



SINO-AMERICAN SILICON PRODUCTS INC.  
中美矽晶製品股份有限公司

ISO / TS 16949 / ISO 14001 Certified

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## Meeting Notice of Annual General Shareholders' Meeting

The 2011 Annual General Shareholders' Meeting (the "Meeting") of Sino-American Silicon Products Inc. (the "Company") will be held at Science Park Life Hub Rm 203 (No. 1, Industrial East Rd. 2, Science-Based Industrial Park, Hsinchu, Taiwan, R.O.C) at 9:00 a.m., Friday, June 17, 2011.

The agenda for the Meeting is as follows:

### I. Report Items

- (1) To report the business of 2010
- (2) Supervisors' review report
- (3) To report the execution status of endorsement and guarantee
- (4) To report the investment status in China
- (5) To report on FY 2008, FY 2009 and FY 2010 implementation of rights issue

### II. Approval Items

- (1) To approve the 2010 business report and financial statements
- (2) To approve the proposal for distribution of 2010 profits

### III. Discussion and Election items

- (1) To allocate earnings and employee bonuses to a capital increase and issuance of new shares
- (2) To revise SAS's Articles of Incorporation
- (3) To revise SAS's Acquisition or Disposal Procedure
- (4) To discuss SAS's Spin-off Semiconductor business
- (5) To release the shares of Spun-Off new established company (GlobalWafers Co., Ltd) and waive the subscription right to rights issue
- (6) To discuss SAS's Spin-off Sapphire business
- (7) To issue no more than 100 million new shares through GDR issuance or local SPO
- (8) To release the shares of Spun-Off new established company (Taiwan Sapphire Co., Ltd) and waive the subscription right to rights issue
- (9) To elect Company Directors and Supervisors
- (10) To release newly appointed directors from non-competition restrictions

### IV. Supplementary motions

Submission period applicable to common share holders of SAS for the submission of shareholder proposals to SAS will start from April 8 to April 18, 2010, 4:30 p.m.

The entries in the shareholders' registration book for share transfer shall be suspended from April 19, 2011 to June 17, 2011.

## Attachment 1

### **Sino-American Silicon Products Inc. The Plan of Spin-off**

Sino-American Silicon Products Inc.( the “SAS” ), in order to restructure and to offer professional services for the purpose of enhancing competitiveness and performance, intends to spin off and transfer the related business (including assets, liabilities and business) of the Semiconductor division to GlobalWafers Co.( the “GlobalWafers” ) ( each a “Party” and collectively the “Parties” ), a newly incorporated company wholly owned thereby, in exchange for new shares issued by GlobalWafers ( the “Spin-off” ). This Plan of Spin-off (the “Plan”) was made as follows in accordance with the Business Mergers and Acquisitions Act, Company Act and other applicable laws:

**Article 1 Methods of Spin-off and the Participating companies**

The method of Spin-off is that SAS shall transfer the business (including assets, liabilities and operated business ) of its Semiconductor division (the “Business”) to GlobalWafers, a newly incorporated company whereas GlobalWafers shall issue new shares to SAS in exchange therefor. All companies participate in this Spin-off are as follows:

The company to spin off: Sino-American Silicon Products Inc.

The newly incorporated recipient company: GlobalWafers Co.

**Article 2 Articles of Incorporation of GloablWafers Co.**

Reference shall be made to 1 of Schedule 10.

**Article 3 The Scope of business, business value, assets and liabilities to be spun off by Sino-American Silicon Products Inc.**

**1. The Business:**

- (1) The business and related manufacturing and marketing staff of SAS’s Semiconductor Division.
- (2) The machineries, equipment, inventory, bank deposits, accounts receivables, long-term equity investments, other related assets (including tangible and intangible) and related liabilities of the Semiconductor Division.
- (3) Related agreements (including but not limited to purchase agreements, technology licensing agreements, technical service agreements, loan agreements and other related agreements), lawsuits, legal relationship, legal status, licenses, approval and other related rights of the Semiconductor Division. In the event that approval is required for the transfer/assignment of an agreement according to the terms hereof, such approval must be acquired before the transfer/assignment becomes effective.
- (4) The technology, software, know-how and trade secret researched, developed and owned by SAS before the record date of spin-off (the “Effective Date”) that are related to the Sapphire division shall be transferred to GlobalWafers. SAS and GlobalWafers shall work with each other to complete the procedures necessary for the transfer of the above intellectual property, technology and the maintenance of the right thereof and to provide related materials, documents and software for the other party to exercise related rights. The maintenance fee will be paid by

GlobalWafers after the Effective Date. The transfer of intellectual property as aforesaid will neither prejudice the right of any license already granted to any third parties nor have any effect on the existing confidentiality obligations shall remain in effect after the Spin Out. The licensing or transfer of related patent right and pending patent applications shall be negotiated by the Parties.

- (5) Other assets, liabilities, rights and obligations, interests, the vested and unexpired or undeducted tax incentive of the business/property to be spun off, licenses, approvals and related legal relationship, factual relationship and the status of the Semiconductor division.
2. Value of Business: is estimated to be NTD\$6,930,000,000 calculated as assets of spin-off less liabilities of spin-off.
3. The assets to be spun off: The assets anticipated to be spun off are as specified in Schedule 10-1, the value of which is estimated to be NTD\$7,771,000,000.
4. The liabilities to be spun off: The liabilities anticipated to be spun off are as specified in Schedule 10-1, the value of which is estimated to be NTD\$841,000,000.
5. The abovementioned Business value, asset value, and liability value shall be determined in accordance with the book value of SAS's financial report audited by Certified Public Accountant on December 31 of 2010.
6. If the abovementioned assets and liabilities need to be adjusted, the shareholders of SAS (the "Shareholders" or the "Shareholders of SAS") may authorize its Board of Directors (the "Board") to do such. The same will apply when adjustment is required for the Business value or the ratio of shares to be issued by GlobalWafers.

Article 4 The method of calculation of the number of shares to be issued by GlobalWafers in exchange for the Business Value, the assets and the liabilities is as follows:

1 Exchange Ratio:

The Business value of Sky is NTD\$6,930,000,000 SAS will offer NTD\$38.5 per share in exchange for each share newly issued by GlobalWafers and acquire a total amount of 180,000,000 shares of common stock of GlobalWafers. If the remainder is insufficient for exchange of a share, GlobalWafers shall, within thirty (30) days of completion of change registration, make cash payment to SAS for the remaining Business value that is insufficient for exchange of one share.

2 Computation Criteria:

The aforementioned exchange ratio is calculated based upon the expert opinion on the book value of the assets and liabilities to be spun off by SAS, the net value per share and the spin-off exchange ratio, the detail of which is provided in Schedule 10-3.

Article 5 Adjustment of the Business value, the assets and liabilities to be spun off, the number of shares to be issued by GlobalWafers and the exchange ratio

In the event of any of the following, the Shareholders of SAS may authorize its Board to

modify the number of shares to be issued shares and/or the value per share. Moreover, the Business value acquired by GlobalWafers as a result of the Spin-off will be adjusted accordingly.

1. Adjustment to the Business value is required due to change in the amount of assets, liabilities or Business value or others as of the record date of the Spin-off;
2. Changes to the amount of assets and liabilities to be spun off due to the revaluation, depreciation, amortization, increase or decrease of the assets leading to changes in the details or the amount; or
3. Any other change of applicable laws or order of authorities resulting in necessity of adjusting the ratio of issued shares provided in Article 4.

#### Article 6 The total number, class and volume of shares to be issued by GlobalWafers

1. The business value to be received by GlobalWafers pursuant to this Spin-off is NTD\$6,930,000,000 and GlobalWafers shall issue 180,000,000 new shares of common stock to SAS.
2. GlobalWafers shall complete the change registration and issue the common shares to SAS. Upon completion of the Spin-off, SAS will directly hold one hundred percent (100%) of the shares of GlobalWafers after this Spin-off.

#### Article 7 Buy-back and cancellation of shares of dissenting shareholders

SAS shall buy back the shares held by the shareholders objecting the Spin-off or the Plan according to law and dispose or cancel such shares according to the approval of the competent authority and complete the required change registration.

#### Article 8 Obligation of Notice to Creditors and Announcement

1. SAS shall, upon resolution by its Shareholders, prepare the balance sheet and inventory of property and give notice to each creditor and publicly announce such resolution to urge creditors to declare their rights of claims within a period of thirty (30) days, stating also that any creditor may declare his rights of claims within the period. If any creditor fails to declare his rights of claims within such period, SAS shall proceed in accordance with the applicable law.
2. If the debt to be settled according to the declaration raised by creditors in accordance with the abovementioned provision is within the scope of Business, SAS shall authorize its Board to revise the Business scope, Business value, assets and liabilities as set out in Article 3. The same will apply if the exchange ratio and price need to be adjusted.

#### Article 9 Assumption of rights and obligation and other related matters after Spin-off

1. Starting from the Effective Date, GlobalWafers will assume all assets and liabilities transferred by SAS and all rights and obligations valid and existing until such date. If any related procedure needs to be completed in order to consummate such transfer, SAS shall cooperate in full.
2. Unless the transferred liabilities can be severed from the liabilities borne by SAS before the Spin-off, GlobalWafers shall be jointly and severally liable with SAS for the liabilities of GlobalWafers to the extent of the capital contributed by such assumption pursuant to

Paragraph 6, Section 32 of the Business Mergers and Acquisitions Act. However, the rights of creditors holding a joint and several claim against SAS and GlobalWafers will terminate two (2) years after the Effective Date.

#### Article 10 Dealing with the transferred employees

Employees related to the Sapphire division will be continually hired by GlobalWafers; the service years of such employees achieved shall be recognized by GlobalWafers.

#### Article 11 The Effective Date

1. The Effective Date shall be determined by SAS's Boards upon resolution by its Shareholders and approval by the competent authorities (including the Financial Supervisory Commission, Executive Yuan, R.O.C., the Taiwan Greta Securities Market and so on ). The Effective Date may be October 1 of 2011 and the Board may adjust it as necessary.
2. SAS shall transfer the business, personnel, equipment and other related assets and liabilities of the Semiconductor division to GlobalWafers on the Effective Date.

#### Article 12 The timeline closing, and delay of the Spin-off

1. This Spin-off Plan may be submitted to the Shareholders on June 17, 2011 for resolution; however, the actual date of the meeting may be subject to change by the Board depending on the actual circumstances.
2. With regard to the timeline, closing and delay of the Spin-off, the Shareholders of SAS will authorize its Board to determine the relevant dates of the required Board meetings or Shareholders meetings and other related matters.

#### Article 13 Share of tax and expense

1. Unless otherwise provided in this Plan, all tax and expense resulting from execution or performance of this Plan shall be paid equally by the Parties except for any exemption or non-taxation. If this Plan fails due to inability to be approved by the Shareholders or the relevant authorities or other factors, all fees for lawyers, accountants and other relevant fees and expenses shall be borne by SAS.
2. Both Parties shall make their best efforts to obtain any tax incentive in respect of this Spin-off.

#### Article 14 Change of paid-in capital of the SAS

The paid-in capital of SAS remain the same as its original capital without any reduction after this Spin-off except for the capital reduction due to cancellation of shares in accordance with law.

#### Article 15 Governing law

This Spin-off shall be governed by the Business Mergers and Acquisitions Act. If any new laws are promulgated and are in favor of this Spin-off, then such new laws shall also apply.

Article 16 Miscellaneous

1. If any provision of this Plan is invalid as a result of conflicting with the applicable laws, the remainder of this Plan shall remain in effect. As for the provisions that are determined to be invalid, SAS's Shareholders shall authorize its Board to re-determine within the scope permitted by the applicable laws.
2. If any provision of the Plan needs to be modified in accordance with orders of the authorities, such provisions may be modified accordingly or be determined by the Board pursuant to such orders.
3. This Plan shall become effective upon approval by the Shareholders of SAS. Notwithstanding, the Plan shall not become effective unless and until the approval by the relevant competent authorities.

Article 17 Matters not stipulated herein shall be processed according to the relevant laws and orders of authorities. If no stipulations in the relevant laws or orders, SAS's Shareholders may authorize its Board to make the final determination.

Sino-American Silicon Products Inc

Name: M.K.Lu

Title: Chairman

Date: April 14, 2011

# **Attachment 1-1**

## **GlobalWafers Corporation**

### **Articles of Incorporation**

#### **Chapter I. General Provisions**

##### **Article 1**

This Company is duly incorporated under the provisions set forth in the Company Law, and its full name in Chinese language is 環球晶圓股份有限公司, and GlobalWafers Corporation in English language.

##### **Article 2**

The Company shall engage in the following business:

CC01080 Electronic Parts and Components Manufacturing

IG03010 Energy-related Technology and Service

F401010 International Trade

IZ99990 Other Business(spectrum of technology, management and advisory business)

(1) Research and development, design, manufacture and sell the following products:

- Silicon-based semiconductor materials and their components
- Photovoltaic and communication materials

(2) The technology, management and advisory business related to the products listed above.

(3) Import-export activities related to the above mentioned business.

##### **Article 3**

The Company may provide endorsement/guarantee and make reinvestment in another company. For endorsement/guarantee and reinvestment deriving from business relationship, the limits to the Company shall not be in accordance of Article 13 of Company Law.

##### **Article 4**

The Company is headquartered in Hsinchu SBIP and may have branches or offices set elsewhere domestically and abroad as resolved by the Board of Directors and competent authorities of the government.

##### **Article 5**

Public announcements of the Company shall be duly made in accordance with Article 28 of the Company Law.

##### **Article 6**

The Procedures are the guidelines for the Company to provide endorsement and/or guarantee to

outside parties who has business relationship with the Company.

## **Chapter II. Capital Stock**

### **Article 7**

The total capital stock of the Company shall be in the amount of NTD3,000,000,000, divided into 300,000,000 shares, at NTD10 par value, and may be issued separately. The Board of Directors is entitled to make resolutions to decide whether or not the unissued shares to be issued.

### **Article 8**

The share certificates of the Company shall all be name-bearing share certificates and signed or sealed by no less than three directors.

The share certificates shall be issued after being certified by authority concerned or its approved certificate organizations.

The Company may not print share certificates. Registers of share certificates shall contact the share certificates' depository and clearing organizations.

### **Article 9**

All transfer of stocks, pledge of rights, loss or damage, or similar stock transaction conducted by shareholders of the Company shall follow the Company Law or relevant regulations.

### **Article 10**

Shareholders shall submit their seal drawings to the Company for reference, and the same instruction shall be applied when the shareholders change their seal drawings. It shall be based on the current seal drawings kept by the Company when shareholders receive dividends or executing other rights.

### **Article 11**

All the Company's stockholder-related affairs shall be dealt in accordance with the Company Law or relevant regulations.

### **Article 12**

Share transfer registration shall be suspended 30 days preceding each regular shareholders' meeting, or 15 days preceding an extraordinary shareholders' meeting, or 5 days preceding the base day for distribution to shareholders of dividends, bonuses, or other privileges as determined by this Company. After the Company publicly issued, the share transfer registration shall be suspended 60 days preceding each regular shareholders' meeting, or 30 days preceding an extraordinary shareholders' meeting, or 5 days preceding the base day for distribution to shareholders of dividends, bonuses, or other privileges as determined by this Company.

## **Chapter III. Shareholders' Meeting**

#### Article 13

The shareholders' meeting shall be convened in two forms: a regular meeting or extraordinary meeting. The regular meeting shall be held once annually and convened by the Board of Directors within six months from the closing of each fiscal year in accordance with the Company Law or relevant regulations. An extraordinary meeting, if necessary, shall be convened in accordance with the Company Law or relevant regulations.

Unless otherwise provided in the Company Law, the shareholders' meeting shall be convened by the Board of Directors.

The notices for shareholders' meeting shall be served to all shareholders in written or electrical forms 20 days in advance in case of a regular meeting of shareholders or 10 days in advance in case of a extraordinary meeting of shareholders. The written or electrical notice shall bear date, location and subjects of the meeting. After the Company publicly issued, the notices for shareholders' meeting shall be served to all shareholders in written or electrical forms 30 days in advance in case of a regular meeting of shareholders or 15 days in advance in case of a extraordinary meeting of shareholders. The written or electrical notice shall bear date, location and subjects of the meeting.

The shareholders may execute their voting right through written or electrical form, which shall be in accordance with the relevant regulations. For shareholders who hold less than a thousand shares, the Company can notice them through a public announcement.

#### Article 14

A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney expressly bearing the scope of the authorized power to appoint a proxy to attend the meeting on behalf. The powers of attorney shall be duly handled in accordance with "Regulations Governing Powers of Attorney Used for Attending the Shareholders' Meeting of Public Offering Companies" in addition to the requirements set forth in Article 177 of the Company Law.

#### Article 15

Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

#### Article 16

Unless otherwise provided in par. 3 of Article 157 of the Company Law, shareholders shall have one vote for each share they hold, but the Company has no voting power for shares held by itself in accordance with Art. 179 of the Company Law.

#### Article 17

When the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. In case of the Chairman's absence or unavailability, his proxy shall be the Vice Chairman.

If the Vice Chairman's position is in vacancy, or the Vice Chairman is also absent, the Chairman shall, in

advance, appoint a director to act in his place, but if the Chairman does not appoint his representative, one director shall be elected from among them to act in Chairman's place. In the event that the shareholders' meeting is convened by others instead of the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one of them shall be elected to chair the meeting.

#### Article 18

Minutes of shareholders' meeting shall be duly signed or sealed by the Chairman and served to all shareholders within twenty days after the meeting. The minutes may be served through a public announcement to the shareholders who hold less than a thousand shares bearing the name of the shareholder. The Minutes indicated above shall be kept with stockholders' attendance cards and their power of attorney at the Company.

### **Chapter IV. Directors and Supervisors**

#### Article 19-1

The Company shall have five to eleven directors and two to three supervisors to be elected at the shareholders' meeting among shareholders with disposing capacity. Both directors and supervisors shall serve for a term of three years and shall be eligible for re-election. The total shares held by all directors and supervisors shall be in compliance with the relevant regulations provided by the securities authority.

#### Article 19-2

After the Company publicly issued, the aforesaid directors must have at least two independent directors and shall also not be less than one fifth of the total number of directors. The candidate nomination system shall be adopted. Independent directors shall be elected from the list of candidates for independent directors at shareholders' meeting. The professional qualification, shareholding, part-time job limitation, nomination and election method and other requirements for independent directors shall be handled in compliance with the relevant regulations provided by the securities authority.

#### Article 20

More than two-thirds majority of Directors shall attend the meeting for the Board of Directors, and Chairman and Vice Chairman shall be elected among directors by a majority vote of the attending directors. Chairman shall represent the Company.

#### Article 21

In the case that vacancies on the Board of Directors reach or exceed one third of the total number of the directors, or all the supervisors are in vacancy, the Board of Directors shall convene an extra shareholders' meeting to fill such vacancies within 60 days. The new directors or supervisors shall serve only the remaining term of the predecessors.

#### Article 22

Each directors and supervisors shall be informed via written notice or email or fax of the convention of a Board of Director's meeting of the Company. A meeting of the Board of Directors may be held anytime if necessary, and the methods of informing each directors and supervisors shall be via written notice or email or fax.

Unless otherwise provided for in the Company Law, resolutions in the Board of Directors meeting shall be adopted by a majority vote in the meeting attended by a majority of Directors.

Any director who is unable to attend a Board of Directors' meeting shall appoint another director as his proxy by a power of attorney listing the scope of empowerment. A director may serve as proxy for only one absent director.

#### Article 23

If the Chairman takes leave or is unavailable to perform his duties, the proxy method shall be in accordance with the Company Law.

#### Article 24

Remunerations of Chairman, directors and supervisors shall be determined by the Board of Directors based on the level of their participation in business operation and the value of their contribution, and taking into account the common remuneration level in the same industry.

If the directors hold other positions at the Company, their remunerations for those positions shall be paid monthly in accordance with the common remuneration level of general managers.

#### Article 25

The supervisors shall be in accordance with the laws, Articles of Incorporation, and the rights entitled from the shareholders' meeting when performing their jobs.

#### Article 26

The Company may buy the liability insurance for all directors and supervisors to the extent of the compensation responsibility assumed in business execution.

### **Chapter V. Management of the Corporation**

#### Article 27

The Company shall have several managers whose appointment, discharge and remuneration shall be in accordance with the Company Law.

#### Article 28

The Company shall employ accountants and lawyers through the Board of Directors as consultants if need be. The remuneration for those consultants will be determined by the Board of Directors.

### **Chapter VI. Accountings**

#### Article 29

The Company's fiscal year starts from January 1 and ends on December 31 of every calendar year.

#### Article 30

Upon the closing of each fiscal year, the Board of Directors shall work out the following documents and present them to supervisors for audit thirty days prior to a shareholders' meeting. Supervisors shall issue a report and present it at a regular meeting of shareholders for acknowledgement.

- (1) Business report
- (2) Financial statements
- (3) Proposal of earning distribution or loss coverage.

#### Article 31

If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:

- (1) To make up for the previous loss;
- (2) 10% of annual income retained as legal reserve until such retention equals the amount of authorized common stock;
- (3) To distribute or reverse special earning reserve according to the law or competent authority;
- (4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 5% as remuneration to Directors and Supervisors and at least 10% as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.

In order to keep sustainable development for the Company and continuous growth on earnings per share, the cash dividends for shareholders shall be no less than 50% of the dividends for shareholders. Employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors.

### **Chapter VII. Supplementary Provisions**

#### Article 32

Relevant matters not provided for in these Articles shall be handled in accordance with the provisions of the Company Law.

#### Article 33

This articles of Incorporation is established on April 14th, 2011  
Implement after approvals from the meeting of stockholders

## Attachment 1-2

### Estimated statements of net assets( Net Operating Value) GlobalWafers Corporation

(In thousands of New Taiwan Dollars, Except shares, par value and issuing price per share)

Accounts	Amount (NTD*000)
Assets	
Current assets	3,096,000
Funds and long-term investments	4,292,000
Fixed assets	357,000
Other assets	26,000
Total Assets (1)	7,771,000
Liabilities	
Current liabilities	579,000
Long-term liabilities	0
Other liabilities	262,000
Total Liabilities (2)	841,000
Value of the Business (1)-(2)	6,930,000

Capital Stock:

Paid-in capital: 1,800,000

Issued shares: 180,000,000

Par value per share: 10

Issuing price per share: 38.50

Authorized capital: 3,000,000

## Attachment 1-3

### Sino-American Silicon Products Inc.

#### Independent Expert Opinion to the Stock Exchange Ratio of the Spin Out

In order to improve the competitiveness and operation performance through corporate restructure and work specialization, Sino-American Silicon Products Inc. (the “SAS”) is in contemplation to spin out the business (including related assets, liabilities and operation) operated by its Semiconductor Division to form a 100% owned subsidiary (the “Spin Out”), GlobalWafers Co. (the tentative name “GlobalWafers”), in exchange for GlobalWafers’ total shares as consideration. As a result, GlobalWafers will assume the business of Semiconductor Division of SAS.

#### 1. Calculation of the Stock Exchange Ratio of the Spin out

- a. The value of the Spin Out business is referred to the book value of the related assets (the “Transferred Assets”) and liabilities (the “Transferred Liabilities”) stated in SAS’s audited financial statements ended December 31, 2010.
- b. The book value of the Transferred Assets is NTD7,771,000,000, and the book value of the Transferred Liabilities is NTD841,000,000. Therefore, the value of the Spun-out Business is NTD6,930,000,000. The book value of the Transferred Assets and Liabilities as of December 31, 2010 are set out as follows:

Accounts	Amount (NTD*000)
<b>Assets</b>	
Current assets	3,096,000
Funds and long-term investments	4,292,000
Fixed assets	357,000
Intangible assets	0
Other assets	26,000
Total Assets (1)	7,771,000
<b>Liabilities</b>	
Current liabilities	579,000
Long-term liabilities	0
Other liabilities	262,000
Total Liabilities (2)	841,000
Value of the Business (1)-(2)	6,930,000

Source : Sino-American Silicon Products Inc

- c. GlobalWafers will issue 180 million fully-paid common shares to SAS at a price of NTD38.5 per share in exchange for the Spin Out business.

## 2. The Reasonableness of the Stock Exchange Ratio

SAS will transfer the related assets, liabilities and operation of its Semiconductor Division, i.e., the Spin Out business, to the newly incorporated GlobalWafers through a spin out, and in exchange, GlobalWafers will issue 180 million fully-paid common shares to SAS. Thus, the exchange ratio in such Spin Out will depend on the valuation of the Spin Out business and the calculation of the price of each share to be issued by GlobalWafers, both of which are set forth as follows:

- a. The main purpose of this Spin Out is to restructure the SAS, rather than an actual transaction. According to the interpretation letter, Gi-Mi 128 dated June 14, 2002, issued by the Accounting Research and Development Foundation (the "Interpretation Letter"), with respect to the accounting for a spin out transaction, that a company (the Transferring Company) transfers its business to another (the "Transferee Company") and acquires shares from the Transferee Company is a corporate restructure by nature if these two companies have been affiliate companies prior to such transaction. Therefore, for the Transferring Company, the costs of acquiring shares shall be calculated by the book value of transferred assets (after adjusted depreciation, if any) less that of transferred liabilities without recognizing any gain exchanged, and for the Transferee Company, the costs of acquiring assets and liabilities shall be calculated based on the book value of transferred assets and liabilities (after adjusted depreciation, if any), and shall use the net of the assets and liabilities as the basis. The capital of the Transferee Company shall be the par value of shares issued and the stock premium shall be credit to capital reserve. Accordingly, it is reasonable for SAS to transfer its assets and liabilities to GlobalWafers at a price calculated based on the book value.
- b. GlobalWafers will issue 40 million fully-paid shares at a price of NTD38.5 per share to SAS, the net value of which is NTD6,930,000,000, equal to the value of the Spin Out business, that is, net of the book value of the Transferred Assets and Liabilities. Since GlobalWafers will be a subsidiary wholly owned by SAS after the consummation of this Spin Out and its net value will be equal to the value of the Spin Out business, the stock exchange ratio in this Spin Out is reasonable.

3. To conclude, considering that the stock exchange ratio in this Spin Out is calculated based on the book value of the Transferred Assets and Liabilities stated on SAS's audited financial statements ended December 31, 2010, Taiwan Sapphire will issue 180 million fully-paid common shares at a price of NTD38.5 per share to SAS, and pursuant to the Interpretation Letter, such stock exchange ratio is reasonable. Besides the Transferee Company in this Spin Out, GlobalWafers, will be a SAS wholly owned subsidiary, this Spin Out will not prejudice SAS's shareholders' equity.

Pei-Chun Tsai

CPA

Date: April 13, 2011

## Attachment 2

### **Sino-American Silicon Products Inc. The Plan of Spin-off**

Sino-American Silicon Products Inc. ( the “SAS” ), in order to restructure and to offer professional services for the purpose of enhancing competitiveness and performance, intends to spin off and transfer the related business (including assets, liabilities and business) of the Sapphire division to Taiwan Sapphire Co.( the “Taiwan Sapphire” ) ( each a “Party” and collectively the “Parties” ), a newly incorporated company wholly owned thereby, in exchange for new shares issued by Taiwan Sapphire ( the “Spin-off” ). This Plan of Spin-off (the “Plan”) was made as follows in accordance with the Business Mergers and Acquisitions Act, Company Act and other applicable laws:

**Article 1 Methods of Spin-off and the Participating companies**

The method of Spin-off is that SAS shall transfer the business (including assets, liabilities and operated business ) of its Sapphire division (the “Business”) to Taiwan Sapphire, a newly incorporated company whereas Taiwan Sapphire shall issue new shares to SAS in exchange therefor. All companies participate in this Spin-off are as follows:

The company to spin off: Sino-American Silicon Products Inc.

The newly incorporated recipient company: Taiwan Sapphire Co.

**Article 2 Articles of Incorporation of Taiwan Sapphire Co.**

Reference shall be made to 1 of Schedule 11.

**Article 3 The Scope of business, business value, assets and liabilities to be spun off by Sino-American Silicon Products Inc.**

**1. The Business:**

- (1) The business and related manufacturing and marketing staff of SAS’s Sapphire Division.
- (2) The machineries, equipment, inventory, bank deposits, accounts receivables, other related assets (including tangible and intangible) and related liabilities of the Sapphire Division.
- (3) Related agreements (including but not limited to purchase agreements, technology licensing agreements, technical service agreements, loan agreements and other related agreements), lawsuits, legal relationship, legal status, licenses, approval and other related rights of the Sapphire Division. In the event that approval is required for the transfer/assignment of an agreement according to the terms hereof, such approval must be acquired before the transfer/assignment becomes effective.
- (4) The technology, software, know-how and trade secret researched, developed and owned by SAS before the record date of spin-off (the “Effective Date”) that are related to the Sapphire division shall be transferred to Taiwan Sapphire. SAS and Taiwan Sapphire shall work with each other to complete the procedures necessary for the transfer of the above intellectual property, technology and the maintenance of the right thereof and to provide related materials, documents and software for the other party to exercise related rights. The maintenance fee will

be paid by Taiwan Sapphire after the Effective Date. The transfer of intellectual property as aforesaid will neither prejudice the right of any license already granted to any third parties nor have any effect on the existing confidentiality obligations shall remain in effect after the Spin Out. The licensing or transfer of related patent right and pending patent applications shall be negotiated by the Parties.

- (5) Other assets, liabilities, rights and obligations, interests, the vested and unexpired or undeducted tax incentive of the business/property to be spun off, licenses, approvals and related legal relationship, factual relationship and the status of the Sapphire division.
2. Value of Business: is estimated to be NTD\$1,600,000,000 calculated as assets of spin-off less liabilities of spin-off.
3. The assets to be spun off: The assets anticipated to be spun off are as specified in Schedule 11-2, the value of which is estimated to be NTD\$1,762,000,000.
4. The liabilities to be spun off: The liabilities anticipated to be spun off are as specified in Schedule 11-2, the value of which is estimated to be NTD\$162,000,000.
5. The abovementioned Business value, asset value, and liability value shall be determined in accordance with the book value of SAS's financial report audited by Certified Public Accountant on December 31 of 2010.
6. If the abovementioned assets and liabilities need to be adjusted, the shareholders of SAS (the "Shareholders" or the "Shareholders of SAS") may authorize its Board of Directors (the "Board") to do such. The same will apply when adjustment is required for the Business value or the ratio of shares to be issued by Taiwan Sapphire

Article 4 The method of calculation of the number of shares to be issued by Taiwan Sapphire in exchange for the Business Value, the assets and the liabilities is as follows:

1. Exchange Ratio:  
The Business value of Sky is NTD\$1,600,000,000 SAS will offer NTD\$40 per share in exchange for each share newly issued by Taiwan Sapphire and acquire a total amount of 40,000,000 shares of common stock of Taiwan Sapphire. If the remainder is insufficient for exchange of a share, Taiwan Sapphire shall, within thirty (30) days of completion of change registration, make cash payment to SAS for the remaining Business value that is insufficient for exchange of one share.
2. Computation Criteria:  
The aforementioned exchange ratio is calculated based upon the expert opinion on the book value of the assets and liabilities to be spun off by SAS, the net value per share and the spin-off exchange ratio, the detail of which is provided in Schedule 11-3.

Article 5 Adjustment of the Business value, the assets and liabilities to be spun off, the number of shares to be issued by Taiwan Sapphire and the exchange ratio

In the event of any of the following, the Shareholders of SAS may authorize its Board to

modify the number of shares to be issued shares and/or the value per share. Moreover, the Business value acquired by Taiwan Sapphire as a result of the Spin-off will be adjusted accordingly.

1. Adjustment to the Business value is required due to change in the amount of assets, liabilities or Business value or others as of the record date of the Spin-off;
2. Changes to the amount of assets and liabilities to be spun off due to the revaluation, depreciation, amortization, increase or decrease of the assets leading to changes in the details or the amount; or
3. Any other change of applicable laws or order of authorities resulting in necessity of adjusting the ratio of issued shares provided in Article 4.

**Article 6     The total number, class and volume of shares to be issued by Taiwan Sapphire**

1. The business value to be received by Taiwan Sapphire pursuant to this Spin-off is NTD\$1,600,000,000 and Taiwan Sapphire shall issue 40,000,000 new shares of common stock to SAS.
2. Taiwan Sapphire shall complete the change registration and issue the common shares to SAS. Upon completion of the Spin-off, SAS will directly hold one hundred percent (100%) of the shares of Taiwan Sapphire after this Spin-off.

**Article 7     Buy-back and cancellation of shares of dissenting shareholders**

SAS shall buy back the shares held by the shareholders objecting the Spin-off or the Plan according to law and dispose or cancel such shares according to the approval of the competent authority and complete the required change registration.

**Article 8     Obligation of Notice to Creditors and Announcement**

1. SAS shall, upon resolution by its Shareholders, prepare the balance sheet and inventory of property and give notice to each creditor and publicly announce such resolution to urge creditors to declare their rights of claims within a period of thirty (30) days, stating also that any creditor may declare his rights of claims within the period. If any creditor fails to declare his rights of claims within such period, SAS shall proceed in accordance with the applicable law.
2. If the debt to be settled according to the declaration raised by creditors in accordance with the abovementioned provision is within the scope of Business, SAS shall authorize its Board to revise the Business scope, Business value, assets and liabilities as set out in Article 3. The same will apply if the exchange ratio and price need to be adjusted.

**Article 9     Assumption of rights and obligation and other related matters after Spin-off**

1. Starting from the Effective Date, Taiwan Sapphire will assume all assets and liabilities transferred by SAS and all rights and obligations valid and existing until such date. If any related procedure needs to be completed in order to consummate such transfer, SAS shall cooperate in full.
2. Unless the transferred liabilities can be severed from the liabilities borne by SAS before the Spin-off, Taiwan Sapphire shall be jointly and severally liable with SAS for the liabilities of Taiwan Sapphire to the extent of the capital contributed by such

assumption pursuant to Paragraph 6, Section 32 of the Business Mergers and Acquisitions Act. However, the rights of creditors holding a joint and several claim against SAS and Taiwan Sapphire will terminate two (2) years after the Effective Date.

#### Article 10 Dealing with the transferred employees

Employees related to the Sapphire division will be continually hired by Taiwan Sapphire; the service years of such employees achieved shall be recognized by Taiwan Sapphire.

#### Article 11 The Effective Date

1. The Effective Date shall be determined by SAS's Boards upon resolution by its Shareholders and approval by the competent authorities (including the Financial Supervisory Commission, Executive Yuan, R.O.C., the Taiwan Greta Securities Market and so on ). The Effective Date may be October 1 of 2011 and the Board may adjust it as necessary.
2. SAS shall transfer the business, personnel, equipment and other related assets and liabilities of the Sapphire division to Taiwan Sapphire on the Effective Date.

#### Article 12 The timeline closing, and delay of the Spin-off

1. This Spin-off Plan may be submitted to the Shareholders on June 17, 2011 for resolution; however, the actual date of the meeting may be subject to change by the Board depending on the actual circumstances.
2. With regard to the timeline, closing and delay of the Spin-off, the Shareholders of SAS will authorize its Board to determine the relevant dates of the required Board meetings or Shareholders meetings and other related matters.

#### Article 13 Share of tax and expense

1. Unless otherwise provided in this Plan, all tax and expense resulting from execution or performance of this Plan shall be paid equally by the Parties except for any exemption or non-taxation. If this Plan fails due to inability to be approved by the Shareholders or the relevant authorities or other factors, all fees for lawyers, accountants and other relevant fees and expenses shall be borne by SAS.
2. Both Parties shall make their best efforts to obtain any tax incentive in respect of this Spin-off.

#### Article 14 Change of paid-in capital of the SAS

The paid-in capital of SAS remain the same as its original capital without any reduction after this Spin-off except for the capital reduction due to cancellation of shares in accordance with law.

#### Article 15 Governing law

This Spin-off shall be governed by the Business Mergers and Acquisitions Act. If any new laws are promulgated and are in favor of this Spin-off, then such new laws shall also apply.

Article 16 Miscellaneous

1. If any provision of this Plan is invalid as a result of conflicting with the applicable laws, the remainder of this Plan shall remain in effect. As for the provisions that are determined to be invalid, SAS's Shareholders shall authorize its Board to re-determine within the scope permitted by the applicable laws.
2. If any provision of the Plan needs to be modified in accordance with orders of the authorities, such provisions may be modified accordingly or be determined by the Board pursuant to such orders.
3. This Plan shall become effective upon approval by the Shareholders of SAS. Notwithstanding, the Plan shall not become effective unless and until the approval by the relevant competent authorities.

Article 17 Matters not stipulated herein shall be processed according to the relevant laws and orders of authorities. If no stipulations in the relevant laws or orders, SAS's Shareholders may authorize its Board to make the final determination.

Sino-American Silicon Products Inc

Name: M.K.Lu

Title: Chairman

Date: April 14, 2011

## Attachment 2-1

### Taiwan Sapphire Corporation

#### Articles of Incorporation

##### Chapter I. General Provisions

###### Article 1

This Company is duly incorporated under the provisions set forth in the Company Law, and its full name in Chinese language is 藍寶科技股份有限公司, and Taiwan Sapphire Corporation in English language.

###### Article 2

The Company shall engage in the following business:

CC01080 Electronic Parts and Components Manufacturing

F119010 Electronic Materials Wholesale

F401010 International Trade

I501010 Product Design

IG03010 Energy-related Technology and Service

IZ99990 Other Business(spectrum of technology, management and advisory business)

(1) Research and development, design, manufacture and sell the following products:

- Sapphire ingot
- Sapphire wafer
- Continuous extension of process and products related to the products mentioned above

(2) The technology, management and advisory business related to the products listed above.

(3) Import-export activities related to the above mentioned business.

###### Article 3

The Company may provide endorsement/guarantee and make reinvestment in another company. For endorsement/guarantee and reinvestment deriving from business relationship, the limits to the Company shall not be in accordance of Article 13 of Company Law.

###### Article 4

The Company is headquartered in Hsinchu SBIP and may have branches or offices set elsewhere domestically and abroad as resolved by the Board of Directors and competent authorities of the government.

###### Article 5

Public announcements of the Company shall be duly made in accordance with Article 28 of the Company Law.

#### Article 6

The Procedures are the guidelines for the Company to provide endorsement and/or guarantee to outside parties who has business relationship with the Company.

### **Chapter II. Capital Stock**

#### Article 7

The total capital stock of the Company shall be in the amount of NTD1,000,000,000, divided into 100,000,000 shares, at NTD10 par value, and may be issued separately. The Board of Directors is entitled to make resolutions to decide whether or not the unissued shares to be issued.

#### Article 8

The share certificates of the Company shall all be name-bearing share certificates and signed or sealed by no less than three directors.

The share certificates shall be issued after being certified by authority concerned or its approved certificate organizations.

The Company may not print share certificates. Registers of share certificates shall contact the share certificates' depository and clearing organizations.

#### Article 9

All transfer of stocks, pledge of rights, loss or damage, or similar stock transaction conducted by shareholders of the Company shall follow the Company Law or relevant regulations.

#### Article 10

Shareholders shall submit their seal drawings to the Company for reference, and the same instruction shall be applied when the shareholders change their seal drawings. It shall be based on the current seal drawings kept by the Company when shareholders receive dividends or executing other rights.

#### Article 11

All the Company's stockholder-related affairs shall be dealt in accordance with the Company Law or relevant regulations.

#### Article 12

Share transfer registration shall be suspended 30 days preceding each regular shareholders' meeting, or 15 days preceding an extraordinary shareholders' meeting, or 5 days preceding the base day for distribution to shareholders of dividends, bonuses, or other privileges as determined by this Company. After the Company publicly issued, the share transfer registration shall be suspended 60 days preceding each regular shareholders' meeting, or 30 days preceding an extraordinary shareholders' meeting, or 5 days preceding the base day for distribution to shareholders of dividends, bonuses, or other privileges as determined by this Company.

### **Chapter III. Shareholders' Meeting**

#### **Article 13**

The shareholders' meeting shall be convened in two forms: a regular meeting or extraordinary meeting. The regular meeting shall be held once annually and convened by the Board of Directors within six months from the closing of each fiscal year in accordance with the Company Law or relevant regulations. An extraordinary meeting, if necessary, shall be convened in accordance with the Company Law or relevant regulations.

Unless otherwise provided in the Company Law, the shareholders' meeting shall be convened by the Board of Directors.

The notices for shareholders' meeting shall be served to all shareholders in written or electrical forms 20 days in advance in case of a regular meeting of shareholders or 10 days in advance in case of a extraordinary meeting of shareholders. The written or electrical notice shall bear date, location and subjects of the meeting. After the Company publicly issued, the notices for shareholders' meeting shall be served to all shareholders in written or electrical forms 30 days in advance in case of a regular meeting of shareholders or 15 days in advance in case of a extraordinary meeting of shareholders. The written or electrical notice shall bear date, location and subjects of the meeting.

The shareholders may execute their voting right through written or electrical form, which shall be in accordance with the relevant regulations. For shareholders who hold less than a thousand shares, the Company can notice them through a public announcement.

#### **Article 14**

A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney expressly bearing the scope of the authorized power to appoint a proxy to attend the meeting on behalf. The powers of attorney shall be duly handled in accordance with "Regulations Governing Powers of Attorney Used for Attending the Shareholders' Meeting of Public Offering Companies" in addition to the requirements set forth in Article 177 of the Company Law.

#### **Article 15**

Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

#### **Article 16**

Unless otherwise provided in par. 3 of Article 157 of the Company Law, shareholders shall have one vote for each share they hold, but the Company has no voting power for shares held by itself in accordance with Art. 179 of the Company Law.

#### **Article 17**

When the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired

by the Chairman. In case of the Chairman's absence or unavailability, his proxy shall be the Vice Chairman.

If the Vice Chairman's position is in vacancy, or the Vice Chairman is also absent, the Chairman shall, in advance, appoint a director to act in his place, but if the Chairman does not appoint his representative, one director shall be elected from among them to act in Chairman's place. In the event that the shareholders' meeting is convened by others instead of the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one of them shall be elected to chair the meeting.

#### Article 18

Minutes of shareholders' meeting shall be duly signed or sealed by the Chairman and served to all shareholders within twenty days after the meeting. The minutes may be served through a public announcement to the shareholders who hold less than a thousand shares bearing the name of the shareholder. The Minutes indicated above shall be kept with stockholders' attendance cards and their power of attorney at the Company.

### **Chapter IV. Directors and Supervisors**

#### Article 19-1

The Company shall have five to eleven directors and two to three supervisors to be elected at the shareholders' meeting among shareholders with disposing capacity. Both directors and supervisors shall serve for a term of three years and shall be eligible for re-election. The total shares held by all directors and supervisors shall be in compliance with the relevant regulations provided by the securities authority.

#### Article 19-2

After the Company publicly issued, the aforesaid directors must have at least two independent directors and shall also not be less than one fifth of the total number of directors. The candidate nomination system shall be adopted. Independent directors shall be elected from the list of candidates for independent directors at shareholders' meeting. The professional qualification, shareholding, part-time job limitation, nomination and election method and other requirements for independent directors shall be handled in compliance with the relevant regulations provided by the securities authority.

#### Article 20

More than two-thirds majority of Directors shall attend the meeting for the Board of Directors, and Chairman and Vice Chairman shall be elected among directors by a majority vote of the attending directors. Chairman shall represent the Company.

#### Article 21

In the case that vacancies on the Board of Directors reach or exceed one third of the total number of the directors, or all the supervisors are in vacancy, the Board of Directors shall convene an extra shareholders' meeting to fill such vacancies within 60 days. The new directors or supervisors shall serve only the remaining term of the predecessors.

#### Article 22

Each directors and supervisors shall be informed via written notice or email or fax of the convention of a Board of Director's meeting of the Company. A meeting of the Board of Directors may be held anytime if necessary, and the methods of informing each directors and supervisors shall be via written notice or email or fax.

Unless otherwise provided for in the Company Law, resolutions in the Board of Directors meeting shall be adopted by a majority vote in the meeting attended by a majority of Directors.

Any director who is unable to attend a Board of Directors' meeting shall appoint another director as his proxy by a power of attorney listing the scope of empowerment. A director may serve as proxy for only one absent director.

#### Article 23

If the Chairman takes leave or is unavailable to perform his duties, the proxy method shall be in accordance with the Company Law.

#### Article 24

Remunerations of Chairman, directors and supervisors shall be determined by the Board of Directors based on the level of their participation in business operation and the value of their contribution, and taking into account the common remuneration level in the same industry.

If the directors hold other positions at the Company, their remunerations for those positions shall be paid monthly in accordance with the common remuneration level of general managers.

#### Article 25

The supervisors shall be in accordance with the laws, Articles of Incorporation, and the rights entitled from the shareholders' meeting when performing their jobs.

#### Article 26

The Company may buy the liability insurance for all directors and supervisors to the extent of the compensation responsibility assumed in business execution.

### **Chapter V. Management of the Corporation**

#### Article 27

The Company shall have several managers whose appointment, discharge and remuneration shall be in accordance with the Company Law.

#### Article 28

The Company shall employ accountants and lawyers through the Board of Directors as consultants if need be. The remuneration for those consultants will be determined by the Board of Directors.

### **Chapter VI. Accountings**

#### Article 29

The Company's fiscal year starts from January 1 and ends on December 31 of every calendar year.

#### Article 30

Upon the closing of each fiscal year, the Board of Directors shall work out the following documents and present them to supervisors for audit thirty days prior to a shareholders' meeting. Supervisors shall issue a report and present it at a regular meeting of shareholders for acknowledgement.

- (1) Business report
- (2) Financial statements
- (3) Proposal of earning distribution or loss coverage.

#### Article 31

If the Company has profit as a result of the yearly accounting closing, it will be distributed in accordance with the following:

- (1) To make up for the previous loss;
- (2) 10% of annual income retained as legal reserve until such retention equals the amount of authorized common stock;
- (3) To distribute or reverse special earning reserve according to the law or competent authority;
- (4) After deducting item (1)-(3), the remaining balance of annual income, if any, can be distributed at most 5% as remuneration to Directors and Supervisors and at least 10% as employee bonuses, the rest plus the accumulated undistributed earnings of the previous period of the profit shall be as dividends to stockholders.

In order to keep sustainable development for the Company and continuous growth on earnings per share, the cash dividends for shareholders shall be no less than 50% of the dividends for shareholders. Employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors.

### **Chapter VII. Supplementary Provisions**

#### Article 32

Relevant matters not provided for in these Articles shall be handled in accordance with the provisions of the Company Law.

### Article 33

This articles of Incorporation is established on April 14th, 2011

Implement after approvals from the meeting of stockholders

## Attachment 2-2

### Estimated statements of net assets( Net Operating Value) Taiwan Sapphire Corporation

(In thousands of New Taiwan Dollars, Except shares, par value and issuing price per share)

Accounts	Amount (NTD*000)
Assets	
Current assets	1,481,000
Funds and long-term investments	0
Fixed assets	281,000
Other assets	0
Total Assets (1)	1,762,000
Liabilities	
Current liabilities	162,000
Long-term liabilities	0
Other liabilities	0
Total Liabilities (2)	162,000
Value of the Business (1)-(2)	1,600,000

Capital Stock:

Paid-in capital: 400,000

Issued shares: 40,000,000

Par value per share: 10

Issuing price per share: 40.00

Authorized capital: 1,000,000

## Attachment 2-3

### Sino-American Silicon Products Inc.

#### Independent Expert Opinion to the Stock Exchange Ratio of the Spin Out

In order to improve the competitiveness and operation performance through corporate restructure and work specialization, Sino-American Silicon Products Inc. (the “SAS”) is in contemplation to spin out the business (including related assets, liabilities and operation) operated by its Sapphire Division to form a 100% owned subsidiary (the “Spin Out”), Sapphire Technology Co. (the tentative name “Taiwan Sapphire”), in exchange for Taiwan Sapphire’s total shares as consideration. As a result, Taiwan Sapphire will assume the business of Sapphire Division of SAS.

#### 1. Calculation of the Stock Exchange Ratio of the Spin out

- a. The value of the Spin Out business is referred to the book value of the related assets (the “Transferred Assets”) and liabilities (the “Transferred Liabilities”) stated in SAS’s audited financial statements ended December 31, 2010.
- b. The book value of the Transferred Assets is NTD1,762,000,000, and the book value of the Transferred Liabilities is NTD162,000,000. Therefore, the value of the Spun-out Business is NTD1,600,000,000. The book value of the Transferred Assets and Liabilities as of December 31, 2010 are set out as follows:

Accounts	Amount (NTD*000)
<b>Assets</b>	
Current assets	1,481,000
Funds and long-term investments	0
Fixed assets	281,000
Intangible assets	0
Other assets	0
Total Assets (1)	1,762,000
<b>Liabilities</b>	
Current liabilities	162,000
Long-term liabilities	0
Other liabilities	0
Total Liabilities (2)	162,000
Value of the Business (1)-(2)	1,600,000

Source : Sino-American Silicon Products Inc

- c. Taiwan Sapphire will issue 40 million fully-paid common shares to SAS at a price of NTD40 per share in exchange for the Spin Out business.

## 2. The Reasonableness of the Stock Exchange Ratio

SAS will transfer the related assets, liabilities and operation of its Sapphire Division, i.e., the Spin Out business, to the newly incorporated Taiwan Sapphire through a spin out, and in exchange, Taiwan Sapphire will issue 40 million fully-paid common shares to SAS. Thus, the exchange ratio in such Spin Out will depend on the valuation of the Spin Out business and the calculation of the price of each share to be issued by Taiwan Sapphire, both of which are set forth as follows:

- a. The main purpose of this Spin Out is to restructure the SAS, rather than an actual transaction. According to the interpretation letter, Gi-Mi 128 dated June 14, 2002, issued by the Accounting Research and Development Foundation (the "Interpretation Letter"), with respect to the accounting for a spin out transaction, that a company (the Transferring Company) transfers its business to another (the "Transferee Company") and acquires shares from the Transferee Company is a corporate restructure by nature if these two companies have been affiliate companies prior to such transaction. Therefore, for the Transferring Company, the costs of acquiring shares shall be calculated by the book value of transferred assets (after adjusted depreciation, if any) less that of transferred liabilities without recognizing any gain exchanged, and for the Transferee Company, the costs of acquiring assets and liabilities shall be calculated based on the book value of transferred assets and liabilities (after adjusted depreciation, if any), and shall use the net of the assets and liabilities as the basis. The capital of the Transferee Company shall be the par value of shares issued and the stock premium shall be credit to capital reserve. Accordingly, it is reasonable for SAS to transfer its assets and liabilities to Taiwan Sapphire at a price calculated based on the book value.
- b. Taiwan Sapphire will issue 40 million fully-paid shares at a price of NTD40 per share to SAS, the net value of which is NTD1,600,000,000, equal to the value of the Spin Out business, that is, net of the book value of the Transferred Assets and Liabilities. Since Taiwan Sapphire will be a subsidiary wholly owned by SAS after the consummation of this Spin Out and its net value will be equal to the value of the Spin Out business, the stock exchange ratio in this Spin Out is reasonable.

3. To conclude, considering that the stock exchange ratio in this Spin Out is calculated based on the book value of the Transferred Assets and Liabilities stated on SAS's audited financial statements ended December 31, 2010, Taiwan Sapphire will issue 40 million fully-paid common shares at a price of NTD40 per share to SAS, and pursuant to the Interpretation Letter, such stock exchange ratio is reasonable. Besides the Transferee Company in this Spin Out, Taiwan Sapphire, will be a SAS wholly owned subsidiary, this Spin Out will not prejudice SAS's shareholders' equity.

Pei-Chun Tsai

CPA

Date: April 13, 2011