Asset Acquisition and Disposal Procedures

General Principles

Article 1  Objective
The Asset Acquisition and Disposal Procedures (the Procedures) set forth herein serve as the guidelines for Walsin Lihwa (the Company) to acquire or dispose assets.

Article 2  Legal Basis
These operating procedures have been promulgated in accordance with Article 36-1 of the Securities and Exchange Act and shall be abided by the letter no. TFS (1) 1010004588 from the Securities and Futures Commission, Ministry of Finance on February 13, 2012.

Article 3  Applicability
1. The Procedures shall be applicable to the Company and its subsidiaries, including non-public subsidiaries.
2. The assets referred to herein include:
   a) Long-term and short-term investment in stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities
   b) Real property (including inventories of construction enterprises) and other fixed assets
   c) Memberships
   d) Patents, copyrights, trademarks, franchise rights, and other intangible assets
   e) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables)
   f) Derivatives
   g) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law
   h) Other important assets

Article 4  Definition
1. Derivatives:
   Derivatives include forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign
exchange rates, indexes or other interests. Forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law:
   Such assets refer to those acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or refer to transfer of shares from another company or new shares issued by the Company under Article 156, paragraph 6 of the Company Act.

3. Related parties (as defined in Statement of Financial Accounting Standards No. 6):
   a) Investees accounted for by the equity method
   b) Any other company whose the chairman of the board or president is the chairman of the board or president of the Company, or is the spouse or second immediate family of the chairman of the board or president of the Company
   c) Directors and supervisors of the board and the president and vice president of the Company
   d) The spouses of directors and supervisors of the board and the president of the Company
   e) The immediate and second immediate families of the chairman of the board and the president of the Company

4. Subsidiaries (as defined in Statements of Financial Accounting Standards No. 5 and 7) refer to the domestic and overseas companies directly or indirectly controlled by the Company:
   a) Any investee in which the Company directly holds more than 50% of its issued stocks with voting rights
   b) Any investee in which the Company, via a subsidiary, indirectly holds more than 50% of its issued stocks with voting rights
   c) Any investee in which the Company and a subsidiary together hold more than 50% of its issued stocks with voting rights

5. Professional appraiser:
   A professional appraiser refers to a real property appraiser or another party duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.
6. Date of occurrence:
A date of occurrence refers to the date of contract signing, date of payment, consignment trade, transfer, resolutions made by directors of the board, or any other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

7. Mainland area investment
Mainland area investment refers to the investment in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

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Article 5 Appraisal
1. When acquiring or disposing the negotiable securities that are not traded at stock exchanges or securities dealers, the Company shall factor in the net value per share, profitability, and future potential of such securities as well as the market interest rate, coupon rate, debt credit rating, and transaction price upon acquisition or disposal.
2. When acquiring or disposing the negotiable securities that are traded at stock exchanges or securities dealers, the Company shall factor in the equity or bond price upon acquisition or disposal.
3. When acquiring or disposing the assets not covered by Article 5-1 and Article 5-2, the Company shall resort to price inquiry, comparison, negotiation, or an open invitation to bid.
4. For any real property transaction, the Company shall factor in the publicly announced value and the appraised value of the property as well as property transaction prices in the vicinity of the property. The Company shall refer to professional appraisal reports if any transaction should be disclosed and announced as prescribed by the Procedures.

Article 6 Acquisition, custody, and disposal of fixed assets
1. Acquisition, custody, and disposal of fixed assets shall abide by the Capital Expenditure Management Procedures and the Procedures for Procurement and Sale of Fixed Assets of the Company.
3. Acquisition and disposal of derivatives shall abide by the Derivatives Procedures of the Company.
4. Acquisition, custody, and disposal of intangible assets such as patent rights and other intangible assets shall abide by the R&D Management Procedures of the Company as well as other relevant rules and regulations.
5. The Company shall not engage in the transaction of claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables) as set forth in e) of Article 2-2.
6. Relevant personnel in charge of acquisition, custody, and disposal of fixed assets shall be subject to disciplinary action -- in accordance with the reward and punishment policy of the Company -- for any violation of the Procedures.
7. When any acquisition, custody, or disposal of intangible assets is subject to passage by the board of directors, any objection expressed by any director of the board shall be minuted or provided in writing and reported to supervisors of the board. Pursuant to the articles of incorporation of the Company relevant to independent directors, when the procedures for acquisition and disposal of assets are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If any independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

**Article 7  Limits of authority**

1. Asset acquisition and disposal shall be made in accordance with the Company’s Regulations of Hierarchy of Decision Making (as provided in appendix one).
2. Approval by the board of directors shall be required for acquisition of fixed assets from related parties as set forth in Article 10 and Mainland area investment as set forth in Article 4-7.

**Article 8  Investment limits**

1. Limits on real property and securities acquired by the Company for non-operating use provided in the consolidated financial statements are:
   a) Real property shall not exceed 40% of shareholders’ equity.
   b) Long- and short-term investment in negotiable securities shall not exceed 100% of shareholders’ equity.
c) Long-term investment in individual negotiable securities shall not exceed 50% of shareholders’ equity.
d) Short-term investment in individual negotiable securities shall not exceed 4% of shareholders’ equity.

2. When engaging in derivatives transaction, the Company shall abide by its Derivatives Transaction Procedures, which impose the following restrictions:
   a) Hedge trading: On an ad hoc basis
   b) Non-hedge trading:
      1. Foreign exchange trading prohibited
      2. Non-iron metals:
         Cooper limited to 80,000 tons in total
         Nickel limited to 6,000 tons in total
      3. Amounts of other non-iron metals: Written approval by the chairman of the board of the Company required

Article 9  Reports from disinterested, impartial, and objective experts
1. Before acquiring or disposing negotiable securities, the Company shall, prior to the date of occurrence, evaluate the transaction price by referring to exemplary companies’ financial statements recently audited or reviewed by CPA.
   Under any of the following circumstances and when a transaction reaches 20 percent of the paid-in capital of the Company or more than NT$300 million, the Company shall, prior to the date of occurrence, appoint an accountant to render an opinion on the reasonableness of the transaction price. If the accountant needs to use an expert’s report, the accountant shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. This requirement, however, does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.
2. When a membership or intangible asset transaction reaches 20 percent of the paid-in capital of the Company or more than NT$300 million, the Company shall, prior to the date of occurrence, seek CPA opinions as to whether the transaction price is reasonable based on the Statements of Auditing Standards No. 20 promulgated by the Accounting Research and Development Foundation.
3. When acquiring or disposing real property or other fixed assets, if the transaction amount reaches 20% of the Company’s paid-in capital or more than NT$300 million, except for transacting with a governmental agency,
engaging others to build on its own land, engaging others to build on rented land, or acquiring machinery and equipment for business use, the Company shall, prior to the date of occurrence of the event, obtain an appraisal report from a professional appraiser to abide by Section 9 of the No. 1010004588 amendment by the Securities and Futures Commission. This paragraph shall be accordingly amended upon any change to the amendment.

4. The calculation of the transaction value as referred to in the preceding three paragraphs shall be made in accordance with Paragraph 2 of Article 30 of the No. 1010004588 amendment by the Securities and Futures Commission, while “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or an accountant’s opinion is obtained in accordance with these operating procedures need not be counted toward the transaction amount.

5. When the Company acquires or disposes assets from any court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

6. Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

7. If the transaction price of any asset acquisition or disposal reaches a level that requires expert opinions, the Company shall abide by Section 2 of the letter no. TFS (1) 1010004588 from the Securities and Futures Commission, Ministry of Finance. This article shall be amended accordingly upon any change to the letter.

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**Article 10  Acquisition of fixed assets from related parties**

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to complying with the requirements as set forth in Article 9 as well as the procedures of this Article to ensure the transaction terms are reasonable, if the transaction amount reaches 10% of the Company’s total assets, the Company shall also obtain an appraisal report from a professional appraiser or an accountant’s opinion in accordance with Article 9. When determining whether transaction counterparty is a related party, the Company shall take into consideration of the substance of the relationship with the transaction party in addition to legal formalities.
2. When the Company engages in any acquisition or disposal of assets from or to a related party, or any acquisition or disposal of assets other than real property from or to a related party, and the transaction amount reaches 20% of the Company’s paid-in capital, 10% of the Company’s total assets, or more than NT$300 million, the Company shall not proceed to enter into any transaction contract or make any payment until the following information has been submitted to the board of directors and approved by the board of directors:

a) The purpose, necessity and estimated benefits of the acquisition or disposal of assets.

b) The reason for choosing the related party as the transaction counterparty.

c) Information on appraisal of the reasonableness of the preliminary transaction terms regarding the acquisition of real property from a related party in accordance with the Article 15 and Article 16 of the No. 1010004588 amendment by the Securities and Futures Commission.

d) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty’s relationship to the Company and the related party.

e) Monthly cash flow forecasts for the year beginning from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the use of funds.

f) An appraisal report from a professional appraiser or an accountant’s opinion obtained in accordance with the preceding Article.

g) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amount as referred to in this Article shall be made in accordance with Paragraph 2 of Article 30 of the No. 1010004588 amendment by the Securities and Futures Commission, while “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to and approved by the board of directors and supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of machinery and equipment for business use between the Company and its subsidiaries, the board of directors of the Company may authorize the Chairman to first decide such matters when the transaction is within a certain amount and subsequently submit the aforesaid decision to the next meeting of the board of directors for ratification.
3. When the Company acquires real property from a related party, the Company shall evaluate whether the transaction cost is reasonable in accordance with the Article 15 of the letter no. TFS (1) 1010004588 from the Securities and Futures Commission, and shall seek review by the CPA and CPA opinions when there is any exception to the following circumstances:
   a) The related party acquired the real property through inheritance or as a gift
   b) More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction
   c) The real property is acquired through signing of a joint development contract with the related party

4. When the Company acquires real property from a related party and the results of appraisals conducted in accordance with relevant regulations are uniformly lower than the transaction price, the following steps shall be taken:
   a) A special reserve shall be accordingly set aside against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. When the Company uses the equity method to account for its investment in another public company, the special reserve shall be set aside pro rata in a proportion consistent with the share of the Company’s equity stake in that company.
   b) Supervisors shall comply with the provisions of Article 218 of the Company Act.
   c) Actions taken pursuant to Article 10-1 and Article 10-2 shall be reported to the shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

If the Company has set aside a special reserve in accordance with the preceding paragraph, it shall not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.

When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition is not an arms length transaction.
5. For real property acquisition or disposal from any related party, the Company shall abide by Section 3 of the letter no. TFS (1) 0910006105 from the Securities and Futures Commission. This article shall be amended accordingly upon any change to the letter.

**Article 11  Acquisition and disposal of derivatives**

Acquisition and disposal of derivatives shall abide by the Derivatives Transaction Procedures of the Company (as provided in appendix two), and attention shall be given to risk management and audit for effective internal control.

**Article 12  Merger, demerger, acquisition, and transfer of shares**

Any merger, separation, demerger, and transfer of shares shall abide by the Company Act, Business Mergers and Acquisitions Act, Statue for Upgrading Industry, and Section 5 of the letter no. TFS (1) 1010004588 (as provided in appendix three) from the Securities and Futures Commission. This article shall be amended accordingly upon any change to the letter.

**Article 13  Disclosure**

1. Under any of the following circumstances, the Company shall publicly announce and report relevant information on the Securities and Futures Commission's designated website within two days of the occurrence in accordance with Section 30 and 31 of TFS (1) 1010004588 (as provided in appendix four) from the Securities and Futures Commission:
   a) Asset acquisition or disposal reaching NT$300 million,
   b) Acquisition of real estate from any related party,
   c) Derivatives trading,
   d) Investment in Mainland China, and/or
   e) Merger, demerger, acquisition, and transfer of shares

   This article shall be amended accordingly upon any change to the letter.

2. The Company shall abide by the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities (as provided in appendix five) to input any asset acquisition or disposal reaching NT$300 million, investment in Mainland China, and/or merger, demerger, and transfer of shares onto the designated Market Observation Post System website prior to securities trading on the next day of the occurrence. This article shall be amended accordingly upon any change to the letter.

3. Whenever the requirement for public disclosure of asset acquisition and disposal is applicable to the Company and its subsidiaries, the Company
and its subsidiaries shall inform the accounting department of the Company of such acquisition and disposal on the day of the occurrence in accordance with the preceding two paragraphs of this article.

**Article 14  Asset acquisition or disposal by subsidiaries**

1. The Company shall require its subsidiaries to establish their asset acquisition and disposal procedures, which shall become effective after approval by the Company. The subsidiaries without their asset acquisition and disposal procedures shall abide by relevant procedures and regulations of the Company and seek approval in accordance with the Company’s Regulations of Hierarchy of Decision Making.

2. The Company shall disclose on behalf of any subsidiary subject to the public disclosure requirements of Article 13-1 and Article 13-2 that is not a Taiwan public company, with regard to requirement of public announcement and reporting, the provisions regarding “exceeding 20% of the Company’s paid-in capital” or 10% of the total assets shall refer to the parent company’s paid-in capital or total assets.

3. The Company shall disclose on behalf of any subsidiary subject to Article 13-2.

**Article 15  Enforcement and amendment**

The Procedures and any amendment to the Procedures shall be approved by the meeting of the board of directors and submitted to supervisors of the board as well as the shareholders’ meeting for approval.

If any director has any objection that has been minuted or included into any written announcement, the Company shall inform each supervisor of the board of the objection.

Pursuant to the articles of incorporation of the Company relevant to independent directors, when the procedures for acquisition and disposal of assets are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If any independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.