

# **Sino-American Silicon Products Inc.**

## **2014 Annual General Shareholders' Meeting Minutes**

Time: 9:00 a.m., Tuesday, June 26, 2014

Place: 2F, No. 1. Industrial East Road 2, Science-Based Industrial Park, Hsinchu  
(Science Park Life Hub/Darwin Hall)

Total common shares outstanding: 523,143,081 shares

Attending shareholders and proxy representing: 374,687,516 shares

Ratio of Attending shareholders and proxy representing to total common shares outstanding:  
71.62%

Presence of directors and supervisors: 10

Director	Ming-kung Lu
	Tan-liang Yao
	Hsiu-lan Hsu
	Ling-ling Sun
	Wen-huei Tsai
	Mau-yang Company Representative: Tie-chih Sun
	Ting-ko Chen
	Angela Huang
Supervisor	Su-mei Yang
	May-yuan Chang
Chairman	Ming-kung Lu

### **1. Call Meeting to Order:**

The aggregate shareholding of the presenting shareholders constituted a quorum.

### **2. Chairman's Address:(Omitted)**

### **3. Report Items**

- a. The business of 2013
- b. Supervisors' review report
- c. 2013 execution status of endorsement and guarantee
- d. Amendment to the depreciable life of production equipment report

#### **4. Approval Items**

##### **Item 1**

(Proposed by the Board of Directors)

Proposal: To accept FY 2013 business report and financial statements

Description:

- (1) SAS' 2013 Standalone and Consolidated Financial Statements were audited by KPMG CPAs, Tseng, Mei-Yu, and Chen, Chien-Chen. The aforementioned and FY 2013 business report have been approved by BOD and Supervisors.
- (2) Please refer to the Business Report and the Financial Statements as attached in this meeting minutes.
- (3) Approval requested.

Resolution: Unanimously approved by all attending shareholders.

##### **Item 2**

(Proposed by the Board of Directors)

Proposal: To approve the proposal for 2013 profit distribution

Description:

- (1) As of the beginning of 2013, the Company's retained earnings based on (ROC GAAP) is NT\$0, adding effect of transition to IFRSs amounting to NT\$102,349,086, offsetting adjusted net income for 2012 from ROC GAAP transition to IFRSs amounting to NT\$206,697,914, the adjustment of actuarial losses 2012 is NT\$15,532,756, with the opening balance of appropriated IFRSs special capital reserve amounting to NT\$102,349,086 and the opening balance of accumulated offset the company net losses based on IFRSs amounting to NT\$222,230,670 and also offset movement of actuarial losses amounting to NT\$8,464,402, and then adding net profit after tax amounting to NT\$295,118,039. After setting aside the legal reserve amounting to NT\$6,442,297 and special reserve amounting to NT\$ 57,980,670, consequently, the retained earnings available for distribution is NT\$0.
- (2) In accordance with the aforesaid, no dividends of shareholders, employees and remuneration of directors will be distributed this year.
- (3) Please refer to the statement of distribution of 2013 retained earnings as attached in this meeting minutes.
- (4) Approval requested.

Resolution: Unanimously approved by all attending shareholders.

## **5. Discussion and Election Items**

### **Item 1**

(Proposed by the Board of Directors)

Proposal: To propose the distribution of cash dividend through capital reserve, submitted for discussion

Description:

- (1) The Company plans to distribute cash dividend through capital reserve of NT\$523,143,081. The distribution ratio is determined by the holding ratio of shareholders in the register of shareholders on the record date of the distribution. Each share will be distributed NT\$1 cash dividend.
- (2) The capital reserve will be distributed cash rounding to dollar unit. Upon the approval of the Annual Meeting of Shareholders, the record date of ex-dividend is scheduled on July 19, 2014 and the dividend payment date is proposed to be August 8, 2014.
- (3) In the event that the proposed capital reserve distribution is affected by an amendment to relevant laws or regulations, a buyback of shares or issuance of new shares for transferring treasury shares to employees or for equity conversion in connection with domestic, it is proposed that the Chairman be authorized to deal with dividend-related matters.
- (4) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

### **Item 2**

(Proposed by the Board of Directors)

Proposal: To revise Articles of Incorporation, submitted for discussion.

Description:

- (1) A partial amendment to the Articles of Incorporation is proposed in response to the regulation amendment and business needs of the Company.
- (2) Please refer to the Comparison Chart of the Articles of Incorporation as attached in this meeting minutes.
- (1) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

### **Item 3**

(Proposed by the Board of Directors)

Proposal: Acquisition or Disposal Procedure revision, submitted for discussion.

Description:

- (1) A partial amendment to Acquisition or Disposal Procedure is proposed in response to the regulation amendment and business needs of the Company.
- (2) Please refer to the Comparison Chart of Acquisition or Disposal Procedure as attached in this meeting minutes.
- (3) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

#### **Item 4**

(Proposed by the Board of Directors)

Proposal: To abolish Rules for Election of Directors and Supervisors and to establish Rules for Election of Directors, submitted for discussion.

Description:

- (1) In response to Article 14-4 of the Securities and Exchange Law, it is proposed to set up an Audit Committee and abolish the Rules for Election of Directors and Supervisors, replaced by the Rules for Election of Directors.
- (2) Please refer to the Rules for Election of Directors as attached in this meeting minutes.
- (3) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

#### **Item 5**

(Proposed by the Board of Directors)

Proposal: To issue new shares through GDR or local SPO or Private Placement, submitted for discussion.

Description:

- (1) To meet the development of alliance with major companies and to increase working capital, prepayment of bank loan, purchase of equipment and machinery for future needs, and long-term investments and/or others to improve competitiveness, the Company proposes to authorize the Board to issue new stocks up to 60,000,000 shares under appropriate conditions and in determination of the method of stock issuance in common shares or in GDR for common shares or private placement for common shares, and adjustment of issuing size within the said quota at once or through installment.
- (2) Principles and Conducting of Raising Funds
  1. The issuance of new common shares for capital increase in cash  
Pursuant to the Article 28-1 of Securities and Exchange Act, Board of Directors delegates Chairman to choose either book building or public application regarding underwriting and proceed as below:
    - I. Book Building  
Unless otherwise the Article 267 of the company law to retain 10%-15% new

issuance shares for the company employees, and the remaining 85%-90% according to the Securities and Exchange Act Rule 28-1, shall be given up by the original shareholders resolved by the shareholder's meeting and all provided with public application in the book building method. In case the actual purchases of the reserved stock options for the employees falls short, the chairman is authorized to negotiate with specific parties to purchase those shares at the issue price in accordance with the Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms.

The issue price by the Taiwan Securities Association Rules Governing Issue Company raising and issuing securities (hereinafter "Discipline Principles") may not be lower than 90% of the average closing prices of common shares of the Company for either the one, three, or five business days before either the date on which the application is filed with the Financial Supervisory Commission or the five business days before the ex-rights date. The aforementioned price should be determined in compliance with related requirements of competent authorities. The Chairman of the Board of Directors will be authorized to negotiate with the lead underwriter to have actual price determined in light of market status and will submit the proposal to the Financial Supervisory Commission Executive Yuan, R.O.C., Securities and Futures Bureau for approval.

## II. Public Application Offering

Pursuant to the Article 267 of Company Act, 10%-15% of the new share issuance will be reserved for employees' preemptive subscription and 10% will be reserved for public offer. The remaining 75%-80% of the share issuance will be reserved for preemptive purchase of original shareholders based on the shareholder's name and his/her shares registered in the shareholders roster at the dividend record date. For the issuance not subscribed by employees and the original shareholders in proportion or as a whole, the chairman of the Board is to be authorized to negotiate with specific parties to purchase shares at issuing price. The issue price of new common shares from the cash capital increase may not be lower than 70% of the average closing prices of common shares of the Company for either the one, three, or five business days before either the date on which the application is filed with the Financial Supervisory Commission or the five business days before the ex-rights date. The average closing price mentioned above shall be after adjustment for any distribution of stock/cash dividends or capital reduction.

## 2. The issuance of GDR for the new common shares from cash capital increase

I. Pursuant to the Article 267 of Company Act, 10%-15% of the share issuance will be reserved for employees' preemptive subscription. For those stocks not subscribed by employees in proportion or as a whole, the chairman of the Board is to be authorized to negotiate with specific parties to purchase the unsubscribed

share in common stock or GDR of subscription at the issuing price in accordance with the market development. For the remaining 85%-90% of issuance, based on the Article 28-1 of the Securities and Exchange Act, the board proposes to offer through public application offering for the issuance of GDR according to the Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms.

II. The issuing price of new common shares for capital increase in cash or the issuing price of GDR for the new common shares from cash capital increase is to be determined based on general practices worldwide and it shall not affect shareholder's interests. However, the final issuing price is to be determined by the lead underwriter and the Chairman of the Board who is authorized by the Shareholders' Meeting by referring to market conditions at the time of issuance; also, it must be in compliance with related requirements of competent authorities.

a. According to the "Disciplinary Rules", the issuing price of the new common shares from cash capital increase may not be lower than 90% of the closing price of common shares on the Over-The-Counter securities market on the price determination day or 90% of average closing price of the common shares of the Company for either one, three, or five business days before the price determination date, after adjustment for any distribution of stock/cash dividends or capital reduction. The aforementioned price may adjust when variation occurred in domestic requirements. Since domestic share price may vary excessively within a short period, the Chairman of the Board of Directors will be authorized to negotiate with the lead underwriter to have actual price determined in light of international conventions, capital market, domestic share price and overall book building.

b. For the rights of original shareholders, the issuance of new shares for cash capital increase up to 60,000,000 common shares will have the maximum dilution effect of at 11.47%. The funds raised from the capital increase in cash shall generate sustainable growth in Company's business; reinforce competitiveness, and surely benefit shareholders. GDR issue price is determined according to fair value domestically. Over-The-Counter securities market, original shareholders may purchase common stock in domestic market with price close to GDR price, exempting from currency and fluidity risks. There is no huge impact on original shareholders.

### 3. Private placement for common shares for capital Increase by cash

The issuance plan of private placement for common shares is conducted pursuant to Article 43-6 of Security and Exchange Act and Directions for Public Companies Conducting Private Placements of Securities.

#### I. The necessity of private placement

a. The reasons for not taking a public offering:

Considering the capital market status and the no-trading period of 3 years, it is better to maintain a long-term relationship with strategic partners by such security issuance of private placement. Therefore, the Company proposed to raise capital through private placement, rather than public offering.

b. The amount of the private placement: less than 60,000,000 shares.

c. The capital usage plan and projected benefits of private placement:

Usage plan: For reimbursement of bank loan or operating capital increase or purchase of machinery and equipment or reinvestment matters or relevant use of strategic alliances development.

Projected benefits: To bring in long-term funds at appropriate time responding to the rapidly changing industry environment, and strengthening the equity structure and competitiveness of the company.

II. The rationality to determine the price of private placement:

The common stock price per share shall be no less than 80% of the reference price.

The reference price is set as the higher of the following two basis prices:

a. The average closing price from either 1, 3 or 5 days before the pricing date, minus dividends adjustment, plus price discount adjustment due to capital reduction.

b. The average price of 30 days before the pricing date, minus dividends adjustment, plus price discount adjustment due to capital reduction.

The pricing date, actual issuance price are proposed to authorize the Board to determine after taking into consideration the market status, objective conditions. The price determination above shall follow regulations from government authorities.

III. The method to determine specific parties

No specific subscriber, selected in accordance with Article 43-6 of Security and Exchange Act, has been appointed for the private placement for common shares. The strategic investors have the priority to be considered as specific parties for private placement to meet the Company's needs on technology cooperation and operation strategy.

IV. The necessity of subscribers to be strategic investors and projected benefits

In responding to the need of a long-term development of the company, the strategic investors will meet the company's needs on technology cooperation, quality improvement, cost reduction, stable supplier source of key components, efficiency enhancement and market expansion through their skill, knowledge, brands or channels.

V. Rights and obligations for this private placement for common shares are basically the same with those of issued common shares of the company while according

to the relevant rules of Security and Exchange Act, no-trading period of 3 years is to be followed. The private placement for common shares can be offered in public for trading after 3 years.

VI. The issue price of the private placement for common shares (except the markup pricing), issuance conditions, issuance regulations etc. shall be proposed to authorized the Board to determine all related issues according to any changes in regulation, market or reviews from the authorities.

4. Private placement for overseas or domestic convertible bonds

The private placement for overseas or domestic convertible bonds is conducted pursuant to Article 43-6 of Security and Exchange Act and Directions for Public Companies Conducting Private Placements of Securities.

I. The necessity of private placement

a. The reason for not taking a public offering: Considering the capital market status, effectiveness, feasibility and costs to raise capital, and the no-trading period of 3 years, it is better to maintain a long-term relationship with strategic partners by such security issuance of private placement. Therefore, the Company proposed to raise capital through private placement, rather than public offering.

b. The amount of the private placement: less than NTD3,000,000,000 or US\$100,000,000 with each denomination of NTD100,000 or US\$1,000.

c. The capital usage plan and projected benefits of private placement:

Usage plan: For reimbursement of bank loan or operating capital increase or purchase of machinery and equipment or reinvestment matters or relevant use of strategic alliances development.

Projected benefits: To bring in long-term funds at appropriate time responding to the rapidly changing industry environment, and strengthening the equity structure and competitiveness of the company.

II. The rationality to determine the price of private placement:

The overseas or domestic convertible bond price shall be no less than 80% of the formula price.

III. The method to determine specific parties

No specific subscriber, selected in accordance with Article 43-6 of Security and Exchange Act, has been appointed for the private placement for common shares. The strategic investors have the priority to be considered as specific parties for private placement to meet the Company's needs on technology cooperation and operation strategy.

IV. The necessity of subscribers to be strategic investors and projected benefits

In responding to the need of a long-term development of the company, the strategic investors will meet the company's needs on technology cooperation,



quality improvement, cost reduction, stable supplier source of key components, efficiency enhancement and market expansion through their skill, knowledge, brands or channels.

V. Pursuant to the Article 43-8 of Securities and Exchange Act, the private placement for overseas or domestic convertible bonds, in addition to certain circumstances, no trading is allowed in 3 years. For the private placement for overseas or domestic convertible bonds, retroactive reporting of public offering and listing transactions in accordance with relevant laws and regulations is implemented 3 years after the delivery date of the private placement for overseas or domestic convertible bonds.

VI. The Board is authorized to determine the issuance conditions, rules of issuance and conversion, project items, projected fund management schedule, projected production benefits and matters not included above in responding to any revision or amendment effected by relevant changes from the laws, authorities, operating evaluation and environmental factors.

VII. Except the mandate mentioned above, the chairman or the person designated by the Company is authorized to sign all deliberations and documents regarding the private placement for overseas or domestic convertible bonds on behalf of and for the company to complete all the relevant matters required.

- (3) After the approval by the shareholders' meeting on the domestic capital increase by cash or the issuance of new shares and GDR for cash capital increase or the private placement for common shares or the private placement for overseas or domestic convertible bonds, the Board is authorized to determine public offering or private placement of the issuance of common shares, conditions, volume, pricing, amount, and the rules of issuance and conversion, fund usage, project items, project schedule, possible projected production benefits, record date for the capital increase and relevant matters of the private placement including commands from the authorities or market and objective environmental alteration, and others not included.
- (4) Rights and obligations about the issuance of new shares are the same with those of the issued shares.
- (5) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

## **Item 6**

(Proposed by the Board of Directors)

Proposal: To elect the 12<sup>th</sup> company Directors, submitted for discussion.

Description:

- (1) The term of office for the 11<sup>th</sup> directors and supervisors of the company will be expired on June 16<sup>th</sup>, 2014. The office of a director and supervisor after the expiry of its term without holding an election shall be extended until the new office of the next election starts.
- (2) In accordance with the Chin-Shang Yih Ze No. 09502320300 regulation of the ministry of economic affairs department of commerce, if relevant articles of setting up an audit committee in the Articles of Incorporation are approved at the shareholder's meeting, no relevant procedure about the supervisor's election is required at the meeting.
- (3) The office term of the 12<sup>th</sup> directors, all 14 members including three independent directors, starts from June 26<sup>th</sup>, 2014 to June 25<sup>th</sup>, 2017 in accordance with the regulations of the revised Articles of Incorporation.
- (4) Election requested.

Election Result:

New Elected Directors

Title	Account No. or ID	Name	Weights
Director	3561	Ming-kung Lu	363,460,761
Director	3591	Tan-liang Yao	333,784,288
Director	3592	Hsiu-lan Hsu	314,265,397
Director	N103*****	Kang-hsin Liu	293,575,288
Director	L100*****	Chin-ling Chang	290,140,145
Director	3585	Wen-huei Tsai	287,164,193
Director	H122*****	Kuei-chang Hsu	283,575,288
Director	190223	Kai-chiang Company Representative: Hau Fang	279,380,288
Director	18528	Mau-Yang Company Representative: Tie-chih Sun	269,380,288
Director	143753	Kun-chang Investment Co.	262,969,193
Director	220851	Pan Asia Solar, Ltd. Representative: Szpitalak Ted (booked in the shareholders register as Pan Asia Solar, Ltd. safekeeping investment account in Yuantai Bank)	252,580,288
Independent Director	Q100*****	Ting-ko Chen	244,354,542
Independent Director	Q100*****	Shing-hsien Lin	241,154,542
Independent Director	A200*****	Angela Huang	237,860,524

**Item 7**

Proposal: To release directors from obligation of non-competition, submitted for discussion.

Description:

- (1) Article 209 of Company Act: A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Since the new elected directors of the Company invest in or run other companies whose business scale are identical or similar to the Company, based on operation necessities, we submit to shareholders' meeting for approval to release the directors from obligation of non-competition.

Name	Concurrent Post
Ming-kung Lu	Chairman and CEO of Actron Technology Corporation Chairman of Ze Poly Pte Ltd. Chairman of Formerica Optoelectronics Inc. Director of Lite-On Semiconductor Corp. Director of GlobiTech Incorporated. in U.S. Director of GlobalWafers Japan Co., Ltd. Legal representative of GlobalWafers Co., Ltd. Legal representative of Solar Energy Corp.
Tan-liang Yao	Chairman of Kushan Sino Silicon Co. Ltd, Chairman and CEO of Crystalwise Technology Director of GlobiTech Incorporated. in U.S. Director of GlobalWafers Japan Co., Ltd. Director of Actron Technology Corporation Director of Song Long Electronics Co., Ltd. Supervisor of Giga Epitaxy Technology Corp. Legal representative of GlobalWafers Co., Ltd. Legal representative of Solar Energy Corp.
Hsiu-lan Hsu	Chairman and CEO of subsidiary GlobiTech Incorporated in U.S. Chairman and president of GlobalWafers Co., Ltd. Chairman of GlobalWafers Japan Co., Ltd. Vice chairperson of Kushan Sino Silicon Technology Company Director of GWafers Inc. Director of SilFab Spa in Italy Director of Sunrise Global Solar Energy Director of Sunshine PV Corp.
Kang-hsin Liu	Chairman of Solar Energy Corp. Chairman of Londee Corp. Director of Sunshine PV Corp. Chairman of Solartech Energy Material Chairman of Mega Solar Energy Corp.

	<p>Supervisor of GlobalWafers Co., Ltd.</p> <p>Legal representative of True Honour Limited in Samoa</p> <p>Chairman of Astro Solartech Inc. in U.S.</p> <p>Director of Solar PV Corp. in Cayman island</p>
Chin-ling Chang	<p>President and director of Solartech Energy Corp.</p> <p>Legal representative and president of Sunshine PV Corp.</p> <p>Director of Solar Energy Material</p> <p>Director of Mega Solar Energy Corp.</p> <p>Legal representative of GlobalWafers Co., Ltd.</p> <p>Legal representative of Astro Solartech Inc. in U.S.</p> <p>Director of True Honour Limited in Samoa</p> <p>Director of Solar PV Corp. in Cayman island</p> <p>Legal representative of Solartech Energy Corp in Japan</p>
Wen-huei Tsai	<p>Director of Ene Technology Inc.</p> <p>Director of Advanced Wireless Semiconductor Company</p> <p>Legal representative of Sunrise Global Solar Energy</p>
Kuei-chang Hsu	Chairman and president of Sunrise Global Solar Energy
Kai-chiang Company Representative: Hau Fang	Director of Actron Technology Corp.
Mau-Yang Company Representative: Tie-chih Sun	<p>Vice-chairman of Yung Fu Co. Ltd.</p> <p>Director of Business World Consulting Co., Ltd.</p> <p>Supervisor of Career Consulting Co. Ltd.</p>
Pan Asia Solar, Ltd. (booked in the shareholders register as Pan Asia Solar, Ltd. safekeeping investment account in Yuantai Bank)	Director of Sunrise Global Solar Energy
Pan Asia Solar, Ltd. Representative: Szpitalak Ted (booked in the shareholders register as Pan Asia Solar, Ltd. safekeeping investment account in Yuantai Bank)	<p>CEO of Sunrise Global Solar Energy</p> <p>Director of Pan Asia Solar Ltd(BVI)</p> <p>Director of Si Fab Ltd(BVI)</p> <p>Director of GridCo S.r.l. (Italy)</p> <p>Director of Silfab S.p.A. (Italy)</p> <p>Director of Pan Asia Solar Inc(USA)</p>
Ting-ko Chen	<p>Chairman of Chinese Academy of Business Foundation</p> <p>Chairman of Institute of Economics, Academia Sinica</p> <p>Chief consultant of Ruentex Group</p> <p>Honorary professor of National Taiwan Normal University</p>

	Adjunct professor of management college Member of Namchow Group Remuneration Committee Independent director of Ching Fong Machine Industrial Co., Ltd.
Shing-hsien Lin	Director of Lite-on Technology Supervisor of Silitech Technology
Angela Huang	Director of Kwong Lung Enterprise Co., Ltd. Supervisor of Leotek Electronics Corporation

(3) Resolution requested.

Resolution: Unanimously approved by all attending shareholders.

**6. Supplementary Motions: None**

Shareholder's statement: Stated by shareholder No. 95284 and advised/responded by the chairman.

**7. Meeting Adjourned: 10:01 a.m.**

Please note that the above is an English translation version. If there is any discrepancy between the original Chinese version and this English translation, the Chinese version shall prevail.

## Attachment

### Sino-American Silicon Products Inc.

#### Fiscal 2013 Business Report

Dear shareholders,

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

The global solar supply chain, after experiencing the economic recession over the past two years, finally broke through in the year of 2013 arising from a number of market shuffles and structure improvement of supply and demand. With the help of SAS' restless dedication and contribution of the semiconductor business, we've managed to turn around in 2013 with a consolidated revenue of NT\$22.2 billion, 20.81% YoY, NT\$0.29 billion net profit, and NTD\$ 0.57 earnings per share. Please refer below for our operation performance and guideline, future plan, influences of competition, regulation and economic.

#### A. Operation Performance in 2013

##### 1. Operation Performance

Unit : NTD\$ thousands

Year Item	2013	2012	Change (%)
Operating Revenue	22,215,367	18,388,486	20.81%
Operating Costs	19,775,943	17,777,769	11.24%
Gross Profit from Operations	2,439,424	610,717	299.44%
Operating Expenses	1,810,410	2,149,400	-15.77%
Operating Income	629,014	(1,538,683)	140.88%
Income before Income Tax	128,235	(2,877,721)	104.46%
Net Income	339,842	(2,567,169)	113.24%
Net Income Attributable to the Parent Company	295,118	(2,574,650)	111.46%

Back in 2013, after two years of recession the solar industry finally regained a new balance of supply and demand from excessive capacity in the past and brought back stable market order with ongoing growth. The installed capacity of the global solar market was estimated at 35GW with an annual growth rate of about 20%. Rising demands from the US and Asia-Pacific markets in particular implied the recovery of industry condition for a good year of the global solar market. To respond to the upturn of the solar industry and a mark-up on raw materials of polycrystalline silicon from the upstream, SAS also raised the price of our products so as to appropriately balance the increase of our production cost.

With the aid of reinvestment, GlobalWafers led to a contribution of NTD 15.57 billion in consolidated revenue, NTD1.95 billion net income, NTD6.22 earnings per share, and 102% growth rate of net income that became the major source of SAS' revenue and profit. In

addition, to meet the need of a long-term strategy development, SAS took the initiative in implementing the integration of up and downstream by merging Sunrise Global Solar Energy resulting in the promotion of the Company's operating efficiency and competitiveness with mutual technology integration.

2. Budget Implementation : No financial forecast for 2013

3. Profitability Analysis

Item		2013	2012
Capital structure analysis	Debt ratio (%)	48	52
	Long-term funds to fixed assets (%)	190	141
Return on investment analysis	Rate of return on assets (%)	1.18	(6.84)
	Rate of return on stock equity (%)	1.74	(13.73)
	Operating income to capital (%)	12.02	(29.41)
	Income before tax to capital	2.45	(55.01)
	Net income to sales (%)	1.53	(13.96)
	Earnings per share (NTD)	0.57	(5.33)

4. Financial structure

2013 revenue is NTD\$ 22,215,367,000; operation cost is NTD\$19,775,943,000; operation expense is NTD\$ 1,810,410,000. Other income is NTD\$ 26,678,000; other loss is NTD\$ 527,466,000; net income before tax is NTD\$ 128,235,000; net income after tax is NTD\$ 295,118,000. The financial structure is healthy.

5. Research & Development Status

1) 2013 Research & Development Expenditure

Unit : NTD\$ thousands

Item /Year	2013	2012
Research and Development Expenses	695,836	720,610
Net Revenue	22,215,367	18,388,486
%	3.13	3.92

2) Research & Development Achievement in 2013

Our technology / product

- High efficiency multi-crystal solar wafer
- High efficiency multi-crystal furnace hot zone design and simulation technology development
- High efficiency multi-crystal ingot growth technology
- Low LID mono crystal solar ingot hot zone simulation and mono-crystal ingot growth technology
- Silicon substrate with high fracture strength
- Low defect mono-like crystal growth technology development.

- g. High throughput and low pollutant diamond
- h. 650Kg Multi-crystal ingot growth technology
- i. Low power consumption multi-crystal ingot growth technology development
- j. High efficiency multi-crystal quality evaluation and classification technology

### 3) Future Plan

- (1) Low reflectivity black wafer
- (2) Ultra-thin solar wafer
- (3) Nano-structure solar wafer
- (4) High efficiency N-type solar cell technology
- (5) High strength multi-crystal ingot growth technology
- (6) 800Kg multi-crystal ingot growth technology
- (7) Low impurity diffusion multi-crystal ingot growth technology development

## B. 2014 Operation Guideline

### 1. Guideline

- 1) Enhance the capacity utilization of each production line of all business divisions
  - 2) Establish more platform integration of solar business
  - 3) Implement second organizational improvement by a transnational integration of technology, procurement, production and marketing for the semiconductor business.
  - 4) Increase strategic alliances in order to accelerate the revenue growth, competitiveness and the ability to meet the market changes.
2. Sales forecast: With the solar industry's stepping back on the path of growth, SAS will continue to release high conversion efficiency products so that the overall capacity utilization will be greatly increased. Due to the uncertainty of the anti-dumping of USA against China and Taiwan, however, SAS will keep focusing on diversification of markets and cost control management.

## 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 high conversion efficiency solar wafer and put into mass production.
- 3. Endeavor in highest conversion efficiency crystal growth, aiming at the best wafer supplier.
- 4. Strategic alliance for vertical integration so as to increase adding value and coordinate service for business opportunity.



5. Establish integrating platform to circulate technology and resources within business group. Improve production quality and customer satisfaction.
6. Via vertical integration to seize terminal market and strength connections with customers; explore high efficiency products with core technology
7. Increase value added rate using leading technology to develop niches of high conversion products.

#### D. Future Strategy

1. Maintain long cooperation with suppliers, by controlling key ingredients to ensure constant supply and low cost.
2. Long-term research investment making SAS on a vantage point.
3. Expand industry-university collaboration and high product creativity.
4. Aiming at being the top company of the whole industry with the largest production, flexibility and scale economy competitiveness.
5. Close collaboration with downstream firms to take control of the market demand and development trend.
6. Aiming at being the largest global silicon wafer supplier by developing middle to large size semiconductor technology.
7. Integration of production and technology platforms within each company domestically and overseas so as to fully utilize every resource for a most efficient sales strategy application.
8. Develop new wafers with the top leading technology from Japan to meet the requirement of the next product generation to stay irreplaceable in the market.

#### E. Influences from Completion, Regulation and Economy

1. With the appearance of new competitors, SAS takes the initiative in developing new customers, systematical integration with downstream firms and strategy alliance to remain competitive.
2. In response to new suppliers' initiation that resulted in the fall in the product price and sales profit, SAS will strengthen research collaboration with downstream customers using core technology to develop niche products of high efficiency so as to increase product value, profit range and reduce production cost.
3. In response to investigation result of the US anti-dumping and countervailing duties on PV products from China and Taiwan, SAS will continuously focus on the market diversification of markets and products to reduce possible impact.

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 so as to enhance our competitiveness.

In summary, the company is optimistic for the entire business group and sound believes in future operation. In the solar business, under the trend of steady growth of global solar demand, the SAS solar business group will continue to introduce high conversion products together with more strategy planning to expedite the revenue growth in solar business. After the merge with Sunrise Global Solar Energy, SAS will become a leading supplier both in high efficiency solar wafers and cell of which the product combination and arrangement are to ensure SAS's position as a global leading supplier. In the semiconductor business, with the steady demand in the market, our subsidiary GlobalWafers Co., Ltd will continue to develop potential products of high value added and production flexibility within the group plus multi-national exchanges of technology to improve our product efficiency and thus expedite the growth of revenue. The SAS management team will continuously focus on our superiority and maximize strategic alliance, hoping to share our prosperous with shareholders.


Finally, we would like to thank every shareholder for supporting SAS over the years. We wish you a healthy and prosperous life.

Chairman	Ming-Kung Lu
President	Hsiu-Lan Hsu
Chief Account	Mei-Ying Chiu

## Supervisors Audit Report

The Board of Directors has prepared the Company's 2013 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 Tseng, Mei-Yu, CPA, and Chen, Chien-Chen, 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.

Sino American Silicon Products Inc

Supervisor :   
Kuo-Chow Chen

Supervisor :   
Su-Mei Yang

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

April 21, 2014

## Independent Auditors' Audit Report

The board of directors

Sino-American Silicon Products Inc.

We have audited the accompanying statements of financial position of Sino-American Silicon Products Inc. (the "Company") as of December 31, 2013 and 2012, and January 1, 2012, and the related parent-company-only statements of profit or loss and other comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2013 and 2012. 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. 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\$6,667,766 thousand, NT\$12,610,940 thousand, and NT\$4,754,368 thousand (23%, 44% and 17% of total assets) as of December 31, 2013 and 2012, and January 1, 2012, respectively, and the share of profit or loss of subsidiaries and associates accounted for using the equity method amounting to NT\$(115,120) thousand and NT\$42,439 thousand ((95)% of loss before income tax and 2% of profit before income tax) for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, and January 1, 2012, and the results of its operations and its cash flows for the years then ended, in conformity with

the requirements of the Regulations 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 20, 2013

Note to Readers

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.

# 2013 Financial Statements

## SINO-AMERICAN SILICON PRODUCTS INC.

### Parent-Company-Only Statements of Financial Position

December 31, 2013 and 2012, and January 1, 2012  
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2013	December 31, 2012	January 1, 2012
<b>Current assets:</b>			
Cash and cash equivalents (note 6)	\$ 343,226	459,154	2,405,021
Financial assets designated as at fair value through profit or loss – current (note 7)	-	-	43,922
Notes and trade receivable, net (note 8)	706,546	209,663	358,735
Accounts receivable from related parties (note 32)	372,171	260,614	504,567
Inventories, net (note 9)	891,129	339,722	635,537
Prepayments for materials (note 34)	858,701	856,133	1,105,123
Other current assets	148,731	204,650	149,256
Other financial assets – current (note 29)	24	2,442	2,402
	<u>3,320,528</u>	<u>2,332,378</u>	<u>5,204,563</u>
<b>Non-current assets:</b>			
Available-for-sale financial assets – non-current (note 10)	1,000,245	703,328	1,054,168
Financial assets carried at cost – non-current (note 11)	795,028	781,595	583,595
Investments accounted for using equity method (note 12)	17,710,460	16,739,604	11,678,457
Property, plant and equipment, net (notes 14, 14 and 33)	3,882,361	4,847,805	6,020,638
Deferred income tax assets (note 20)	252,907	152,336	129,090
Long-term accounts receivable from related parties (note 32)	-	-	766,183
Other financial assets – non-current (note 29)	43,110	9,003	2,194
Long-term prepayments for materials (note 34)	<u>2,404,767</u>	<u>2,978,835</u>	<u>3,343,369</u>
	<u>26,088,878</u>	<u>26,212,506</u>	<u>23,577,694</u>
<b>Total Assets</b>	<b>\$ <u>29,409,406</u></b>	<b><u>28,544,884</u></b>	<b><u>28,782,257</u></b>

See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC.**

**Parent-Company-Only Statements of Financial Position (continued)**

**December 31, 2013 and 2012, and January 1, 2012**  
**(expressed in thousands of New Taiwan dollars)**

	<b>December 31,</b>	<b>December 31,</b>	<b>January 1,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings (note15)	\$ 1,107,171	300,000	100,000
Notes and accounts payable	1,006,783	395,005	479,143
Payables to related parties (note 32)	486,958	89,811	1,113,566
Payroll and bonus payable	140,633	47,475	151,934
Revenue received in advance for sales (notes 32 and 34)	1,286,239	2,126,359	1,132,407
Provision – current (note 17)	119,519	266,616	-
Other current liabilities	167,707	140,689	133,414
Current portion of long-term loans payable (note16)	<u>166,667</u>	<u>3,643,477</u>	<u>1,995,000</u>
	<u>4,481,677</u>	<u>7,009,432</u>	<u>5,105,464</u>
<b>Non-current liabilities:</b>			
Long-term loans payable (note16)	4,372,783	1,235,000	1,096,122
Other liabilities – non-current (notes 19 and 20)	30,868	44,231	74,198
Revenue received in advance for sales – non-current (notes 32 and 34)	<u>2,226,454</u>	<u>2,045,158</u>	<u>3,572,582</u>
	<u>6,630,105</u>	<u>3,324,389</u>	<u>4,742,902</u>
<b>Total Liabilities</b>	<u>11,111,782</u>	<u>10,333,821</u>	<u>9,848,366</u>
<b>Equity:</b>			
Common stock	<u>5,231,191</u>	<u>5,231,191</u>	<u>4,431,191</u>
Capital surplus	<u>14,977,502</u>	<u>14,878,908</u>	<u>12,141,389</u>
Retained earnings:			
Legal reserve	213,967	987,717	944,846
Special reserve	102,349	604,810	-
Unappropriated earnings (accumulated deficits)	<u>64,423</u>	<u>(1,498,442)</u>	<u>2,182,541</u>
	<u>380,739</u>	<u>94,085</u>	<u>3,127,387</u>
Other equity	<u>(2,291,808)</u>	<u>(1,736,426)</u>	<u>(766,076)</u>
Treasury stock	<u>-</u>	<u>(256,695)</u>	<u>-</u>
<b>Total Equity</b>	<u>18,297,624</u>	<u>18,211,063</u>	<u>18,933,891</u>
<b>Total Liabilities and Equity</b>	\$ <u><b>29,409,406</b></u>	<u><b>28,544,884</b></u>	<u><b>28,782,257</b></u>

See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC.**

**Parent-Company-Only Statements of Profit or Loss and Other Comprehensive Income**

**Years ended December 31, 2013 and 2012**

(expressed in thousands of New Taiwan dollars, except for earnings per share)

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b> (note 24):	\$ 5,208,835	4,373,570
<b>Cost of goods sold</b> (notes 7 and 32)	<u>6,564,673</u>	<u>6,309,596</u>
<b>Gross loss</b>	<u>(1,355,838)</u>	<u>(1,936,026)</u>
<b>Operating expenses:</b>		
Selling	17,995	15,213
General and administrative	94,226	73,318
Research and development	<u>155,141</u>	<u>184,438</u>
<b>Total operating profit</b>	<u>267,362</u>	<u>272,969</u>
<b>Operating loss</b>	<u>(1,623,200)</u>	<u>(2,208,995)</u>
<b>Non-operating income and (expenses):</b>		
Other income (note 25)	9,839	17,435
Other gains and (losses) (note 26)	115,409	(29,854)
Interest expense	(103,519)	(192,223)
Share of profit or loss of subsidiaries and associates accounted for using equity method	<u>1,723,219</u>	<u>(301,847)</u>
<b>Total non-operating income and expenses</b>	<u>1,744,948</u>	<u>(506,489)</u>
<b>Profit from continuing operations before income tax</b>	121,748	(2,715,484)
Income tax expense (note 20)	<u>(173,370)</u>	<u>(140,834)</u>
<b>Net profit (loss)</b>	<u>295,118</u>	<u>(2,574,650)</u>
<b>Other comprehensive income (loss) :</b>		
Exchange differences on translation of foreign operations	24,847	(58,223)
Unrealized gain (loss) on available-for-sale financial assets (note 28)	304,883	(341,396)
Actuarial loss on defined benefit plans	(2,200)	(5,155)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method (note 27)	(887,152)	(591,007)
Income tax related to other comprehensive income	<u>(4,224)</u>	<u>9,898</u>
<b>Total other comprehensive income (loss), net of income tax</b>	<u>(563,846)</u>	<u>(985,883)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ (268,728)</u>	<u>(3,560,533)</u>
<b>Earnings per share (in dollars)</b> (note 23)		
Basic earnings (loss) per share	<u>\$ 0.57</u>	<u>(5.33)</u>

See accompanying notes to consolidated financial statements.



# SINO-AMERICAN SILICON PRODUCTS INC.

## Parent-Company-Only Statements of Changes in Stockholders' Equity

Years ended December 31, 2013 and 2012  
(expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity			Treasury stock	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Exchange differences on translation	Unrealized gain (loss) on available-for-sale financial assets	Total	
<b>Balance at January 1, 2012</b>	\$ 4,431,191	12,141,389	944,846	-	2,182,541	3,127,387	-	(766,076)	(766,076)	18,933,891
Net loss for 2012	-	-	-	-	(2,574,650)	(2,574,650)	-	-	-	(2,574,650)
Other comprehensive loss for 2012	-	-	-	-	(15,533)	(15,533)	(628,954)	(341,396)	(970,350)	(985,883)
Total comprehensive loss for 2012	-	-	-	-	(2,590,183)	(2,590,183)	(628,954)	(341,396)	(970,350)	(3,560,533)
Appropriation and distribution of retained earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	42,871	-	(42,871)	-	-	-	-	-
Special reserve	-	-	-	604,810	(604,810)	-	-	-	-	-
Cash dividends	-	-	-	-	(443,119)	(443,119)	-	-	-	(443,119)
Issuance of common stock for cash	800,000	2,652,073	-	-	-	-	-	-	-	3,452,073
Treasury stock acquired	-	-	-	-	-	-	-	-	(256,695)	(256,695)
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
Adjustment arising from changes in percentage of ownership in equity-method investees	-	1,882	-	-	-	-	-	-	-	1,882
<b>Balance at December 31, 2012</b>	5,231,191	14,878,908	987,717	604,810	(1,498,442)	94,085	(628,954)	(1,107,472)	(1,736,426)	18,211,063
Net profit for 2013	-	-	-	-	295,118	295,118	-	-	-	295,118
Other comprehensive income (loss) for 2013	-	-	-	-	(8,464)	(8,464)	(860,265)	304,883	(555,382)	(563,846)
Total comprehensive income (loss) for 2013	-	-	-	-	286,654	286,654	(860,265)	304,883	(555,382)	(268,728)
Appropriation and distribution of retained earnings (Note):	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	102,349	(102,349)	-	-	-	-	-
Legal reserve used to offset company losses	-	-	(773,750)	-	773,750	-	-	-	-	-
Special reserve used to offset company losses	-	-	-	(604,810)	604,810	-	-	-	-	-
Adjustment for changes in investees' equity	-	49,409	-	-	-	-	-	-	-	49,409
Treasury stock acquired	-	-	-	-	-	-	-	-	(5,749)	(5,749)
Compensation cost arising from issuance of stock from exercising employee stock options	-	17,966	-	-	-	-	-	-	-	17,966
Treasury stock transferred to employees	-	-	-	-	-	-	-	-	262,444	293,663
<b>Balance at December 31, 2013</b>	\$ 5,231,191	14,977,502	213,967	102,349	64,423	380,739	(1,489,219)	(802,589)	(2,291,808)	18,297,624

Note: There were no directors' and supervisors' remuneration and employee bonuses for 2012 and 2013.

See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC.**

**Parent-Company-Only Statements of Cash Flows**

**Years ended December 31, 2013 and 2012**  
**(expressed in thousands of New Taiwan dollars)**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Income (loss) before tax	\$ 121,748	(2,715,484)
Adjustments :		
Adjustments for:		
Depreciation	1,043,757	1,199,958
Provision for (reversal of) allowance for doubtful accounts	4	(5,857)
	-	
Unrealized loss (gain) on valuation of financial assets		43,922
Interest expenses	103,519	192,223
Interest income	(636)	(6,961)
Dividend income	(9,203)	(10,474)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	49,185	83,564
Share of profit or loss of subsidiaries and associates accounted for using equity method	(1,723,219)	301,847
Gain on disposal of available-for-sale financial assets, net	(62,342)	(61,507)
		-
Loss on disposal of equity-method investments	19,226	
		-
Expense with no effect on cash flow	654	
Provision for (reversal of) inventory obsolescence and devaluation loss	<u>(3,607)</u>	<u>(15,281)</u>
<b>Total adjustments to reconcile income (loss) before tax</b>	<u>(582,662)</u>	<u>1,721,434</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes and accounts receivable (including related parties)	(608,444)	632,702
Inventories	(547,030)	311,096
Prepayments for materials	571,500	613,524
Other current assets	110	(76,756)
Other financial assets	<u>2,418</u>	<u>(40)</u>
Total changes in operating assets	<u>(581,446)</u>	<u>1,480,526</u>
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	910,568	(114,203)

Provision	(147,097)	266,616
Revenue received in advance for sales	(658,824)	(533,472)
Accrued expenses and other current liabilities	113,268	88,151
Accrued pension liabilities	<u>4,315</u>	<u>10,125</u>
Total changes in operating liabilities	<u>222,230</u>	<u>(282,783)</u>
Total changes in operating assets and liabilities	<u>(359,216)</u>	<u>1,197,743</u>
Total adjustments	<u>(941,878)</u>	<u>2,919,177</u>
Cash inflow (outflow) generated from operations	(820,130)	203,693
Interest received	636	6,961
Dividend paid	9,203	10,474
Interest paid	(106,077)	(186,352)
Income tax refunded (paid)	<u>124,432</u>	<u>(77,127)</u>
<b>Net cash outflows used in operating activities</b>	<u>(791,936)</u>	<u>(42,351)</u>

**SINO-AMERICAN SILICON PRODUCTS INC.**

**Parent-Company-Only Statements of Cash Flows (continued)**

**Years ended December 31, 2013 and 2012**  
**(expressed in thousands of New Taiwan dollars)**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities:</b>		
Decrease in other receivables from related parties	\$ -	(233,820)
Proceeds from disposal of available-for-sale financial assets	70,308	70,951
Acquisition of financial assets carried at cost	(13,433)	(198,000)
Acquisition of equity-accounted investees	(165,358)	(5,322,240)
Acquisition of subsidiaries (excluding cash obtained)	(791,002)	-
Disposal of subsidiary to non-controlling interest	-	78,080
Acquisition of property, plant and equipment	(90,150)	(74,394)
Proceeds from disposal of property, plant and equipment	-	36,792
Dividends from equity-accounted investees	876,554	-
Increase in restricted certificate of deposit	(34,823)	(6,809)
Decrease in refundable deposits	<u>716</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(147,188)</u>	<u>(5,649,440)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in other payables to related parties	98,357	(993,690)
Increase in short-term borrowings	807,171	200,000
Increase in long-term loans payable	3,837,550	8,635,000
Repayment of long-term loans payable	(4,176,577)	(6,847,645)
Payments of cash dividends	-	(443,119)
Issuance of common stock for cash	-	3,452,073

Treasury stock acquired	(5,749)	(256,695)
Treasury stock transferred to employees	<u>262,444</u>	<u>-</u>
<b>Net cash flows from financing activities</b>	<u>823,196</u>	<u>3,745,924</u>
Net decrease in cash and cash equivalents	(115,928)	(1,945,867)
Cash and cash equivalents at beginning of year	<u>459,154</u>	<u>2,405,021</u>
Cash and cash equivalents at end of year	<b><u>\$ 343,226</u></b>	<b><u>459,154</u></b>
Fair value of assets and (liabilities) of associates acquired:		
Cash and cash equivalents	\$ 18,857	
Other current assets	9	
Equity-method investments	1,374,554	
Other assets — non-current	37	
Other liabilities — non-current	<u>(3)</u>	
Fair value of subsidiary's equity at acquisition date	1,393,454	
Less: Fair value of associates before acquisition date	(583,595)	
Cash proceeds from acquisition of associates	<u>(18,857)</u>	
Acquisition of associates	<b><u>\$ 791,002</u></b>	

## **Independent Auditors' Report**

The Board of Directors

Sino-American Silicon Products Inc.

We have audited the accompanying consolidated statements of financial position of Sino-American Silicon Products Inc. and subsidiaries (collectively, the "Company") as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income or loss and comprehensive income, statements of changes in stockholders' equity, and cash flows for the years ended December 31, 2013 and 2012. 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 reports of the subsidiaries GlobalWafers Japan Co., Ltd., for the year ended December 31, 2012, GlobiTech Incorporated for the years ended December 31, 2013 and 2012, and Sunrise Global Solar Energy Corporation for the year ended December 31, 2013, which are long-term investment under the equity method, and those financial statements were audited by other auditors. Those 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 total assets of the above subsidiaries were NT\$8,832,057 thousand, NT\$18,470,221 thousand, and NT\$3,920,206 thousand (22%, 48% and 13% of consolidated total assets) as of December 31, 2013 and 2012, and January 1, 2012, respectively, and their total revenue was NT\$4,062,670 thousand and NT\$8,812,351 thousand (18% and 46% of consolidated total revenue) for the years ended December 31, 2013 and 2012, respectively. The related equity-method long-term investment balances were NT\$1,475,653 thousand, NT\$1,537,095 thousand, and NT\$1,831,485 thousand as of December 31, 2013 and 2012, and January 1, 2012, respectively, and the investment loss amounted to NT\$226,002 thousand and NT\$294,390 thousand in 2013 and 2012, respectively.

### Note to Readers

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 audit 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.

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 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, 2013 and 2012, and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

In addition, we have audited the parent-company-only financial statements of Sino-American Silicon Products Inc. as of and for the years ended December 31, 2013 and 2012, on which we have issued a modified unqualified opinion.

KPMG

Hsinchu, Taiwan (the Republic of China)

March 20, 2014

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 audit 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.**

**Consolidated Statements of Financial Position**

**December 31, 2013 and 2012, and January 1, 2012**  
**(expressed in thousands of New Taiwan dollars)**

<b>Assets</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Current assets:</b>			
Cash and cash equivalents (note 6(1))	\$ 3,682,154	2,113,385	4,183,509
Financial assets designated as at fair value through profit or loss – current (note 6(2))	8,773	-	43,922
Notes and trade receivable, net (note 6(3))	3,845,632	3,341,263	1,204,256
Accounts receivable from related parties, net (note 7)	218,413	106,442	98,099
Inventories (note 6(4))	4,415,896	3,505,342	1,335,313
Prepayments for materials (note 9)	1,246,382	1,994,095	1,335,910
Other current assets (note 6(11))	347,755	374,001	208,368
Other financial assets – current (note 6(12))	<u>100,273</u>	<u>180,112</u>	<u>362,954</u>
	<u>13,865,278</u>	<u>11,614,640</u>	<u>8,772,331</u>
<b>Non – current assets:</b>			
Available-for-sale financial assets – non-current (note 6(5))	1,000,245	703,328	1,054,168
Financial assets carried at cost – non-current (note 6(6))	1,366,818	1,399,409	1,904,118
Investments accounted for using equity method (note 6(7))	1,475,653	1,545,124	1,839,581
Property, plant and equipment, net (notes 6(6)and 8)	16,097,846	18,047,022	11,072,291
Intangible assets (note 6(10))	656,780	622,507	647,385
Other assets – non-current (notes 6 (11) & (19) and 8)	962,919	475,642	378,500
Other financial assets – non-current (note 6(12)and 8)	372,242	515,527	19,590
Long-term prepayments for materials (note 9)	<u>3,875,861</u>	<u>3,552,092</u>	<u>4,003,448</u>
	<u>25,808,364</u>	<u>26,860,651</u>	<u>20,919,081</u>
<b>Total Assets</b>	<b>\$ <u><u>39,673,642</u></u></b>	<b><u><u>38,475,291</u></u></b>	<b><u><u>29,691,412</u></u></b>

See accompanying notes to consolidated financial statements.



**SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

**December 31, 2013 and 2012, and January 1, 2012**  
**(expressed in thousands of New Taiwan dollars)**

<b>Liabilities and Stockholders' Equity</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Current liabilities:</b>			
Short-term borrowings (notes 6(13))	\$ 2,409,093	1,991,355	1,020,694
Notes and accounts payable (note 7)	2,754,488	2,750,105	600,770
Payroll and bonus payable	526,307	830,162	250,790
Provision – current (note 6(16))	661,155	884,478	-
Other current liabilities (note 6(15))	1,310,794	549,930	470,778
Revenue received in advance for sales (notes 7 and 9)	1,278,510	2,147,637	1,232,513
Current portion of long-term loans payable (notes 6(14))	<u>166,667</u>	<u>3,830,393</u>	<u>1,995,000</u>
	<u>9,107,014</u>	<u>12,984,060</u>	<u>5,570,545</u>
<b>Non-current liabilities:</b>			
Long-term loans payable (notes 6(14))	4,372,783	1,235,000	1,096,123
Provision – non-current (note 6(16))	1,652,650	2,014,414	-
Other liabilities – non-current (notes 6(15), (18) and (19))	2,008,170	1,730,896	518,271
Revenue received in advance for sales – non-current (note 7 and 9)	<u>1,947,134</u>	<u>2,045,158</u>	<u>3,572,582</u>
	<u>9,980,737</u>	<u>7,025,468</u>	<u>5,186,976</u>
<b>Total Liabilities</b>	<u>19,087,751</u>	<u>20,009,528</u>	<u>10,757,521</u>
<b>Equity:</b> (notes 6(20) and (21))			
Common stock	<u>5,231,191</u>	<u>5,231,191</u>	<u>4,431,191</u>
Capital surplus	<u>14,977,502</u>	<u>14,878,908</u>	<u>12,141,389</u>
Retained earnings:			
Legal reserve	213,967	987,717	944,846
Special reserve	102,349	604,810	-
Unappropriated earnings (accumulated deficits)	<u>64,423</u>	<u>(1,498,442)</u>	<u>2,182,541</u>
	<u>380,739</u>	<u>94,085</u>	<u>3,127,387</u>
Other equity	<u>(2,291,808)</u>	<u>(1,736,426)</u>	<u>(766,076)</u>
Treasury stock	<u>-</u>	<u>(256,695)</u>	<u>-</u>

See accompanying notes to consolidated financial statements.

<b>Total equity attributable to owners of the Company:</b>	<u>18,297,624</u>	<u>18,211,063</u>	<u>18,933,891</u>
<b>Non-controlling interests</b>	<u>2,288,267</u>	<u>254,700</u>	<u>-</u>
<b>Total Equity</b>	<u>20,585,891</u>	<u>18,465,763</u>	<u>18,933,891</u>
<b>Total Liabilities and Equity</b>	<b>\$ <u>39,673,642</u></b>	<b><u>38,475,291</u></b>	<b><u>29,691,412</u></b>

See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES**  
**Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
**Years ended December 31, 2013 and 2012**  
**(expressed in thousands of New Taiwan Dollars, except for earnings per common share)**

	<u>2013</u>	<u>2012</u>
<b>Operating revenues</b> (notes 6(23) and 7):	\$ 22,215,367	18,388,486
<b>Cost of goods sold</b> (notes 6(4) and 7)	<u>19,775,943</u>	<u>17,777,769</u>
<b>Gross profit</b>	<u>2,439,424</u>	<u>610,717</u>
<b>Operating expenses:</b>		
Selling and distribution expenses	322,377	489,599
General and administrative expenses (note 6(8))	792,197	939,191
Research and development expenses	<u>695,836</u>	<u>720,610</u>
<b>Total operating profit</b>	<u>1,810,410</u>	<u>2,149,400</u>
<b>Operating income (loss)</b>	<u>629,014</u>	<u>(1,538,683)</u>
<b>Non-operating income and gains (expenses and losses):</b>		
Other income (note 6(24))	26,687	164,216
Other losses (notes 6(8) and (25))	(153,958)	(926,348)
Interest expense	(147,175)	(282,449)
Share of the profit or loss of equity-accounted investees (note 6(7))	<u>(226,333)</u>	<u>(294,457)</u>
<b>Total non-operating income and expenses</b>	<u>(500,779)</u>	<u>(1,339,038)</u>
<b>Income (loss) from continuing operating before income taxes</b>	128,235	(2,877,721)
Income tax expenses (benefit) (note 6(19))	<u>89,302</u>	<u>(321,566)</u>
<b>Profit (loss) from continuing operations</b>	<u>38,933</u>	<u>(2,556,155)</u>
Discontinued operations – profit (loss) from discontinued operations (note 6(8) and 13)	<u>300,909</u>	<u>(11,014)</u>
<b>Profit (loss) for the year</b>	<u><b>339,842</b></u>	<u><b>(2,567,169)</b></u>
<b>Other comprehensive income (loss):</b>		
Foreign currency translation adjustments	(1,052,020)	(762,666)
Net change in fair value of available-for-sale financial assets (note 6(26))	304,883	(341,396)
Recognized liabilities for defined benefit obligations (note 6(18))	(8,550)	(15,533)
Income tax expense (benefit) related to other comprehensive income (note 6 (19))	<u>174,686</u>	<u>126,973</u>
<b>Other comprehensive income (loss) for the year, net of taxes</b>	<u>(581,001)</u>	<u>(992,622)</u>
<b>Total comprehensive income (loss) for the year</b>	<u><b>\$ (241,159)</b></u>	<u><b>(3,559,791)</b></u>

See accompanying notes to consolidated financial statements.

**Profit attributable to:**

Owners of the Company	\$	295,118	(2,574,650)
Non-controlling interests		<u>44,724</u>	<u>7,481</u>

	\$	<u><b>339,842</b></u>	<u><b>(2,567,169)</b></u>
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**Total comprehensive income attributable to:**

Owners of the Company	\$	(268,728)	(3,560,533)
Non-controlling interests		<u>27,569</u>	<u>742</u>

	\$	<u><b>(241,159)</b></u>	<u><b>(3,559,791)</b></u>
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**Earnings (loss) per share (in dollars) (note 6(22))**

Net profit from continuing operations	\$	(0.01)	(5.31)
Net profit (loss) from discontinued operations		<u>0.58</u>	<u>(0.02)</u>

**Profit (loss) for the year**

	\$	<u><b>0.57</b></u>	<u><b>(5.33)</b></u>
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See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Years ended December 31, 2013 and 2012**  
**(expressed in thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company												
	Retained earnings						Other equity			Treasury stock	Subtotal of equity attributable to the Company	Non-controlling interest	Total equity
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Foreign currency translation reserves	Net change in fair value of available-for-sale financial assets	Total				
Balance at January 1, 2012	\$ 4,431,191	12,141,389	944,846	-	2,182,541	3,127,387	-	(766,076)	(766,076)	-	18,933,891	-	18,933,891
Net profit for 2012	-	-	-	-	(2,574,650)	(2,574,650)	-	-	-	-	(2,574,650)	7,481	(2,567,169)
Other comprehensive income for 2012	-	-	-	-	(15,533)	(15,533)	(628,954)	(341,396)	(970,350)	-	(985,883)	(6,739)	(992,622)
Total comprehensive income (loss) for 2012	-	-	-	-	(2,590,183)	(2,590,183)	(628,954)	(341,396)	(970,350)	-	(3,560,533)	742	(3,559,791)
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	42,871	-	(42,871)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	604,810	(604,810)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(443,119)	(443,119)	-	-	-	-	(443,119)	-	(443,119)
Issuance of common stock for cash	800,000	2,652,073	-	-	-	-	-	-	-	-	3,452,073	-	3,452,073
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(256,695)	(256,695)	-	(256,695)
Adjustments for disposal of subsidiaries' equity	-	-	-	-	-	-	-	-	-	-	-	78,080	78,080
Increase in non-controlling interests in subsidiaries by cash injection	-	1,882	-	-	-	-	-	-	-	-	1,882	175,878	177,760
Equity-settled share-based payment	-	83,564	-	-	-	-	-	-	-	-	83,564	-	83,564
Balance at December 31, 2012	5,231,191	14,878,908	987,717	604,810	(1,498,442)	94,085	(628,954)	(1,107,472)	(1,736,426)	(256,695)	18,211,063	254,700	18,465,763
Net profit for 2013	-	-	-	-	295,118	295,118	-	-	-	-	295,118	44,724	339,842
Other comprehensive income for 2013	-	-	-	-	(8,464)	(8,464)	(860,265)	304,883	(555,382)	-	(563,846)	(17,155)	(581,001)
Total comprehensive income (loss) for 2013	-	-	-	-	286,654	286,654	(860,265)	304,883	(555,382)	-	(268,728)	27,569	(241,159)
Appropriation and distribution of retained earnings:													
Special reserve	-	-	-	102,349	(102,349)	-	-	-	-	-	-	-	-
Legal reserve used to offset company losses	-	-	(773,750)	-	773,750	-	-	-	-	-	-	-	-
Special reserve used to offset company losses	-	-	-	(604,810)	604,810	-	-	-	-	-	-	-	-
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(5,749)	(5,749)	-	(5,749)
Adjustments for disposal of subsidiaries' equity	-	-	-	-	-	-	-	-	-	-	-	(72,757)	(72,757)
Equity-settled share-based payment	-	52,296	-	-	-	-	-	-	-	-	52,296	488	52,784
Treasury stock transferred to employees	-	46,298	-	-	-	-	-	-	-	262,444	308,742	214	308,956
Subsidiaries' cash dividend declared	-	-	-	-	-	-	-	-	-	-	-	(12,446)	(12,446)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	2,090,499	2,090,499
Balance at December 31, 2013	\$ 5,231,191	14,977,502	213,967	102,349	64,423	380,739	(1,489,219)	(802,589)	(2,291,808)	-	18,297,624	2,288,267	20,585,891

Note: There were no directors' and supervisors' remuneration and employee bonuses for 2012 and 2013.

See accompanying notes to consolidated financial statements.

**SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Years ended December 31, 2013 and 2012**  
**(expressed in thousands of New Taiwan Dollars)**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before income tax from continuing operations:</b>	\$ 128,235	(2,877,721)
<b>Profit (loss) before income tax from discontinued operations:</b>	<u>300,909</u>	<u>(11,014)</u>
<b>Profit (loss) before income tax</b>	429,144	(2,888,735)
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation	3,484,846	3,310,963
Amortization	14,309	7,748
Provision for (reversal of) allowance for doubtful accounts	448	(5,892)
Unrealized loss (gain) on valuation of financial assets	(9,988)	43,922
Interest expenses	147,175	282,449
Interest income	(17,484)	(23,949)
Dividend income	(9,203)	(10,474)
Equity-settled share-based payment	99,296	83,564
Share of profit or loss of equity-accounted investees	226,333	294,457
Loss from disposal and write-off of property, plant and equipment	4,139	1,968
Gain on disposal of available-for-sale financial assets, net	(62,342)	(61,507)
Loss on revaluation of investments under equity method	320,135	-
	-	
Loss on measurement of financial assets		720,413
Gain on bargain purchase	-	(129,793)
Gain on sale of discontinued operation	(300,909)	-
Provision for (reversal of) inventory obsolescence and devaluation loss	<u>22,472</u>	<u>(26,332)</u>
Subtotal of losses of non-cash activities	<u>3,919,227</u>	<u>4,487,537</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes and accounts receivable (including related parties)	(590,691)	(177,154)
Inventories	(778,158)	458,165
Prepayments for materials	1,066,198	1,241,528
Other current assets	<u>(66,760)</u>	<u>554,522</u>
Total changes in operating assets	<u>(369,411)</u>	<u>2,077,061</u>

See accompanying notes to financial statements.

Changes in operating liabilities:		
Notes and accounts payable (including related parties)	70,987	(941,019)
Provision	(615,576)	(462,209)
Revenue received in advance	(967,151)	(612,300)
Accrued pension liabilities	(87,645)	30,071
Other current liabilities	<u>106,825</u>	<u>63,480</u>
Total changes in operating liabilities	<u>(1,492,560)</u>	<u>(1,921,977)</u>
Total changes in operating assets and liabilities	<u>(1,861,971)</u>	<u>155,084</u>
Total adjustments	<u>2,057,256</u>	<u>4,642,621</u>
Cash inflow generated from operations	2,486,400	1,753,886
Interest received	17,484	37,765
Dividend paid	9,203	10,474
Interest paid	(150,509)	(194,876)
Income tax refunded (paid)	<u>95,554</u>	<u>(166,474)</u>
<b>Net cash inflows from operating activities</b>	<b>\$ <u>2,458,132</u></b>	<b><u>1,440,775</u></b>

See accompanying notes to financial statements.

# SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2013 and 2012  
(expressed in thousands of New Taiwan Dollars)

	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	\$ 70,308	70,951
Acquisition of financial assets carried at cost	(13,433)	(257,050)
Acquisition of investment using equity method	(165,358)	-
Disposal of discontinued operation, net of cash	(203,128)	-
Acquisition of property, plant and equipment	(1,675,579)	(805,041)
Proceeds from disposal of property, plant and equipment	80,054	-
Decrease (increase) in refundable deposits	495,250	(256,406)
Increase in restricted certificate of deposit	(243,436)	(12,648)
Acquisition of subsidiary, net of cash acquired	924,297	(7,588,485)
Increase in other assets	-	(6,872)
<b>Net cash used in investing activities</b>	<u>(731,025)</u>	<u>(8,855,551)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	417,738	970,661
Increase in long-term loans payable	3,837,550	11,511,025
Repayment of long-term loans payable	(4,830,316)	(9,590,124)
Payments of cash dividends	-	(443,119)
Issuance of common stock for cash	-	3,452,073
Treasury stock acquired	(5,749)	(226,753)
Proceeds from employees' purchase of treasury stock	262,444	-
Proceeds from sales of subsidiaries' equity to non-controlling interest	-	78,080
Proceeds from return of investment in unconsolidated entity	-	177,760
Declared cash dividend to non-controlling interest	(12,446)	-
<b>Net cash flows from (used in) financing activities</b>	<u>(330,779)</u>	<u>5,929,603</u>
<b>Effect of exchange rate changes on cash</b>	<u>172,441</u>	<u>(584,951)</u>
Net increase (decrease) in cash and cash equivalents	1,568,769	(2,070,124)
Cash and cash equivalents at beginning of year	2,113,385	4,183,509
Cash and cash equivalents at end of year	<u>\$ 3,682,154</u>	<u>2,113,385</u>
<b>Fair value of assets and liabilities of subsidiary acquired:</b>		
Cash and cash equivalents	1,734,172	724,408
Notes and trade receivable, net	497,442	1,976,221
Accounts receivable from related parties, net	7,440	-
Inventories	269,334	2,614,013
Other current assets	98,688	504,583
Prepayments for materials	642,254	1,448,357
Property, plant and equipment, net	2,478,264	9,487,143
Other non-current assets	223,010	397,659
Intangible assets	19,761	-
Financial liabilities designated as at fair value through profit or loss	(1,215)	-
Short-term borrowings	-	(233,051)
Notes and accounts payable	(342,861)	(1,436,144)
Other current liabilities	(168,901)	(1,863,960)
Long-term loans payable	(430,000)	-
Other non-current liabilities	(319,334)	(219,641)
Accrued pension liabilities	-	(1,634,178)
Provision	(427,000)	(3,322,724)
Fair value of non-controlling interest at acquisition date	<u>(2,090,499)</u>	<u>-</u>
Fair value of subsidiary interest at acquisition	2,190,555	8,442,686
Less: Fair value of subsidiary before acquisition date	(1,380,680)	-
Cash proceeds from acquisition of subsidiary	(1,734,172)	(724,408)
Gain on bargain purchase	<u>-</u>	<u>(129,793)</u>
Cash paid to obtain (proceeds from obtaining) control of subsidiary (excluding discharged in cash)	<u>\$ (924,297)</u>	<u>7,588,485</u>

See accompanying notes to financial statements.



Sino-American Silicon Products Inc.

Profit Distribution Table  
Year 2013

(Unit: NTD)

Items	Amount
Beginning retained earnings (ROC GAAP)	\$0
Add (Less) :	
Effect of transition to IFRSs	102,349,086
Adjusted net income for 2012 from ROC GAAP transition to IFRSs	(206,697,914)
Adjustment of actuarial losses 2012	(15,532,756)
Opening balance of appropriated IFRSs special capital reserve	(102,349,086)
Opening balance of accumulated offset company losses (IFRSs)	(222,230,670)
Add (Less) :	
Movement of actuarial (losses	(8,464,402)
Adjusted beginning retained earnings	(230,695,072)
Add :	
Net profit after tax	295,118,039
Distributable retained earnings	64,422,967
Less :	
Appropriated legal capital reserve	(6,442,297)
Appropriated special capital reserve	(57,980,670)
Distributable items:	
Dividend to shareholders	0
Bonus to shareholders- Shares	0
Bonus to shareholders- Cash	0
Ending balance of unappropriated retained earnings	\$0
Notes:	
Employee bonus sharing	\$0
Compensation of directors and supervisors	\$0

Chairman:

President:

Chief Account:

# Sino-American Silicon Products Inc.

## Articles of Incorporation Comparison Chart

Article	Before	After	Remark
6	The total capital stock of the Company shall be in the amount of <a href="#">NTD8,000,000,000</a> , divided into <a href="#">800,000,000</a> shares, at NTD10 par value, and may be issued separately. The Board of Directors is entitled to make resolutions to decide whether or not the unissued shares to be issued.	The total capital stock of the Company shall be in the amount of <a href="#">NTD10,000,000,000</a> , divided into <a href="#">1,000,000,000</a> shares, at NTD10 par value, and may be issued separately. The Board of Directors is entitled to make resolutions to decide whether or not the unissued shares to be issued.	Revise
CH. 4	Chapter IV. Directors and <a href="#">Supervisors</a>	Chapter IV. Directors and <a href="#">the Audit Committee</a>	Revise
18	<p>1. The Company shall have <a href="#">eleven to thirteen directors and three supervisors to be elected at the shareholders' meeting among shareholders with disposing capacity</a>. Both directors <a href="#">and supervisors</a> shall serve for a term of three years and shall be eligible for re-election. The total shares held by all directors and supervisors shall be in compliance with the relevant regulations provided by the securities authority.</p> <p>2. The aforesaid directors must have at least <a href="#">two</a> independent directors <a href="#">and shall also not be less than one fifth of the total number of directors. The candidate nomination system shall be adopted. Independent directors shall be elected from the list of candidates for</a></p>	<p>1. The Company shall have <a href="#">thirteen to fifteen directors to be elected at the shareholders' meeting by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law</a>. All directors shall serve for a term of three years and shall be eligible for re-election. The total shares held by all directors and supervisors shall be in compliance with the relevant regulations provided by the securities authority.</p> <p>2. The aforesaid directors must have at least <a href="#">three</a> independent directors. The professional qualification, shareholding, part-time job limitation, nomination and election method and other requirements for independent directors shall be handled in</p>	Revise

	<p><a href="#">independent directors at shareholders' meeting.</a> The professional qualification, shareholding, part-time job limitation, nomination and election method and other requirements for independent directors shall be handled in compliance with the relevant regulations provided by the securities authority.</p>	<p>compliance with the relevant regulations provided by the securities authority.</p>	
18-1	<p><a href="#">When the Company establishes an audit committee, it shall abolish supervisors in the same day</a> according to Article 14-4 of Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors.</p>	<p><a href="#">The Company shall establish an audit committee</a> according to Article 14-4 of Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors.</p>	Revise
20	<p>In the case that vacancies on the Board of Directors reach or exceed one third of the total number of the directors, <a href="#">or all the supervisors are in vacancy</a>, the Board of Directors shall convene an extra shareholders' meeting to fill such vacancies within 60 days. The new directors or supervisors shall serve only the remaining term of the predecessors.</p>	<p>In the case that vacancies on the Board of Directors reach or exceed one third of the total number of the directors, or all the supervisors are in vacancy, the Board of Directors shall convene an extra shareholders' meeting to fill such vacancies within 60 days. The new directors or supervisors shall serve only the remaining term of the predecessors.</p>	Revise
21	<p>Each directors <a href="#">and supervisors</a> shall be informed via written notice or email or fax of the convention at seven days before the Board of Director's meeting. A meeting of the Board of Directors may be held anytime if necessary, and the methods of informing each directors <a href="#">and supervisors</a> shall be via written notice or email or fax.</p> <p>Unless otherwise provided for in the Company Law, resolutions in the Board of Directors meeting shall be adopted by a majority vote in</p>	<p>Each director shall be informed via written notice or email or fax of the convention at seven days before the Board of Director's meeting. A meeting of the Board of Directors may be held anytime if necessary, and the methods of informing each director shall be via written notice or email or fax.</p> <p>Unless otherwise provided for in the Company Law, resolutions in the Board of Directors meeting shall be adopted by a majority vote in the meeting attended by a majority</p>	Revise

	<p>the meeting attended by a majority of Directors.</p> <p>Any director who is unable to attend a Board of Directors' meeting shall appoint another director as his/her proxy by a power of attorney listing the scope of empowerment. A director may serve as proxy for only one absent director.</p> <p><a href="#">After the audit committee is established, its members, duties, regulations and other mandatory items should be proceeded according to SEC regulations.</a></p>	<p>of Directors.</p> <p>Any director who is unable to attend a Board of Directors' meeting shall appoint another director as his/her proxy by a power of attorney listing the scope of empowerment. A director may serve as proxy for only one absent director.</p> <p><a href="#">The audit committee's members, duties, regulations and other mandatory items should be proceeded according to SEC regulations.</a></p>	
23	<p>Remunerations of Chairman, directors <a href="#">and supervisors</a> shall be determined by the Board of Directors based on the level of their participation in business operation and the value of their contribution, and taking into account the common remuneration level in the same industry.</p>	<p>Remunerations of <a href="#">all directors</a> shall be determined by the Board of Directors based on the level of their participation in business operation and the value of their contribution, and taking into account the common remuneration level in the same industry.</p>	Revise
24	<p><a href="#">The supervisors shall be in accordance with the laws, Articles of Incorporation, and the rights entitled from the shareholders' meeting when performing their jobs.</a></p>		Delete
25	<p>Article 25 to 32</p>	<p>Article 24 to 31</p>	Adjust Article order
24	<p>Originally Article 25</p> <p>The Company may buy the liability insurance for all directors <a href="#">and supervisors</a> to the extent of the compensation responsibility assumed in business execution.</p>	<p>Article 24</p> <p>The Company may buy the liability insurance for all directors to the extent of the compensation responsibility assumed in business execution.</p>	Revise
28	<p>Originally Article 29</p>	<p>Article 28</p> <p>Upon the closing of each fiscal year,</p>	Revise

	<p>Upon the closing of each fiscal year, the Board of Directors shall work out the following documents <a href="#">and present them to supervisors for audit thirty days prior to a shareholders' meeting. Supervisors shall issue a report</a> and present it at a regular meeting of shareholders for acknowledgement.</p> <p>i. Omit</p> <p>ii. Omit</p> <p>iii. Omit</p>	<p>the Board of Directors shall work out the following documents and present it at a regular meeting of shareholders for acknowledgement.</p> <p>i. Omit</p> <p>ii. Omit</p> <p>iii. Omit</p>	
29	<p>If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:</p> <p>(1) Omit</p> <p>(2) Omit</p> <p>(3) Omit</p> <p>(4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 3% as remuneration to Directors <a href="#">and Supervisors</a> and at least <a href="#">10%</a> as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.</p>	<p>Article 29</p> <p>If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:</p> <p>(1) Omit</p> <p>(2) Omit</p> <p>(3) Omit</p> <p>(4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 3% as remuneration to Directors and at least <a href="#">5%</a> as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.</p>	Revise
31	Originally Article 32	<p>Article 31</p> <p><a href="#">The 28th amendment on June 26th, 2014</a></p>	Add amendment date

## Sino-American Silicon Products Inc.

### Comparison Chart of Acquisition or Disposal of Assets Procedure

Article	Before	After	Remark
1	These Procedures for acquisition or disposal of assets ("Procedures") is made pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and the <a href="#">Executive Yuan's</a> Financial Supervisory Commission (hereinafter referred to as "FSC") per the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.	These Procedures for acquisition or disposal of assets ("Procedures") is made pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and <a href="#">the Financial Supervisory Commission</a> (hereinafter referred to as "FSC") per the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.	Revise
2	Asset referred in this policy includes: 1. omit 2. Tangible and fixed assets. 3. omit 4. omit 5. omit 6. omit 7. omit 8. omit	Asset referred in this policy includes: 1. omit 2. Tangible( <a href="#">including land, housing and construction, investment real estate, usage rights of the land, stock and equipment</a> of the construction) and fixed assets. 3. omit 4. omit 5. omit 6. omit 7. omit 8. omit	Revise
5	Public disclosure 1. Omit  (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds <a href="#">or</a> bonds under repurchase and resale agreements.	Public disclosure 1. Omit  (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase, resale agreements, <a href="#">subscription or</a>	Revise

	<p>(2) Omit</p> <p>(3) Omit</p> <p>(4) Omit</p> <p>i. Omit</p> <p>ii. Callable bond and puttable bond</p> <p>iii. Operational used <a href="#">machinery</a>, equipment not exceeding NTD 500,000,000 and not purchased from related party.</p> <p>iv. Omit</p>	<p><a href="#">redemption of the fund of the domestic money market.</a></p> <p>(2) Omit</p> <p>(3) Omit</p> <p>(4) Omit</p> <p>i. Omit</p> <p>ii. Callable and puttable bond, <a href="#">subscription and redemption of the fund of the domestic money market.</a></p> <p>iii. Operational used <a href="#">equipment</a> not exceeding NTD 500,000,000 and not purchased from related party.</p> <p>iv. Omit</p>	
7	<p>The Company shall obtain an appraisal report prior to the date of occurrence of the event for tangible asset <a href="#">or other fixed assets</a> cost 20% of paid- in capital or more than NTD 300,000,000, unless transaction with government agency, structures built on own land, structure build on rent land, or operational purpose <a href="#">machinery or</a> equipment. Also the follow requirements shall also be followed:</p> <p>1. Omit</p> <p>2. Omit</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by <a href="#">the ARDF</a> and render a specific opinion regarding the reason for the discrepancy and</p>	<p>The Company shall obtain an appraisal report prior to the date of occurrence of the event for tangible asset <a href="#">or equipment</a> cost 20% of paid- in capital or more than NTD 300,000,000, unless transaction with government agency, structures built on own land, structure build on rent land, or operational purpose equipment. Also the follow requirements shall also be followed:</p> <p>1. Omit</p> <p>2. Omit</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by <a href="#">the Accounting Research and Development Foundation (hereinafter, ARDF)</a> and render a specific opinion regarding</p>	Revise

	<p>the appropriateness of the transaction price:</p> <p>(1) Omit</p> <p>(2) Omit</p>	<p>the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) Omit</p> <p>(2) Omit</p>	
9	<p>In acquiring or disposing membership certificate or intangible assets by a public company, and the transaction amount exceeding 20% of the Company's paid-in capital or NT\$300,000,000, an accountant shall be retained prior to the date of occurrence of the event to express opinions on the reasonableness of the transaction price and the accountant shall handle the matter pursuant to the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>In acquiring or disposing membership certificate or intangible assets by a public company, and the transaction amount exceeding 20% of the Company's paid-in capital or NT\$300,000,000, <a href="#">apart from any transactions with the government authorities</a>, an accountant shall be retained prior to the date of occurrence of the event to express opinions on the reasonableness of the transaction price and the accountant shall handle the matter pursuant to the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	Revise
12	<p>1. Omit</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the <a href="#">supervisors</a>:</p> <p>(1) Omit</p> <p>(2) Omit</p> <p>(3) Omit</p> <p>(4) Omit</p> <p>(5) Omit</p> <p>(6) Omit</p> <p>(7) Omit</p>	<p>1. Omit</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, <a href="#">apart from transactions of bonds, RP and RS bonds, the subscription or redemption of the domestic money market</a>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the <a href="#">audit committee</a>:</p> <p>(1) Omit</p> <p>(2) Omit</p> <p>(3) Omit</p> <p>(4) Omit</p>	Revise



	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the <a href="#">supervisors</a> need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use <a href="#">machinery and</a> equipment between a the Company and its parent or subsidiaries, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>3. Omit (1) Omit (2) Omit</p> <p>4. Omit (1) Omit (2) Omit (3) The acquisition of real estate is based on the cooperative construction contract with the related parties.</p>	<p>(5) Omit (6) Omit (7) Omit</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the <a href="#">audit committee</a> need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use <a href="#">equipment</a> between a the Company and its parent or subsidiaries, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>3. Omit (1) Omit (2) Omit</p> <p>4. Omit (1) Omit (2) Omit (3) The acquisition of real estate is based on the cooperative construction contract with the related parties <a href="#">or own-land construction via agency by agreement, construction on rental land via agency by agreement etc.</a></p>	
25	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the <a href="#">Supervisors</a> ,	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the <a href="#">audit</a>	Revise

<p>and ratified by the Shareholders Meeting. Any amendment is subject to the same procedure. Any written objection or statement from Directors of the Board shall be submitted to the <a href="#">Supervisors</a>.</p> <p>The opinions of each independent director shall be given adequate consideration, and their consenting or dissenting opinions and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p><a href="#">If the Company has established the audit committee</a>, the establishment or a revision of this Procedures shall be approved with the consent of one-half or more than one-half of all members of such audit committee and then be submitted to the Board of Directors for approval.</p> <p>If the aforesaid establishment or revision of this Procedures has not been approved by such audit committee with the consent of one-half or more than one-half of all members of the audit committee, the establishment or revision of this Procedures may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the audit committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p> <p>The Audit Committee members and the board of directors' members in preceding paragraph will only calculate the members in present position.</p> <p><a href="#">Subsequent to the establishment of an audit committee</a> by the Corporation in accordance with the Securities and Exchange Act, the provisions of Article 14-4, paragraph 3, in regard to supervisors shall apply mutatis mutandis to audit committee members.</p> <p><a href="#">Subsequent to the establishment of an</a></p>	<p><a href="#">committee</a>, and ratified by the Shareholders Meeting. Any amendment is subject to the same procedure. Any written objection or statement from Directors of the Board shall be submitted to the <a href="#">audit committee</a>.</p> <p>The opinions of each independent director shall be given adequate consideration, and their consenting or dissenting opinions and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p>The establishment or a revision of this Procedures shall be approved with the consent of one-half or more than one-half of all members of such audit committee and then be submitted to the Board of Directors for approval.</p> <p>If the aforesaid establishment or revision of this Procedures has not been approved by such audit committee with the consent of one-half or more than one-half of all members of the audit committee, the establishment or revision of this Procedures may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the audit committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p> <p>The Audit Committee members and the board of directors' members in preceding paragraph will only calculate the members in present position.</p> <p>In accordance with the Securities and Exchange Act, the provisions of Article 14-4, paragraph 3, in regard to supervisors shall apply mutatis mutandis to audit committee members.</p> <p>In accordance with the Securities and Exchange Act, the provisions of Article 14-4, paragraph 4, shall apply mutatis mutandis to independent directors serving as audit committee members.</p>	
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	<a href="#">audit committee</a> by the Corporation in accordance with the Securities and Exchange Act, the provisions of Article 14-4, paragraph 4, shall apply mutatis mutandis to independent directors serving as audit committee members.		
26		<a href="#">The 15<sup>th</sup> amendment was made on June 26, 2014.</a>	Add amendment date

## Rules for Election of Directors

### **Article 1**

Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the independent and non-independent directors of this Company shall be elected in accordance with the rules specified herein.

### **Article 2**

Election of directors of this Company shall be held at the shareholders' meeting. The board of directors shall prepare ballots and note the number of voting rights.

### **Article 3**

The election of directors shall adopt a disclosed cumulative voting method. Each share represents a weighted number of voting rights equivalent to the number of directors to be elected; such voting rights may be exercised to collectively elect a single candidate or may be distributed among several candidates. Those persons with the greatest numbers of ballots representing voting rights shall be elected as director in order of number of ballots received. Each voter will be identified by his/her attendance card number as printed on his/her ballot.

### **Article 4**

This Company's directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

### **Article 5**

In the election of directors of this Company, independent directors and non-independent directors should be elected from the same election with the effective seats calculated specifically. Candidates who acquire more votes should individually win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

### **Article 6**

The Board of Directors shall prepare ballots and distribute one ballot to each shareholder identified by his/her attendance card number. Each ballot shall contain the votes that the voter is entitled to in the election.

### **Article 7**

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the shareholders present.

## **Article 8**

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

## **Article 9**

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and the candidate's ID number. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column. If there are several representatives, each of the representatives' names must be filled in.

## **Article 10**

Ballots shall be deemed void under the following conditions:

1. Ballots not prepared by the Board of Directors;
2. The number of candidates filled in the ballot exceeding the number of the seats to be elected.
3. Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number);
4. The handwriting on the ballots is too illegible to be identified or is altered;
5. If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
6. Ballots without being filled in candidate's name or shareholder's number (ID number).

## **Article 11**

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

## **Article 12**

This Company shall issue notifications to the directors elected.

## **Article 13**

These rules and any revision thereof shall become effective after approval at the shareholders' meeting.

## **Article 14**

This Procedure was enacted on June 26, 2014.