

**Sino-American Silicon Products Inc.**  
**Corporate Governance Best-Practice Principles**

**Rules Governing the Exercise of Rights and Participation in  
Resolutions by Juristic Person Shareholders  
With Controlling Power**

**SAS-BO-024**



## **Rules Governing the Exercise of Rights and Participation in Resolutions by Juristic Person Shareholders With Controlling Power**

### **Article 1 (Basis for adoption)**

To build a strong corporate governance system, and to further compliance by juristic person shareholders with controlling power in this Corporation when exercising their rights and participating in resolutions, these Rules are adopted pursuant to Article 18 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

### **Article 2**

In exercising rights and participating in resolutions, a juristic person shareholder with controlling power in this Corporation shall act in good faith and in the best interest of all shareholders, and, except as otherwise provided by law and regulation or by the articles of incorporation, shall act in accordance with the provisions of these Rules.

### **Article 3 (Definitions)**

The term "juristic person shareholder with controlling power" as used herein means a juristic person which, with respect to this Corporation, has any type of controlling relationship set out in Articles 369-2, 369-3, and 369-9 of the Company Act.

### **Article 4 (Appointment of representatives)**

A juristic person shareholder with controlling power that serves as a director or supervisor of this Corporation shall appoint in writing a natural person representative, or representatives, to perform duties or to attend and exercise rights at shareholders meetings on its behalf; the same requirement applies when there is a change in any of the representatives.

### **Article 5 (Required qualifications for representatives)**

Under any of the following circumstances, a natural person may not serve as a representative of a juristic person shareholder with controlling power:

1. The person has received a final and unappealable sentence for violating the Organized Crime Prevention Act, and 5 years have not yet elapsed since completion of the sentence.
2. The person has received a sentence of imprisonment for 1 year or more for committing the



crime of fraud, breach of trust, or misappropriation, and 2 years have not yet elapsed since completion of the sentence.

3. The person has received a final and unappealable sentence for embezzlement in his or her service as civil servant, and 2 years have not yet elapsed since completion of the sentence.
4. The person has been declared bankrupt and his or her rights have not been reinstated.
5. The person currently remains blacklisted after the dishonoring of a negotiable instrument.
6. The person has no legal capacity to act, or has limited legal capacity to act.

#### **Article 6 (Reporting obligations)**

After performing duties and participating in resolutions, a representative shall report to the juristic person shareholder with controlling power on the exercise of rights.

#### **Article 7 (Prohibition of misconduct)**

Neither the juristic person shareholder with controlling power nor any of its representatives may engage in any of the following conduct:

1. Directly or indirectly engaging in securities transactions using information gained in the course of duties.
2. Disclosing any secret learned in the course of duties, except in an inquiry conducted pursuant to relevant laws or regulations.
3. Soliciting, agreeing to accept, or accepting any improper benefit for an action performed in the course of duties or in breach of duties.
4. Failure to enter recusal when performance of duties makes them an interested party.
5. Improperly intervening in policymaking or obstructing the management activities of this Corporation.
6. Restricting or impeding this Corporation's production management through unfair competitive practices such as monopolizing procurement or foreclosing sales channels.
7. Directly or indirectly causing this Corporation to engage in business operations contrary to normal business practice or for illegal profit.
8. Other conduct violating any law or regulation.

#### **Article 8 (Prohibition of short-swing trading—Right to disgorgement)**

If a juristic person shareholder with controlling power that serves as a director or supervisor of this Corporation, or a representative of the juristic person, or the representative's spouse or minor child, or any other person in whose name shares are held profits from selling TWSE or GTSM listed shares or other equity-type securities of this Corporation within 6 months after their purchase, or from a purchase of such securities within 6 months after transacting a sale of such securities, any profit so obtained shall be disgorged to this Corporation.



#### **Article 9 (Prohibition of insider trading)**

When a juristic person shareholder with controlling power that serves as a director or supervisor of this Corporation, or a representative of the juristic person, or the representative's spouse or minor child, or any other person in whose name shares are held has obtained information that will have a material impact on the price of the securities of this Corporation, that person may not purchase or sell any TWSE or GTSM listed shares or other equity-type securities of this Corporation either prior to or within 18 hours after the public disclosure of the information.

#### **Article 10 (Restriction on the sale of acquired treasury shares)**

When a juristic person shareholder with controlling power serves as a director or supervisor of this Corporation, the shares of this Corporation that are held by the juristic person shareholder, or its representative, or the representative's spouse or minor child, or any other person in whose name shares are held may not be sold during the period in which this Corporation repurchases its own shares under the circumstances set forth in Article 28-2 of the Securities and Exchange Act.

#### **Article 11 (Approval for competition)**

If a juristic person shareholder with controlling power or a representative of that juristic person shareholder serves as a director or supervisor of this Corporation and intends to engage in any activity, on its own behalf or on behalf of another party, falling within the business scope of this Corporation, the juristic person shareholder or its representative shall give an explanation of the key aspects of the activity and obtain prior approval at a shareholders meeting.

#### **Article 12 (Notice of changes in shareholdings and the creation and cancellation of pledges on shares)**

When a juristic person shareholder with controlling power serves as a director or supervisor of this Corporation, the change in the number of shares of this Corporation held during the preceding month by the juristic person shareholder itself, or by any representative of the juristic person shareholder, or the representative's spouse or minor child, or any other person in whose name shares are held, shall be reported to this Corporation by the fifth day each month.

When a juristic person shareholder with controlling power serves as a director or supervisor of this Corporation, if a pledge is created or cancelled on shares of this Corporation held by the juristic person, the pledgor shall immediately notify this Corporation.

#### **Article 13 (Attendance at board meetings by representative in person or by proxy)**

If a juristic person shareholder with controlling power serves as a director of this Corporation, a



representative of the juristic person shareholder shall in principle attend all board meetings in person. However, this requirement does not apply when it is practically difficult for a representative to attend a board meeting in person, and another director is therefore appointed to attend as his or her proxy in accordance with applicable laws and regulations or this Corporation's articles of incorporation.

#### **Article 14 (Attendance at shareholders meetings)**

When a shareholders meeting is held, a juristic person shareholder with controlling power shall appoint in writing a representative or representatives to attend the meeting in person, and except as otherwise provided by law or regulation, no other persons may be appointed as proxy for such representatives.

At shareholders meetings, a representative of a juristic person shareholder with controlling power shall exercise voting rights in accordance with the express written opinion of the juristic person shareholder with regard to each proposal.

#### **Article 15 (Calculation of representative's voting rights)**

When a juristic person shareholder with controlling power is represented by two or more representatives in attendance at a shareholders meeting, the voting rights exercised will be calculated on the basis of the total number of shares held by the juristic person.

#### **Article 16 (Policy governing the exercise of voting rights)**

A juristic person shareholder with controlling power shall perform its duties and exercise its voting rights in the best interest of all shareholders of this Corporation.

When a representative is appointed by a juristic person shareholder with controlling power to act as a director of this Corporation or to represent the juristic person shareholder at a shareholders meeting, the representative shall perform duties and exercise voting rights in accordance with the following principles:

1. The representative shall exercise rights in accordance with the juristic person shareholder's opinion in regard to each proposal.
2. When exercising voting rights on any extraordinary motion, procedural motion, or amendment to a proposal, the representative shall act in the best interest of this Corporation.
3. When the juristic person shareholder with controlling power is represented by two or more representatives, the representatives shall arrive at a common opinion before exercising voting rights.
4. The representative shall maintain a high degree of self-discipline, and may not have a relationship of inappropriate mutual support with another director or shareholder.

When a juristic person shareholder with controlling power is an interested party with respect to a given agenda item, and that relationship is likely to prejudice the interest of this Corporation, the



juristic person shareholder may neither vote on that item nor exercise voting rights as proxy for any other director or shareholder.

#### **Article 17 (Liability for damages)**

If a juristic person shareholder having controlling power engages in any of the following activities in violation of law or regulation when performing duties or exercising voting rights, thereby causing damage to this Corporation, the juristic person shareholder shall be liable for damages:

1. Directly or indirectly causing this Corporation to engage in any business operation that is contrary to normal business practice or for other illegal profit, and failing to adequately compensate this Corporation by the end of the fiscal year in which it occurs.
2. When it is the responsible person of the juristic person shareholder with controlling power that causes this Corporation to engage in the business operation of the preceding subparagraph, the responsible person shall bear joint and several liability with the juristic person shareholder for compensation with respect to the damage of the preceding subparagraph.
3. When a juristic person shareholder with controlling power causes this Corporation to engage in the business operation of subparagraph 1, thereby causing another company controlled by the juristic person shareholder to obtain benefits, that controlled company shall bear joint and several liability, within the scope of the benefits so obtained, for the compensation under subparagraph 1 for which the juristic person shareholder with controlling power is liable.

#### **Article 18 (Prohibition of offset against damages)**

Pursuant to Article 369-7 of the Company Act, when a juristic person shareholder with controlling power that is a company limited by shares directly or indirectly causes this Corporation to engage in any business operation contrary to normal business practice or for other illegal profit, the juristic person shareholder may not use any of its claims on this Corporation to offset any damages for which it shall be liable to this Corporation.

#### **Article 19 (Enforcement)**

These Rules, and any amendments hereto, shall come into force after deliberation and adoption by the board of directors.