SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

Independent Auditors' Audit Report

The Board of Directors
Sino-American Silicon Products Inc.

We have audited the accompanying consolidated balance sheets of Sino-American Silicon Products Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the subsidiaries GlobalWafers Japan Co., Ltd., for the year ended December 31, 2012, GlobiTech Incorporated for the years ended December 31, 2012 and 2011 and an equity method investee, Sunrise Global Solar Energy Corporation, for the years ended December 31, 2012 and 2011, which are included in the consolidated financial statements. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion insofar as it relates to the differences between acquisition cost and identifiable net assets, for which we have performed the required procedures and adjusted accordingly, is based solely on the reports of the other auditors. The amounts included for GlobiTech Incorporated, GlobalWafers Japan Co., Ltd., and Sunrise Global Solar Energy Corporation are based solely on the reports of the other auditors. The total assets of GlobiTech Incorporated and GlobalWafers Japan Co., Ltd. were NT$18,470,221 thousand and NT$3,040,610 thousand (48% and 10% of consolidated total assets) as of December 31, 2012 and 2011, respectively, and their total revenue was NT$8,812,351 thousand and NT$2,331,660 thousand (46% and 13% of consolidated total revenue) for the years ended December 31, 2012 and 2011, respectively. The related long-term investment balances of NT$1,537,095 thousand and NT$1,831,485 thousand as of December 31, 2012 and 2011, respectively, and the investment loss amounting to NT$294,390 thousand and amounting to NT$124,900 thousand in 2012 and 2011, respectively, are based solely on the reports of the other independent auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sino-American Silicon Products Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

Note to Readers

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

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

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Operations

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

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

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

See accompanying notes to financial statements.

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

			Retained earnings								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Non-controlling interest	Total
Balance at January 01, 2011	$ 3,820,256	9,574,891	587,985	-	4,220,074	(106,758)	(21,178)	352,014	-	-	18,427,284
Appropriation of earnings (note 1):											
Legal reserve	-	-	356,861		(356,861)	-	-	-			-
Stock dividends	201,066	-	-	-	(201,066)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,010,661)	-	-	-	-	-	(2,010,661)
Issuance of common stock for cash	200,000	740,000	-	-	-	-	-	-	-	-	940,000
Stock dividends to employees as bonus	8,803	61,197	-	-	-	-	-	-	-	-	70,000
Issuance of common stock to acquire available-for-sale financial assets	201,066	1,650,826	-	-	-	-	-	-	-	-	1,851,892
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	43,698	-	-	-	-	-	-	-	-	43,698
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(1,118,090)	-	-	(1,118,090)
Foreign currency translation adjustments	-	-	-	-	-	268,075	-	-	-	-	268,075
Adjustment arising from changes in percentage of ownership in equity-method investees	-	70,777	-	-	-	-	-	-	-	-	70,777
Pension adjustment－unrecognized pension cost	-	-	-	-	-	-	21,127	-	-	-	21,127
Net income for 2011	-	-	-	-	428,706	-	-	-	-	-	428,706
Balance at December 31, 2011	4,431,191	12,141,389	944,846	-	2,080,192	161,317	(51)	(766,076)	-	-	18,992,808
Appropriation of earnings:											
Legal reserve	-	-	42,871	-	(42,871)	-	-	-	-	-	-
Special reserve	-	-	-	604,810	(604,810)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(443,119)	-	-	-	-	-	(443,119)
Issuance of common stock for cash	800,000	2,652,073	-	-	-	-	-	-	-	-	3,452,073
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	83,564	-	-	-	-	-	-	-	-	83,564
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(341,396)	-	-	(341,396)
Pension adjustment－unrecognized pension cost	-	-	-	-	-	-	51	-	-	(664)	(613)
Foreign currency translation adjustments	-	-	-	-	-	(620,938)	-	-	-	(6,075)	(627,013)
Disposal of subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	-	78,080	78,080
Adjustment arising from changes in percentage of ownership in equity-method investees	-	1,882	-	-	-	-	-	-	-	175,878	177,760
Treasury stock acquired	-	-	-	-	-	-	-	-	(256,695)	-	(256,695)
Net loss for 2012	-	-	-	-	(2,367,952)	-	-	-	-	7,481	(2,360,471)
Balance at December 31, 2012	**$ 5,231,191**	**14,878,908**	**987,717**	**604,810**	**(1,378,560)**	**(459,621)**	**-**	**(1,107,472)**	**(256,695)**	**254,700**	**18,754,978**

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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

	2012	2011
Cash flows from operating activities:		
Net income (loss)	$ (2,360,471)	428,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,275,786	1,767,848
Provision for (reversal of) allowance for doubtful accounts	(6,751)	5,350
Provision for (reversal of) inventory obsolescence and devaluation loss	(26,332)	49,633
Investment loss recognized by equity method	294,457	121,609
Cash dividends received from equity-method investees	-	9,540
Cash dividends received from available-for-sale financial assets	-	76,419
Loss on disposal of property, plant and equipment	1,968	133
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	83,563	43,698
Gain on disposal of equity-method investment	(61,507)	(6,979)
Impairment loss on financial assets	720,413	250,000
Unrealized loss (gain) on valuation of financial assets	43,922	(43,922)
Expense with no effect on cash flow	72,571	223,356
Change in operating assets and liabilities:		
Notes and accounts receivable	(167,952)	1,182,056
Notes and accounts receivable from related parties	(8,343)	201,582
Inventories	458,165	621,377
Prepayments for materials	1,241,528	(200,009)
Other financial assets – current	(165,875)	10,869
Deferred income tax assets	(270,102)	(129,300)
Other operation-related assets	510,416	(114,245)
Notes and accounts payable	(941,019)	(1,133,954)
Revenue received in advance	(612,300)	35,790
Accrued pension liabilities	30,071	3,069
Deferred credits	(19,389)	4,589
Other operation-related liabilities	(779,807)	(653,603)
Net cash provided by operating activities	1,313,012	2,753,612
Cash flows from investing activities:		
Acquisition of a subsidiary net of cash acquired	(7,809,439)	-
Acquisition of available-for-sale financial assets – non-current	-	(15,767)
Increase in equity-method investment	-	(837,000)
Acquisition of financial assets carried at cost	(257,050)	(579,660)
Proceeds from disposal of equity-method investments and available-for-sale financial assets	70,951	14,436
Acquisition of property, plant and equipment	(805,041)	(3,045,570)
Proceeds from disposal of property and equipment	-	84,458
Increase in deposits-out	(256,406)	(5,301)
Increase in restricted assets	(12,648)	(9,747)
Increase in deferred charges	(127,031)	(7,170)
Net cash used in investing activities	(9,196,664)	(4,401,321)

(Continued)

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

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

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

See accompanying notes to financial statements.

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

1. Organization and Principal Activities

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

SAS's common shares were publicly listed on the GreTai Securities Market ("GTSM") in March 2001.

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

	Global-Wafers	Sino Sapphire	Total
Assets:			
Accounts and notes receivable	$ 608,266	96,528	704,794
Other receivables – related parties	1,193,500	744,082	1,937,582
Inventories	305,475	144,893	450,368
Prepaid inventory	888,204	-	888,204
Deferred income tax assets – current	-	1,457	1,457
Other current asset	9,346	7	9,353
Long-term equity investment	3,952,393	-	3,952,393
Buildings and plants	75,868	-	75,868
Machinery and equipment	293,334	391,219	684,553
Prepayment for equipment and construction in progress	51,982	204,683	256,665
Leasehold improvements	-	50,899	50,899
Deferred pension cost	26,401	137	26,538
Liabilities:			
Accounts payable	(58,781)	(17,398)	(76,179)
Expense payable and other current liabilities	(82,058)	(16,370)	(98,428)
Accrued pension liabilities	(26,401)	(137)	(26,538)
Deferred income tax liabilities	(75,195)	-	(75,195)
Net assets	7,162,334	1,600,000	8,762,334
Effect of changes in foreign exchange rates	(232,334)	-	(232,334)
	$ 6,930,000	1,600,000	8,530,000

(Continued)

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

As of December 31, 2012 and 2011, the Company had 3,121 and 1,883 employees, respectively.

2. Summary of Significant Accounting Policies

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

A summary of significant accounting policies is as follows:

(1) Overview of Consolidated Entities

(a) The consolidated subsidiaries are summarized as follows:

Name of investor	Name of investee	Main activities	Percentage of ownership at December 31, 2012	Percentage of ownership at December 31, 2011
SAS	Sino Silicon Technology Inc. (SSTI)	Investment holding and sales of products through a subsidiary in China	100	100
SAS	GlobalWafers	Silicon material for semiconductor and trading	98.6	100
SAS	Sino Sapphire	Manufacturing and trading of optoelectronic wafers and substrates	95.12	100
SAS	GWVI Inc. (GWVI)	Various investments	-	100
SAS	GlobiTech Incorporated (GTI)	Production of epitaxial wafers and silicon wafers, and operation of a wafer foundry	Note(b)	Note(b)
GlobalWafers	Global Semiconductor Inc. (GSI)	Various investments	100	100
GlobalWafers	Global Wafers Inc. (GWI)	Various investments	100	100
GlobalWafers	GWafers	Various investments	100	100

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(b) Explanation of change in subsidiaries

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

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

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

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

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

On August 10, 2012, the board of directors of the Company resolved to acquire 100% ownerships of Covalent Material Corporation's subsidiaries, Covalent Silicon Corporation and Covalent Materials Sekikawa Corporation, which are semiconductor and silicon business entities. The abovementioned acquisition was approved by the special stockholders' meeting, and the acquirers would be either subsidiaries 100% owned by GWCM or other directly or indirectly 100%-owned subsidiaries of the Company.

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

(2) Principles of Consolidation

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

(3) Use of Estimates

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

(Continued)

(4) Foreign-currency Transactions and Translation

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

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

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

(5) Classification of Current and Non-current Assets and Liabilities

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

(6) Asset Impairment

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

(Continued)

(7) Financial Instruments

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

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

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

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

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

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

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

(Continued)

(8) Disposal of Accounts Receivable

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

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

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

(9) Inventories

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

(10) Equity-Method Investments

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

(12) Intangible Assets

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

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

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

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

(13) Deferred Charges

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

(Continued)

(14) Retirement Plan

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

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

For the defined benefit plan under the R.O.C Labor Standards Law (“the Plan”), SAS and its domestic subsidiaries carry out an actuarial calculation of their pension obligation at year-end. Based on the actuarial calculation, SAS and its domestic subsidiaries recognize a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, interest cost, the actual return on plan assets, unrecognized pension obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis over the estimated residual service periods of employees participating in the “Plan”. In accordance with the requirement of the R.O.C Labor Standards Law, SAS and its domestic subsidiaries contribute monthly at the rate of 2% of salaries and wages to a pension fund.

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

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

(Continued)

(15) Share-based Payment

SAS adopted SFAS No. 39 “Share-based Payment” for share-based payment arrangements with a grant date on or after January 1, 2008. The Accounting Research and Development Foundation (“ARDF”) Interpretations No. (92) 070, 071, and 072 were applied for employee share options that were granted between January 1, 2004, and December 31, 2007.

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

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

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

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

(16) Treasury Stock

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

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

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

(17) Revenue Recognition

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

(18) Government Grants

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

(19) Employee Bonuses and Remuneration to Directors and Supervisors

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

(20) Income Taxes

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

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

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

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

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

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

(Continued)

(21) Earnings per Common Share

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

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

(22) Operating Segment Information

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

3. Reasons for and Effect of Changes in Accounting Principles

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

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

(Continued)

4. Cash

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

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

5. Financial Instruments

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

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

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

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

	December 31, 2012	December 31, 2011
Non-publicly listed stocks:		
Equity investment	$ 2,500,992	2,309,437
Accumulated impairment loss	(1,101,583)	(405,319)
	$ 1,399,409	1,904,118

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

(3) Forward exchange contract

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

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

The above derivative instruments are accounted for as financial assets measured at fair value－current, and unrealized gains (losses) resulting from change in fair value of derivative contracts recognized in earnings amounted to $(6,407) and $43,922 for the years ended December 31, 2012 and 2011, respectively, accounted for as the Company's foreign exchange gain (loss).

(Continued)

6. Notes and Accounts Receivable, Net

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

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

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

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

The quota for the above account receivable factoring was revolving.

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

7. Inventories, Net

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

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

(Continued)

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

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

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

8. Equity-Method Investments

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

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

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

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

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

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

9. Leased Assets

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

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

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

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

(Continued)

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

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

10. Intangible Assets

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

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

	2011			
	Beginning balance	Amortization	Foreign currency translation	Ending balance
Goodwill	$ 622,593	-	24,792	647,385
Land use rights	9,102	228	885	9,759
	$ 631,695	228	25,677	657,144

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

11. Short-term Borrowings

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

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

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

12. Long-term Loans Payable

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

Financial institution	Redemption	December 31 2012	December 31 2011
Citibank Taiwan (lead bank of syndicated loan)	Tranche A repayable quarterly in 17 installments starting from one year after the date of borrowing (March 28, 2012).	$ 2,738,400	-
Citibank Taiwan (lead bank of syndicated loan)	Tranche B from March 28, 2012, to March 4, 2015, revolving medium-term loan and renewal on contractual maturity date as stipulated on application.	203,460	-
Chang Hwa Bank (lead bank of syndicated loan)	Repayable quarterly in 17 installments starting from one year after the date of borrowing.	300,000	900,000
Mega International Commercial Bank (lead bank of syndicated loan)	Repayable quarterly in 15 installments starting from 18 months after the date of borrowing.	800,000	1,440,000
E. Sun Bank	From June 15, 2009, to June 15, 2012, repayable quarterly starting from September 15, 2010.	-	75,000
E. Sun Bank	From July 15, 2012, to July 15, 2015, revolving medium-term loan, renewal on contractual maturity date as stipulated on application.	400,000	-

(Continued)

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

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

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

On March 5, 2012, the Company entered into an agreement for syndicated loan credit facilities of $6,200,000 and Yen$7,750,000 with Citibank and 10 other banks. These credit facilities contained covenants that required the Company, six months after the first date of application, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement on its annual and semiannual consolidated financial statements.

(Continued)

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

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

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

According to the loan agreements, a commitment fee is charged at an annual rate of 0.1% to 0.2% based on the committed-to-withdraw but unused balance, if any. As of December 31, 2012, the credit facilities had been withdrawn on schedule, and no commitment fee was paid.

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

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

13. Bonds Payable

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

Par value:	Yen $3,000 million
Original issue date:	May 1, 2012
Original issue price:	At par value
Coupon rate:	Fixed rate 2% annually
Duration:	May 1, 2012 ~ August 31, 2012
Counter party:	Covalent Materials Corporation

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

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Retirement Plans

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

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

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

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

(Continued)

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

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

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

Significant underlying actuarial assumptions were as follows:

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

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

15. Stockholders' Equity

(1) Common stock

On September 9, 2011, SAS offered 61,000 thousand global depositary receipts (GDRs) on the Luxembourg Stock Exchange representing 61,000 thousand shares of common stock. Each GDR represents one share of SAS's common stock. The offering price was US$2.9048 per GDR. The offering and issuance of the GDRs was authorized and approved by the R.O.C Securities and Futures Bureau (SFB) through its notice letter No. 0990041383 dated August 13, 2010. The total capital received from the offering of these GDRs amounted to US$177,193 thousand on September 9, 2010, and the net proceeds thereof, after deducting the underwriting expense of US$2,262 thousand, amounted to US$174,931 thousand (equivalent to $5,580,288). The issuance cost for the GDR offering was $11,531. The paid-in capital in excess of par value of $4,958,757 was recognized as "capital surplus".

(Continued)

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

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

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

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

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

(2) Employee stock option plans

In June 2010, the board of directors of SAS resolved to issue the First Employee Stock Option Plan in 2010 (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe 1 share of SAS's common stock. The contractual life is 6 years. The Plan was approved by the SFB on November 12, 2010, and officially implemented on August 10, 2011. Starting from the grant date according to the vesting schedule, 40%, 60%, 80% and 100% of the options vest on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

(Continued)

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

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

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

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

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

(Continued)

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

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

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

(3) Capital surplus

The components of capital surplus were as follows:

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

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

(Continued)

(4) Legal reserve

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

(5) Distribution of earnings and dividend policy

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

(a) Offset prior year's operating losses;

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

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the year ended December 31, 2011, the employee bonuses and remuneration to directors and supervisors were based on SAS's net income for the year then ended, and after setting aside 10% as legal reserve and special reserve, the board of directors estimated the amount by taking into consideration SAS's articles of incorporation and previous average rates approved by stockholders' meetings. Accordingly, SAS recognized and accrued employee bonuses of $0 for the year ended December 31, 2011. SAS did not accrue a bonus to directors and profit sharing to employees due to net loss for the year ended December 31, 2012. SAS also recognized remuneration to directors and supervisors of $0 and $0 for the years ended on December 31, 2012 and 2011, respectively. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of SAS's stock one day prior to the approved date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the consolidated statement of income in the following year.

The information on dividend per share, employee bonuses, and directors' and supervisors' remuneration allocated from earnings of 2011 and 2010 which were approved by the stockholders' meeting of SAS on June 27, 2012, and June 17, 2011, respectively, is as follows:

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

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

(6) Treasury stock

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

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

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

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

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

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

(Continued)

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

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

17. Income Taxes

Pursuant to the Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries, SAS is entitled to elect appropriate tax incentives for exemption from corporate income taxes for five consecutive years based on subsequent capital increases for the purpose of manufacturing wafers and ingots of semiconductor materials. SAS spun off the related business and net assets to GlobalWafers and Sino Sapphire, and in accordance with the Business Mergers and Acquisitions Act, effective from October 1, 2011, part of the tax incentives will be taken over by GlobalWafers and Sino Sapphire. As of December 31, 2012, the details of the Company's tax exemption due to the capital increase were as follows:

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
GlobalWafers	Increase in capital by capitalizing retained earnings and employee bonuses in 2003	Exemption from corporate income taxes for a five-year period	December 2004	2008~2012

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Successor	Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
SAS	Increase in capital by capitalizing retained earnings and employee bonuses in 2004	Exemption from corporate income taxes for a five-year period	November, 2005	2009~2013
SAS	Increase in capital by cash in 2005	Exemption from corporate income taxes for a five-year period	August, 2007	2007~2011
GlobalWafers	Increase in capital by capitalizing retained earnings and employee bonuses in 2005	Exemption from corporate income taxes for a five-year period	February, 2007	2010~2014
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2006	Exemption from corporate income taxes for a five-year period	August, 2008	2011~2015
Sino Sapphire	Increase in capital by capitalizing the retained earnings and employee bonuses in 2007	Exemption from corporate income taxes for a five-year period	February, 2009	Oct. 31, 2008~ Nov. 30, 2013
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2008	Shareholder investment tax credits	Stockholders' investment credits approved on March 8, 2012	-
SAS	Capital increase by cash and by capitalizing retained earnings and employee bonuses in 2009	Shareholder investment tax credits	Stockholders' investment credits approved on August 6, 2012	-

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Pursuant to Article 12 of the R.O.C Statute for Upgrading Industries, a company making foreign investments under the statute may set aside an amount up to 20% of the total outward investment as reserve to cover any investment loss when it occurs. In accordance with the Statute for Upgrading Industries, the investment loss recognition is based on the actual reduction in outwardinvestment in direct outward investees. In May 2011, the Company transferred GTI at its net asset value to GWI; accordingly, the Company revised the aforementioned reserve and reversed it back to profit and loss for the year ended December 31, 2011.

According to the Industrial Innovation Act, the Company's investment credits from research and development expenditures can be deducted from the current income tax payable, subject to a maximum of 30% of current income tax payable. Based on the Industrial Innovation Act, the deduction of investment credits from the current-year income tax payable amounted to $0 and $60,292 for the years ended December 31, 2012 and 2011, respectively. Pursuant to the Statute for Upgrading Industries, tax credits from the purchase of machinery and research and development expenditure may be applied to offset income tax payable over a period of five years. The amount of tax credits available to be applied in any year is limited to 50% of the income tax payable for that year, except for the final year in which such tax credit expires. Furthermore, an application for investing in the Chunan branch submitted by the Company in 2005, which is in accordance with the tax ruling entitled "The rule on investment tax credits for investing in a county or township area with scanty natural resources or with slow development", completed the application process in April 2011.

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

As of December 31, 2012, the Company's unused investment tax credits and related expiration years were as follows:

Year of assessment	Deductible period	Remaining credit
2010 (filed)	2010~2014	$ 1,132,873

According to the revised tax law, effective from January 2009, domestic subsidiaries' tax losses can be carried forward for ten years. As of December 31, 2012, unutilized accumulated losses and their expiry years were as follows:

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

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

18. Information on Financial Instruments

(1) Derivative financial instruments

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

(2) Non-derivative financial instruments

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

	December 31,			
	2012		**2011**	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets:				
Financial assets at fair value through profit or loss – current	$ -	-	43,922	43,922
Financial assets carried at cost	1,399,409	see (3)(c) below	1,904,118	see (3)(c) below
Off-balance-sheet financial instruments:				
Guarantee	-	4,619,830	-	1,024,001

(Continued)

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

(a) The Company's non-derivative financial assets and liabilities with short-term maturities include notes and accounts receivable/pabables (including related parties), other current financial assets, short-term borrowings, accrued salary, and other current liabilities whose carrying amounts approximate their fair value due to their short maturities.

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

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

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

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

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

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

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

(Continued)

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

(4) Financial risk information

(a) Market price risk

Financial assets and liabilities denominated in foreign currency and publicly traded available-for-sale financial assets held by the Company are measured at fair value; hence, the Company would be exposed to the risk of fluctuations in market interest rates and market prices, which would result in changes in fair values of these equity securities.

(b) Credit risk

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

The main customers of the Company belong to the silicon wafer and related industries. It is a normal practice of the Company to provide customers with a credit limit according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2012 and 2011, 22% and 40%, respectively, of the Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(Continued)

(c) Liquidity risk

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

(d) Cash flow interest rate risk

The Company's short-term and long-term borrowings bear floating interest rates. As a result, the Company is exposed to fluctuation in interest rates that affects cash flows for interest payments on these borrowings. At December 31, 2012 and 2011, if interest rates increased by 0.25%, the future annual interest expense would increase by $17,771 and $8,289, respectively.

19. Related-party Transactions

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

Name of related party	Relationship with the Company
Actron Technology Corporation (ATC)	SAS's chairman of the board of directors is the same as ATC's
Sunrise Global Solar Energy Corporation (SGSE)	Equity investee
Sinosolar Corporation	Equity investee
Solartech Energy Corporation (Solartech)	An SAS director (note)
Directors, supervisors, president and vice president	The Company's management team

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

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Significant transactions with related parties

(a) Sales and accounts receivable

Net sales to related parties for the years ended December 31, 2012 and 2011, were as follows:

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Furthermore, in order to maintain a stable supply of material, SGSE and Solartech have both signed long-term supply contracts with the Company. As of December 31, 2012 and 2011, revenue received in advance for sales to the aforementioned related parties was as follows (accounted for as the Company's revenue received in advance for sales – non-current):

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

(b) Purchases, outsourcings, and accounts payable

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

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

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

As of December 31, 2012 and 2011, the payables generated from the above transactions had been settled.

(c) Others

As of December 31, 2011, the unsettled receivables from related parties due to the advance for FreeSolar amounted to $25, recorded in other financial assets – current.

Royalty revenue and processing revenue

On January 21, 2011, the Company entered into a technology and patent cross-licensing contract with SGSE. The cross-licensing period of the contract is three years, effective from January 21, 2011, and SGSE is obligated to pay a royalty. Income from the royalty during 2011 was $20,000 and was recorded as service revenue and others. As of December 31, 2011, the related royalty generated from the aforementioned transaction had been collected.

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

(3) Compensation of the principal management team

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

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

20. Pledged Assets

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

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

21. Commitments and Contingencies

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

(1) Effective 2005, the Company has entered into several non-cancelable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancelable, and paid by the Company on the schedule stipulated in the contracts. Material supply is guaranteed by the suppliers. Due to the economic downturn, the market prices of raw materials of silicon fluctuated rapidly. Therefore, SAS negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. For the agreements which were still in negotiation, the Company has accrued the onerous contracts provision and the related loss was accounted for cost of good sold.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

	December 31,	
Guarantee	2012	2011
SSTI	-	USD 13,600
GTI	USD 24,000	USD 18,000
GWafers	NTD1,923,400	-
GWJ	JPY 525,581	-

(Continued)

(9) The Company entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Hsinchu site of the Hsinchu Science Park. The land lease agreement covers the period from October 1, 2000, to December 31, 2020. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $2,747. The rent contract was transferred to GlobalWafers starting from October 1, 2011. The rent term is from October 2011 to December 30, 2013. The rent is subject to the regulated land price and is about $816 per year.

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

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

As of December 31, 2012, minimum lease commitments in future years under the current operating lease agreements were as follows:

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

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

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

(Continued)

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

22. Significant Disaster Loss: None.

23. Subsequent Events: None.

24. Other Information

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

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

(2) SAS has provided a reserve for loss on outward investment, in accordance with the "Statute for Upgrading Industries". This reserve was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses within five years after the initial provision of this reserve, the loss reserve should be reversed and recognized as revenue in the sixth year. However, as such reserve does not conform to accounting principles generally accepted in the Republic of China, the loss reserve is reversed during the preparation of the financial statements, but the Company does not adjust the books. As of December 31, 2010, the loss reserve was $448,334, which caused the retained earnings to be overstated by $448,334. The recognition of actual loss on outward investment was determined based on the reduction of capital contribution. As of December 31, 2011, since the Company had executed a restructuring plan and transferred 100% ownership of GT to GWI in May 2011, and investment in GT was permanently cancelled, and loss reserve was reversed and recognized in the 2011 income statement..

(Continued)

(3) Acquisition

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

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

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

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

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

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

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

(Continued)

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

25. Segment Information

(1) General information and industrial information

There are three segments that need to be reported: the semiconductor business unit (Semi), the solar energy business unit (Solar), and the optoelectronic business unit (Opto). The main operations of Semi are R&D, manufacturing, and sales of semi silicon materials, and the main products are silicon-related components. The main operations of Solar are R&D, manufacturing, and sales of solar silicon materials used in generating solar energy, and the main products are solar energy-related components. The main operations of Opto are R&D, manufacturing, and sales of optoelectronic materials, and the main products are optoelectronic-related components

(2) Segment information

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Information on and adjustments for the segments are as follows:

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

	2011				
	Semi	**Solar**	**Opto**	**Adj.**	**Total**
Revenue					
From outsiders	$ 5,029,268	11,799,986	719,809	-	17,549,063
Inter-segment	50,175	-	16,131	(66,306)	-
Total revenue	**$ 5,079,443**	**11,799,986**	**735,940**	**(66,306)**	**17,549,063**
Segment profit (loss)	**$ 1,273,276**	**(410,512)**	**(84,636)**	**(23,479)**	**754,649**
Depreciation and amortization	**$ 503,442**	**1,127,396**	**137,010**	**-**	**1,767,848**
Segment assets	**$ 9,492,494**	**18,850,518**	**1,653,575**	**(2,409,298)**	27,587,289
Long-term equity investment					1,839,581
Total assets					**$29,426,870**

(3) General information

(a) Information by product and service

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

(Continued)

(b) Geographical information

Sales to customers classified by location of customers is as follows, within which revenue is recognized based on the location of the customer and non-current assets are recognized based on the location of the asset.

I. Revenue from third parties:

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

II. Non-current assets:

	December 31,	
Area	2012	2011
Taiwan	$ 9,842,132	11,155,845
China	892,787	1,158,541
United States	3,243,257	3,500,637
Japan	8,317,731	-
	$ 22,295,907	15,815,023

(c) Information on significant customers

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

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