and equipment		5,775,987	5,675,527
Other equipment		927,510	890,334
		9,217,933	8,972,263
Less: accumulated depreciation		(4,414,576)	(3,217,245)
Prepayments for equipment and construction in progress		46,848	278,988
		4,850,205	6,034,006
Other assets:			
Deferred charges and others (note 11)		34,923	3,878
Long-term account receivable from related parties (notes 5 and 16)		-	766,183
Deferred income tax assets – non-current (note 14)		136,338	84,519
Long-term prepayments for materials (note 18)		2,978,835	3,343,369
		3,150,096	4,197,949
Total Assets	$	28,844,514	28,778,876

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets (continued)

December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity		2012	2011
Current liabilities:			
Short-term borrowings (note 9)	$	300,000	100,000
Notes and accounts payable		395,005	479,143
Payable to related parties (note 16)		851	30,919
Other payables to related parties (note 16)		88,960	1,082,647
Payroll and bonus payable		43,926	136,323
Current portion of received in advance for sales (notes 16 and 18)		2,126,359	1,132,407
Current portion of long-term loans payable (notes 10 and 17)		1,584,329	1,995,000
Accrued expenses and other current liabilities		140,689	133,414
Onerous contracts provision (note 18)		266,616	-
		4,946,735	5,089,853
Long-term liabilities:			
Long-term loans payable (notes 10 and 17)		3,329,071	1,100,000
Other liabilities:			
Other liabilities – other (notes 11 and 16)		23,272	23,633
Revenue received in advance for sales – non-current (notes 16 and 18)		2,045,158	3,572,582
		2,068,430	3,596,215
Total liabilities		10,344,236	9,786,068
Stockholders' equity (notes 5 and 12)**:**			
Common stock		5,231,191	4,431,191
Capital surplus		14,878,908	12,141,389
Retained earnings:			
Legal reserve		987,717	944,846
Special reserve		604,810	-
Unappropriated earnings (accumulated deficits)		(1,378,560)	2,080,192
		213,967	3,025,038
Other stockholders' equity:			
Foreign currency translation adjustments		(459,621)	161,317
Unrecognized pension cost		-	(51)
Treasury stock		(256,695)	-
Unrealized gain (loss) on available-for-sale financial assets		(1,107,472)	(766,076)
		(1,823,788)	(604,810)
Total stockholders' equity		18,550,278	18,992,808
Commitments and contingencies (notes 10, 16 and 18)			
Total Liabilities and Stockholders' Equity	$	28,844,514	28,778,876

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Income

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2012	2011
Revenue (note 16)	$	4,381,929	14,738,464
Less: sales returns and allowances		13,572	129,892
		4,368,357	14,608,572
Processing revenue and others		5,213	219,996
Net revenue		4,373,570	14,828,568
Cost of goods sold (notes 7 and 16)		6,309,596	14,027,109
Gross profit		(1,936,026)	801,459
Operating expenses (note 16):			
Selling		15,580	58,582
General and administrative		81,367	127,959
Research and development		188,386	381,960
		258,333	568,501
Operating income		(2,221,359)	232,958
Non-operating income and gains:			
Interest income		6,961	15,421
Dividend income		10,474	10,947
Government grants		12,547	23,211
Gain on disposal of investments		61,507	6,979
Foreign exchange gain, net		-	42,278
Unrealized gain on valuation of financial assets (note 5)		-	43,922
Other income (note 16)		40,041	52,476
		131,530	195,234
Non-operating expenses and losses:			
Interest expense		192,223	55,660
Investment loss recognized by equity method (note 8)		82,785	3,724
Foreign exchange loss, net		137,542	-
Impairment loss on financial assets (note 5)		6,407	-
		418,957	59,384
Income (loss) before income taxes		(2,508,786)	368,808
Income tax benefit (note 14)		140,834	(59,898)
Net income	$	(2,367,952)	428,706

		2012 Before Tax	2012 After Tax	2011 Before Tax	2011 After Tax
Earnings (loss) per share (in dollars) (note 13)					
Basic (loss) earnings per share	$	(5.19)	(4.90)	0.88	1.02
Diluted earnings per share				0.87	1.01

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

		2012	2011
Cash flows from operating activities:			
Net income (loss)	$	(2,367,952)	428,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation		1,199,958	1,373,907
Amortization		-	88
Provision for (reversal of) allowance for doubtful accounts		(5,857)	5,857
Provision for (reversal of) inventory obsolescence and devaluation loss		(15,281)	33,599
Investment loss recognized by equity method		82,785	3,724
Cash dividends received from equity-method investees		-	9,540
Cash dividends received from available-for-sale financial assets		-	76,419
Income on disposal of property, plant and equipment		-	(239)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees		83,563	43,698
Gain on disposal of equity-method investment		(61,507)	(6,979)
Unrealized loss (gain) on valuation of financial assets		43,922	(43,922)
Expense with no effect on cash flow		48,499	223,356
Change in operating assets and liabilities:			
Notes and accounts receivable		154,929	723,741
Notes and accounts receivable from related parties		243,954	(834,318)
Inventories		311,096	577,238
Prepayments for materials		613,524	(214,277)
Other financial assets – current		(40)	1,190
Deferred income tax assets – net		(47,858)	(206,505)
Other operation-related assets		(66,363)	(65,361)
Notes and accounts payable		(84,138)	(934,880)
Payable to related parties		(30,065)	(110,200)
Revenue received in advance		(533,472)	158,563
Accrued pension liabilities		168	2,066
Deferred credits		(478)	(25,804)
Other operation-related liabilities		162,031	(794,788)
Net cash (used in) provided by operating activities		(268,582)	424,419
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		-	(15,767)
Acquisition of equity-method investments		(5,322,240)	(837,000)
Acquisition of financial assets carried at cost		(198,000)	(579,660)
Proceeds from disposal of equity-method investments and available-for-sale financial assets		149,031	14,436
Acquisition of property, plant and equipment		(65,357)	(1,508,098)
Proceeds from disposal of property, plant and equipment		36,792	54,001
Other financial assets – non-current		(6,809)	650
Increase in deferred charges		(77,433)	-
Net cash used in investing activities		(5,484,196)	(2,871,438)

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows (continued)

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from financing activities:		
Increase (decrease) in other payables to related parties	(993,690)	290,163
Increase in short-term borrowings	200,000	100,000
Increase in long-term loans payable	8,635,000	680,000
Repayment of long-term loans payable	(6,816,600)	(1,354,000)
Payments of cash dividends	(443,119)	(2,010,661)
Issuance of common stock for cash	3,452,073	940,000
Treasury stock acquired	(226,753)	-
Net cash provided by (used in) financing activities	3,806,911	(1,354,498)
Net increase (decrease) in cash	(1,945,867)	(3,801,517)
Cash at beginning of year	2,405,021	6,206,538
Cash at end of year	$ 459,154	2,405,021
Supplemental disclosures of cash flow information:		
Cash payments of interest (excluding interest capitalized)	$ 139,964	56,639
Cash payments of income taxes	$ 77,127	475,165
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	$ 1,584,329	1,995,000
Bonuses to employees – stock	$ -	70,000
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	$ 52,949	1,156,210
Changes in payables for equipment	10,477	351,888
	$ 63,426	1,508,098
Acquisition of equity-method investments:		
Increase in equity-method investments	$ 6,088,423	1,593,809
Other receivables – related parties – equity swaps	(766,183)	(756,809)
	$ 5,322,240	837,000
Treasury stock acquired		
Increase in treasury stock	$ 256,695	-
Changes in other current liabilities	(29,942)	-
	$ 226,753	-

SINO-AMERICAN SILICON PRODUCTS INC.

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
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	-	1,937,582
Inventories	-	450,368
Prepayments for materials	-	888,204
Deferred income tax assets – current	-	1,457
Other current assets	-	9,353
Long-term investments	-	3,952,393
Buildings and improvements	-	75,868
Machinery and equipment	-	684,553
Prepayment for equipment and construction in progress	-	256,665
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

December 31, 2012 and 2011

(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 R.O.C 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 GreTai Securities Market ("GTSM") 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 new shares 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	744,082	1,937,582
Inventories		305,475	144,893	450,368
Prepaid inventory		888,204	-	888,204
Deferred income tax assets – 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 and equipment		293,334	391,219	684,553
Prepayment for equipment and construction in progress		51,982	204,683	256,665
Leasehold improvements		-	50,899	50,899
Deferred pension cost		26,401	137	26,538

	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

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

As of December 31, 2012 and 2011, the Company had 842 and 1,021 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. The accounting treatment related to the spin-off was for the Company to transfer assets and liabilities based on book value (if impairment had occurred, the new book value would be based on impairment loss recognized) without any transfer gain/(loss).

(2) Use of Estimates

The preparation of the accompanying 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.

(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 Non-current 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 non-current 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.

(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 are 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.

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) 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.

(8) 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 an 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.

(9) 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.

(10) 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.

(11) Deferred Charges

Deferred charges, including syndicated loan application expense, were amortized on a straight-line basis over their estimated useful lives, ranging from two to five years.

(12) Retirement Plan

The Company established an employee non-contributory defined benefit retirement plan ("the Plan") covering all regular employees employed before June 30, 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 R.O.C 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 R.O.C 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 R.O.C Labor Standards Law (the "old system"), the Company carries out an actuarial calculation of its 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 R.O.C Labor Standards Law, the Company contributes monthly at the rate of 2% of salaries and wages to a pension fund.

(13) 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 between January 1, 2004, and December 31, 2007.

(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.

(14) Treasury Stock

The Company acquired its outstanding stock and recognized it as treasury stock at cost. If the disposal price was more than the book value of treasury stock, the difference will be presented under capital surplus – treasury stock transactions. The difference will be offset with capital surplus resulting from transactions of the same sort of treasury stock if the book value was more than the disposal price. The difference will be charged to retained earnings if capital surplus was insufficient.

Upon retirement of treasury stock, the "capital stock" and "capital surplus – additional paid-in capital" were debited on a pro rata basis. If the book value exceeded the sum of the par value of capital stock and the premium on stock issuance, the difference was charged against capital surplus arising from the same class of treasury stock transactions, and the remainder, if any, was charged against retained earnings. If the book value was less than the sum of the par value of capital stock and the premium on stock issuance, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

When treasury stock was transferred to employees as bonus, compensation cost was measured by the use of option pricing models if the date of grant was after January 1, 2008, and was amortized over the requisite service period. The grant date was the date when the transfer of treasury stock, number of shares, and price were determined. If approval for the number of shares and price was required, the grant date was the date of approval.

(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.

Effective from 2012, pursuant to Article 40 of the “Business Mergers and Acquisition Act”, the Company has adopted filing a combined final business income tax return with its subsidiaries, and the Company is elected as the taxpayer for such combined final business income tax return to declare a combined final business income tax as provided in the Income Tax Act, and to declare the undistributed earnings with an additional ten percent business income tax; however any other tax-related matters shall be carried out separately by the Company and its subsidiary companies.

The Company and its subsidiaries firstly calculated their respective income tax provisions according to SFAS No. 22 “Income Taxes”, and reconciled the difference between the separate income tax returns and a combined final business income return. The differences were allocated to all Group entities on a reasonable, systematic, and consistent basis and consequently to the current year’s income tax expenses and deferred income tax expenses.

According to the R.O.C 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.

(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.

(20) Operating Segment Information

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

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 statement was to regulate the disclosure of operating segment information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which an entity 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.

4. Cash

The components of cash as of December 31, 2012 and 2011, were as follows:

	December 31,	
	2012	**2011**
Cash on hand	$ 416	454
Time deposits	-	400,000
Cash in banks	458,738	2,004,567
	$ 459,154	**2,405,021**

5. Financial Instruments

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

		December 31,	
		2012	2011
Publicly listed companies:			
Solartech Energy Corp.	$	520,223	789,028
Actron Technology Corp.		183,105	265,140
	$	**703,328**	**1,054,168**

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 was recorded as recovery of investment cost.

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

		December 31,	
		2012	2011
Non-publicly listed stocks:			
Equity investment	$	803,105	605,105
Accumulated impairment loss		(21,510)	(21,510)
	$	**781,595**	**583,595**
Movement of accumulated impairment loss was as follows:			
Accumulated loss, beginning of period	$	21,510	147,411
Impact of spin-off		-	(125,901)
Accumulated loss, end of period	$	**21,**	**21,510**

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.

In line with the operating strategy, taking into consideration industry upstream and downstream integration and business strategy, the board resolved to invest in Powertec Energy Corporation and increase investment in ZE Poly Pte Ltd. in the first half of 2011, amounted to $250,000 and $29,660, respectively.

In the first quarter of 2012 the Company continued to invest the Powertec Energy Corporation in the amount of $148,000, and in the second quarter of 2012, the Company initially invested in Sunshine PV Corp. in the amount of $50,000. As of December 31, 2012 and 2011, the Company's percentages of ownership in Powertec Energy Corporation were 12.04% and 13.63%, respectively, the percentage of ownership in ZE Poly Pte Ltd. was 19%, and the percentages of ownership in Sunshine PV Corp. were 2.99% and 0%, respectively.

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 proceeds of USD 26,555 thousand were used to invest 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. As of December 31, 2011, the remaining balance of $766,183 (equivalent to USD 25,295 thousand) was recognized as long-term receivables—related parties, and in June 2012, the board of directors' meeting resolved to invest in SSTI through a debt-to-equity swap; please refer to Note 16: Related-party Transactions.

(3) Forward exchange contracts

As of December 31, 2012, all financial instrument contracts were settled.

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

In 2012 and 2011, due to changes in the fair value of the above financial instruments, the Company recognized net valuation loss on financial instruments of $6,407 and net valuation gain on financial instruments of $43,922, respectively, in the income statements.

6. Notes and Accounts Receivable, Net

Notes and accounts receivable as of December 31, 2012 and 2011, were as follows:

		December 31,	
		2012	2011
Notes receivable	$	6,843	2,180
Accounts receivable		202,820	362,412
Less: allowance for doubtful accounts		-	(5,857)
	$	209,663	358,735

7. Inventories, Net

The components of inventories as of December 31, 2012 and 2011, were as follows:

		December 31,	
		2012	2011
Finished goods		168,018	282,153
Less: provision for devaluation		(24,222)	(45,809)
		143,796	236,344
Work in process		39,359	65,605
Less: provision for devaluation		(13,396)	(3,875)
		5,963	61,730
Raw materials		126,562	234,686
Less: provision for devaluation		(21,265)	(28,651)
		105,297	206,035
Supplies		93,153	155,743
Less: provision for devaluation		(28,487)	(24,315)
		64,666	131,428
	$	339,722	635,537

In 2012 and 2011, components of cost of goods sold as a result of the net realizable value of inventory being lower than its cost, and the circumstances that caused the net realizable value of inventory to be higher than its cost were as follows:

		2012	2011
Physical inventory gain	$	-	(21)
(Reversal of) Loss on inventory devaluation		(15,281)	33,599
Unallocated fixed factory overhead		553,251	-
	$	537,970	33,578

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

The Company’s ownership interest and investments in investee entities as of December 31, 2012 and 2011, consisted of the following:

Investee	December 31, 2012 Amounts	December 31, 2012 Percentage of ownership (%)	December 31, 2011 Amounts	December 31, 2011 Percentage of ownership (%)
Equity-Method Investments:				
Sino Silicon Technology Inc. (SSTI)	$ 1,065,355	100	1,066,854	100
GlobalWafers Co., Ltd.	12,999,028	98.60	7,276,548	100
Sino Sapphire Co., Ltd.	1,394,804	95.12	1,522,725	100
Sunrise Global Solar Energy Corp. (SGSE)	840,439	15.23	1,011,786	15.26
Sinosolar Corp.	704,685	41.88	827,795	41.88
	$ 17,004,311		11,705,708	

	2012	2011
Investment loss recognized by equity method, net	$ (82,785)	(3,724)

Note: As of December 31, 2012, due to employees of SGSE exercising options, the Company’s percentage of ownership in SGSE, which was indirectly invested in through Sinosolar Corp., had decreased from 47.58% to 45.10%.

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 indirectly through Global Semiconductor Inc. (GSI). Please refer to Note 5 for detailed information. 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 GTI from the Company to GWI. GlobalWafers indirectly acquired GTI through GWI after the spin-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% ownership 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 a special stockholders’ meeting on October 25, 2011, and the acquirers would be either subsidiaries 100% owned by GWCM or other directly or indirectly 100%-owned subsidiaries of the Company.

On October 25, 2011, a board meeting resolved to amend the above restructuring to have GWafers, a subsidiary of GlobalWafers, replace GWCM as acquirer for acquisition of CVS, and the legal transfer date was April 1, 2012. A follow-up board meeting resolution changed the name of CVS to Global Wafers Japan Co., Ltd. (GWJ). The consideration for acquisition of GWJ was $8,403,066 (Yen23.143 billion) plus the direct acquisition cost of $129,793, and the total consideration was $8,532,859. For the related information on acquisition of GWJ, please refer to Note 24(3).

GWVI ended its operation on January 1, 2012, and completed liquidation on March 15, 2012.

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:

		2012					
		Beginning balance	**Additions**	**Amortization**	**Foreign currency translation**	**Spin-off**	**Ending balance**
Amortized assets	$	213,698	-	(57,298)	-	-	156,400
	$	**213,698**	**-**	**(57,298)**	**-**	**-**	**156,400**

		2011					
		Beginning balance	**Additions**	**Amortization**	**Foreign currency translation**	**Spin-off**	**Ending balance**
Amortized Assets	$	523,752	-	(70,784)	9,493	(248,763)	213,698
Goodwill		622,594	-	-	27,999	(650,593)	-
	$	**1,146,346**	**-**	**(70,784)**	**37,492**	**(899,356)**	**213,698**

Pursuant to a board meeting resolution on January 12, 2012, the Company subscribed 133,056 newly issued common shares, at $40 per share, of Global Wafer's capital increase by cash, and the total subscription amount was $5,322,240.

In 2012 and 2011, because the Company did not proportionately subscribe new shares for subsidiaries' capital increase by cash, the Company recognized adjustment of capital surplus amounting to $1,882 and $70,777, respectively.

On April 25, 2012, pursuant to board meeting resolutions of the Company and Sino Sapphire, in order to expand the operating scale and enhance competiveness and operating performance, Sino Sapphire was merged into Crystalwise Technology Inc. On June 13, 2012 the shareholders' meetings of both companies also resolved to approve this merger and set January 1, 2013, as the acquisition date. Crystalwise Technology Inc. was the surviving company, and Sino Sapphire was the dissolved company. The surviving company assumed the dissolved company's rights and obligations. The exchange rate was 1 share of Sino Sapphire for 1.8967 shares of Crystalwise Technology Inc. The merger has been approved by the authority.

As disclosed to Note 5(2), pursuant to a board meeting resolution on June 21, 2012, the Company's long-term receivable from SSTI of $766,183 (approximately USD25,295 thousand) was entirely transferred to investment funding using a debt-to equity swap.

9. Short-term Borrowings

As of December 31, 2012 and 2011, details were as follows:

		December 31,	
		2012	**2011**
Loan for working capital	$	300,000	100,000
Unused facilities	$	3,000,000	4,073,913
Interest rate range		1.30%	.54%

For the guarantees and pledged assets provided by related parties, please refer to Notes 16 and 17.

10. Long-term Loans Payable

As of December 31, 2012 and 2011, details were as follows:

Financial institution	Redemption	December 31, 2012	December 31, 2011
Citibank Taiwan (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing on March 28, 2012.	$ 2,738,400	-
Chang Hwa Bank (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing.	300,000	900,000
Mega International Commercial Bank (lead bank of syndicated loan)	Repayable quarterly in 15 installments starting from 18 months after the date of borrowing.	800,000	1,440,000
E. Sun Bank	From June 15, 2009, to June 15, 2012, repayable quarterly, starting from September 15, 2010.	-	75,000
E. Sun Bank	From July 15, 2012, to July 15, 2015, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	400,000	-
Fubon Bank	From December 29, 2011, to March 24, 2014, repayable monthly starting from January 29, 2012.	-	280,000
Fubon Bank	From October 14, 2012, to October 14, 2014, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	300,000	-
First Bank	From December 26, 2011, to March 23, 2014, repayable monthly starting from January 26, 2012.		400,000
First Bank	From July 4, 2012, to July 4, 2014, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	375,000	-
Less: current portion		(1,584,329)	(1,995,000)
		$ 3,329,071	1,100,000
Range of interest rates		**1.30%~ 3.0389%**	**1.33%~ 1.65%**
Unused credit facility		$ 725,000	1,206,769

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 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 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 March 5, 2012, the Company entered into an agreement for syndicated loan credit facilities of 6,200,000 with Citibank and 10 other banks. These credit facilities contained covenants that required the Company, six months after the first date of application, 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 its annual and semiannual consolidated financial statements.

As stipulated in the agreement between the Company and Citibank and 10 other banks, the Company shall give priority to repay the syndicated loan when it has successfully completed a capital increase by cash. On June 22, 2012, the board of directors resolved to increase capital by cash in the amount of $3,461,600, and as of December 31, 2012, the registration procedure was completed. The Company repaid the syndicated loan on July 3, 2012.

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, 2012, the credit facilities had been withdrawn on schedule and no commitment fee was paid.

In 2012, due to suffering a huge loss, the Company was not able to maintain the interest coverage ratio which was stipulated in the agreement. For the semiannual consolidated financial statements of 2012, the Company obtained a waiver on the interest coverage ratio from the banks. As of March 26, 2013, the opinion date, the Company had been negotiating with the banks and expected to obtain a waiver from the banks through a formal process subsequent to the opinion date; therefore, the Company did not reclassify long-term loan payable to current liabilities.

Refer to Note 17 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,	
		2012	2011
Benefit obligation:			
Vested benefit obligation	$	(4,377)	(2,466)
Non-vested benefit obligation		(23,677)	(20,516)
Accumulated benefit obligation		(28,054)	(22,982)

		December 31,	
Additional benefits based on future salary increase		(6,904)	(6,259)
Projected benefit obligation		(34,958)	(29,241)
Fair value of plan assets		8,298	7,371
Funded status		(26,660)	(21,870)
Unrecognized net transition obligation		1,010	1,212
Unrecognized pension loss		2,397	(2,479)
Accrued pension liabilities (included in other liabilities)	**$**	**(23,253)**	**(23,137)**

The components of net periodic pension cost for 2012 and 2011 are summarized as follows:

		2012	**2011**
Defined benefit plan:			
Service cost	$	310	104
Interest cost		585	150
Expected return on plan assets		(156)	(57)
Amortization and deferral		202	(127)
Net periodic pension cost		941	70
Defined contribution plan		18,917	40,765
Total	**$**	**19,858**	**40,835**

As of December 31, 2012 and 2011, the vested benefit of employees meeting the Company's retirement requirements amounted to $5,559 and $3,212, respectively.

Significant underlying actuarial assumptions were as follows:

	December 31,	
	2012	**2011**
Discount rate	1.875%	2.00%
Future salary increase rate	2.00%	2.00%
Expected long-term rate of return on plan assets	1.875%	2.00%

12. Stockholders' Equity

(1) Common stock

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 R.O.C 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.

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 a 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.

Pursuant to a board meeting resolution on June 22, 2012, the Company increased its common stock by 80,000 thousand new shares for cash at $43.27 per share over the par value, with a total amount of $3,461,600. The premium minus the underwriter expenses of $9,627 was $2,652,073, booked at capital surplus. The registration procedures related to the capital increase were completed, and the increase was authorized and approved by the SFB through its notice letter No. 1010023340. The date fixed for the capital increase was June 29, 2012. Additionally, the Company recognized the compensation cost amounting to $170 from issuance of stock for cash.

As of December 31, 2012 and 2011, the authorized capital of the Company was $8,000,000 and $6,000,000, respectively, of which $200,000 was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2012 and 2010, the issued capital was $5,231,191 and $4,431,191, 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 (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 implemented on August 10, 2012. Starting from the grant date according to the vesting schedule, 40%, 60%, 80% and 100% of the options vest on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

As of December 31, 2012, the outstanding employee stock option plans were as follows:

Item	Authoriza-ti	Grant date	Vesting period	Issued units in thousands	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2010 First Employee Stock Option Plan	November 12, 2010	August 10, 2011	Service periods between two and four years	10,000	60.50	60.50	57.40

For options granted in 2012 and 2011, the Company recognized compensation cost of $83,394 and $27,798, respectively, using the fair value method in accordance with SFAS No. 39 for the year ended December 31, 2012.

The fair value of the options granted on August 10, 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

A summary of the Company's stock option plans and related information for the years ended December 31, 2012 and 2011, is as follows:

Employee stock options	2012 Options (thousands)	2012 Weighted-average exercise price	2011 Options (thousands)	2011 Weighted-average exercise price
Outstanding at beginning of year	10,000	59.90	-	-
Options granted	-	-	10,000	60.50
Options exercised	-	-	-	-
Options forfeited (expired)	-	-	-	-
Outstanding at end of year	10,000	57.40	10,000	59.90
Options exercisable at end of year	-	-	-	-
Weighted-average fair value of employee stock options	$ 23.36		23.36	

As of December 31, 2012 and 2011, the average remaining contractual life of outstanding employee stock options was 3.66 years and 4.66 years, respectively.

(3) Capital surplus

The components of capital surplus were as follows:

	December 31, 2012	December 31, 2011
Additional paid-in capital	$ 14,491,027	11,838,954
Investments accounted for using equity method	72,659	70,777
Treasury stock transactions	546	546
Employee stock options	314,676	231,112
	$ 14,878,908	12,141,389

According to the revised R.O.C 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 R.O.C 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 the 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 year ended December 31, 2011, 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 for the year ended December 31, 2011. The Company also recognized remuneration to directors and supervisors of $0 for the year ended on December 31, 2011. The Company did not accrue a bonus to directors and profit sharing to employees due to net loss for the year ended December 31, 2012. 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 2011 and 2010 which were approved by the stockholders' meeting on June 27, 2012, and June 17, 2011, respectively, is as follows:

		2011	2010
Dividend per common share:	$	1.00	5.00
Cash		-	0.50
Stock (at par value)	**$**	**1.00**	**5.50**
Employee bonuses—stock	$	-	70,000
Employee bonuses—cash		-	329,710
Directors' and supervisors' remuneration		-	53,295
	$	**-**	**453,005**
Ex-dividend date		**August 15, 2012**	**August 13, 2011**

The appropriation of net loss of 2011, however, will be subject to the resolution of the Company's annual board of directors' meeting and annual shareholders' meeting; the information is available on the Market Observation Post System website.

(6) Treasury stock

The Company acquired common stock from the GreTai Securities Market. Details of the treasury stock transactions are as follows:

Purpose	As of January 1, 2012	Increase	Decrease	As of December 31, 2012
		(in thousands)		
For transfer to employees	$ -	7,593	-	7,593

According to the Securities and Exchange Act of the R.O.C., the total shares of treasury stock shall not exceed 10% of a company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital—premium, and realized additional paid-in capital. In compliance with the Securities and Exchange Act of the R.O.C., treasury stock should not be pledged, nor is it entitled to voting rights or dividends.

13. Earnings (Loss) per Share ("EPS")

The basic earnings (loss) per share and diluted earnings per share attributable to the stockholders of the Company for the years ended December 31, 2012 and 2011, were calculated as follows:

	2012		2011	
	Before taxes	After taxes	Before taxes	After taxes
Basic earnings per share:				
Net income (loss)	$ (2,508,786)	(2,367,952)	368,808	428,706
Shares of common stock at beginning of year (thousand shares)	443,119	443,119	382,026	382,026
Add: Issuance of new stock (thousand shares)	40,548	40,548	18,597	18,597
Employee bonus (thousand shares)	-	-	20,580	20,580
Less: Purchase of treasury stock	289	289	-	-
Weighted-average number of common shares outstanding	483,378	483,378	421,203	421,203
Basic earnings (loss) per common share	$ (5.19)	(4.90)	0.88	1.02

	2012		2011	
	Before taxes	After taxes	Before taxes	After taxes
Diluted earnings per share:				
Net income			**368,808**	**428,706**
Effects of dilution:				
Weighted-average number of common shares outstanding (thousand shares)			421,203	421,203
Add: Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance (thousand shares)			1,637	1,637
Stock bonus compensation before approval by the stockholders' meeting (thousand shares)			405	405
Diluted weighted-average number of common shares outstanding			**423,245**	**423,245**
Diluted earnings per share			**0.87**	**1.01**

Diluted earnings per share in 2012 were not calculated due to the anti-dilutive effect of net loss for the year ended December 31, 2012.

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, part of the tax incentives will be taken over by GlobalWafers and Sino Sapphire. As of December 31, 2012, 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	Exemption from	December	2008~2012

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
	by capitalizing retained earnings and employee bonuses in 2003	corporate income taxes for a five-year period	2004	
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 and employee bonuses in 2005	Exemption from corporate income taxes for a five-year period	February 2007	2010~2014
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	Stockholders' investment credits approved on August 6, 2012	-

The Company is subject to a statutory income tax rate of 17% for the years ended December 31, 2012 and 2011, and also complies with the "Income Basic Tax Act". Effective from 2012, pursuant to Article 40 of "Business Mergers and Acquisition Act", the Company has adopted the filing of a combined final business income tax return with its subsidiaries, and the Company is elected as the taxpayer for such combined final business income tax return to declare a combined final business income tax as provided in the Income Tax Act, and to declare the undistributed earnings with an additional ten percent business income tax.

The components of income tax benefit for the years ended December 31, 2012 and 2011, were as follows:

		2012	2011
Current	$	(92,976)	146,607
Deferred		(47,858)	(206,505)
	$	**(140,834)**	**(59,898)**

The expected income tax calculated at the statutory tax rate was reconciled with income tax benefit for the years ended December 31, 2012 and 2011, as follows:

		2012	2011
Income tax on pretax income (loss) at the statutory tax rate	$	(426,494)	62,697
Estimated 10% surtax on unappropriated earnings		-	100,002
Income tax exemption		-	(17,000)
Tax effect of permanent differences		(119,063)	10,090
Investment tax credits		-	(722,885)
Income tax expense from combined final business income tax		37,291	-
Change in valuation allowance and prior year's adjustment		367,432	507,198
Income tax benefit	$	**(140,834)**	**(59,898)**

The components of deferred income tax assets (liabilities) as of December 31, 2012 and 2011, were as follows:

		December 31,	
		2012	2011
Deferred income tax assets (liabilities) – current:			
Unrealized foreign currency exchange loss (gain)	$	1,145	77
Provision for inventory devaluation		14,853	17,451
Unrealized gain on financial liability valuation		-	(7,467)
	$	**15,998**	**10,061**

		December 31,	
		2012	2011
Deferred income tax assets (liabilities) – non-current:			
Loss carryforward	$	244,548	-
Investment income recognized by equity method		93,564	(27,043)
Investment tax credits		983,858	587,151
Impairment loss on financial assets carried at cost		3,657	3,657
Onerous contracts provision		45,325	-
Foreign currency translation adjustment		17,783	7,885
Others		3,342	3,403
		1,392,077	575,053
Loss: valuation allowance		(1,255,739)	(490,534)
	$	**136,338**	**84,519**
Total deferred income tax assets	$	**1,408,075**	**619,624**
Total deferred income tax liabilities	$	**-**	**34,510**
Total valuation allowance	$	**1,255,739**	**490,534**

Below is the reconciliation of the Company's calculation of the current income tax expense, deferred income tax expense, deferred tax assets, and payables to related parties under the provisions of SFAS No. 22 "Income Taxes" to the related balances computed for filing combined final corporate income tax returns with the Company as the taxpayer:

		2012			
		Current income tax expense	Deferred income tax expense	Deferred tax assets	Accounts payable - related parties
Amount computed under SFAS No. 22	$	(40,166)	(47,858)	152,336	-
Adjustment		(52,810)	-	-	52,810
Amounts computed for filing combined final business income tax returns	$	**(92,976)**	**(47,858)**	**152,336**	**52,810**

Effective from 2012, the Company adopted filing a combined final business income tax return with its subsidiaries. For the years ended December 31, 2012 and 2011, the taxable loss of the Company was allocated to Group entities to offset their own separate taxable incomes; consequently, the aforementioned allocation resulted in lower income tax expenses, and recognized income tax benefits amounted to $52,810. As of December 31, 2012, Global Wafer and Sino Sapphire were grouped together to file a combined final business income tax return; therefore, income tax receivable was accounted for as the Company's other receivables – affiliates.

Pursuant to Article 12 of the R.O.C 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 the Statute for Upgrading Industries, the investment loss recognition is based on the actual reduction in outward investment in direct outward investees. In May 2011, the Company transferred GTI at its net asset value to GWI; accordingly, the Company revised the aforementioned reserve and reversed it back to profit and loss 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 $0 and $56,987 for the years ended December 31, 2012 and 2011, respectively. 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.

And in June 2012, Chunan County delivered the investment tax credit certificate to the Company and approved the qualified investment amount of $6,382,462, the applicable tax credit rate of 20%, and the investment tax credit amount of $1,276,492. The tax credit period is 5 consecutive years starting from year 2010; the Company is entitled to reduce income tax payable using the above tax credit. Pursuant to Article 37 of the "Business Mergers and Acquisition Act" and related rulings of the Ministry of Finance, for the machinery and equipment transferred to the spun-off entities, Global Wafer and Sino Sapphire assumed tax credits amounting to $72,148 and $84,082, respectively. After this tax credit appropriation, the Company's unutilized tax credit was $1,120,262.

As of December 31, 2012, 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	$ 983,858

According to the R.O.C Income Tax Act amended in January 2009, the previous 10 years' losses of the Company as assessed by the tax authorities can offset the current year's net income for income tax purposes. As of December 31, 2012, the unused loss carryforward and related expiration year of the Company were as follows:

Year loss occurred	Unused operating loss carryforward	Expiration year
2012 (estimated)	$ 1,438,518	2022

Under the Income Tax Act of the R.O.C., a company with its tax return certified by a certified public accountant can carry forward its net loss as tax credits for the next 10 years.

The Company's income tax returns for all fiscal years up to 2012 have been examined and approved by the R.O.C. Tax Authority.

Information related to the undistributed earnings (accumulated deficits) and the imputation credit account ("ICA") of the Company as of December 31, 2012 and 2011, was as follows:

	December 31,	
	2012	**2011**
Unappropriated earnings (accumulated deficits):		
Earned before January 1, 1997	$ 10,095	10,095
Earned after January 1, 1998	(1,388,655)	2,070,097
	$ (1,378,560)	**2,080,192**
ICA balance	**$ 187,217**	**312,102**
Creditable ratio for earnings distribution to resident stockholders	**-** (estimated)	**18.77%** (actual)

15. Information on Financial Instruments

(1) Derivative financial instruments

Please refer to Note 5 for detailed information on derivative financial instrument transactions in 2012 and 2011.

(2) Non-derivative financial instruments

As of December 31, 2012 and 2011, except for certain financial assets and liabilities identified below, the carrying amounts of financial instruments approximated their fair value.

	December 31,			
	2012		2011	
	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	781,595	see (3)(d) below	583,595	see (3)(d) below
Financial liabilities:				
Off-balance-sheet financial instruments:				
Guarantee	-	2,181,430	-	956,690

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

(a) The Company's non-derivative financial assets and liabilities with short 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.

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

(c) 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.

(d) 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.

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

(f) 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,			
	2012		2011	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:				
Cash	$ 459,154	-	2,405,021	-
Financial assets at fair value through profit or loss – current	-	-	-	43,922
Available-for-sale financial assets – non-current	703,328	-	1,054,168	-
Notes and accounts receivable (including related parties)	-	209,748	-	392,592
Loan to related parties	-	-	-	233,820
Other financial assets – current	-	2,442	-	2,402
Other receivables – related parties	-	260,259	-	236,890
Other financial assets – non-current	-	9,003	-	2,194
Financial liabilities:				
Short-term borrowings	-	300,000	-	100,000
Notes and accounts payable (including related parties)	-	395,865	-	510,062
Other payables to related parties	-	88,960	-	1,082,647
Accrued salary and bonuses	-	43,926	-	136,323
Long-term loans payable (including current portion)	-	4,913,400	-	3,095,000

(5) Financial risk information

(a) Market price risk

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 be exposed to the risk of fluctuations in market interest rates and market prices, which would 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 to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2012 and 2011, 98% and 51%, 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. As of December 31, 2012 and 2011, if interest rates increased by 0.25%, the future annual interest expense would increase by $13,034 and $7,987, 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
GWI	Indirect wholly owned subsidiary of the Company (note 1)
GSI	Indirect wholly owned subsidiary of the Company (note 1)
GTI	Indirect wholly owned subsidiary of the Company (note 1)
Kunshan Sino Silicon Technology Co., Ltd.	Indirect wholly owned subsidiary of the Company (note 1)
GWafers	Indirect wholly owned subsidiary of the Company
GWJ (original name CVS)	Indirect wholly owned subsidiary of 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
Sinosolar Corp.	Investee of the Company under the equity method
Solartech Energy	Legal director of the Company (note 2)
Directors, supervisors, president and vice president	The Company's management team

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

Note 2: 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, 2012 and 2011, were as follows:

	2012		2011	
	Amount	Percentage of net sales (%)	Amount	Percentage of net sales (%)
Solartech	$ 322,808	7	461,325	3
SGSE	20,884	1	593,356	4
GWJ	6,521	-	-	-
Sino Sapphire	4,470	-	7,745	-
GlobalWafers	3,844	-	59,932	-
ATC	-	-	290,025	2
	$ 358,527	**8**	**1,412,383**	**9**

The sales price for sales to the above related parties was determined by market conditions and considering the geographic sales area and sales volumes.

The credit terms for the related parties were between month-end 35 days and next month-end 60 days during 2012 and 2011, while the terms for third parties were month-end 0~120 days during 2012 and 2011.

As of December 31, 2012 and 2011, accounts receivable resulting from sales to related parties were as follows:

	December 31,			
	2012		2011	
	Amount	Percentage of total receivables (%)	Amount	Percentage of total receivables (%)
Global Wafers	$ 65	-	-	-
Solartech	20	-	3,142	1
ATC	-	-	30,715	3
	$ 85	**-**	**33,857**	**4**

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, 2012 and 2011, revenue received in advance for sales to the aforementioned related parties was as follows:

	December 31,	
	2012	**2011**
Solartech	$ 1,143,077	1,177,531
SGSE	310,291	310,360
	$ 1,453,368	**1,487,891**

b. Purchases, outsourcings, and accounts payable

Purchases from and outsourcing to related parties for the years ended December 31, 2012 and 2011, were as follows:

	December 31,			
	2012		**2011**	
	Amount	**Percentage of net purchases (%)**	**Amount**	**Percentage of net purchases (%)**
GlobalWafers	$ 5,131	-	50,175	-
Solartech	3,486	-	44,342	-
GWJ	1,018	-	-	-
SGSE	361	-	34,828	-
Sino Sapphire	143	-	16,131	-
SSTI	-	-	550,516	5
Kunshan SST	-	-	461,636	4
GTI	-	-	255,527	2
	$ 10,139	**-**	**1,413,155**	**11**

The purchase prices of inventory and outsourcing were determined by market conditions.

The payment terms of related parties were from next month-end 15 days to month-end 60 days and month-end 45 days during 2012 and 2011, respectively, while the terms of third parties were month-end 0~120 days during 2012 and 2011.

As of December 31, 2012 and 2011, the payables generated from the above transactions had been settled. Payables resulting from the above transactions were as follows:

	December 31,			
	2012		2011	
	Amount	Percentage of payables (%)	Amount	Percentage of payables (%)
GlobalWafers	$ 490	-	30,919	6
GWJ	361	-	-	-
	$ 851	-	30,919	6

c. Guarantees

In 2012 and 2011, the details of the maximum credits which the Company had provided as guarantees to financial institutions for its related parties were as follows:

	December 31,	
	2012	2011
GTI	USD 24,000	USD 18,000
SSTI	USD -	USD 13,600
GWafers	NTD3,300,000	
GWJ	JPY 525,551	

The details of guarantees were as follows as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
GTI	USD 24,000	USD 18,000
SSTI	USD	USD 13,600
GWafers	NTD1,300,000	
GWJ	JPY 525,551	

In 2012, the details of the maximum credits which related parties had provided as guarantees to financial institutions for the Company were as follows:

	2012
GlobalWafers	NTD 2,000,000
GTI	NTD 500,000
GWafers	NTD 15,000

The details of the credit balances which related parties had provided as guarantees for the Company were as follows as of December 31, 2012:

	2012
GlobalWafers	NTD 1,500,000
GTI	NTD 300,000
GWafers	NTD 15,000

d. Financing

	2012		
	Maximum Balance	Ending Balance	Interest Revenue
SSTI	NTD 1,800,000	$ -	721
GWafers	NTD 1,800,000	-	1,453
		$ -	2,174

	2011		
	Maximum Balance	Ending Balance	Interest Revenue
GWafers	JPY 600,000	$ 233,820	-

The interest rate for the above related parties' funding was 2.09%.

e. Disposal of fixed assets and deferred credits

Over 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". Amortization is calculated on a straight-line basis over the estimated useful lives of fixed assets of five years. For the years ended December 31, 2012 and 2011, the deferred gain on disposal of fixed assets arising from amortization was $111 and $120, respectively. As of December 31, 2012 and 2011, the deferred credits were $18 and $129, respectively.

f. Property transactions

(i) The information related to machinery the Company sold to a related party at book value was as follows:

		2012	
		Proceeds	**Other receivable**
Sino Sapphire	$	**35,558**	**200**

(ii) In 2012 and 2011, the Company purchased property, plant and equipment from Kunshan Sino Silicon Technology Co., Ltd. through SSTI amounting to $0 and $55,444, respectively. For the years ended December 31, 2012 and 2011, outstanding payables amounted to $0.

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, 2012, book values of the buildings and machinery were as follows:

		2012.12.31	**2011.12.31**
GlobalWafers	$	36,822	47,949
Sino Sapphire		-	18,888
	$	**36,882**	**66,837**

h. Royalty revenue and processing revenue

In 2012, the Company provided processing service to SGSE and charged $1,080, accounted for as revenue. As of December 31, 2012, the receivable had been collected.

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. A royalty shall be paid to the Company by SGSE in accordance with this agreement, and the Company recognized it as royalty revenue under service revenue amounting to $20,000 in 2011. For the year ended December 31, 2011, the above-mentioned royalty-related revenue had been collected.

i. Management service revenue

The information on the management service revenue which was netted with management expense was as follows:

		2012	2011
GlobalWafers	$	97,114	22,700
Sino Sapphire		22,249	5,054
	$	**119,363**	**27,754**

As of December 31, 2012 and 2011, the management service revenue had not been received and was recognized as other receivables – related parties amounting to $15, 505 and $0, respectively.

j. Rental income and rental expense

The Company leased buildings to related parties in 2012 and 2011, and rental revenue from these lease contracts amounted to $7,020 and $1,699, respectively. As of December 31, 2012 and 2011, the rental receivable was uncollected and was recognized as other receivables – related parties amounting to $824 and $385, respectively.

The Company leased buildings from GlobalWafers in 2012 and 2011, and rental expense incurred from these lease contracts, recognized as operating expense, amounted to $816 and $198, respectively. As of December 31, 2012, the rental payable had been paid.

k. Other payables – GlobalWafers

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

As of December 31, 2012, other payables – related parties were as follows:

		December 31, 2012	December 31, 2011
GlobalWafers	$	88,511	443,859
Sino Sapphire		-	638,788
	$	**88,511**	**1,082,647**

For the years ended December 31, 2012 and 211 the interest expense generated from the other payables – related parties related to spin-off debt were $6,408 and $0, respectively, and as of December 31, 2012 and 2011, the interest expenses had been paid.

l. Combined final business income tax return

Effective from 2012, the Company has adopted filing a combined final business income tax return with its subsidiaries, GlobalWafers and Sino Sapphire. As of December 31, 2012, the related income tax payable of GlobalWafers and the income tax receivable of Sino Sapphire were $52,810 and $41, respectively, which were accounted for as the Company's other receivables – related parties and other payables – related parties.

Others

(i) In 2011, the indirect sales to Kunshan Sino Silicon Technology Co., Ltd. through SSTI were $314,112, which the Company purchased back as finished goods and sold to customers after Kunshan SST had manufactured them. The aforementioned transactions were 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 GTI amounted to $678,994 in 2011. 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 in 2011.

In 2011, the commission revenue which GTI agreed to pay to the Company was $4,062, and the Company recognized it as service revenue.

Receivables generated from the aforementioned transactions were as follows:

	2011.12.31	
	Amount	Percentage of receivables (%)
Kunshan Sino Silicon Technology Co., Ltd.	$ 15,755	4

(ii) The outstanding receivables from related parties generated from material procurement, insurance, utilities, and direct costs of acquisition paid on behalf of related parties for the years ended December 31, 2012 and 2011, were as follows:

	2012.12.31	2011.12.31
GlobalWafers	$ 83,332	175,978
Sino Sapphire	8,863	42,283
GWafers	97,541	-
SSTI	1,038	2,464

GWI		208	-
GSI		208	-
Sinosolar Corp.		-	25
Other		(408)	-
	$	190,782	220,750

(iii) Material procurements, insurance, utilities, and direct costs of acquisition

As of December 31, 2011, the long-term receivable from SSTI was $766,183. Pursuant to the resolution of the board of directors' meeting in June 2012 and considering the objective of group restructuring, the Company decided to swap the long-term receivable from SSTI for equity investment in the amount of $766,183 (approximately USD 25,295 thousand); please refer to Notes 5(2) and 8.

(3) Compensation of the principal management team

For the years ended December 31, 2012 and 2011, the compensation of the principal management team, including all directors and supervisors, the president, and the vice president, were as follows:

		2012	2011
Salaries	$	17,009	25,563
Compensation		20,760	-
Service charges		740	11,730
	$	38,509	37,293

17. Pledged Assets

(1) Assets pledged as collateral as of December 31, 2012 and 2011, were as follows:

			December 31,	
Pledged assets	Purpose of pledge		2012	2011
Buildings and improvements	Short-term borrowings and long-term loans payable	$	1,931,673	1,904,971
Machinery and equipment	Long-term loans payable		2,445,412	1,067,102
Time deposits (recorded in	Guarantees for solar energy		246	246

Pledged assets	Purpose of pledge	December 31, 2012	2011
other financial assets－non-current)	system demonstration		
		$ 4,377,331	2,972,319

(2) 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, 2012, book values of the buildings and machinery were as follows:

	December 31, 2012	2011
GlobalWafers	$ 36,822	47,949
Sino Sapphire	-	18,888
	$ 36,822	66,837

18. Commitments and Contingencies

Aside from those matters discussed in Notes 10 and 16, the commitments and contingencies were as follows:

(1) 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 contracts. Material supply is guaranteed by the suppliers. 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, 2012, the materials for future delivery from suppliers under the current effective agreements were as follows:

	December 31, 2012
	(In thousands)
USD	459,055
EUR	47,357

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. As of December 31, 2012, the amounts of future product delivery under current effective sales agreements were as follows:

	December 31, 2012
	(In thousands)
USD	747,108
EUR	237,329
NTD	4,764,405

(2) As of December 31, 2012 and 2011, the Company had issued promissory notes of $5,100,000 and $6,175,000, respectively, as collateral for bank loans.

(3) As of December 31, 2012 and 2011, the Company had paid a performance bond to the Hsinchu Science Park Administration and the Customs Administration of the Ministry of Finance and for research plan purposes in the amount of $26,087 and $41,318, respectively.

(4) 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, 2012, minimum lease commitments in future years under the current operating lease agreements were as follows:

		Amount
January 2013 to December 2017	$	20,998
January 2018 to December 2027		33,365
	$	**54,363**

(5) On August 17, 2012, the Company submitted an arbitration request to the Arbitration Association of the R.O.C. due to faulty machinery received from the equipment vendor. The claim was USD 8,307 thousand. Because the machinery was spun off to Sino Sapphire, the related rights and obligations were assumed by Sino Sapphire, the sole arbitration claimant, and the claim amount remained USD 8,307. The arbitration claim had no effect on the Company’s financial operations.

19. Significant Disaster: None.

20. Subsequent Events: None.

21. Other Information

(1) The personnel expenses, depreciation, and amortization, categorized by function, for the years ended December 31, 2012 and 2011, were as follows:

	2012			2011		
Account	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel expenses:						
Salaries	329,392	186,156	515,548 $	841,674	187,843	1,029,517
Labor and health insurance	35,989	9,409	45,398	64,426	11,069	75,495
Pension	14,585	5,273	19,858	33,263	7,572	40,835
Others	19,720	3,023	22,743	52,369	6,718	59,087
Depreciation	1,163,663	36,295	1,199,958	1,300,821	73,086	1,373,907
Amortization	-	-	-	85	3	88

The salary expense for the years ended December 31, 2012 and 2011, includes employee bonuses and remuneration of directors and supervisors of $0.

(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. As of December 31, 2010, the loss reserve was $448,334, which caused the retained earnings to be overstated by $448,334. The recognition of actual loss on outward investment was determined based on the reduction of capital contribution. As of December 31, 2011, since the Company had executed a restructuring plan and transferred 100% ownership of the American subsidiary GT to GWI in May 2011, and investment in GT was permanently cancelled, and loss reserve was reversed and recognized in the 2011 income statement.

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

	December 31,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						

US Dollars	11,203	29.126	326,299	12,930	30.275	391,456
JPY	539,443	0.3391	182,925	222,941	0.3906	87,081
EURO	84	38.480	3,232	359	39.180	14,066
Equity-method investment						
USD	36,577	29.126	1,065,355	68,791	30.275	2,082,648
Financial liabilities						
Monetary Items						
US Dollars	8,494	29.126	247,396	2,055	30.275	62,215
JPY	395	0.3391	134	377,355	0.3906	147,395

(4) The Company has disclosed the IFRS conversion status in the consolidated financial statements.

(5) Reclassification

Some accounts and amounts in the 2011 financial statements were adjusted in response to the presentation of the 2012 financial statements. The said reclassification did not have a material impact on the financial statements.

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

Statement

Pursuant to the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations" and to “No . 07, Consolidated Financial Statements, of Statements of Financial Accounting Standards”, SAS shall prepare the affiliates' consolidated financial statements and issue the declaration, which has been issued and placed in the affiliates' financial statement.

Sino-American Silicon Products Inc.

Chairman Ming-Kung Lu

SINO-AMERICAN SILICON PRODUCTS INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

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, 2012 and 2011, 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 the subsidiaries GlobalWafers Japan Co., Ltd., for the year ended December 31, 2012, GlobiTech Incorporated for the years ended December 31, 2012 and 2011 and an equity method investee, Sunrise Global Solar Energy Corporation, for the years ended December 31, 2012 and 2011, 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 differences between acquisition cost and identifiable net assets, for which we have performed the required procedures and adjusted accordingly, is based solely on the reports of the other auditors. The amounts included for GlobiTech Incorporated, GlobalWafers Japan Co., Ltd., and Sunrise Global Solar Energy Corporation are based solely on the reports of the other auditors. The total assets of GlobiTech Incorporated and GlobalWafers Japan Co., Ltd. were NT$18,470,221 thousand and NT$3,040,610 thousand (48% and 10% of consolidated total assets) as of December 31, 2012 and 2011, respectively, and their total revenue was NT$8,812,351 thousand and NT$2,331,660 thousand (46% and 13% of consolidated total revenue) for the years ended December 31, 2012 and 2011, respectively. The related long-term investment balances of NT$1,537,095 thousand and NT$1,831,485 thousand as of December 31, 2012 and 2011, respectively, and the investment loss amounting to NT$294,390 thousand and amounting to NT$124,900 thousand in 2012 and 2011, 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 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, 2012 and 2011, 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 26, 2012

<u>Note to Readers</u>

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

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

Assets		2012	2011
Current assets:			
Cash (note 4)	$	2,113,385	4,532,226
Financial assets at fair value through profit or loss (note 5)		-	43,922
Notes and accounts receivable, net (note 6)		3,341,263	1,204,256
Accounts receivable from related parties (note 19)		106,442	98,099
Other financial assets – current (note 19)		180,112	14,237
Inventories, net (note 7)		3,505,342	1,335,313
Prepayments for materials (note 21)		1,994,095	1,335,910
Other current assets (note 17)		413,250	218,104
		11,653,889	8,782,067
Long-term investments:			
Equity-method investments (note 8)		1,545,124	1,839,581
Available-for-sale financial assets – non-current (note 5)		703,328	1,054,168
Financial assets carried at cost – non-current (note 5)		1,399,409	1,904,118
Other financial assets – non-current (note 20)		515,527	19,590
		4,163,388	4,817,457
Property, plant and equipment (notes 9, 19 and 20)**:**			
Land		890,001	24,232
Buildings and improvements		14,694,484	4,691,409
Machinery and equipment		43,780,417	10,316,590
Other equipment		2,458,166	1,509,353
		61,823,068	16,541,584
Less: accumulated depreciation		(44,358,163)	(6,157,153)
Prepayments for equipment and construction in progress		588,265	754,762
		18,053,170	11,139,193
Intangible assets (note 10)**:**			
Goodwill		622,507	647,385
Land use rights		9,247	9,759
		631,754	657,144
Other assets:			
Deferred charges and other assets (notes 14 and 17)		281,491	27,561
Long-term prepayments for materials (note 21)		3,552,092	4,003,448
		3,833,583	4,031,009
Total Assets	$	38,335,784	29,426,870

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity	2012	2011
Current liabilities:		
Short-term borrowings (notes 11 and 20)	$ 1,991,355	1,020,694
Notes and accounts payable	2,750,105	600,770
Payroll and bonus payable	595,189	225,562
Current portion of revenue received in advance for sales (notes 19 and 21)	2,147,637	1,232,513
Current portion of long-term loans payable (notes 12 and 20)	1,787,789	1,995,000
Accrued expenses and other current liabilities	549,930	470,778
Onerous contracts provision – current	884,478	-
	10,706,483	5,545,317
Long-term liabilities:		
Long-term loans payable (notes 12 and 20)	3,329,071	1,100,000
Other liabilities:		
Onerous contracts provision	1,980,453	-
Accrued pension liabilities (note 14)	1,290,696	42,877
Other liabilities – others (notes 9, 17 and 19)	228,945	173,286
Revenue received in advance for sales – non-current (notes 19 and 21)	2,045,158	3,572,582
	5,545,252	3,788,745
Total liabilities	19,580,806	10,434,062
Stockholders' equity (notes 5 and 15):		
Common stock	5,231,191	4,431,191
Capital surplus	14,878,908	12,141,389
Retained earnings:		
Legal reserve	987,717	944,846
Special reserve	604,810	-
Unappropriated earnings (accumulated deficits)	(1,378,560)	2,080,192
	213,967	3,025,038
Other stockholders' equity:		
Foreign currency translation adjustment	(459,621)	161,317
Unrecognized pension cost	-	(51)
Loss on available-for-sale financial assets	(1,107,472)	(766,076)
Treasury stock	(256,695)	-
	(1,823,788)	(604,810)
Parent company stockholders' equity	18,500,278	18,992,808
Non-controlling interests	254,700	-
Total Stockholders' Equity	18,754,978	18,992,808
Commitments and contingencies (notes 19 and 21)		
Total Liabilities and Stockholders' Equity	$ 38,335,784	29,426,870

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		2012	2011
Revenue (note 19)	$	19,390,593	17,648,921
Less: sales returns and allowances		308,588	131,684
		19,082,005	17,517,237
Processing revenue and others		7,325	31,826
Net revenue		19,089,330	17,549,063
Cost of goods sold (notes 7 and 19)		18,188,222	15,813,764
Gross profit		901,108	1,735,299
Operating expenses:			
Selling		496,245	121,685
General and administrative		817,782	308,419
Research and development		799,685	550,546
		2,113,712	980,650
Operating income (loss)		(1,212,604)	754,649
Non-operating income and gains:			
Interest income		30,745	34,189
Government grants		37,708	23,211
Gain on disposal of investments		61,507	6,979
Foreign exchange gain, net		-	77,732
Unrealized gain on valuation of financial assets (note 5)		-	43,922
Other income		-	62,031
		129,960	248,064
Non-operating expenses and losses:			
Interest expense		282,513	68,760
Investment loss recognized by equity method (note 8)		294,457	121,609
Foreign exchange loss, net		229,084	-
Impairment loss on financial assets (note 5)		720,413	250,000
Other expense		72,926	-
		1,599,393	440,369
Income (loss) before income taxes		(2,682,037)	562,344
Income tax benefit (expenses) (note 17)		321,566	(133,638)
Net income (loss)	$	**(2,360,471)**	**428,706**
Net income attributable to:			
Shareholders of the parent	$	(2,367,952)	428,706
Non-controlling interest		7,481	-
	$	**(2,360,471)**	**428,706**

		2012 Before Tax	2012 After Tax	2011 Before Tax	2011 After Tax
Earnings (Loss) per share (in dollars) (note 16)					
Basic (loss) earnings per share	$	**(5.57)**	**(4.90)**	**1.34**	**1.02**
Diluted earnings per share			$	**1.33**	**1.01**

SINO-AMERICAN SILICON PRODUCTS INC. AND SU BSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated earnings (accumulated deficit)	Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Non-controlling interest	Total
Balance at January 01, 2011	$ 3,820,256	9,574,891	587,985	-	4,220,074	(106,758)	(21,178)	352,014	-	-	18,427,284
Appropriation of earnings (note 1):											
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
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
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(1,118,090)	-	-	(1,118,090)
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
Balance at December 31, 2011	4,431,191	12,141,389	944,846	-	2,080,192	161,317	(51)	(766,076)	-	-	18,992,808
Appropriation of earnings:											
Legal reserve	-	-	42,871	-	(42,871)	-	-	-	-	-	-
Special reserve	-	-	-	604,810	(604,810)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(443,119)	-	-	-	-	-	(443,119)
Issuance of common stock for cash	800,000	2,652,073	-	-	-	-	-	-	-	-	3,452,073
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	83,564	-	-	-	-	-	-	-	-	83,564
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(341,396)	-	-	(341,396)
Pension adjustment — unrecognized pension cost	-	-	-	-	-	-	51	-	-	(664)	(613)
Foreign currency translation adjustments	-	-	-	-	-	(620,938)	-	-	-	(6,075)	(627,013)
Disposal of subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	-	78,080	78,080
Adjustment arising from changes in percentage of ownership in equity-method investees	-	1,882	-	-	-	-	-	-	-	175,878	177,760
Treasury stock acquired	-	-	-	-	-	-	-	-	(256,695)	-	(256,695)
Net loss for 2012	-	-	-	-	(2,367,952)	-	-	-	-	7,481	(2,360,471)
Balance at December 31, 2012	$ 5,231,191	14,878,908	987,717	604,810	(1,378,560)	(459,621)	-	(1,107,472)	(256,695)	254,700	18,754,978

Note 1: Directors' and supervisors' remuneration and employee bonuses amounting to $53,012 and $397,590, respectively, were excluded from net income for 2010.

Note 2: There were no directors' and supervisors' remuneration and employee bonuses for 2011.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income (loss)	$ (2,360,471)	428,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,275,786	1,767,848
Provision for (reversal of) allowance for doubtful accounts	(6,751)	5,350
Provision for (reversal of) inventory obsolescence and devaluation loss	(26,332)	49,633
Investment loss recognized by equity method	294,457	121,609
Cash dividends received from equity-method investees	-	9,540
Cash dividends received from available-for-sale financial assets	-	76,419
Loss on disposal of property, plant and equipment	1,968	133
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	83,563	43,698
Gain on disposal of equity-method investment	(61,507)	(6,979)
Impairment loss on financial assets	720,413	250,000
Unrealized loss (gain) on valuation of financial assets	43,922	(43,922)
Expense with no effect on cash flow	72,571	223,356
Change in operating assets and liabilities:		
Notes and accounts receivable	(167,952)	1,182,056
Notes and accounts receivable from related parties	(8,343)	201,582
Inventories	458,165	621,377
Prepayments for materials	1,241,528	(200,009)
Other financial assets – current	(165,875)	10,869
Deferred income tax assets	(270,102)	(129,300)
Other operation-related assets	510,416	(114,245)
Notes and accounts payable	(941,019)	(1,133,954)
Revenue received in advance	(612,300)	35,790
Accrued pension liabilities	30,071	3,069
Deferred credits	(19,389)	4,589
Other operation-related liabilities	(779,807)	(653,603)

Net cash provided by operating activities	1,313,012	2,753,612
Cash flows from investing activities:		
Acquisition of a subsidiary net of cash acquired	(7,809,439)	-
Acquisition of available-for-sale financial assets – non-current	-	(15,767)
Increase in equity-method investment	-	(837,000)
Acquisition of financial assets carried at cost	(257,050)	(579,660)
Proceeds from disposal of equity-method investments and available-for-sale financial assets	70,951	14,436
Acquisition of property, plant and equipment	(805,041)	(3,045,570)
Proceeds from disposal of property and equipment	-	84,458
Increase in deposits-out	(256,406)	(5,301)
Increase in restricted assets	(12,648)	(9,747)
Increase in deferred charges	(127,031)	(7,170)
Net cash used in investing activities	(9,196,664)	(4,401,321)

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

		2012	2011
Cash flows from financing activities:			
Increase in short-term borrowings		970,661	798,925
Increase in long-term loans payable		11,511,025	680,000
Repayment of long-term loans		(9,469,965)	(1,354,000)
Payments of cash dividends		(443,119)	(2,010,661)
Proceeds from capital increase		3,452,073	940,000
Treasury stock acquired		(226,753)	-
Disposal of subsidiary to non-controlling interest		78,080	-
Subscription to subsidiary's capital increase by cash by non-controlling interest		177,760	-
Net cash provided by (used in) financing activities		6,049,762	(945,736)
Effect of exchange rate changes on cash		(584,951)	55,045
Net decrease in cash		(2,418,841)	(2,538,400)
Cash at beginning of year		4,532,226	7,070,626
Cash at end of year	**$**	**2,113,385**	**4,532,226**
Supplemental disclosures of cash flow information:			
Cash payments of interest (excluding capitalized interest)	**$**	**194,876**	**69,456**
Cash payments of income taxes	**$**	**166,474**	**549,624**
Non-cash investing and financing activities:			
Issuance of common stock to acquire available-for-sale financial assets	**$**	**-**	**1,851,892**
Current portion of long-term loans payable	**$**	**1,787,789**	**1,995,000**
Bonuses to employees – stock	**$**	**-**	**70,000**
Acquisition of property, plant and equipment:			
Increase in property, plant and equipment	$	829,529	2,775,715
Changes in payables for equipment		(24,488)	269,855
	$	**805,041**	**3,045,570**
Treasury stock acquired			
Increase in treasury stock	$	256,695	
Changes in current liabilities		(29,942)	
	$	**226,753**	
Cash used in acquisition of subsidiaries			
Non-cash assets acquired	$	16,429,653	
Liabilities assumed		(8,620,214)	
	$	**7,809,439**	

(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 R.O.C 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 GreTai Securities Market ("GTSM") 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 and transferred its sapphire business to Sino Sapphire by issuing 40,000 thousand new shares at $40 per share. The relevant information about the spin-off is as follows:

	GlobalWafers	Sino Sapphire	Total
Assets:			
Accounts and notes receivable	$ 608,266	96,528	704,794
Other receivables – related parties	1,193,500	744,082	1,937,582
Inventories	305,475	144,893	450,368
Prepaid inventory	888,204	-	888,204
Deferred income tax assets – 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	391,219	684,553
Prepayment for equipment and construction in progress	51,982	204,683	256,665
Leasehold improvements	-	50,899	50,899
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

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

As of December 31, 2012 and 2011, the Company had 3,121 and 1,883 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, 2012	2011
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	98.6	100
SAS	Sino Sapphire	Manufacturing and trading of optoelectronic wafers and substrates	95.12	100
SAS	GWVI Inc. (GWVI)	Various investments	-	100
SAS	GlobiTech Incorporated (GTI)	Production of epitaxial wafers and silicon wafers, and operation of a wafer foundry	Note(b)	Note(b)
GlobalWafers	Global Semiconductor Inc. (GSI)	Various investments	100	100
GlobalWafers	Global Wafers Inc. (GWI)	Various investments	100	100
GlobalWafers	GWafers	Various investments	100	100

Name of investor	Name of investee	Main activities	Percentage of ownership at December 31, 2012	2011
SSTI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trade of ingots and wafers	Note(b)	Note(b)
GSI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trade of ingots and wafers	100	100
GWI	GTI	Production of epitaxial wafers and silicon wafers, and operation of a wafer foundry	100	100
GWVI	GWCM Inc. (GWCM)	Various investments	-	100
GWafers	Global Wafers Japan Co., Ltd. (GWJ, original name CVS)	Silicon material for manufacture and trading	100	-
GWJ	Covalent Materials Sekikawa Corporation (CVMS)	Silicon material for manufacture and trading	Note(b)	-

On April 25, 2012, the board meeting resolutions of the Company and Sino Sapphire, in order to expand the operating scale and enhance competiveness and operating performance, approved the merger of Sino Sapphire into Crystalwise Technology Inc. On June 13, 2012 the shareholders' meetings of both companies also resolved to approve this merger and set January 1, 2013, as the acquisition date. Crystalwise Technology Inc. was the surviving company, and Sino Sapphire was the dissolved company. The surviving company assumed the dissolved company's rights and obligations. The exchange rate was 1 share of Sino Sapphire for 1.8967 shares of Crystalwise Technology Inc. The merger has been approved by the authority.

(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.

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

GWVI ended its operation on January 1, 2012, and completed liquidation on March 15, 2012. GWCM completed de-listing.

On August 10, 2012, 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.

On October 25, 2011, a board meeting resolved to amend the above restructuring to have GWafers, a subsidiary of GlobalWafers, replace GWCM as acquirer for acquisition of CVS, and the legal transfer date was April 1, 2012. A follow-up board meeting resolution changed the name of CVS to Global Wafers Japan Co., Ltd. (GWJ). The acquisition date was April 1, 2012, and the Company has included operations starting from April 1, 2012, of CVS and CVMS, a 100%-owned subsidiary of CVS, in the consolidated financial statements.

(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 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 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 Non-current 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 non-current 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 are 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 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 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.

(8) Disposal of Accounts Receivable

The following three conditions must be met before a sale can be recorded:

i. The transferred assets have been isolated from the transferor;
ii. The transferees have obtained the right to pledge or exchange either the transferred assets or beneficial interest in the transferred assets;
iii. The transferor does not maintain effective control over the transferred assets through an agreement to repurchase or redeem them before their maturity.

The difference between the proceeds from accounts receivable factoring and the book value of accounts receivable is accounted for as loss and included in the income statement.

(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 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 an 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, Idle Assets, and Capital Lease Assets

Property, plant and equipment are stated at cost. The initial cost of a capital lease is the lower of fair value of the leased property or the present values of total lease payable and bargain purchase or any guarantee by the Company at the inception of the lease. A leased asset shall be amortized in a manner consistent with the Company's normal depreciation policy for owned assets. 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.

(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 intangible 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 is 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, SAS 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 R.O.C Labor Pension Act (hereinafter referred to as the “New Act”), employees who elected to participate in the New Act or joined SAS 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 R.O.C Bureau of Labor Insurance. Anything not covered by the original retirement plan is handled pursuant to the New Act.

GWJ has an employee retirement plan covering all regular employees. This plan provides pension benefits based on the years of service, salary, position and retirement payment rate. The payout ratio is stipulated in the retirement plan.

For the defined benefit plan under the R.O.C Labor Standards Law (“the Plan”), 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 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 R.O.C Labor Standards Law, SAS and its domestic subsidiaries contribute monthly at the rate of 2% of salaries and wages to a pension fund.

Under defined contribution pension plan, 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.

Except for SSTI, GSI, GWI, GWVI, GWCM, and GWafers, which do not recognize pension costs as they have no employees, the foreign subsidiaries established employee defined contribution retirement plans based on local government regulations and recognize pension costs in the period when the actual contributions are made.

(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 between January 1, 2004, and December 31, 2007.

(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 approval from the board of directors is required.

(16) Treasury Stock

The Company repurchases its outstanding stock and recognizes it as treasury stock at cost. If the disposal price is more than the book value of treasury stock, the difference will be presented under capital surplus – treasury stock transactions. The difference will be offset with capital surplus resulting from transactions of the same sort of treasury stock if the book value is more than the disposal price. The difference will be charged to retained earnings if capital surplus is insufficient.

Upon retirement of treasury stock, the “capital stock” and “capital surplus – additional paid-in capital” are debited on a pro rata basis. If the book value exceeds the sum of the par value of capital stock and the premium on stock issuance, the difference is charged against capital surplus arising from the same class of treasury stock transactions, and the remainder, if any, is charged against retained earnings. If the book value is less than the sum of the par value of capital stock and the premium on stock issuance, the difference is credited to capital surplus arising from the same class of treasury stock transactions.

When treasury stock is transferred to employees as bonus, compensation cost is measured by the use of option pricing models if the date of grant is after January 1, 2008, and is amortized over the requisite service period. The grant date is the date when the transfer of treasury stock, number of shares, and price are determined. If approval for the number of shares and price is required, the grant date is the date of approval.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

Effective from 2012, pursuant to Article 40 of the “Business Mergers and Acquisition Act”, the Company has adopted filing a combined final business income tax return with its subsidiaries, and SAS is elected as the taxpayer for such combined final business income tax return to declare a combined final business income tax as provided in the Income Tax Act, and to declare the undistributed earnings with an additional ten percent business income tax; however, any other tax-related matters shall be carried out separately by the Company and its subsidiary companies.

SAS and its subsidiaries firstly calculated their respective income tax provisions according to SFAS No. 22 “Income Taxes”, and reconciled the difference between the separate income tax returns and a combined final business income return. The differences were allocated to all Group entities on a reasonable, systematic, and consistent basis and consequently to the current year’s income tax expenses and deferred income tax expenses.

According to the R.O.C 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.

(21) 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.

SAS'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.

(22) 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.

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 statement was to regulate the disclosure of operating segment information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which an entity 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.

4. Cash

The components of cash as of December 31, 2012 and 2011 were as follows:

		December 31,	
		2012	2011
Cash on hand	$	1,167	808
Time deposits		-	946,776
Cash in banks		2,112,218	3,584,642
	$	**2,113,385**	**4,532,226**

5. Financial Instruments

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

		December 31,	
		2012	2011
Publicly listed companies:			
Solartech Energy Corp.	**$**	520,223	789,028
Actron Technology Corp.		183,105	265,140
	$	**703,328**	**1,054,168**

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,	
		2012	2011
Non-publicly listed stocks:			
Equity investment	$	2,500,992	2,309,437
Accumulated impairment loss		(1,101,583)	(405,319)
	$	**1,399,409**	**1,904,118**

		December 31,	
		2012	2011
Movement of accumulated impairment loss was as follows:			
Accumulated loss, beginning of period	$	405,319	147,411
Current-period loss		720,413	250,000
Effect of changes in foreign exchange rates		(24,149)	7,908
Accumulated loss, end of period	$	1,101,583	405,319

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 SILFAB SPA, ZE Poly Pte Ltd., and Clean Venture 21 Corporation had been impaired due to operating losses; therefore, the Company recognized impairment loss amounting to $720,413 and $250,000 for the years ended December 31, 2012 and 2011, respectively.

In line with the operating strategy, taking into consideration industry upstream and downstream integration and business strategy, the board resolved to invest in Powertec Energy Corporation and increase investment in ZE Poly Pte Ltd. in the first half of 2011, amounted to $250,000 and $29,660, respectively.

In the first quarter of 2012, the Company continued to invest in Powertec Energy Corporation in the amount of $148,000, and in the second quarter of 2012, the Company initially invested in Sunshine PV Corp. in the amount of $50,000. As of December 31, 2012 and 2011, the Company's percentages of ownership in Powertec Energy Corporation were 12.04% and 13.63%, respectively, the percentage of ownership in ZE Poly Pte Ltd. was 19.10%, and the percentages of ownership in Sunshine PV Corp. were 2.99% and 0%, respectively.

(3) 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 $(6,407) and $43,922 for the years ended December 31, 2012 and 2011, respectively, accounted for as the Company's foreign exchange gain (loss).

6. Notes and Accounts Receivable, Net

Notes and accounts receivable as of December 31, 2012 and 2011, were as follows:

	December 31, 2012	December 31, 2011
Notes receivable	$ 129,489	69,124
Accounts receivable	3,212,909	1,142,159
Less: allowance for doubtful accounts	(1,135)	(7,027)
	$ 3,341,263	**1,204,256**

As of December 31, 2012, information on the Company's account receivable factoring was as follows:

Counter party	Factoring amount	Collection of receivables	Factoring loss	Commission expenses	Quota
DAISHI Bank (Company A)	$ 7,272,742	7,039,569	33,173	24,000	6,000,000
DAISHI Bank (Company B)	1,927,838	1,914,070	13,768	7,200	1,800,000
	$ 9,200,580	**8,953,639**	**46,941**	**31,200**	**7,800,000**

The quota for the above account receivable factoring was revolving.

As stipulated in the factoring agreement, for commercial disputes (such as sales returns and discounts), the Company will absorb any loss, while losses due to credit risk are absorbed by the banks.

7. Inventories, Net

The components of inventories as of December 31, 2012 and 2011, were as follows:

	December 31, 2012	December 31, 2011
Merchandise	$ 184,460	42,533
Less: provision for devaluation	(274)	(330)
	184,186	42,203
Finished goods	1,115,357	480,033
Less: provision for devaluation	(80,268)	(61,773)
	1,035,089	418,260
Work in process	930,655	143,970
Less: provision for devaluation	(57,610)	(11,345)
	873,045	132,625
Raw materials	1,111,853	569,313
Less: provision for devaluation	(125,392)	(39,868)
	986,461	529,445

	December 31, 2012	December 31, 2011
Supplies	460,176	239,165
Less: provision for devaluation	(33,615)	(26,385)
	426,561	212,780
	$ 3,505,342	1,335,313

In 2012 and 2011, the components of cost of goods sold as a result of the net realizable value of inventory being lower than its cost, and the circumstances that caused the net realizable value of inventory to be higher than its cost were classified as follows:

	2012	2011
Physical inventory gain	$ -	(21)
Loss on (reserved of) inventory devaluation	(26,332)	49,633
Unallocated fixed factory overhead	575,504	-
	$ 549,172	49,612

8. Equity-Method Investments

Investee	December 31, 2012 Amounts	December 31, 2012 Percentage of ownership	December 31, 2011 Amounts	December 31, 2011 Percentage of ownership
Equity-Method Investments:				
Sunrise Global Solar Energy Corp. (SGSE)	$ 840,439	15.23%	1,011,786	15.26%
Sinosolar Corp.	704,685	41.88%	827,795	41.88%
	$ 1,545,124		1,839,581	

	2012	2011
Investment loss recognized by equity method, net	$ (294,457)	(121,609)

Note: As of December 31, 2012, the Company's percentage of ownership in SGSE, which was indirectly invested in through Sinosolar Corp. had decreased from 47.58% to 45.10% due to employees of SGSE exercising options.

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:

	2012				
	Beginning balance	Additions	Amortization	Foreign currency translation	Ending balance
Amortized assets	$ 213,698	-	(57,298)	-	156,400

	2011				
	Beginning balance	Additions	Amortization	Foreign currency translation	Ending balance
Amortized assets	$ 274,748	-	(61,050)	-	213,698

9. Leased Assets

As of December 31, 2012, the details of the Company's leased assets were as follows:

	2012
Leased Assets	$ 336,075
Loss: Accumulated depreciation	(125,327)
	$ 210,748

As of December 31, 2012, the Company's leases payable were as follows (accounted for as the Company's accounts payable and other liabilities – other):

Lessor	Lease Period	2012
Covalent Materials Corp.	02.28, 2012~02.28, 2013	$ 154,542
Covalent Materials Corp.	02.28, 2012~02.28, 2013	18,816
Diamond Rental System Inc.	08.07, 2012~08.07, 2017	3,502
Diamond Rental System Inc.	08.07, 2012~08.07, 2017	1,752
Syowa Lease Inc.	07.26, 2012~07.26, 2017	1,013
IBM	03.30, 2012~07.30, 2018	27,865
Diamond Rental System Inc.	10.29, 2012~10.29, 2015	8,777
		216,267
Less: current portion		(77,684)
		$ 138,583

As of December 31, 2012, the Company's future minimum lease payments were as follows:

Year		Amount
2013	$	67,007
2014		53,688
2015		51,386
2016		34,731
After 2016		9,455
	$	**216,267**

10. Intangible Assets

Intangible assets as of December 31, 2012 and 2011, consisted of the following:

	2012				
		Beginning balance	**Amortization**	**Foreign currency translation**	**Ending balance**
Goodwill	$	647,385	-	(24,878)	622,507
Land use rights		9,759	229	(283)	9,247
	$	**657,144**	**229**	**(25,161)**	**631,754**

	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**

11. Short-term Borrowings

As of December 31, 2012 and 2011, details were as follows:

	December 31,	
	2012	2011
Loan for working capital	$ 1,991,355	1,020,694
Unused credit facility	**$ 7,160,037**	**4,277,284**
Interest rate range	**1.20% to 1.739%**	**1.54% to 4.55%**

For the guarantees and pledged assets provided by related parties, please refer to Note 18.

12. Long-term Loans Payable

As of December 31, 2012 and 2011, details were as follows:

		December 31	
Financial institution	**Redemption**	**2012**	**2011**
Citibank Taiwan (lead bank of syndicated loan)	Tranche A repayable quarterly in 17 installments starting from one year after the date of borrowing (March 28, 2012).	$ 2,738,400	-
Citibank Taiwan (lead bank of syndicated loan)	Tranche B from March 28, 2012, to March 4, 2015, revolving medium-term loan and renewal on contractual maturity date as stipulated on application.	203,460	-
Chang Hwa Bank (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing.	300,000	900,000
Mega International Commercial Bank (lead bank of syndicated loan)	Repayable quarterly in 15 installments starting from 18 months after the date of borrowing.	800,000	1,440,000
E. Sun Bank	From June 15, 2009, to June 15,	-	75,000

		December 31	
	2012, repayable quarterly starting from September 15, 2010.		
E. Sun Bank	From July 15, 2012, to July 15, 2015, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	400,000	-

		December 31	
Fubon Bank	From December 29, 2011, to March 24, 2014, repayable monthly starting from January 29, 2012.	-	280,000
Fubon Bank	From October 14, 2012, to October 14, 2014, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	300,000	-
First Bank	From December 26, 2011, to March 23, 2014, repayable monthly starting from January 26, 2012.	-	400,000
First Bank	From July 4, 2012, to July 4, 2014, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	375,000	-
Less: current portion		(1,787,789)	(1,995,000)
		$ 3,329,071	**1,100,000**
Range of interest rates		**1.30% to 3.0389%**	**1.33% to 1.65%**
Unused credit facility		**$ 725,000**	**1,206,769**

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 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 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 March 5, 2012, the Company entered into an agreement for syndicated loan credit facilities of $6,200,000 and Yen$7,750,000 with Citibank and 10 other banks. These credit facilities contained covenants that required the Company, six months after the first date of application, 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 its annual and semiannual consolidated financial statements.

As stipulated in the agreement between the Company and Citibank and 10 other banks, the Company shall give priority to repay the syndicated loan when it has successfully completed a capital increase by cash. On June 22, 2012, the board of directors resolved to increase capital by cash in the amount of $3,461,600, and as of December 31, 2012, the registration procedure was completed. The Company repaid the syndicated loan on July 3, 2012.

As stipulated in the agreement between the Company and Citibank and other banks, the Company can make prepayment and cancellation of borrowing facilities after considering the actual situation. As of December 31, 2012, the remaining balance was Yen$203,460 after the Company had paid off the related liabilities using the refund of acquisition consideration of approximately Yen$4,536 million and the Yen$1,500 million loan from GWJ. As of February 28, 2013, the Company had paid off the remaining debt and cancelled the borrowing facility of Yen$7,750 million.

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, 2012, the credit facilities had been withdrawn on schedule, and no commitment fee was paid.

In 2012, due to suffering a huge loss, the Company was not able to maintain the interest coverage ratio which was stipulated in the loan agreement. For the semiannual consolidated financial statements of 2012, the Company obtained a waiver on the interest coverage ratio from the banks. As of March 26, 2013, the opinion date, the Company had been negotiating with the banks and expected to obtain a waiver from the banks through a formal process subsequent to the opioion date; therefore, the Company did not reclassify long-term loan payable to current liabilities.

Refer to Note 20 for assets pledged as collateral to secure long-term loans payable.

13. Bonds Payable

GWJ issued ordinary bonds in the second quarter of 2012, and the significant terms were as follows:

Par value:	Yen $3,000 million
Original issue date:	May 1, 2012
Original issue price:	At par value
Coupon rate:	Fixed rate 2% annually

Duration:	May 1, 2012 ~ August 31, 2012
Counter party:	Covalent Materials Corporation

As of December 31, 2012, the above bonds had been redeemed.

14. Retirement Plans

The following table sets forth the defined benefit obligation and the amounts recognized related to SAS's and its domestic subsidiaries' retirement plans.

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	$ (19,944)	(15,148)
Non-vested benefit obligation	(57,353)	(54,386)
Accumulated benefit obligation	(77,297)	(69,534)
Additional benefits based on future salary increase	(18,805)	(17,184)
Projected benefit obligation	(96,102)	(86,718)
Fair value of plan assets	28,661	34,183
Funded status	(67,441)	(52,535)
Unrecognized net transition obligation	36,378	(6,700)
Unrecognized pension loss	4,142	35,201
Additional accrued pension liabilities	(25,211)	(18,843)
Accrued pension liabilities (included in other liabilities)	**$ (52,132)**	**(42,877)**

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

	December 31, 2012
Vested benefit obligation	$ (549,156)
Non-vested benefit obligation	(698,921)
Accumulated benefit obligation	(1,248,077)
Additional benefits based on future salary increase	-
Projected benefit obligation	(1,248,077)
Unamortized pension loss	9,513
Accrued pension liabilities (included in other liabilities)	**$ (1,238,564)**

The components of net periodic pension cost of SAS's, GlobalWafer's, Sino Sapphire's and GWJ's defined benefit obligation for 2012 and 2011 are summarized as follows:

		2012	2011
Defined benefit plan:			
Service cost	$	62,512	385
Interest cost		17,675	475
Expected return on plan assets		(648)	(191)
Amortization and deferral		53,091	545
Net periodic pension cost		132,630	1,214
Defined contribution plan		32,761	43,355
Total	$	165,391	44,569

As of December 31, 2012 and 2011, the vested benefit of employees meeting the Company's retirement requirements amounted to $573,950 and $19,392, respectively.

Significant underlying actuarial assumptions were as follows:

	December 31,	
	2012	2011
Discount rate	1.24%~ 2.00%	2.00%
Future salary increase rate	2.00%	2.00%
Expected long-term rate of return on plan assets	1.875%	2.00%

The total periodic pension costs of SST and GTI which were recognized in accordance with their local regulations amounted to $9,895 and $9,287 for the years ended December 31, 2012 and 2011, respectively.

15. Stockholders' Equity

(1) Common stock

On September 9, 2011, SAS 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 SAS'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 R.O.C 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 as resolved by a 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 of SAS 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.

Pursuant to a board meeting resolution of SAS on June 22, 2012, SAS increased its common stock by 80,000 thousand new shares for cash at $43.27 per share over the par value, with a total amount of $3,461,600. The premium minus the underwriter expenses of $9,627 was $2,652,073, booked at capital surplus. The registration procedures related to the capital increase were completed, and the increase was authorized and approved by the SFB through its notice letter No. 1010023340. The date fixed for the capital increase was June 29, 2012. Additionally, SAS recognized the compensation cost amounting to $170 from issuance of stock for cash.

As of December 31, 2012 and 2011, the authorized capital of SAS was $8,000,000 and $6,000,000, respectively, of which $200,000 was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2012 and 2011, the issued capital was $5,231,191 and $4,431,191, respectively, with par value of $10 per share.

(2) Employee stock option plans

In June 2010, the board of directors of SAS 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 implemented on August 10, 2011. Starting from the grant date according to the vesting schedule, 40%, 60%, 80% and 100% of the options vest on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

As of December 31, 2012, SAS's outstanding employee stock option plans was as follows:

Item	Authoriza-tion 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 ($)
2010 First Employee Stock Option Plan	November 12, 2010	August 10, 2011	Service periods between two and four years	10,000	60.50	60.50	57.40

For options granted in 2012 and 2011, SAS recognized compensation cost of $83,394 and $27,798, respectively, using the fair value method in accordance with SFAS No. 39 for the years ended December 31, 2012 and 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

A summary of SAS's stock option plans and related information for the years ended December 31, 2012 and 2011, is as follows:

Employee stock options	2012 Options (thousands)	2012 Weighted-ave	2011 Options (thousands)	2011 Weighted-ave
Outstanding at beginning of year	10,000	$59.90	-	-
Options granted	-	-	10,000	60.50
Options exercised	-	-	-	-
Options forfeited (expired)	-	-	-	-
Outstanding at end of year	**10,000**	57.40	**10,000**	59.90
Options exercisable at end of year	**-**	-	**-**	-
Weighted-average fair value of employee stock options (dollars)	**$ 23.36**		**23.36**	

As of December 31, 2012 and 2011, the average remaining contractual life of outstanding employee stock options was 3.66 years and 4.66 years, respectively.

(3) Capital surplus

The components of capital surplus were as follows:

	December 31, 2012	December 31, 2011
Additional paid-in capital	$ 14,491,027	11,838,954
Investments accounted for using equity method	72,659	70,777
Treasury stock transactions	546	546
Employee stock options	314,676	231,112
	$ **14,878,908**	**12,141,389**

According to the revised R.O.C 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 R.O.C 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 the 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.

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 year ended December 31, 2011, the employee bonuses and remuneration to directors and supervisors were based on SAS's net income for the year 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 for the year ended December 31, 2011. SAS did not accrue a bonus to directors and profit sharing to employees due to net loss for the year ended December 31, 2012. SAS also recognized remuneration to directors and supervisors of $0 and $0 for the years ended on December 31, 2012 and 2011, 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 2011 and 2010 which were approved by the stockholders' meeting of SAS on June 27, 2012, and June 17, 2011, respectively, is as follows:

		2011	2010
Dividend per common share:	$	1.00	5.00
Cash		-	0.50
Stock (at par value)	$	1.00	5.50
		-	
Employee bonuses－stock	$	-	70,000
Employee bonuses－cash		-	329,710
Directors' and supervisors' remuneration		-	53,295
	$	-	453,005
Ex-dividend date		August 15, 2012	August 13, 2011

The appropriation of net loss of 2011, however, will be subject to the resolution of SAS annual board of directors' meeting and annual shareholders' meeting; the information is available on the Market Observation Post System website.

(6) Treasury stock

SAS acquired common stock from the GreTai Securities Market in accordance with related regulations of the stock exchange. Details of the treasury stock transactions are as follows:

Purpose		As of January 1, 2012	Increase	Decrease	As of December 31, 2012
For transfer to employees	$	-	7,593	-	7,593

According to the Securities and Exchange Act of the R.O.C., the total shares of treasury stock shall not exceed 10% of a company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital – premium, and realized additional paid-in capital. In compliance with the Securities and Exchange Act of the R.O.C., treasury stock should not be pledged, nor is it entitled to voting rights or dividends.

16. Earnings (Loss) 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, 2012 and 2011, were calculated as follows:

		2012		2011	
		Before taxes	After taxes	Before taxes	After taxes
Basic earnings (loss) per share:					
Net income (loss)	$	(2,692,056)	(2,367,952)	562,344	428,706
Shares of common stock at beginning of year (thousand shares)		443,119	443,119	382,026	382,026
Add: Issuance of new stock (thousand shares)		40,548	40,548	18,597	18,597
Issuance of stockholders' stock dividends and employees stock bonus (thousand shares)		-	-	20,580	20,580
Less: Purchase of treasury stock		289	289	-	-
Weighted-average number of common shares outstanding		483,378	483,378	421,203	421,203
Basic earnings (loss) per common share (NT)	$	(5.57)	(4.90)	1.34	1.02

	2012 Before taxes	2012 After taxes	2011 Before taxes	2011 After taxes
Diluted earnings per share:				
Net income			$ 562,344	428,706
Effects of dilution:				
Weighted-average number of common shares outstanding (thousand shares)			421,203	421,203
Add: Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance (thousand shares)			1,637	1,637
Stock bonus compensation before approval by the stockholders' meeting (thousand shares)			405	405
Diluted weighted-average number of common shares outstanding			423,245	423,245
Diluted earnings per share (NT)			$ 1.33	1.01

Diluted earnings per share in 2012 were not calculated due to the anti-dilutive effect of net loss for the year ended December 31, 2012.

17. 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, part of the tax incentives will be taken over by GlobalWafers and Sino Sapphire. As of December 31, 2012, 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	Exemption from corporate income	November, 2005	2009~2013

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
	earnings and employee bonuses in 2004	taxes for a five-year period		
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
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	Stockholders' investment credits approved on August 6, 2012	-

SAS and its domestic subsidiaries are subject to a statutory income tax rate of 17% for the years ended December 31, 2012 and 2011, and also comply with the "Income Basic Tax Act". Effective from 2012, pursuant to Article 40 of the "Business Mergers and Acquisition Act", SAS has adopted the filing of a combined final business income tax return with its subsidiaries, and SAS is elected as the taxpayer for such combined final business income tax return to declare a combined final business income tax as provided in the Income Tax Act, and to declare the undistributed earnings with an additional ten percent business income tax. Other subsidiaries are subject to local tax law.

The components of income tax expense for the years ended December 31, 2012 and 2011, were as follows:

		2012	2011
Current	$	(65,432)	262,938
Deferred		(256,134)	(129,300)
	$	**(321,566)**	**133,638**

The expected income tax calculated at the statutory tax rate was reconciled with income tax expense (benefit) for the years ended December 31, 2012 and 2011, as follows:

		2012	2011
Income tax on pre-tax income (loss) at the statutory tax rate	$	(441,379)	244,726
Estimated 10% surtax on unappropriated earnings		-	100,002
Income tax exemption		-	(17,000)
Tax effect of permanent differences		86,953	10,090
Investment tax credits		(10,703)	(726,190)
Change in valuation allowance and prior year's adjustment		43,563	522,010
Income tax expense	**$**	**(321,566)**	**133,638**

The components of deferred income tax assets (liabilities) as of December 31, 2012 and 2011, were as follows:

		December 31,	
		2012	2011
Current assets accounted for (other current assets) – current:			
Unrealized foreign currency exchange loss (gain)	$	2,235	(3,381)
Provision for inventory devaluation		22,162	21,105
Unrealized gain on financial liability valuation		-	(7,467)
Others		17,725	938
		42,122	11,195
Less: Valuation allowance		(2,873)	(1,459)
	$	**39,249**	**9,736**

	December 31,	
	2012	2011
Non-current assets (accounted for other assets-other and other liabilities - other:		
Investment tax credits	$ 1,132,873	587,151
Investment income recognized by equity method	10,009	(32,391)
Impairment loss on financial assets carried at cost	3,657	3,657
Foreign currency translation adjustment	64,416	(64,008)
Loss carryforward	505,270	12,887
Others	(121,482)	(154,517)
	1,594,743	352,779
Loss: valuation allowance	(1,393,516)	(506,597)
	$ 201,227	(153,818)
Total deferred income tax assets	$ 1,812,349	624,800
Total deferred income tax liabilities	$ 175,484	260,826
Total valuation allowance	$ 1,396,389	508,056

Pursuant to Article 12 of the R.O.C 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 the Statute for Upgrading Industries, the investment loss recognition is based on the actual reduction in outwardinvestment in direct outward investees. In May 2011, the Company transferred GTI at its net asset value to GWI; accordingly, the Company revised the aforementioned reserve and reversed it back to profit and loss 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 $0 and $60,292 for the years ended December 31, 2012 and 2011, respectively. 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.

And in June 2012, Chunan County delivered the investment tax credit certificate to the Company and approved the qualified the investment of $6,382,462, the applicable tax credit rate of 20%, and the investment tax credit amount of $1,276,492. The tax credit period is 5 consecutive years starting from year 2010; the Company is entitled to income tax payable using the above tax credit. Pursuant to Article 37 of the “Business Mergers and Acquisition Act” and related rulings of the Ministry of Finance, for the machinery and equipment transferred to the spun-off entities, Global Wafer and Sino Sapphire assumed tax credits amounting to $72,148 and $84,082, respectively. After this tax credit appropriation, SAS’s unutilized tax credit was $1,120,262.

As of December 31, 2012, 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	$ 1,132,873

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, 2012, unutilized accumulated losses and their expiry years were as follows:

Period of loss	Unused operating loss carryforward	Expiration year
2011 (declared)	$ 75,776	2021
2012 (estimated)	1,481,935	2022
	$ 1,557,711	

As of December 31, 2012, GWJ’s unused operating loss carryforwards and related expiration years were as follows:

Expiration year	Unused operating loss carryforward
2019	$ 620,816
2020	1,057,409
2021	706,495
	$ 2,384,720

As of December 31, 2012, SAS’s income tax returns for all fiscal years up to 2008 have been examined and approved by the R.O.C. Tax Authority, while those of GlobalWafers and Sino Sapphire had not.

Information related to the unappropriated earnings and the imputation credit account ("ICA") of SAS as of December 31, 2012 and 2011, is as follows:

	December 31, 2012	December 31, 2011
Unappropriated earnings (accumulated deficits):		
Earned before January 1, 1997	$ 10,095	10,095
Earned after January 1, 1998	(1,388,655)	2,070,097
	$ (1,378,560)	**2,080,192**
ICA balance	**$ 187,217**	**312,102**
Creditable ratio for earnings distribution to resident stockholders	**-** **(estimated)**	**18.77%** **(actual)**

18. Information on Financial Instruments

(1) Derivative financial instruments

Please refer to Note 5(2) for detailed information on derivative financial instrument transactions in 2012 and 2011.

(2) Non-derivative financial instruments

As of December 31, 2012 and 2011, except for certain financial assets and liabilities identified below, the carrying amounts of financial instruments approximated their fair value.

	December 31, 2012		December 31, 2011	
	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	1,399,409	see (3)(c) below	1,904,118	see (3)(c) below
Off-balance-sheet financial instruments:				
Guarantee	-	4,619,830	-	1,024,001

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

(g) The Company's non-derivative financial assets and liabilities with short-term maturities include notes and accounts receivable/pabables (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.

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

(i) 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.

(j) 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.

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

(l) 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:

	December 31,			
	2012		2011	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:				
Cash	$ 2,113,385	-	4,532,226	-
Financial assets at fair value through profit or loss – current	-	-	-	43,922
Available-for-sale financial assets – non-current	703,328	-	1,054,168	-
Notes and accounts receivable (including related parties)	-	3,447,705	-	1,302,355
Other financial assets – current	-	180,112	-	14,237
Other financial assets – non-current	-	515,527	-	19,590

	December 31,			
	2012		2011	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial liabilities:				
Short-term borrowings	-	1,991,355	-	1,020,694
Notes and accounts payable (including related parties)	-	2,750,105	-	600,770
Payroll and bonuses	-	595,189	-	225,562
Accrued expenses and other current liabilities	-	549,930	-	470,778
Long-term loans payable (including current portion)	-	5,116,860	-	3,095,000

(4) Financial risk information

(e) Market price risk

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 be exposed to the risk of fluctuations in market interest rates and market prices, which would result in changes in fair values of these equity securities.

(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, 2012 and 2011, 22% and 40%, 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, 2012 and 2011, if interest rates increased by 0.25%, the future annual interest expense would increase by $17,771 and $8,289, respectively.

19. 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
Sinosolar Corporation	Equity investee
Solartech Energy Corporation (Solartech)	An SAS director (note)
Directors, supervisors, president and vice president	The Company's management team

Note: 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, 2012 and 2011, were as follows:

	2012		2011	
	Amount	Percentage of net sales (%)	Amount	Percentage of net sales (%)
ATC	$ 351,500	2	350,720	2
Solartech	322,808	2	461,325	3
SGSE	20,884	-	593,356	3
	$ 695,192	**4**	**1,405,401**	**8**

The sales price for sales to the above related parties and third parties were not different. The credit terms for the related parties were between month-end 35 days ~ next month-end 60 days during 2012 and 2011, while the terms for third parties were month-end 0~120 days for both 2012 and 2011.

As of December 31, 2012 and 2011, accounts receivable resulting from sales to related parties were as follows:

	December 31,			
	2012		2011	
	Amount	Percentage of total receivables (%)	Amount	Percentage of total receivables (%)
Solartech	$ 20	-	3,142	-
ATC	106,422	3	94,932	7
	$ 106,442	**3**	**98,074**	**7**

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, 2012 and 2011, revenue received in advance for sales to the aforementioned related parties was as follows (accounted for as the Company's revenue received in advance for sales – non-current):

	December 31, 2012	December 31, 2011
Solartech	$ 1,143,077	1,177,531
SGSE	310,291	310,360
	$ 1,453,368	1,487,891

(b) Purchases, outsourcings, and accounts payable

Purchases from and outsourcing to related parties for the years 2012 and 2011 were as follow:

	2012		2011	
	Amount	Percentage of net purchases (%)	Amount	Percentage of net purchases (%)
Solartech	$ 3,486	-	44,342	-
SGSE	361	-	34,828	-
	$ 3,847	-	79,170	-

The purchase prices of inventory were determined by market conditions. As inventory procurement from related parties is different from that from third parties, no comparable prices existed. The payment terms of related parties were between next month-end 15 days ~ month-end 45 days and month-end 45 days during 2012 and 2011, respectively, while the terms of third parties were month-next end to next month-end 120 days for the years in 2012 and 2011.

As of December 31, 2012 and 2011, 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 Sinosolar amounted to $25, recorded in other financial assets – current.

Royalty revenue and processing revenue

On January 21, 2011, the Company entered into a technology and patent cross-licensing contract with SGSE. The cross-licensing period of the contract is 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.

In 2012, the Company provided processing service to SGSE and charged $1,080, accounted for as revenue. As of December 31, 2012, the receivable had been collected.

(3) Compensation of the principal management team

For the years ended December 31, 2012 and 2011, the compensation of the principal management team, including all directors and supervisors, the president, and the vice president, was as follows:

		2012	2011
Salaries	$	45,436	31,309
Compensation		21,660	-
Service charges		785	15,174
Employee bonuses		100	-
	$	**67,981**	**46,483**

20. Pledged Assets

Assets pledged as collateral as of December 31, 2012 and 2011, were as follows:

Pledged assets	Purpose of pledge	December 31, 2012	December 31, 2011
Land buildings and improvements	Short-term borrowings and long-term loans payable	$ 6,866,773	1,908,261
Machinery and equipment	Long-term loans payable	2,695,777	1,133,939
Machinery	Revenue received in advance	17,493	185,275
Land use rights	Short-term borrowings	-	1,448
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	7,490	2,747
Time deposits (recorded in other financial assets— non-current)	Guarantee for customs duty	8,097	7,000
Time deposits (recorded in other financial assets— non-current)	Guarantees for solar energy system demonstration	246	246
		$ 9,595,876	3,238,916

21. Commitments and Contingencies

Aside from those matters discussed in Notes 10 and 11, the commitments and contingencies were as follows:

(1) Effective 2005, the Company 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 the Company on the schedule stipulated in the contracts. Material supply is guaranteed by the suppliers. 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. For the agreements which were still in negotiation, the Company has accrued the onerous contracts provision and the related loss was accounted for cost of good sold.

As of December 31, 2012, the materials for future delivery from suppliers under the current effective agreement were as follows:

	December 31, 2012 (In thousands)
USD	$ 577,094
EUR	139,357
JPY	$ 123,800,000

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, 2012, the amounts of future product delivery under current effective sales agreements were as follows:

	December 31, 2012 (In thousands)
USD	747,108
EUR	237,329
NTD	4,764,405

(2) GTI has entered into several sales prepayment agreements with customers. According to these agreements, from October 2010 to 2014, the customers agree to make prepayments and purchase a minimum volume on a quarterly basis, and accordingly, GTI is obligated to supply a minimum production volume. Furthermore, if the customers meet the minimum quarterly procurement, GTI is obligated to return the amount received in advance.

(3) In May 2005, MEMC Southwest Inc. filed a lawsuit against GTI in a United States District Court in Texas asserting improper employment of former employees of MEMC Southwest Inc. and the use of its business secrets. This lawsuit is still pending and not yet set for trial. Management believes ultimately there is only a very small chance of an unfavorable outcome at trial, provided that the case makes its past summary judgment and since MEMC Southwest Inc. has not filed for a specific dollar amount of damages.

(4) Before acquisition of GWJ, GWJ employees filed an occupation injury complaint again GWJ to seek a certain amount of compensation. Due to acquisition of GWJ, the related obligation was assumed by the Company. As of the opinion date, the Company had agreed to pay only part of the amount of the compensation, which does not have a significant impact on current operations.

(5) As of December 31, 2012 and 2011, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $110,014 and $10,526, respectively.

(6) As of December 31, 2012 and 2011, SAS had issued promissory notes of $5,100,000 and $6,175,000, respectively, as collateral for bank loans.

(7) As of December 31, 2012 and 2011, SAS had paid a performance bond to the Hsinchu Science Park Administration and the Customs Administration of the Ministry of Finance for research plan purposes in the amount of $26,087 and $41,318, respectively.

(8) In 2012 and 2011, the details of the maximum credits which the Company had provided as guarantees to financial institutions for its subsidiaries were as follows:

Guarantor	Guarantee	2012		2011	
		(In thousands)			
SAS	GTI	USD	24,000	USD	18,000
SAS	SSTI	USD	13,600	USD	13,600
SAS	GWafers	NTD	3,300,000		-
SAS	GWJ	JPY	525,551		-
GlobalWafers	SAS	NTD	2,000,000		-
GTI	SAS	NTD	500,000		-
GWafers	SAS	NTD	15,000		-
GlobalWafers	GWafers	NTD	900,000		-
GTI	GWafers	NTD	485,000		-

The details of these guarantees as of December 31, 2012 and 2011, were as follows:

Guarantee	December 31, 2012	December 31, 2011
SSTI	-	USD 13,600
GTI	USD 24,000	USD 18,000
GWafers	NTD 1,923,400	-
GWJ	JPY 525,581	-

(9) 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 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 $2,747. 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, 2012, minimum lease commitments in future years under the current operating lease agreements were as follows:

Period	Amount
January 2013 to December 2017	$ 54,673
January 2018 to December 2031	74,805
	$ 129,478

GWJ entered into operating leases with unrelated parties, primarily for land, plant and office equipment, and the lease agreements cover the period from January 1, 2013, to December 31, 2020. The aggregate future rental payments of GWJ as of December 31, 2012, consist of the following (in thousands of Japanese Yen)

Year Ending December 31,	Amount

Year Ending December 31,	Amount
2013	$ 427,000
2014	427,000
2015	427,000
2016	427,000
After 2017	1,281, 000
	$ 2,989,000

(10) On August 17, 2012, the Company submitted an arbitration request to the Arbitration Association of the R.O.C. due to faulty machinery received from the equipment vendor. The claim was for US$8,307 thousand. The arbitration claim had no effect on the Company's financial operations.

22. Significant Disaster Loss: None.

23. Subsequent Events: None.

24. Other Information

(1) The personnel expenses, depreciation, and amortization, categorized by function, for the years ended December 31, 2012 and 2011, were as follows:

	2012			2011		
Account	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel expenses:						
Salaries	1,926,474	563,334	2,489,808	1,123,129	307,465	1,430,594
Labor and health insurance	275,649	61,576	337,225	102,050	18,033	120,083
Pension	147,160	28,126	175,286	43,711	10,145	53,856
Others	205,977	52,542	258,519	71,964	11,030	82,994
Depreciation	3,132,991	135,047	3,268,038	1,666,947	94,703	1,761,650
Amortization	2,232	5,516	7,748	1,631	4,567	6,198

(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. As of December 31, 2010, the loss reserve was $448,334, which caused the retained earnings to be overstated by $448,334. The recognition of actual loss on outward investment was determined based on the reduction of capital contribution. As of December 31, 2011, since the Company had executed a restructuring plan and transferred 100% ownership of GT to GWI in May 2011, and investment in GT was permanently cancelled, and loss reserve was reversed and recognized in the 2011 income statement..

(3)Acquisition

As discussed in 2(1), in order to advance operating synergy in the semiconductor segment, on April 1, 2012, GWafers, a subsidiary of GlobalWafers, acquired CVS and CVMS, which are engaged in the semiconductor silicon wafer business and are subsidiaries of Covalent Materials Corporation based in Japan. After negotiation, the consideration for acquisition was $8,403,066 (approximately Yen$23.143 billion) plus the direct acquisition cost of $129,793, resulting in total consideration of $8,532,859.

The Company adopted SFAS 25 “Business Combinations” for acquisition of CVS (including its 100%-owned subsidiary CVMS), and the purchase price allocation was as follows:

Consideration - Cash		$ 8,532,859
Current assets	$ 7,268,271	
Property, plant and equipment	9,487,143	
Other assets	397,659	
Current liabilities	(4,061,061)	
Long-term liabilities	(4,559,153)	
Fair value of identifiable net assets assumed		8,532,859
Excess of cost over underlying net assets		**$** -

The following represents the pro forma information as if CVS and CVMS had been included in the consolidated statements of operations for the entire years ending December 31, 2012 and 2011:

	2012	**2011**
Net revenue	$ 22,340,583	31,197,716
Income (loss) before income taxes	(2,589,585)	617,528
Income (loss) after income taxes	(2,291,903)	483,890
Earnings (loss) per share - after tax (in NT dollars)	(4.74)	1.15

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

	December 31,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	95,626	29.126	2,785,203	96,020	30.275	2,907,006
JPY	7,296,518	0.3391	2,474,249	1,367,739	0.3906	534,239
RMB	-	-	-	61,257	4.807	294,462
EURO	969	38.480	37,287	572	39.18	22,411

	December 31,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial liabilities						
Monetary Items						
USD	58,203	29.126	1,695,221	37,156	30.275	1,124,898
JPY	5,149,259	0.3391	1,746,114	394,310	0.3906	154,017
RMB	-	-	-	17,759	4.807	85,368
EURO	276	38.480	10,620	-	39.18	-

25. 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 semi silicon materials, and the main products are silicon-related components. The main operations of Solar are R&D, manufacturing, and sales of solar 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

In 2012, the Company allocated non-operating income (loss), tax expense (benefit) or non-recurring gains and losses to reportable segments, and in 2011, the Company did not allocate non-operating income (loss), tax expense (benefit) or non-recurring gains and losses to reportable segments. The reported amounts are in accordance with the reports used by the chief operating decision maker. The accounting policies of the operating segments 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:

	2012				
	Semi	Solar	Opto	Adj.	Total
Revenue					
From outsiders	$ 14,033,884	4,354,602	700,844	-	19,089,330
Inter-segment	6,208	18,968	237	(25,413)	-
Total revenue	$ 14,040,092	4,373,570	701,081	(25,413)	19,089,330
Segment profit (loss)	$ 893,019	(2,921,476)	(51,734)	(280,280)	(2,360,471)
Depreciation and amortization	$ 1,924,020	1,199,958	151,808	-	3,275,786
Segment assets	$ 23,021,247	13,022,031	1,686,170	(938,788)	36,790,660
Long-term equity investment					1,545,124
Total assets					$38,335,784

	2011				
	Semi	Solar	Opto	Adj.	Total
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	18,850,518	1,653,575	(2,409,298)	27,587,289
Long-term equity investment					1,839,581
Total assets					$29,426,870

(3) General information

(a) Information by product and service

		2012	2011
Solar energy ingot	$	321,413	509,497
Solar energy chip		2,818,428	11,456,296
Semiconductor ingot		606,452	33,729
Semiconductor chip		12,219,967	4,779,782
Sapphire chip		700,845	737,933
Others		2,422,225	31,826
	$	19,089,330	17,549,063

(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 non-current assets are recognized based on the location of the asset.

I. Revenue from third parties:

Area		2012	2011
Taiwan	$	8,108,499	9,503,097
Japan		5,405,546	2,274,203
United States		2,078,674	1,097,352
China		1,100,011	751,001
Korea		479,183	1,881,040
Other countries		1,917,417	2,042,370
	$	19,089,330	17,549,063

II. Non-current assets:

		December 31,	
Area		2012	2011
Taiwan	$	9,842,132	11,155,845
China		892,787	1,158,541

Area	December 31, 2012	December 31, 2011
United States	3,243,257	3,500,637
Japan	8,317,731	-
	$ 22,295,907	15,815,023

(c) Information on significant customers

Significant information on customers that account for more than 10% of net sales:

	2012	2011
TOSHIBA	$ 2,951,675	-
Solartech	322,808	2,163,382
	3,274,483	2,163,382

6.6 The Impact on the Company’s Financial Status in Cases where the Company or its Affiliates have Financial Difficulties: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NTD $1000

Item \ Year	2012	2011	Difference	
			Amount	%
Current Assets	2,345,976	5,201,256	(2,855,280)	(54.90)%
Long-term Investment	18,498,237	13,345,665	5,152,572	38.61%
Fixed Assets	4,850,205	6,034,006	(1,183,801)	(19.62)%
Other Assets	3,150,096	4,197,949	(1,047,853)	(24.96)%
Total Assets	28,844,514	28,778,876	65,638	0.23%
Current Liabilities	4,946,735	5,089,853	(143,118)	(2.81)%
Long-term Liabilities	3,329,071	1,100,000	2,229,071	202.64%
Other Liabilities	2,068,430	3,596,215	(1,527,785)	(42.48)%
Total Liabilities	10,344,236	9,786,068	558,168	5.70%
Capital	5,231,191	4,431,191	800,000	18.05%
Capital Surplus	14,878,908	12,141,389	2,737,519	22.55%
Retained Earnings	213,967	3,025,038	(2,811,071)	(92.93)%
Equity - Other	(1,823,788)	(604,810)	(1,218,978)	201.55%
Total Equity	18,500,278	18,992,808	(492,530)	(2.59)%

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. 20102.4.1 is record date of newly acquired subsidiary, as a result, cash drops.

(2) Other Assets: Increased over previous period mainly due to newly acquired 100% subsidiary

(3) Long-term Liabilities: Decreased over the previous period mainly due to accounts receivable of carve-out.

(4) Long-term Liabilities: Increased mainly due to syndicated loan for acquiring CVS.

(5) Other Liabilities: Decreased over previous period mainly due to realign one-year sales contract as short-term contract.

(6) Capital Surplus: Increased over previous period mainly due to capital increase via issuance at a premium rate

(7) Retained Earnings: Decreased over previous period mainly due to loss of the year

(8) Equity – Other: Decreased over the previous period mainly due to recognition of Actron Technology Corp. and Solartech Energy Corp. unrealized losses.

(9) 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

	2012		2011		Percent Change	
	Subtotal	Total	Subtotal	Total	Increase (Decrease)	（%）
Total Operating Revenue	4,387,142		14,958,460		(10,571,318)	(70.67)%
Less: Sales Returns	13,572		129,892		(116,320)	(89.55)%
Net Operating Revenue		4,373,570		14,828,568	(10,454,998)	(70.51)%
Operating Cost		6,309,596		14,027,109	(7,717,513)	(55.02)%
Less: Unrealized Profits From Sales On Inter-Affiliate Accounts		—		—	—	—
Gross Profit		(1,936,026)		801,459	(2,737,485)	(341.56)%
Operating Expense		285,333		568,501	(283,168)	(49.81)%
Operating Profit		(2,221,359)		232,958	(2,454,317)	(1,053.54)%
Non-Operating Income And Profit		131,530		195,234	(63,704)	(32.63)%
Non-Operating Expense And Loss		418,957		59,384	359,573	605.50%
Continuing Operations' Income Before Tax		(2,508,786)		368,808	(2,877,594)	(780.24)%
Less: Income Tax Expense		(140,834)		(59,898)	(80,936)	135.12%
Cumulative Effect Of Changes In Accounting Principles		—		—	—	—
Continuing Operations' Income After Tax		(2,367,952)		428,706	(2,796,658)	(652.35)%

Analysis of changes in these ratios:

Variation is caused by European subsidy reduction as well as over supply; selling price is lower than production cost, resulting in huge loss. New syndicated loan interests, loss recognition of reinvestment, USD & JPY depreciation also impact non-operating financial performance.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis for the Recent Two Years

Item	2012	2011	Change (%)
Current Ratio (%)	(5.43)%	8.34%	(165.11)%
Cash Flow Adequacy Ratio (%)	29.28%	41.58%	(29.58)%
Cash Flow Reinvestment Ratio (%)	(2.51)%	(5.90)%	(57.46)%

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 2012.
2. The cash flow adequacy ratio decreased over the previous period mainly due to the decrease in cash provided by operating activities in 2012.
3. The cash flow reinvestment ratio increased over the previous period mainly due to the decrease in cash provided by operating activities in 2012.

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
459,154	(268,582)	(1,945,867)	(1,755,295)	-	Bank Loan

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, which will generate a net cash outflow.
   C. Financing activities: Net cash inflow mainly from short-term and long-term loans,

2. Remedy measures for expected capital shortfalls and liquidity analysis: Subsidiary stock dividend inflow.

7.4 Major Capital Expenditure Items influence on Financial Business

7.4.1 Major Capital Expenditure Items and Source of Capital: NA

7.4.2 Forecast possible resulting effects: NA

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	2012 Profits (Losses) Recognized	Major Reasons For Profits Or Losses	Improvement Plan	Investment Plant For Following Year
Sino Silicon Technology Inc.	(707,608)	Recognize asset impairment loss	None	None
GlobalSemiconductor Inc.	(152,846)	Recognize partial loss of reinvestment in SSTI	Strategically concentrate resources and focus on high level, high value products.	None
GlobalWafers Co., Ltd.	980,346	Market demand soars, profit from recognizing the subsidiary revenue	None	None
Sino Sapphire Co., Ltd.	(51,734)	Impact from global economic recession, and loss occurred.	Strategically concentrate resources and focus on high level, high value products, deducting cost, improve selling combination and increase market share	None
GlobiTech Incoporated(GT)	95,938	Profit from brisk market demand	None	None
GlobalWafers Inc.(GWI)	0	Closed on March 15, 2012	None	None
Kunshan Sino Silicon Technology Co., Ltd.	(153,555)	Operating loss recognized owing to disorder in market supply/demand	Improve quality via Japan subsidiary technical support. Explore market to increase performance	None
Sunrise Global	(747,328)	Investing for	Strategically	None

Solar Energy		vertical integration. Loss from disorder of supply/demand and solar recession in 2012	concentrate resources and focus on high level, high value products, deducting cost, improve selling combination and increase market share	
SinoSolar Co., Ltd.	(293,960)	Initial deployment is impacted by falling inquiry in solar industry, hard to profit and result in loss	In order to integrate resources and strengthen competitiveness, SAS BOD resolved to merge Sinosolar via cash acqusition on May 7 2013. Sinosolar is the extinguished company.	None

7.6 Analysis of Risk Management

7.6.1 Corporate Structure For Risk Management

Board of Directors	Monitor government laws, review corporate regulations and ensure effectiveness of operation and risk management
President's office	Risk management of operation, laws, crisis evaluation and countermeasure
MIS	Risk management of Information Technology
Audit	Connection of operation goal, risk tolerance and strategy, actively assist affiliated risks of enterprise group.
Administration	Evaluate and assess interest rate, forex rate, finance, current ad credit risks. Responsible for financial risks management and countermeasure.
Procurement	Carefully monitor to prevent monopoly and forcing up price, also cooperate with various suppliers for risk diversification
Sales	Assess market risks and take countermeasure; in charge of Accounts Receivables to secure orders.
Manufacturing	Manage production and quality, exception, utilization of raw materials, plant constructions and maintenances, expansion preparation and execution.
Research & Development	Risk management of product design and life cycle, and draft countermeasure.
SAS has specific system to monitor production and manufacturing risk: Responsible unit: RD analyzes rivals' patents via TIPS & APQPS while developing new product; fabricate strategy to avoid patent conflict so as to ensure rights of SAS as well as clients. Keep up with technology trend to grasp insight of product life cycle. Manufacturing unit regularly review the possibility of adopting new process and	

improvement of present procedure according to product functions and complaints, so as to prevent risks.

7.6.2 Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

Item	2012 (NTD:1,000; %)
Net Interest Income	(185,262)
Net Forex Income	(137,542)
Net Interest Income as percentage of net revenue	(4.24)%
Net Interest Income as percentage of Earnings Before Tax	7.38%
Net Forex Income as percentage of net revenue	(3.14)%
Net Forex Income as percentage of Earnings Before Tax	5.48%

(1) **Interest Rate**

2012 short/long-term loans adopt floating interest rate, market rate variation also affects effective Interest rate and future cash inflow. One hiking market rate results in cash outflow of NTD$17,771,000.

(2) **Exchange Rate**

SAS exports/ imports in foreign currency. Owing to changes in industry, almost all foreign currencies hedged in 2012. SAS severely monitors balance, no major influence on operation.

(3) **Inflation**

Influenced by oil price, international material price rises in 2012. Owing to keen competition between our suppliers, procuring cost reduces. In terms of production cost, inflation causes no major influence.

7.6.3 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. 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 $1,491,282,000 as of the date of this Annual Report.

7.6.4 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 17.5% (target-17.8%)	NTD 160 million	2014.06	Design on heat simulation in multicrystal grower and Crucible
Energy Saving multicrystal growth technology development	Electricity consumption of ingot down to 13 degree per kg (Target: 10 degree)	NTD 130 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 550kg per grower (Target: 650kg)	NTD 130 million	2014.12	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 180 million	2016.12	Temperature consistency and airflow stability in Epitaxial reactor
8" heavily-doped ingot growth technology development	Puller evaluation	NTD 300 million	2014.12	Hot zone design and simulation
GaN on Silicon epi wafer technology development	Thin wafer with high intensity development (Target: 675um for GaN substrate)	NTD 120 million	2014.12	Wafer intensity improvement and flatten substrate

7.6.5 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.

7.6.6 Impact of Technological Change and Industry Changes upon the Financial Standing of the Company and the Countermeasures:

Solar industry plunges and impact profit. Semiconductor revives with soaring revenue contributed by reinvestments. 2013 solar industry expects balance owing to increasing demand and limited supply. SAS focus on value-added products to elevate our uniqueness. Semiconductor group continues to integrate resources from Taiwan, USA, Japan and Mainland China, aiming at the most efficient production allocation. 2013 performance will improve with global economy, contributing to SAS group revenue.

7.6.7 Impact of Changes in Company Image on Crisis Management and Countermeasures: None

7.6.8 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. CVS ware renamed GlobalWafers Japan and broke even since December, 2012, becoming the engine of group revenue growth.

7.6.9 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 2012. Semiconductor performs no extension neither having strategic acquisition undergoing.

7.6.10 Risks Associated with any Consolidation of Sales or Purchasing Operations: None

7.6.11 Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None

7.6.12 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

Key performance Indicator, KPI
Being an manufacturer, below KPI are crucial:

1. Finance
   2012 accounts receivable rate – 14.25
   2012 accounts payable rate –25
   Inventory turnover rate – 12.94
   Fixed asset turnover rate – 0.91
   Total asset turnover rate – 0.15
   Accounts receivable rate & Accounts payable rate are critical KPI for operation fund.

2. Customer structure
   Customer satisfaction, complaints and after service are our crucial KPI. 2012 customer satisfaction scores 83.1.

3. Internal procedure
   2012 inventory turnover rate – 13.27%
   SAS equips with internal procedure for severe monitoring on defect rate.
   Preferred shipping date/location, SAS always achieves.

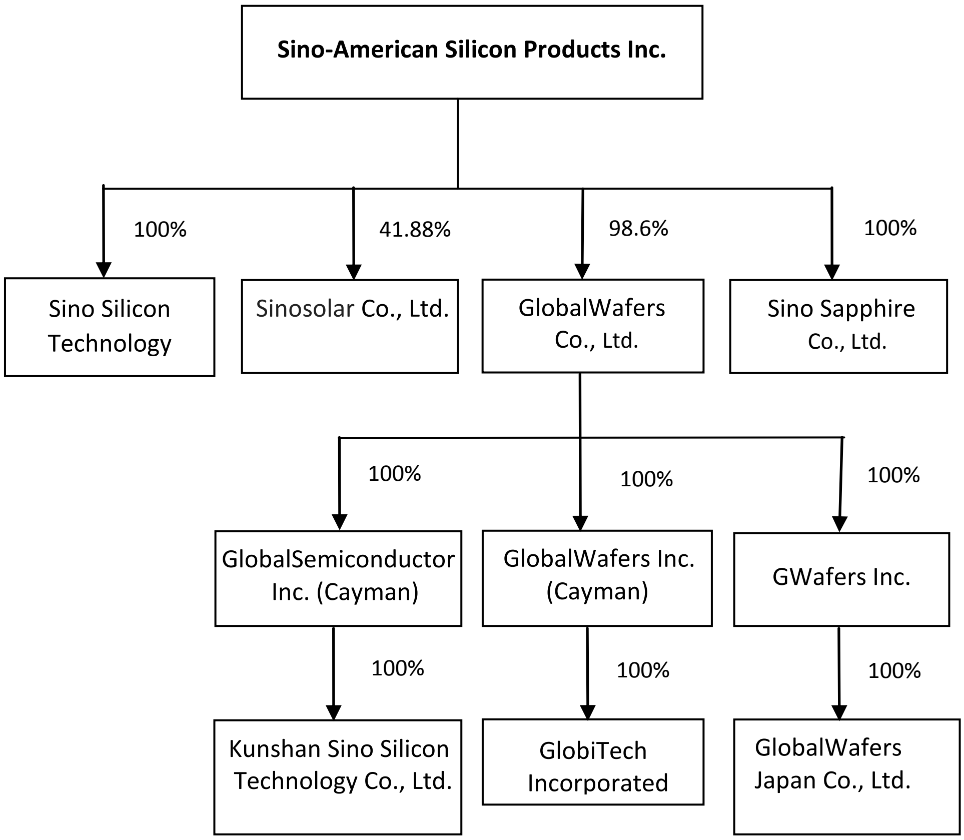
4. Learning and career advancement
   2012 revenue/employee – NTD$6,120,000
   Training (internal/external) – 6,335 (people)
   SAS advocates IT capability regularly via training classes.
   Patents: 139 (domestic/abroad)
   (2012.01.01～ the printing date of this annual book)

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 47,024	Shareholding, international trading
Sinosolar Co., Ltd.	2012.01.17	No.16, Guangfu N. Rd., Hukou Township, Hsinchu County 303, Taiwan	NTD 1,976,530	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.	2012.05.11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003	USD 73,423	Shareholding, international trading
GlobalSemiconductor Inc.	2012.05.11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003	USD 26,555	Shareholding, international trading
GWafers Inc.	2012.10.25	6-861-5, Seiro-machi Higashiko, Kitakanbara-gun, Niigata Prefecture 957-0197, 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 25,000	Wafer products manufacturing, selling
GlobiTech Incorporated	1998.12.15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 1	Epitaxial wafer and EPI foundry trade
GlobalWafers Japan Co., Ltd.	2011.04.01	6-861-5, Seiro-machi Higashiko, Kitakanbara-gun, Niigata Prefecture 957-0197, Japan	NTD 5,753,510	Semiconductor wafer manufacturing, selling

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	47,023,797 Shares	100%
SinoSolar Co., Ltd.	Chairman	Ming-Kuang Lu	0 Share	0
	Director/ President	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao	82,779,408 Shares	41.88%
GlobalWafers Co., Ltd.	Chairwoman/ President	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	313,056,000 Shares	98.60%
	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	38,048,000 Shares	95.12%
	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	90,000,000 Shares	98.60%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	25,000,000 Shares	98.60.%
GWafers Inc.	Director	Hsiu-Lan Hsu	0 Share	98.60%
	Director	Einoshin Endo		
Kushan Sino Silicon Technology Company	Chairman	Sino Silicon Technology Inc. Representative: Tan-Liang Yao	0 Share	98.60%
	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	1 Share	98.60%
	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		
GlobalWafers Japan Co., Ltd.	Chairman	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	128,002 Shares	98.60%
	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:Masaoka Toro		
	Director	Sino-American Silicon Products Inc. Representative: Einoshin Endo		
	Supervisor	Sino-American Silicon Products Inc. Representative: Chung Wei Lee		

8.1.6 Operation Highlights of Affiliated Companies

Financial status and operation of affiliated companies

2012/12/31 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.	1,479,483	1,094,493	29,137	1,065,356	0	-586	-707,608	0.00
Sinosolar Co., Ltd.	1,976,530	1,682,575	5	1,682,570	0	-207	-293,960	0.00
GlobalWafers Co., Ltd.	3,175,000	15,206,394	2,028,315	13,178,079	5,141,973	812,769	980,346	3.44
Sino Sapphire Co., Ltd.	400,000	1,686,170	215,717	1,470,453	701,081	-51,132	-51,734	-1.29
GlobalWafers Inc.	1	0	0	0	0	0	0	0.00
GlobalSemiconductor Inc.	756,809	835,048	14,735	820,313	112,642	503	-152,846	0.00
GWafers Inc.	2,713	8,484,561	767,884	7,716,677	0	-12,416	-434,933	0.00
Kushan Sino Silicon Technology Company	769,177	1,583,090	762,472	819,618	1,364,121	-172,497	-153,555	0.00
GlobiTech Incorporated	1	2,972,001	930,945	2,041,056	2,651,269	93,353	95,938	0.00
GlobalWafers Japan Co., Ltd.	5,753,510	16,319,959	3,742,596	12,577,363	9,692,558	-627,056	-377,140	0.00

Foreign exchange rate as of 2012/12/31 USD：NTD=1：29.126 JPY：NTD=0.3991：1

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.164 of the audited consolidated financial statements of 2012.

Statement

Pursuant to the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations" and to “No . 07, Consolidated Financial Statements, of Statements of Financial Accounting Standards”, SAS shall prepare the affiliates' consolidated financial statements and issue the declaration, which has been issued and placed in the affiliates' financial statement.

Sino-American Silicon Products Inc.

Chairman Ming-Kuang Lu

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)