SINO-AMERICAN SILICON PRODUCTS INC.

Financial Statements

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

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

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

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

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

<u>Note to Readers</u>

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

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

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Balance Sheets (continued)

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

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

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Income

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

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

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

See accompanying notes to consolidated financial statements.

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

	Common stock	Advance receipts for common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Foreign currency translation adjustments	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance at January 1, 2010	$ 2,994,413	508	4,592,617	540,429	1,209,302	179,760	(16,049)	381,076	9,882,056
Appropriation of earnings:									
Legal reserve	-	-	-	47,556	(47,556)	-	-	-	-
Stock dividends	209,738	-	-	-	(209,738)	-	-	-	-
Cash dividends	-	-	-	-	(299,627)	-	-	-	(299,627)
Issuance of global depository receipts	610,000	-	4,958,757	-	-	-	-	-	5,568,757
Stock dividends to employees as bonus	4,255	-	22,745	-	-	-	-	-	27,000
Issuance of stock from exercised employee stock options	1,850	(508)	772	-	-	-	-	-	2,114
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(29,062)	(29,062)
Foreign currency translation adjustments	-	-	-	-	-	(286,518)	-	-	(286,518)
Adjustment arising from changes in percentage of ownership in equity-method investees	-	-	-	-	(916)	-	-	-	(916)
Pension adjustment - unrecognized pension cost	-	-	-	-	-	-	(5,129)	-	(5,129)
Net income for 2010	-	-	-	-	3,568,609	-	-	-	3,568,609
Balance at December 31, 2010	3,820,256	-	9,574,891	587,985	4,220,074	(106,758)	(21,178)	352,014	18,427,284
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	$ 4431,191	-	12,141,389	944,846	2,080,192	161,317	(51)	(766,076)	18,992,808

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

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Statements of Cash Flows (continued)

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

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

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

STATEMENTS OF CASH FLOWS (continued)

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

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

See accompanying notes to financial statements.

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

1. Organization and Principal Activities

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

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

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

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

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes to Financial Statements

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

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

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

2. Summary of Significant Accounting Policies

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

A summary of significant accounting policies is as follows:

(1) Spin-off

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

(2) Use of Estimates

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

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(3) Foreign-currency Transactions and Translation

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

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

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

(4) Classification of Current and Noncurrent Assets and Liabilities

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

(5) Asset Impairment

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

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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 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) Hedge Accounting

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

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

(8) Inventories

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

(9) Equity-Method Investments

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

(11) Intangible Assets

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

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

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

(12) Deferred Charges

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

(13) Retirement Plan

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

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

(14) Share-based Payment

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

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

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

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

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

(Continued)

(15) Revenue Recognition

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

(16) Government Grants

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

(17) Employee Bonuses and Remuneration to Directors and Supervisors

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

(18) Income Taxes

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

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

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

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

(19) Earnings per Common Share

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

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

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

(20) Operating Segment Information

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

(Continued)

3. Reasons for and Effect of Changes in Accounting Principles

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

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

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

4. Cash

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

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

5. Financial Instruments and Hedge Accounting

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

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

(Continued)

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

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

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

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

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

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

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes to Financial Statements

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

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

(3) Hedge accounting

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

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

(4) Forward exchange contracts

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

Buy	Sell	Nominal Amount	Contract Period	Fair Value
JPY	USD	USD30,000	Oct. 31, 2011~Jan. 31, 2012	$ 22,824
JPY	USD	USD 40,000	Oct. 31, 2011~Jan. 31, 2012	21,098
				$ 43,922

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

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Notes to Financial Statements

6. Notes and Accounts Receivable, Net

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

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

7. Inventories, Net

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

		December 31,	
		2011	**2010**
Merchandise	$	-	2,198
Less: provision for devaluation		-	(627)
		-	1,571
Finished goods		282,153	771,561
Less: provision for devaluation		(45,809)	(31,411)
		236,344	740,150
Work in process		65,605	30,296
Less: provision for devaluation		(3,875)	(2,027)
		61,730	28,269
Raw materials		234,686	675,983
Less: provision for devaluation		(28,651)	(31,536)
		206,035	644,447
Supplies		155,743	303,163
Less: provision for devaluation		(24,315)	(20,858)
		131,428	282,305
	$	**635,537**	**1,696,742**

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

Notes to Financial Statements

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

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

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

9. Short-term Borrowings

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

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

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

10. Long-term Loans Payable

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

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

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

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

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

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

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

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

11. Retirement Plans

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

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

(Continued)

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

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

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

Significant underlying actuarial assumptions were as follows:

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

12. Stockholders' Equity

(1) Common stock

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

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

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

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

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

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

(2) Employee stock option plans

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

(Continued)

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

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

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

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

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

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

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

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

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

(3) Capital surplus

The components of capital surplus consisted of the following:

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

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

(Continued)

(4) Legal reserve

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

(5) Distribution of earnings and dividend policy

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

(a) Offset prior year's operating losses;

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

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

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

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

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

(Continued)

For the years ended December 31, 2011 and 2010, the employee bonuses and remuneration to directors and supervisors were based on the Company's net income for the years then ended, and after setting aside 10% as legal reserve and special reserve, the board of directors estimated the amount by taking into consideration the Company's articles of incorporation and previous average rates approved by stockholders' meetings. Accordingly, the Company recognized and accrued employee bonuses of $0 and $397,590 for the years ended December 31, 2011 and 2010, respectively. The Company also recognized remuneration to directors and supervisors of $0 and $53,012 for the years ended on December 31, 2011 and 2010, respectively. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of the Company's stock one day prior to the approved date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the statement of income in the following year.

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

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

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

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

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13. Earnings per Share ("EPS")

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

	2011		2010	
	Before taxes	**After taxes**	**Before taxes**	**After taxes**
Basic earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Shares of common stock at beginning of year (thousand shares)	382,026	382,026	299,479	299,479
Add: Issuance of new stock (thousand shares)	18,597	18,597	-	-
Employee bonus (thousand shares)	20,580	20,580	21,207	21,207
Issuance of stockholders' stock dividends and employees stock bonus (thousand shares)	-	-	135	135
Issuance of stock from exercise of stock options (thousand shares)	-	-	19,052	19,052
Weighted-average number of common shares outstanding	421,203	421,203	339,873	339,873
Basic earnings per common share	$ 0.88	1.02	11.42	10.50
Basic earnings per common share – retroactively adjusted			$ 10.88	10.00
Diluted earnings per share:				
Net income	$ 368,808	428,706	3,880,225	3,568,609
Effects of dilution:				
Weighted-average number of common shares outstanding (thousand shares)	421,203	421,203	339,873	339,873
Add: Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance (thousand shares)	1,637	1,637	11	11
Stock bonus compensation before approval by the stockholders' meeting (thousand shares)	405	405	5,300	5,300
Diluted weighted-average number of common shares outstanding	423,245	423,245	345,184	345,184
Diluted earnings per share	$ 0.87	1.01	11.24	10.34
Diluted earnings per share – retroactively adjusted			$ 10.70	9.85

(Continued)

14. Income Taxes

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2011	December 31, 2010
Unappropriated earnings:		
Earned before January 1, 1998	$ 10,095	10,095
Earned after January 1, 1998	2,070,097	4,209,979
	$ 2,080,192	**4,220,074**
ICA balance	**$ 135,800**	**52,701**
Creditable ratio for earnings distribution to resident stockholders	**12.77% (estimated)**	**7.81% (actual)**

(Continued)

15. Information on Financial Instruments

(1) Derivative financial instruments

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

(2) Non-derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

	December 31,			
	2011		2010	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Financial assets:				
Cash	$ 2,405,021	-	6,206,538	-
Financial assets at fair value through profit or loss – current	-	43,922	-	-
Available-for-sale financial assets – non-current	1,054,168	-	381,019	-
Long-term account receivable from related parties	766,183	-	-	-
Notes and accounts receivable (including related parties)	-	629,482	-	2,580,343
Loan to related parties	-	233,840	-	-
Other financial assets – current	-	2,402	-	3,592
Other financial assets – non-current	-	2,194	-	2,844
Financial liabilities:				
Short-term borrowings	-	100,000	-	-
Notes and accounts payable (including related parties)	-	510,062	-	1,631,321
Other payable to related parties	-	1,299,402	-	-

(Continued)

	December 31,			
	2011		2010	
	Active market quotation	Valuation technique	Active market quotation	Valuation technique
Accrued salary and bonuses	-	136,323	-	729,605
Accrued expenses and other current liabilities	-	133,414	-	839,593
Long-term loans payable (including current portion)	-	3,095,000	-	3,769,000

(4) Financial risk information

(a) Market price risk

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

(b) Credit risk

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

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

(Continued)

(c) Liquidity risk

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

(d) Cash flow interest rate risk

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

16. Related-party Transactions

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

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

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

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

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

(2) Significant transactions with related parties

a. Sales and accounts receivable

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

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

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

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

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

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

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

b. Purchases and accounts payable

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

	December 31,				
	2011			2010	
		Amount	Percentage of net purchase	Amount	Percentage of net purchase
SSTI	$	550,516	5	1,429,035	9
Kunshan SST		461,636	4	-	-
GT		255,527	2	249,543	2
Solartech		44,342	-	-	-
GlobalWafers		50,175	-	-	-
SGSE		34,828	-	-	-
Sino Sapphire		16,131	-	-	-
	$	1,413,155	11	1,678,578	11

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes to Financial Statements

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

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

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

c. Guarantees

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

	December 31,	
	2011	2010
SSTI	$ 13,600	16,600
GT	18,000	12,000
	$ 31,600	**28,600**

d. Monetary loan

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

(Continued)

e. Disposal of fixed assets and deferred credits

Throughout the years, the unrealized gain from selling fixed assets to Kunshan Sino Silicon Technology Co., Ltd. was recognized as "deferred credits – gains on inter-affiliate accounts". Amortization is evaluated on a straight-line basis over the estimated useful lives of fixed assets of five years. For the years ended December 31, 2010 and 2011, the deferred gain on disposal of fixed assets arising from amortization was $120 and $253, respectively.

f. Property transactions

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

g. Pledged assets

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

h. Royalty revenue

The Company entered into a technology and patent licensing agreement with SGSE on January 21, 2011. The agreement term shall continue for a period of 3 years from the effective date of this agreement. The royalty shall be paid to the Company by SGSE in accordance with this agreement, and the Company recognized it as royalty revenue under service revenue amounting to $20,000 in 2011. For the year ended December 31, 2011, the above-mentioned royalty-related revenue has been collected.

i. Management service revenue

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

j. Rental income and rental expense

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

(Continued)

k. Other payable – GlobalWafers and Sino Sapphire

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

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

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

l. Others

(i) In 2010 and 2011, the indirect sales to Kunshan Sino Silicon Technology Co., Ltd. through SSTI were $314,112 and $727,471, and in 2011 the direct sales to Kushan SST were $388,665, which the Company purchased back as finished goods and sold to customers after Kunshan SST had manufactured them. The aforementioned transactions were determined on the basis of cost-plus pricing. The related sales revenue and purchases are written off in the financial statements instead of being regarded as the Company's transactions.

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

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

(Continued)

Receivables generated from the aforementioned transactions were as follows:

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

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

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

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

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

(v) Compensation of the principal management team

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

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

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

17. Pledged Assets

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

			December 31,	
Pledged assets	**Purpose of pledge**		**2011**	**2010**
Buildings and improvements	Short-term borrowings and long-term loans payable	$	1,904,971	1,985,133
Machinery and equipment	Long-term loans payable		1,067,102	1,456,431
Time deposits (recorded in other financial assets－non-current)	Guarantees for solar energy system demonstration		246	246
		$	**2,972,319**	**3,441,810**

18. Commitments and Contingencies

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

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

(Continued)

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

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

In addition, the Company also entered into several non-cancelable long-term sales agreements with polysilicon purchasers. According to these agreements, from January 1, 2006, to December 31, 2019, the purchasers agree to make prepayments, and the Company is obligated to deliver the product on the schedule stipulated in the contracts. Also, if the Company defaults on the delivery schedule, the Company has to offer sales discounts or compensation ranging from one and a half times to four times the undelivered products' applicable prepayments. However, the Company is required to refund the prepayments if the Company delays the delivery for three months. Additionally, due to the economic downturn, which caused a decline in demand, solar battery purchasers attempted to negotiate with the Company to reduce the wafer prices. The Company agreed to revise the agreements with pricing based on market conditions at that time. As of December 31, 2011, the amounts of future product delivery under current effective sales agreements were as follows:

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

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

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

(Continued)

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

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

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

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

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

19. Significant Disaster: None.

20. Subsequent Events

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

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

(Continued)

21. Other Information

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

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

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

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

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

	December 31,					
	2011			2010		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary Items						
US Dollars	12,930	30.275	391,456	146,881	29.130	4,278,644
JPY	222,941	0.3906	87,081	668,281	0.3582	239,378
EURO	359	39.18	14,066	4,914	38.920	191,253
Equity-method investment						
USD	68,791	30.275	2,082,648	83,864	29.130	2,442,958

(Continued)

	December 31,					
	2011			2010		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial liabilities						
Monetary Items						
US Dollars	2,055	30.275	62,215	12,759	29.130	371,670
JPY	377,355	0.3906	147,395	253,316	0.3582	90,738
EURO	-	39.18	-	3,497	38.920	136,103

22. Operating Segment Information:

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