

Asset Acquisition and Disposal Procedures

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 Basis

These procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter called "Asset Regulations") announced by the Financial Supervisory Committee.

Article 3 Applicability

1. The Procedures shall be applicable to the Company and its subsidiaries, including non-public subsidiaries.
2. Assets to which these Regulations apply
 - (1) Investments such as stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, call (put) warrants, beneficiary securities and asset-back securities, etc.;
 - (2) Real estate (including land, buildings and fixtures, real estate of an investment nature, landuse rights, and stock inventory for construction company) and equipment;
 - (3) Membership;
 - (4) Patents, copyrights, trademarks, charter rights and other intangible assets;
 - (5) Derivatives products;
 - (6) Assets that are acquired or disposed through mergers, spin-offs, acquisitions or share transfers;
 - (7) Other major 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 that are acquired or disposed through mergers, spin-offs, acquisitions or share transfers:
They refer to assets that are acquired or disposed through mergers, spin-offs, acquisitions or share transfers pursuant to the Business Mergers And Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws, or acceptance of other companies' shares pursuant to Article 156, Paragraph 8 of the Company Act on issuance of new shares (hereinafter called "share transferee");
 3. Related parties:
As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers Article 18. 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.
 4. Subsidiaries:
As defined in International Financial Reporting Standards No. 27.
 5. Professional appraiser:
This refers to real estate appraisers or other appraisers who carry out appraisals of real estate or equipment in accordance with law.
 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.
 8. Implementation unit: This refers to the business unit that carries out the affairs of the Company according to the nature of its businesses.

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 Procedures for Acquisition or Disposal of Assets

1. Acquisition or disposal of long-term securities of an amount not reaching NTD 300 million shall, upon appraisal by the implementation unit, be carried out in the discretion of the Chief Executive Officer. Where such a transaction involves an amount that is NTD 300 million and above, it may be carried out only upon the approval by the Board of Directors.
2. Acquisition or disposal of short-term securities such as the capital-guaranteed and fixed-income securities that mature in one year shall require the Finance Division appraisal report. Acquisition or disposal of such securities of an amount not exceeding NTD 500 million in a single day may be carried out in the discretion of by the Director of Finance Division. An amount of NTD 500 million to NTD 1.5 billion shall be carried out in the discretion of by the President, and an amount exceeding NTD 1.5 billion shall be carried out only upon the approval by the Chairman of the Board. Prior approval by the Board of Directors is required for any financing or funding not belonging to the aforementioned acquisition or disposal of short-term securities.
3. Acquisition and disposal of derivatives products shall be pursuant to the Company's "Procedure for Derivatives Products Trading".
4. Acquisition or disposal of real estate of an amount not exceeding NTD 300 million shall be carried out in the discretion of the Chief Executive Officer. Where such a transaction involves an amount that is NTD 300 million and above, it may be carried out only upon the approval by the Board of Directors.

5. Acquisition or disposal of equipment of an amount not exceeding NTD 300 million shall be carried out in the discretion of the Chief Executive Officer. Where such a transaction involves an amount that is NTD 300 million and above, it may be carried out only upon the approval by the Board of Directors.
6. Acquisition or disposal of membership, intangible assets and other major assets of an amount not exceeding NTD 300 million shall, upon appraisal by the implementation unit, be carried out in the discretion of the Chief Executive Officer. Where such a transaction involves an amount that is NTD 300 million and above, it may be carried out only upon the approval by the Board of Directors.
7. Work procedures for related-party transactions shall be in accordance with Article 10 herein.
8. For transactions that require the approval by the Board of Directors, any objections of the directors shall be recorded in the minutes of meeting or declared in writing, and the Company shall forward all such objections to the respective Supervisors.

Where there are Independent Directors at this Company, any discussions by the Board of Directors on the procedure for acquisition or disposal of assets in accordance with this Paragraph should take into full consideration the views of the Independent Directors. Where an Independent Director raises objections or reserves his or her opinion, the Board of Directors shall cause such objections or reservation in opinion to be recorded in the minutes of the meeting.

Where there is an Audit Committee, all transactions involving major assets or derivatives products shall require the approval of a simple majority of such Audit Committee, with such decisions submitted to the Board of Directors for its approval. Article 15, Paragraphs 4 and 5 of these Regulations shall apply mutatis mutandis, to this provision.

Article 7 Rewards and Penalties for Personnel

When carrying out acquisitions or disposals of the Company's assets, all personnel shall comply with these Regulations and the relevant laws and regulations in order to prevent the Company from incurring losses as a result of improper procedures. If any personnel are found to be in breach of the above, they shall be dealt with in accordance with the Company's personnel penalty rules.

Article 8 Investment Amount

Except for assets which are acquired for the purpose of the Company's operations, all investments and purchases of real estate and securities for non-operational use are subject to the following restrictions:

1. The total amount of real estate stated in the financial statements of the Company and its subsidiaries that are not for operational use shall not exceed 40% of the Company's Owners' Equity;
2. The total amount of long- and short-term securities investments stated in the financial statements of the Company and its subsidiaries that are not for operational use shall not exceed 100% of the Company's Owner's Equity;
3. The total amount of individual long-term securities investments stated in the financial statements of the Company and its subsidiaries that are not for operational use shall not exceed 50% of the Company's Owner's Equity;
4. The total amount of individual short-term securities investments stated in the financial statements of the Company and its subsidiaries that are not for operational use shall not exceed 4% of the Company's Owner's Equity;

Article 9 Engagement of Independent Expert for Objective and Fair Report

1. Acquisition or disposal of securities by the Company shall require the Company first obtaining the subject companies' latest audited financial statements issued before the date of such acquisition or disposal as reference for assessment of the transaction prices. In addition where the transaction amount involves 20% of the Company's paid-up capital or more than NTD 300 million, the Company shall before the date of such acquisition or disposal engage certified public accountants to express an opinion on the reasonableness of the transaction price. If the said certified public accountants require expert report, it shall be pursuant to Article 20 of the Auditing Standards announced by the Accounting Research and Development Foundation. The aforesaid shall not apply with the securities concerned are publicly quoted in active markets or are subject to other regulations of the Financial Supervisory Committee.
2. Where the acquisition or disposal of membership or intangible assets by the Company amounts to 20% of the Company's paid-up capital or exceeds NTD 300 million, then except in the cases of transactions with government institutions, the Company shall before the date of such acquisition or disposal engage certified public accountants to express an opinion on the reasonableness of the transaction price, and the said certified public accountants shall carry out the work in accordance with Article 20 of the Auditing Standards announced by the Accounting Research and

Development Foundation.

3. Where the acquisition or disposal of real estate or equipment, except in the cases of transactions with government institutions, lease of land for commissioned construction, or acquisition or disposal of equipment for the Company's operations, amounts to 20% of the Company's paid-up capital or exceeds NTD 300 million, the Company shall obtain an appraisal report issued by professional appraisers before the date of such transaction, and carry out such transaction in accordance with Article 9 of the "Asset Regulations".
4. Calculation of the transaction amount for transactions under the preceding three paragraphs shall be pursuant to Article 30, Paragraph 2 of the "Asset Regulations"; furthermore for the purpose of such calculation the benchmark date for determination of transactions within the preceding year shall be the date of actual transaction. Where, pursuant to regulations, appraised values or opinions from certified public accountants have been obtained, no calculation needs to be carried out.
5. When the Company acquires or disposes assets from any court auction 【Major Internal Policies of Walsin Lihwa】 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.

Article 10 Related-party Transactions

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. Where the acquisition or disposal of real estate or assets other than real estate from its related parties amounts to 20% of the Company's paid-up capital, 10% of its total assets or exceeds NTD 300 million, except in cases

of sales and purchases of public bonds, bonds with put and/or call options, or subscriptions or redemptions of domestic currency funds, the following information shall be submitted for approval by the Board of Directors and confirmation by the Supervisors before any transaction contracts can be entered into and payments can be made:

- (1) The purpose, necessity and estimated benefits of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as the transaction counterparty.
- (3) For acquisition of real estate from related parties, relevant information on the reasonableness of the proposed transaction in accordance with "Asset Regulations", Articles 15 and 16.
- (4) The date and price at which the related party originally acquired the real **【Major Internal Policies of Walsin Lihwa】** property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party
- (5) 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
- (6) An appraisal report from a professional appraiser or an accountant's opinion obtained in accordance with the preceding Article
- (7) Restrictive covenants and other important stipulations associated with the transaction

Calculation of the transaction amount for transactions under the preceding paragraph shall be pursuant to Article 30, Paragraph 2 of the "Asset Regulations"; furthermore for the purpose of such calculation the benchmark date for determination of transactions within the preceding year shall be the date of actual transaction. Where, pursuant to regulations, approval by the Board of Directors and the Supervisors have been obtained, no calculation needs to be carried out.

For acquisition or disposal of operational equipment between the Company and its subsidiaries, the Board of Directors authorizes the Chief Executive Officer to act in his discretion for any transaction below NTD 300 million, before subsequently submitting to the Board of Directors for retroactive confirmation.

Where there are Independent Directors, any discussions by the Board of Directors should take into full consideration the views of the respective Independent Directors. Where an Independent Director raises objections or reserves his opinion, the Board of Directors shall cause such objections or

reservation in opinion to be recorded in the minutes of meeting.

Where there is an Audit Committee, transactions that require Supervisor approval shall first require the approval of a simple majority of such Audit Committee, with such decisions submitted to the Board of Directors for its approval. Article 15, Paragraphs 4 and 5 of these Regulations shall apply mutatis mutandis, to this provision

3. With respect to an acquisition by the Company of real estate from its related party, assessment of the reasonableness of the transaction cost shall be carried out in accordance with "Asset Regulations", Articles 15 and 16; and except in any of the following circumstances, certified public accountants should be engaged to review and express an opinion with respect to such a transaction:

- (1) The related party acquired the real property through inheritance or as a gift
- (2) 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
- (3) Obtaining real estate from related a party through execution of a construction contract or commission of construction on owned land or leased land.

4. Where with respect to an acquisition of real estate by the Company from its related party, if the appraisal result is lower than the transaction price, the following shall be carried out:

- (1) 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 【Major Internal Policies of Walsin Lihwa】 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.
- (2) Supervisors shall comply with the provisions of Article 218 of the Company Act.
- (3) 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.

Where pursuant to this Paragraph the Company sets aside a Special Revenue Reserve, such Special Revenue Reserve may be utilized only upon appropriate compensation or restoration of the original status for impairment loss of assets that are purchased at high price that is booked or recognized

upon disposal, or where there are other evidence that confirms that such transactions are not unreasonable, subject to approval of the Financial Supervisory Committee.

Where with respect to the acquisition of real estate by the Company from its related party there is other evidence to show that such transaction does not conform to normal business practice, such transaction shall be pursuant to this paragraph.

Article 11 Mergers, Spin-offs, Acquisitions and Transfers of Shares

The Company's mergers, spin-offs, acquisitions and transfers of shares shall be in accordance with the "Company Act", "Business Mergers And Acquisitions Act" and "Asset Regulations" under Chapter 2, Section 5.

Article 12 Disclosure of Information

1. Disclosure of material information is required pursuant to Article 3 of the Regulation Governing the Acquisition and Disposal of Assets by Public Companies and Chapter 2 of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.
2. Disclosure procedure: 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 paragraph of this article.

Article 13 Regulations on Acquisition or Disposal of Assets 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 【Major Internal Policies of Walsin Lihwa】 paid-in capital or total assets.

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

Article 14

1. The provision in these Regulations with respect to 10% of total assets shall be calculated based on the total assets stated in the latest individual or respective financial reports compiled in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. Where the Company's shares do not have any face value or their face value is not NTD 10, the provision in these Regulations pertaining to the transaction amount being 20% of the Company's paid-up capital shall mean 10% of the Owners' Equity of the holding company and be calculated accordingly.

Article 15 Effectiveness and Revision

1. These Regulations shall be approved by the Board of Directors, forwarded to the respective Supervisors and submitted to the Shareholders' Meeting for consent. The same shall apply to revisions thereto. Where there are objections from Directors and such objections have been recorded or declared in writing, the Company should forward all such objections to the respective Supervisors.
2. Where there are Independent Directors, any discussions by the Board of Directors on the procedure for acquisition or disposal of assets in accordance with the preceding Paragraph should take into full consideration the views of the Independent Directors. Where an Independent Director raises objections or reserves his or her opinion, the Board of Directors shall cause such objections or reservation in opinion to be recorded in the minutes of meeting.
3. Where there is an Audit Committee, the promulgation or revision of these Regulations shall require the approval of a simple majority of such Audit Committee, with such decisions submitted to the Board of Directors for its approval.
4. Where pursuant to Paragraph 3 above the approval of a simple majority of the Audit Committee is not obtained, the formulation or revision of these Regulations shall require the approval of more than two-thirds of the members of the Board of Directors. Furthermore the Board of Directors shall cause minutes to be taken during its meetings with regard to the resolution

of the Audit Committee.

5. The terms "all audit committee members" in the previous three paragraphs and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 16

1. Where there is an Audit Committee, Articles 6, 10, 15 and 4.2.4.1 of the "Procedure for Derivatives Products Trades" shall apply, mutatis mutandis, to the Audit Committee.
2. Where there is an Audit Committee, Article 10, Paragraph 4 (2) shall apply, mutatis mutandis, to members of the Audit Committee who are also Independent Directors.