SINO-AMERICAN SILICON PRODUCTS INC.

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 balance sheets of Sino-American Silicon Products Inc. (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of equity-method investees for the years ended December 31, 2012 and 2011, which are included in the financial statements. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion is based solely on the reports of the other independent auditors insofar as it relates to the differences between acquisition cost and identifiable net assets, for which we have performed the required procedures and adjusted accordingly. The related long-term investment balances of NT$12,839,360 thousand and NT$4,754,368 thousand (45% and 16% of total assets) as of December 31, 2012 and 2011, respectively, and the investment income amounting to NT$270,860 thousand and NT$147,803 thousand (11% of loss before income taxes and 40% of income before income taxes) for the years ended December 31, 2012 and 2011, respectively, are based solely on the reports of the other independent auditors.

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

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

We have also audited the consolidated financial statements of Sino-American Silicon Products Inc. and subsidiaries as of and for the years ended December 31, 2012 and 2011, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.

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

Note to Readers

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

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

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets (continued)

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

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

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Income

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

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

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

See accompanying notes to consolidated financial statements.

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

	Common stock	Capital surplus	Legal reserve	Retained earnings		Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Total
				Special reserve	Unappropriated earnings (accumulated deficit)					
Balance at January 1, 2011	$ 3,820,256	9,574,891	587,985	-	4,220,074	(106,758)	(21,178)	352,014	-	18,427,284
Appropriation of earnings:				-						
Legal reserve	-	-	356,861	-	(356,861)	-	-	-	-	-
Stock dividends	201,066	-	-	-	(201,066)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,010,661)	-	-	-	-	(2,010,661)
Issuance of common stock for cash	200,000	740,000	-	-	-	-	-	-	-	940,000
Stock dividends to employees as bonus	8,803	61,197	-	-	-	-	-	-	-	70,000
Issuance of common stock to acquire available-for-sale financial assets	201,066	1,650,826	-	-	-	-	-	-	-	1,851,892
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(1,118,090)	-	(1,118,090)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	43,698	-	-	-	-	-	-	-	43,698
Foreign currency translation adjustments	-	-	-	-	-	268,075	-	-	-	268,075
Adjustment arising from changes in percentage of ownership in equity-method investees	-	70,777	-	-	-	-	-	-	-	70,777
Pension adjustment – unrecognized pension cost	-	-	-	-	-	-	21,127	-	-	21,127
Net income for 2011	-	-	-	-	428,706	-	-	-	-	428,706
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
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(341,396)	-	(341,396)
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
Foreign currency translation adjustments	-	-	-	-	-	(620,938)	-	-	-	(620,938)
Adjustment arising from changes in percentage of ownership in equity-method investees	-	1,882	-	-	-	-	-	-	-	1,882
Pension adjustment – unrecognized pension cost	-	-	-	-	-	-	51	-	-	51
Treasury stock acquired	-	-	-	-	-	-	-	-	(256,695)	(256,695)
Net loss for 2012	-	-	-	-	(2,367,952)	-	-	-	-	(2,367,952)
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)	18,500,278

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 consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows (continued)

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

		2012	2011
Cash flows from financing activities:			
Increase (decrease) in other payables to related parties		(993,690)	290,163
Increase in short-term borrowings		200,000	100,000
Increase in long-term loans payable		8,635,000	680,000
Repayment of long-term loans payable		(6,816,600)	(1,354,000)
Payments of cash dividends		(443,119)	(2,010,661)
Issuance of common stock for cash		3,452,073	940,000
Treasury stock acquired		(226,753)	-
Net cash provided by (used in) financing activities		3,806,911	(1,354,498)
Net increase (decrease) in cash		(1,945,867)	(3,801,517)
Cash at beginning of year		2,405,021	6,206,538
Cash at end of year	$	459,154	2,405,021
Supplemental disclosures of cash flow information:			
Cash payments of interest (excluding interest capitalized)	$	139,964	56,639
Cash payments of income taxes	$	77,127	475,165
Non-cash investing and financing activities:			
Issuance of common stock to acquire available-for-sale financial asset	$	-	1,851,892
Current portion of long-term loans payable	$	1,584,329	1,995,000
Bonuses to employees – stock	$	-	70,000
Reclassification of financial assets carried at cost to long-term accounts receivable for related parties and equity-method investments	$	-	1,477,714
Acquisition of property, plant and equipment:			
Increase in property, plant and equipment	$	52,949	1,156,210
Changes in payables for equipment		10,477	351,888
	$	63,426	1,508,098
Acquisition of equity-method investments:			
Increase in equity-method investments	$	6,088,423	1,593,809
Other receivables – related parties – equity swaps		(766,183)	(756,809)
	$	5,322,240	837,000
Treasury stock acquired			
Increase in treasury stock	$	256,695	-
Changes in other current liabilities		(29,942)	-
	$	226,753	-

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

STATEMENTS OF CASH FLOWS (continued)

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

	2012	2011
Assets and liabilities spun off to GlobalWafers and Sino Sapphire, and acquisition of equity-method investments		
Notes and accounts receivable	$ -	704,794
Other receivables – related parties	-	1,937,582
Inventories	-	450,368
Prepayments for materials	-	888,204
Deferred income tax assets – current	-	1,457
Other current assets	-	9,353
Long-term investments	-	3,952,393
Buildings and improvements	-	75,868
Machinery and equipment	-	684,553
Prepayment for equipment and construction in progress	-	256,665
Leasehold improvements	-	50,899
Deferred pension costs	-	26,538
Accounts payable	-	(76,179)
Accrued expenses and other current liabilities	-	(98,428)
Accrued pension liabilities	-	(26,538)
Deferred income tax liabilities	-	(75,195)
Foreign currency translation adjustment	-	(232,334)
Net assets	**$ -**	**8,530,000**

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Notes to Financial Statements

December 31, 2012 and 2011
(Amounts expressed in thousands of New Taiwan dollars, except for per share information and unless otherwise noted)

1. Organization and Principal Activities

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

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

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

	Global-Wafers	Sino Sapphire	Total
Assets:			
Accounts and notes receivable	$ 608,266	96,528	704,794
Other receivables – related parties	1,193,500	744,082	1,937,582
Inventories	305,475	144,893	450,368
Prepaid inventory	888,204	-	888,204
Deferred income tax assets – current	-	1,457	1,457
Other current assets	9,346	7	9,353
Long-term equity investment	3,952,393	-	3,952,393
Buildings and plants	75,868	-	75,868
Machinery and equipment	293,334	391,219	684,553
Prepayment for equipment and construction in progress	51,982	204,683	256,665
Leasehold improvements	-	50,899	50,899
Deferred pension cost	26,401	137	26,538

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

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

As of December 31, 2012 and 2011, the Company had 842 and 1,021 employees, respectively.

2. Summary of Significant Accounting Policies

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

A summary of significant accounting policies is as follows:

(1) Spin-off

The Company established GlobalWafers and Sino Sapphire by virtue of a spin-off, and acquired 100% ownership of both companies. The accounting treatment related to the spin-off was for the Company to transfer assets and liabilities based on book value (if impairment had occurred, the new book value would be based on impairment loss recognized) without any transfer gain/(loss).

(2) Use of Estimates

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

(3) Foreign-currency Transactions and Translation

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

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

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

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

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

(5) Asset Impairment

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

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(6) Financial Instruments

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

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

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

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

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

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

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

(7) Inventories

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

(8) Equity-Method Investments

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

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

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

(Continued)

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

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

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

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

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

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

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

(10) Intangible Assets

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

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

(Continued)

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

(11) Deferred Charges

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

(12) Retirement Plan

The Company established an employee non-contributory defined benefit retirement plan (“the Plan”) covering all regular employees employed before June 30, 2005. In accordance with the Plan, the Company’s employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the years of service and the average salary for the six-month period before the employee’s retirement. Each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. Beginning July 2005, pursuant to the R.O.C Labor Pension Act (hereinafter referred to as the “New Act”), employees who elected to participate in the New Act or joined the Company after July 1, 2005, are covered by a defined contribution plan under the New Act. For these employees, the Company is required to make a monthly contribution at a rate of no less than 6% of the employee’s monthly wages to the employee’s individual pension fund account at the R.O.C Bureau of Labor Insurance. Anything not covered by the original retirement plan is handled pursuant to the New Act.

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

(13) Share-based Payment

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

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

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

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

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

(14) Treasury Stock

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

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

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

(15) Revenue Recognition

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

(16) Government Grants

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

(17) Employee Bonuses and Remuneration to Directors and Supervisors

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

(18) Income Taxes

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

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

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

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

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

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

(19) Earnings per Common Share

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

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

(Continued)

(20) Operating Segment Information

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

3. Reasons for and Effect of Changes in Accounting Principles

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

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

4. Cash

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

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

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

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

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

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

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

(Continued)

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

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

For the organizational alignment of associates, the board of directors of the Company resolved to sell the investment in SILFAB SPA., ZE Poly Pte Ltd., and Clean Venture 21 Corporation amounting to $1,477,714 to the wholly owned subsidiary Sino Silicon Technology Inc. on June 16, 2011, and proceeds of USD 26,555 thousand were used to invest in wholly owned subsidiary Global Semiconductor Inc. (GSI). As of October 1, 2011, for the purpose of company restructuring, GSI was 100% split off to GlobalWafers. As of December 31, 2011, the remaining balance of $766,183 (equivalent to USD 25,295 thousand) was recognized as long-term receivables－related parties, and in June 2012, the board of directors' meeting resolved to invest in SSTI through a debt-to-equity swap; please refer to Note 16: Related-party Transactions.

(3) Forward exchange contracts

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

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

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

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

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

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

7. Inventories, Net

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

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

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

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

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Notes To Financial Statements

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

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

Investee	December 31, 2012 Amounts	December 31, 2012 Percentage of ownership (%)	December 31, 2011 Amounts	December 31, 2011 Percentage of ownership (%)
Equity-Method Investments:				
Sino Silicon Technology Inc. (SSTI)	$ 1,065,355	100	1,066,854	100
GlobalWafers Co., Ltd.	12,999,028	98.60	7,276,548	100
Sino Sapphire Co., Ltd.	1,394,804	95.12	1,522,725	100
Sunrise Global Solar Energy Corp. (SGSE)	840,439	15.23	1,011,786	15.26
FreeSolar Corp.	704,685	41.88	827,795	41.88
	$ 17,004,311		11,705,708	
	2012		2011	
Investment loss recognized by equity method, net	$ (82,785)		(3,724)	

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

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

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

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

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Notes To Financial Statements

On August 10, 2011, the board of directors of the Company resolved to acquire 100% ownership of Covalent Material Corporation's subsidiaries, Covalent Silicon Corporation and Covalent Materials Sekikawa Corporation, which are semiconductor and silicon business entities. The abovementioned acquisition was approved by a special stockholders' meeting on October 25, 2011, and the acquirers would be either subsidiaries 100% owned by GWCM or other directly or indirectly 100%-owned subsidiaries of the Company.

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

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

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

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

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

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

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

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

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

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

9. Short-term Borrowings

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

	December 31, 2012	December 31, 2011
Loan for working capital	$ 300,000	100,000
Unused facilities	$ 3,000,000	4,073,913
Interest rate range	1.30%	1.54%

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

10. Long-term Loans Payable

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

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

(Continued)

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

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

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

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

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

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

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

Refer to Note 17 for assets pledged as collateral to secure long-term loans payable.

11. Retirement Plans

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

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

		December 31,	
		2012	**2011**
Benefit obligation:			
Vested benefit obligation	$	(4,377)	(2,466)
Non-vested benefit obligation		(23,677)	(20,516)
Accumulated benefit obligation		(28,054)	(22,982)
Additional benefits based on future salary increase		(6,904)	(6,259)
Projected benefit obligation		(34,958)	(29,241)
Fair value of plan assets		8,298	7,371
Funded status		(26,660)	(21,870)
Unrecognized net transition obligation		1,010	1,212
Unrecognized pension loss		2,397	(2,479)
Accrued pension liabilities (included in other liabilities)	**$**	**(23,253)**	**(23,137)**

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

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

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

Significant underlying actuarial assumptions were as follows:

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

(Continued)

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12. Stockholders' Equity

(1) Common stock

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

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

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

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

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

(Continued)

As of December 31, 2012 and 2011, the authorized capital of the Company was $8,000,000 and $6,000,000, respectively, of which $200,000 was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2012 and 2010, the issued capital was $5,231,191 and $4,431,191, respectively, with par value of $10 per share.

(2) Employee stock option plans

In June 2010, the board of directors resolved to issue the First Employee Stock Option Plan (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe 1 share of the Company's common stock. The contractual life is 6 years. The Plan was approved by the SFB on November 12, 2010, and officially implemented on August 10, 2012. Starting from the grant date according to the vesting schedule, 40%, 60%, 80% and 100% of the options vest on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

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

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

The fair value of the options granted on August 10, 2011, was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions. The factors to account for share-based payments were as follows:

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

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

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

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

(3) Capital surplus

The components of capital surplus were as follows:

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

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

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

(a) Offset prior year's operating losses;

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

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

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

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

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

(Continued)

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

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

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

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

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(6) Treasury stock

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

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

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

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

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

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

(Continued)

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

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

14. Income Taxes

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

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

(Continued)

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(Continued)

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

According to the Industrial Innovation Act, the Company's investment credits from research and development expenditures can be deducted from the current income tax payable, subject to a maximum of 30% of current income tax payable. Based on the Industrial Innovation Act, the deduction of investment credits from the current-year income tax payable amounted to $0 and $56,987 for the years ended December 31, 2012 and 2011, respectively. Pursuant to the Statute for Upgrading Industries, tax credits from the purchase of machinery and research and development expenditure may be applied to offset income tax payable over a period of five years. The amount of tax credits available to be applied in any year is limited to 50% of the income tax payable for that year, except for the final year in which such tax credit expires. Furthermore, an application for investing in the Chunan branch submitted by the Company in 2005, which is in accordance with the tax ruling entitled "The rule on investment tax credits for investing in a county or township area with scanty natural resources or with slow development", completed the application process in April 2011.

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

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

Year of assessment	Expiration year	Remaining credit
2010 (filed)	2010~2014	$ 983,858

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

(Continued)

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

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

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

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

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

15. Information on Financial Instruments

(1) Derivative financial instruments

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

(Continued)

(2) Non-derivative financial instruments

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

		December 31,			
		2012		2011	
		Book value	Fair value	Book value	Fair value
Financial assets:					
Financial assets at fair value through profit or loss – current	$	-	-	43,922	43,922
Financial assets carried at cost		781,595	see (3)(d) below	583,595	see (3)(d) below
Financial liabilities:					
Off-balance-sheet financial instruments:					
Guarantee		-	2,181,430	-	956,690

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

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

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

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

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

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

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

(Continued)

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

		December 31,			
		2012		2011	
		Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:					
Cash	$	459,154	-	2,405,021	-
Financial assets at fair value through profit or loss – current		-	-	-	43,922
Available-for-sale financial assets – non-current		703,328	-	1,054,168	-
Notes and accounts receivable (including related parties)		-	209,748	-	392,592
Loan to related parties		-	-	-	233,820
Other financial assets – current		-	2,442	-	2,402
Other receivables – related parties		-	260,259	-	236,890
Other financial assets – non-current		-	9,003	-	2,194
Financial liabilities:					
Short-term borrowings		-	300,000	-	100,000
Notes and accounts payable (including related parties)		-	395,865	-	510,062
Other payables to related parties		-	88,960	-	1,082,647
Accrued salary and bonuses		-	43,926	-	136,323
Long-term loans payable (including current portion)		-	4,913,400	-	3,095,000

(5) Financial risk information

(a) Market price risk

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

(b) Credit risk

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

The main customers of the Company belong to the silicon wafer and related industries. It is the Company's normal practice to provide customers with a credit limit according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2012 and 2011, 98% and 51%, respectively, of the Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(c) Liquidity risk

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

(d) Cash flow interest rate risk

The Company's short-term and long-term borrowings bear floating interest rates. As a result, the Company is exposed to fluctuation in interest rates that affects cash flows for interest payments on these borrowings. As of December 31, 2012 and 2011, if interest rates increased by 0.25%, the future annual interest expense would increase by $13,034 and $7,987, respectively.

16. Related-party Transactions

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

Name of related party	Relationship with the Company
SSTI	Subsidiary
GlobalWafers Co., Ltd.	Subsidiary
Sino Sapphire Co., Ltd.	Subsidiary
GWI	Indirect wholly owned subsidiary of the Company (note 1)

(Continued)

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Name of related party	Relationship with the Company
GSI	Indirect wholly owned subsidiary of the Company (note 1)
GTI	Indirect wholly owned subsidiary of the Company (note 1)
Kunshan Sino Silicon Technology Co., Ltd.	Indirect wholly owned subsidiary of the Company (note 1)
GWafers	Indirect wholly owned subsidiary of the Company
GWJ (original name CVS)	Indirect wholly owned subsidiary of the Company
Actron Technology Corporation (ATC)	The Company's chairman of the board of directors is the same as ATC's
Sunrise Global Solar Energy Corp. (SGSE)	Investee of the Company under the equity method
Sinosolar Corp.	Investee of the Company under the equity method
Solartech Energy	Legal director of the Company (note 2)
Directors, supervisors, president and vice president	The Company's management team

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

Note 2: On June 17, 2011, after re-election of directors, Solartech Energy became a legal director of the Company, and the transactions between the Company and Solartech are disclosed as related-party transactions.

(Continued)

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(2) Significant transactions with related parties

a. Sales and accounts receivable

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

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

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

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

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

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

(Continued)

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

	December 31, 2012	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 ended December 31, 2012 and 2011, were as follows:

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

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

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

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

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

c. Guarantees

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

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

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

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

(Continued)

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

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

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

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

d. Financing

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

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

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

e. Disposal of fixed assets and deferred credits

Over the years, the unrealized gain from selling fixed assets to Kunshan Sino Silicon Technology Co., Ltd. was recognized as “deferred credits gains on inter-affiliate accounts”. Amortization is calculated on a straight-line basis over the estimated useful lives of fixed assets of five years. For the years ended December 31, 2012 and 2011, the deferred gain on disposal of fixed assets arising from amortization was $111 and $120, respectively. As of December 31, 2012 and 2011, the deferred credits were $18 and $129, respectively.

f. Property transactions

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

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

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

g. Pledged assets

The buildings and machinery spun off to GlobalWafers and Sino Sapphire by the Company were used as collateral for the Company to secure long-term loans. As of December 31, 2012, book values of the buildings and machinery were as follows:

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

h. Royalty revenue and processing revenue

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

The Company entered into a technology and patent licensing agreement with SGSE on January 21, 2011. The agreement term shall continue for a period of 3 years from the

(Continued)

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

i. Management service revenue

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

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

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

j. Rental income and rental expense

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

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

k. Other payables – GlobalWafers

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

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

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

(Continued)

$	**88,511**	**1,082,647**

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

l. Combined final business income tax return

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

(Continued)

m. Others

(i) In 2011, the indirect sales to Kunshan Sino Silicon Technology Co., Ltd. through SSTI were $314,112, which the Company purchased back as finished goods and sold to customers after Kunshan SST had manufactured them. The aforementioned transactions were on the basis of cost-plus pricing. The related sales revenue and purchases are written off in the financial statements instead of being regarded as the Company's transactions.

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

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

Receivables generated from the aforementioned transactions were as follows:

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

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

	2012.12.31	**2011.12.31**
GlobalWafers	$ 83,332	175,978
Sino Sapphire	8,863	42,283
GWafers	97,541	-
SSTI	1,038	2,464
GWI	208	-
GSI	208	-
Sinosolar Corp.	-	25
Other	(408)	-
	$ 190,782	**220,750**

(Continued)

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

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

(3) Compensation of the principal management team

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

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

17. Pledged Assets

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

			December 31,	
Pledged assets	**Purpose of pledge**		**2012**	**2011**
Buildings and improvements	Short-term borrowings and long-term loans payable	$	1,931,673	1,904,971
Machinery and equipment	Long-term loans payable		2,445,412	1,067,102
Time deposits (recorded in other financial assets－non-current)	Guarantees for solar energy system demonstration		246	246
		$	4,377,331	2,972,319

(Continued)

(2) The buildings and machinery spun off to GlobalWafers and Sino Sapphire by the Company were used as collateral for the Company to secure long-term loans. As of December 31, 2012, book values of the buildings and machinery were as follows:

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

18. Commitments and Contingencies

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

(1) Effective 2005, the Company entered into several non-cancelable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancelable, and paid by the Company on the schedule stipulated in the contracts. Material supply is guaranteed by the suppliers. Due to the economic downturn, the market prices of silicon fluctuated rapidly. Therefore, the Company negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. As of December 31, 2012, the materials for future delivery from suppliers under the current effective agreements were as follows:

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

19. Significant Disaster: None.

20. Subsequent Events: None.

21. Other Information

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

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

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

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

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

	December 31,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
US Dollars	11,203	29.126	326,299	12,930	30.275	391,456
JPY	539,443	0.3391	182,925	222,941	0.3906	87,081
EURO	84	38.480	3,232	359	39.180	14,066
Equity-method investment						
USD	36,577	29.126	1,065,355	68,791	30.275	2,082,648
Financial liabilities						
Monetary Items						
US Dollars	8,494	29.126	247,396	2,055	30.275	62,215
JPY	395	0.3391	134	377,355	0.3906	147,395

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

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Notes To Financial Statements

(5) Reclassification

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

22. Operating Segment Information

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