

Lungyen Life Service Corp.
2017 Annual General Meeting
of Shareholders
Handbook

Date: June 21, 2017

Time: 9:00 a.m., Friday, June 21, 2017

Location: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan
(Auditorium of Lungyen's Headquarters)

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Lungyen Life Service Corp.
2017 Annual General Meeting Procedure

I. Commencement of the Meeting (Reporting the quorum present)

II. Message from the Chairman

III. Matters to Report

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V. Matters for Discussion

VI. Matters for Election

VII. Provisional motions

VIII. Meeting adjourned

Lungyen Life Service Corp.

2017 Annual General Meeting Agenda

Time: 9:00 a.m., Wednesday, June 21, 2017

Location: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan
(Auditorium of Lungyen's Headquarters)

I. Commencement of the Meeting (Reporting the quorum present)

II. Message from the Chairman

III. Matters for Report

- (1) To report the remuneration to employees and directors and distribution approach in 2016
- (2) To report the operations' results of 2016
- (3) To report Audit Committee's review of 2016
- (4) To report the execution results of Company's private placement

IV. Matters for Approval

- (1) To approve 2016 Business Report and Financial Statements
- (2) To approve the proposal for distribution of profits in 2016

V. Matters for Discussion

- (1) Amendment for the Company's Article regarding "Procedures for Acquisition or Disposal of assets"
- (2) Amendment for the Company's "Procedures for loaning funds to 3d parties" articles

VI. Matters for Election

- (1) Election of the director of the Company for the vacant seat in the board

VII. Provisional motions

VIII. Meeting adjourned

Matters to Report

Case 1

Summary: The remuneration to employees and directors in 2016 and distribution approach is presented for approval.

Remark: 1. The Company 2016 income before tax deducted by distribution of remuneration to employees and directors is NT\$1,133,991,372. It is proposed that the remuneration to employees is NT\$11,339,914 and the remuneration to directors is NT\$22,679,827. The distribution of remuneration is all paid in cash.

2. Abovementioned remuneration to employees and directors has already been reported as expense in 2016. There is no difference between reported amount and proposed distribution amount.

Case 2

Summary: The Company's 2016 business report is presented for approval.

Remark: For the Company's 2016 business report, please refer to Appendix 1 (Page 8-10) of the Handbook.

Case 3

Summary: The 2016 Audit Committee's report is proposed for approval.

Remark: For the Company's 2016 Audit Committee's report, please refer to Appendix 2 (Page 11) of the Handbook.

Case 4

Summary: The Company's 2016 private placement report is presented for approval.

Remark:

(1) The Company's first funding through issuing ordinary shares and convertible bonds by private placement in 2017 has been announced and received the full amount according to the resolutions. Please refer to Appendix 3 of this Handbook (pages 12-15) for the purpose of handling the common stock and convertible corporate bonds of the private placement according to the "Notice of Public Offering Private Transactions".

Matters for Approval

Case 1:

(Proposed by the board of directors)

Summary: The Company has the operation and financial statement reviews in 2016 presented for approval.

Remark: 1. For the Company's 2016 business report and financial report (including individual and consolidated balance sheets, income statement, statement of changes in equity and statement of cash flows), please refer to Appendix 4 (Page 14-22) and Appendix 5 (Page 23-31).

2. Abovementioned reports have been audited by CPA Tseng, Guo-Yang and CPA Lai, Li-Zhen of KPMG Taiwan.

Hereby apply for recognition. (Please visit the website at o MOPS for the financial statements in details: <http://newmops.twse.com.tw>)

Resolutions:

Case 2:

(Proposed by the board of directors)

Summary: The Company's proposal for distribution of earnings in 2016 is presented for approval.

Remark: 1. Considering the Company's future investment plan, the company proposes to distribute cash dividends from distributable earnings of NT\$504,101,039 (NT\$1.2 per share). Please refer the Profit Distribution Table as Appendix 6 (Page 32 of the Handbook).

2. Cash dividend is distributed prorated currently with the amount rounded up to the dollar. Also, it is adjusted by a decimal point from large to small and the account number from front to back in order to match up with the total cash dividends distributed.

3. If the outstanding stock shares are affected and that have caused changes to shareholder's dividend ratio due to the Company's repurchasing treasury shares and cash capitalization before the Ex-dividend date, the board of directors is authorized in the shareholders' meeting to deal with the correction needed.

4. For the distribution of cash dividend to shareholders, the Chairman is authorized to schedule the ex-dividend date as soon as it is resolved at the shareholders' meeting.

5. Hereby apply for recognition.

Resolutions:

Matters for Discussion

Case 1: (Proposed by the board of directors)

Summary: The amendment for the Company's Article regarding "Procedures for Acquisition or Disposal of assets" is proposed for discussion.

Remark:

1. In accordance with the amendments of "The Public Offering Company of Procedures for Acquisition or Disposal of assets" and the Company's actual needs, it's proposed to amend parts of the regulations. The regulation amended before and after, please refer to the Handbook Appendix 7 (Page 33-37). 2. Please proceed to discuss.

Resolutions:

Case 2: The amendment for the Company's articles regarding "Procedures for loaning funds to others" is proposed for discussion.

Summary:

Remark:

1. In accordance with the regulations and the Company's actual needs, it's proposed to amend articles regarding "Procedures for loaning funds to others", the regulation amended before and after, please refer to the Handbook Appendix 8 (Page 38-39).

2. Please proceed to discuss.

Resolutions:

Matters for Election

Case 1:

Summary : The election for a director of the Company is proposed for discussion.

Remarks : 1. In accordance with the Articles of the Company, the directors of the Company shall have five to nine directors (including three independent directors).The former director, Chan Pai-Lien resigned for reasons and the effective date shall be June 20, 2017. The term of office which will be elected during the AGM is the same as that of the current directors –from the date elected to the end of June 17, 2018 and could be re-elected in next term.

2. Aside from other laws and regulation in this election, according to the Company’s “Regulation for Directors Election”, the candidate has been approved by the 12th No. 21 meeting of the Board of Directors, the shareholders should choose the candidate for the directors, the list of candidates for the directors as of follows:

Title	Name	Experience	Shares-hold
Director	Orix Asia Capital Limited	Not applicable	21,000,000

3. Please proceed to elect

Result :

Provisional motions

Meeting adjourned

Letter to Shareholders

The global economic recovery was soft throughout 2016, mainly due to the United States, Japan and Europe and other advanced countries did not perform as expected, and the slowing down of growth momentum in emerging markets. In addition, Brexit also impacted financial markets and international trade, and affected consumers' and investors' confidence significantly. All these factors led 2016 global economic growth to fall to 2.5%, the lowest point since the financial crisis in 2009.

Contrarily, the US economy continues to recover since the beginning of 2017, the economy in Euro zone has gradually improved, and the Chinese economy remains stable. IMF also has slightly raised the economic growth targets of the United States, Europe, and China for this year. According IHS Global Insight in April, the global economic growth rate is forecasted to increase from 2.5% in 2016 to 2.9% in 2017. Due to the international trade in Taiwan having been performed well caused by the recovery of international economy, the prices for crude oil and raw materials having been recovered, and the lower base in 2016 for comparison, the growth rate for the monetary terms of Taiwan's international trade is expected to become positive. In April, CIER(Chung-Hua Institution for Economic Research) revised up the 2017 economic growth rate of Taiwan from 1.73%, made in Dec. 2016, to 2.11%. Although the domestic economic environment has risen from the bottom, Taiwan's economic growth rate is still far below the global. The management team of the company still persist the spirits of continuity, striving to pursue the growth of business and profitability.

Business performance for the year 2016 and the business plan for 2017 are hereby presented to the Company's shareholders as of follows:

I. 2016 Operating results:

For 2016 operating results, while the entire market was influenced by weak economy, with the cooperation of operating and sales teams, the Company's new sales has reached a historic high and slightly increased by 6.4% compared with the previous year. While new sales slightly grew, since several uncompleted columbarium and cemetery products cannot be recognized, the 2016 consolidated revenue was NT\$3.46 billion, decreased by 1.9% compared to the previous year. The net profit attributable to owners of parent was NT\$980 million, decreased by 10.2% compared to the previous year; the net margin was 30.8%, decreased by 8.6% compared to the previous year.

As of December 31, 2016, the total consolidated asset was NT\$51.0 billion, increased by 7.3% compared to the previous year; the total liability was NT\$39.9 billion and debt ratio was 78.3%. The proceeds collected for the sales of funeral service, columbarium, and cemetery are booked as advance receipts for the amount of NT\$30.73 billion, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium and cemetery is transferred to the client upon completion. The debt ratio was 45.3% if the company deducted the advance receipts and relative asset amounts.

II. Summary of 2017 business plan

(I) Operations guidelines:

1. Carry out business plan to achieve business target
2. Optimize capital allocation to improve financial performance
3. Strengthen risk management to solidify business fundamentals
4. Improve operations management to enhance corporate value
5. Fulfill corporate social responsibilities to polish corporate image

(II) Executive summary:

1. Carry out business plan to achieve business target

Exercise the merger effect of northern, central and southern cemetery; also, the cross integration of customers, channels, and commodities with unified liturgical service provided to effectively increase product penetration rate, to fulfill the primary goal of increasing market share, and to actively explore the Chinese market.

2. Optimize capital allocation to improve financial performance

Closely watch the capital market for appropriate opportunities to plan for suitable funding so as to elevate financial performance. Provide sound operational management procedures in accordance with the latest regulations so as to strengthen operational efficiency and activate the efficiency of assets through selling non-core investment use properties to fulfill the profits of long-term investment and invest more capitals in expanding core industry.

3. Strengthen risk management to solidify business fundamentals

Strengthen the functions of internal audit and internal control, substantiate corporate governance, review and modify the risk management regulations and update the internal control operating procedures in a timely manner in order to enhance risk management capability.

4. Improve operational management to enhance corporate value

Promote human resources exchanges and talents incubation plan within the Group to develop the cross-industry management talent needed, enhance manpower capital, and strengthen competitiveness. Utilize information technology for integrating workflow and service innovation to ensure competitive advantage. Exercise the bargaining power of procurement, effectively reduce operating costs and maintain the Group's long-term stability of profit growth.

5. Fulfill corporate social responsibility and optimize corporate image

Work with the Government to execute the policies, to convey business philosophy by combining it with public service, to exercise the synergy of business operations, to continuously feedback to the society, to serve the citizens, and to fulfill the satisfaction of customers, employees, and shareholders.

(III). Estimated production and sales in 2017 (including subsidiaries)

Unit: SET

Product Name	targeted sales unit
Columbarium	6,812
Cemetery	147
Preneed Funeral	13,789
Total	20,748

III. the Company's development strategy

In 2017, we shall focus on planning new columbarium and cemetery products, actively launching various products in terms of different areas and different prices, bundling with columbarium and preneed funeral contract, so as to satisfy various demands from consumer segments. Under the philosophy of integrated funeral services of the entire country, we shall further effectively augment the benefits of Lungyen brand logo and further expand market shares in the funeral service industry.

We shall continually promote funeral industry reform and create market segmentation, so as to achieve sales continual growth by providing new demands. Meanwhile, we shall be continually strengthen internal control and demand in upgrade quality of services so that the hardware commodities and software services will be continually upgraded. Through such efforts, Lungyen will further step into extensive consumers and expand market share.

As Taiwan is in increasingly significant aging society and decreased childbirth, and amidst the limited territories and population, on the grounds of our existent life service bases, we shall, step-by-step, expand our horizons to cover life service related medical treatment services and elder citizen hotels and such business lines. Other than our efforts on the already well developed business lines and markets in Taiwan, we shall, under the well-designed programs, expand our services toward China. Where China is transforming from interment toward incineration, Lungyen will be one step ahead of competitors to stand firmly in the vast markets in China. As always, Lungyen shall render high quality and elaborate thoughtful services. In the efforts of marketing pre-need contracts and tower units, we shall spearhead the entire markets as the leading brand name toward more brilliant tomorrow.

IV. Impact of external competitive environment, regulatory environment and the macro business environment

The national competent authority has gradually established comprehensive management of funeral services and published funeral-related laws and regulations for the protection of consumers. The action may have had the funeral industry subject to more strict regulations; however, it will help establish a higher operating threshold that will keep the inferior operators away. Under these circumstances, the long-lasting legitimate business operations of Lungyen will be well protected.

The funeral business is for daily necessities; therefore, the sales are not subject to the influence of the economy. In perspective, we will continue to uphold the business philosophy of professionalism, integrity and compassion to strengthen operating performance, solid operating foundation, generate outstanding business performance, create greater shareholders' equity, contribute to the prosperity of society and set the record again for national economic development.

Thanks to our shareholders for the support over the years and we do look forward to the continuing guidance and encouragement in the future. Thank you!

Chairman: Liu, Wei-Lung President: Kuo, Hsueh-Chun Chief Accountant: Chan, Shu-Juan

Lungyen Life Service Corp.

2016 Audit Committee's Review Report

Authorized

The Board of Directors has the Company's 2016 business report, financial statements, and earnings distribution report prepared and presented, in which the individual and consolidated financial statements have been audited by CPA Tseng, Guo-Yang and CPA Chih, Shih-Chin of KPMG Taiwan with an independent auditor's report issued.

The business report, individual and consolidated financial statements, and earnings distribution report referred to above are audited and concluded by the Audit Committee members in compliance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2017 Annual General Shareholders' Meeting

Independent Director: Yeh, Shu

Independent Director: Chang, Show-Lian

Independent Director: Hong, Guo-Chao

March 29, 2017

**Status of the execution of private placement of securities
(Kinds of securities: ordinary shares)**

Private Placement Date from the resolutions of the board of the directors	Dec. 8, 2016	Resolutions from the AGM	Jan. 25, 2017
Pricing Date	Mar. 15, 2017	Delivery Date	April 25, 2017
Payment of shares completed Date	Mar. 29, 2017	Expiration Date	April 24, 2020
Price of Private Placement (per Unit)	NT\$ 62.10	The total numbers of shares	21,000,000
The total amount of Private Placement	NT\$ 1,304,100,000		
Price Basis and rationality	As set out on the basis of the resolution of the shareholders' provisional meeting on January 25, 2017. The private placement price is set at a level not less than the valuation date (as of March 15, 2017) one or three or five business days or thirty business days to calculate the closing price of ordinary shares in simple arithmetic average deducting free shareholding ex-dividend, and add back to the deductible after the share price, the basis will be chosen as the 80% higher from above two calculated benchmarks. The manner in which the ordinary common stock price is set is determined by the relevant provisions of the Competent Authority and the discretion of the Company, and its operating conditions, future outlook and price reference price.		
Reasons for conducting private placement	The reasons are to introduce strategic investors, take advantage of both sides of the strength and resources and to establish of long-term strategic cooperative relations, as well as to quickly inject the company's funds needed to improve the mobilization of liquidity and flexibility. Besides, conducting private placement within three years of transfer restriction will ensure that the company and the applicant of long-term cooperation, therefore there is necessarily to adopt private placement for cash replenishment of new shares.		
Methods of choosing applicant	The resolution of the applicant limitation of private placement complies with the Securities Exchange Act Article 43-6 and Securities and Letter of Futures Commission issued on June 13, 2012 (91) Tai-cai-zheng (1) No. 0910003455 and Letter issued by Jin-guan-zheng-fa No. 101005599 amendment for the "Notice for public offering company conducting private placement and Securities " on January 8, 2013.		
Applicant Information	Applicant	Qualification	Purchase Amount Relations with the Company &

			(Shares)	participation in the operation
	ORIX Asia Limited	Article 43-6, paragraph 1, item 2, of the Securities Exchange Act	21,000,000	None
Actual Subscription Price and the Differences of Reference Price	Actual subscription price is NT\$ 62.10 which is higher than reference price NT\$ 57.77, the premium rate is 7.5%。			
Influences for shareholders' equity from conducting private placement	The purpose of raising funds is for the repayment of bank loans which is expected to strengthen the financial structure and save interest, and this could be positive for the shareholders' benefits.			
The use of private funds and the implementation of the progress of the program	The capital increase project are used to repay all the bank loans, the funds raised has been 100% completed.			
The benefits of Private Placement	Private funds have been used to repay bank loans to reduce interest expenses. The average interest rate of the Company is estimated that it could save interest expenses for NT\$ 15,128 thousand per year. In addition, the Company will jointly develop its business both in Taiwan and abroad with ORIX Group's and its experience of elderly care, assets development and management as well as financial investment.			

**Status of the execution of private placement of securities
(Kinds of securities: Convertible Bonds)**

Private Placement Date from the resolutions of the board of the directors	Dec. 8, 2016	Resolutions from the AGM	Jan. 25, 2017	
Pricing Date	Mar. 15, 2017	Delivery Date	April 10, 2017	
Payment of shares completed Date	Mar. 27, 2017	Expiration Date	April 09, 2020	
Price of Private Placement (per Unit)	NT\$ 100,000/Unit	The total numbers of bonds	31,130	
The total amount of Private Placement	NT\$3,113,000,000			
Price Basis and rationality	The actual issue price of the private convertible bonds shall be determined at a rate not less than 80% of the theoretical price and the theoretical price shall be determined by the pricing model set and the consideration of the rights included in the issue conditions. The price of the convertible bond was set is in accordance with the relevant requirements of the Authority and the consideration of the operational benefits by introducing the strategic partnership.			
Reasons for conducting private placement	The reasons are to introduce strategic investors, take advantage of both sides of the strength and resources and to establish of long-term strategic cooperative relations, as well as to quickly inject the company's funds needed to improve the mobilization of liquidity and flexibility. Besides, conducting private placement within three years of transfer restriction will ensure that the company and the applicant of long-term cooperation, therefore there is necessarily to adopt private placement of securities.			
Methods of choosing applicant	The resolution of the applicant limitation of private placement complies with the Securities Exchange Act Article 43-6 and Securities and Letter of Futures Commission issued on June 13, 2012 (91) Tai-cai-zheng (1) No. 0910003455 and Letter issued by Jin-guan-zheng-fa No. 101005599 amendment for the "Notice for public offering company conducting private placement and Securities " on January 8, 2013.			
Applicant Information	Applicant	Qualification	Purchase Amount (Shares)	Relations with the Company & participation in the operation
	ORIX Asia Limited	Article 43-6, paragraph 1, item 2, of the Securities Exchange Act	3,113,000,000	None

Actual Subscription Price and the Differences of Reference Price	The theoretical price of the convertible bond is NT\$ 103,100, and the actual issued price was NT\$100,000 which met the standards of no less than 80% of the theoretical price.
Influences for shareholders' equity from conducting private placement	The purpose of raising funds is for the repayment of bank loans which is expected to strengthen the financial structure and save interest, and this could be positive for the shareholders' benefits.
The use of private funds and the implementation of the progress of the program	The capital increase project are used to repay all the bank loans, the funds raised has been 100% completed.
The benefits of Private Placement	Private funds have been used to repay bank loans to reduce interest expenses. The average interest rate of the Company is estimated that it could save interest expenses for NT\$ 36,111 thousand per year. In addition, the Company will jointly develop its business both in Taiwan and abroad with ORIX Group's and its experience of elderly care, assets development and management as well as financial investment.

Independent Auditors' Report

To the Board of Directors of LUNGYEN LIFE SERVICE CORPERATION:

Audit Opinion

We have audited the financial statements of LUNGYEN LIFE SERVICE CORPERATION which comprises the balance sheets as of December 31, 2016 and 2015; the statements of income, the statements of changes in equity and the statements of cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying individual financial Statements present fairly, in all material respects, the financial position of LUNGYEN LIFE SERVICE CORPERATION as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LUNGYEN LIFE SERVICE CORPERATION in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our Opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for LUNGYEN LIFE SERVICE CORPORATION 's financial statements are stated as of follows:

1. Revenue recognition

Please refer to note 4(16) "Revenue recognition" for the accounting policy related to revenue recognition, and note 6(14) "Revenue" for information related to revenue recognition for the individual financial statement.

How the matter was addressed in our audit

Lungyen Group sales columbarium & cemetery products and funeral services through cash prepayment or ways of installment prepayment to collect income, therefore, the timing of income recognition needs to be judged. In addition, due to Lungyen Group is a public listed company, it may be subject to the expectation of external investors or creditors and the pressure of internal earnings to inflate the income, resulting in exposing income recognition to risks. Therefore, the income recognition test was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's consolidated financial report.

Our principal audit procedures included the following:

- Testing whether revenue recognition is following related auditing internal control procedures.
- Sampling external orders such as purchase orders, sales contracts and receipt records for the current year's sales cases, and assessing if the revenue is recognized at the recognition point.

2. Valuation of inventories

Please refer to note 4(7) "Inventories" for the accounting policy related to valuation of inventories, and note 6(3) "Inventories" for information related to valuation of inventories for the consolidated financial Statement.

How the matter was addressed in our audit

The inventories held by Lungyen Group are mainly columbarium, cemeteries, construction of land and construction in progress. The evaluation in accordance with the IAS 2 specification was expressed and measured by the lower of the cost and market from the financial statements reports.

But the decision of the net realizable value was influenced by funeral product market and the prosperity of real estate, resulting in the possibility of significant false risk. Therefore, the inventory evaluation was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's consolidated financial report.

Our principal audit procedures were included as of follows:

- Obtaining the same or similar product prices for construction sites and Columbarium & Cemeteries for sale in order to the evaluation for net realizable value.
- As for the buildings under construction, the analysis of the return on investment obtained from the management, and examining the parameters of the return on investment (such as the selling price) could assess its rationality and achievability.

3. Goodwill and Impairment of goodwill

Please refer to Note 4(13) intangible assets for accounting policies related to impairment of goodwill. Please refer to Note 5(2) for impairment of goodwill in accounting estimates and assumptions uncertainty. Please refer to Note 6(7) intangible assets for impairment of goodwill and trademark.

How the matter was addressed in our audit

The goodwill recognized by Lungyen Group is due to mergers and acquisitions, and the recoverable amount of goodwill is subject to the subjective judgment and highly uncertain, and the estimated uncertainty may have significant false risk. Therefore, the impairment of goodwill was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's individual financial report.

Our principal audit procedures included the following:

- Assessing whether the cash-generating units identified by the management and the process of performing the impairment test are complete and correct.
- Assessing the management at the main assumption of the weighted average use cost (eg, stock price) and the calculation method, and compare the pre-budget cash inflow with the actual cash inflow to suit the assumptions and methodologies for estimating future cash flows and the weighted average cost of capital use.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing LUNGYEN GROUP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LUNGYEN GROUP or to cease operations, or has no realistic alternative but to do so.

The audit committee is charged with governance are responsible for overseeing LUNGYEN GROUP 's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing Standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LUNGYEN GROUP 's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LUNGYEN GROUP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

date of our auditors report. However, future events or conditions may cause LUNGYEN GROUP to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA:

Approval Document issued by the competent securities authority
March 29, 2017

FSC VI. Tzi No. 0940129108

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.

Balance Sheet

December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Assets	12.31.2016		12.31.2015		Liabilities and Equity	12.31.2016		12.31.2015	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(1) & (17))	\$92,129	-	76,420	-	2100 Short-term loan (Note 6(8) & (17))	\$7,135,000	14	7,227,000	16
1110 Financial assets at fair value through profit or loss – current (Note 6(2) & (17))	861,972	2	1,054,753	2	2170 Payable accounts (Note 6(17))	308,595	1	323,676	1
1150 Notes receivable, net (Note 6 (17))	9,712	-	8,107	-	2180 Accounts payable - related party (Note 6(17) & 7)	39,223	-	73,667	-
1170 Accounts receivable, net (Note 6(17))	385,983	1	398,463	1	2200 Other payable accounts (Note 6(17) & 7)	403,764	1	384,233	1
1320 Inventories (Note 6(3) & 8)	11,520,116	23	10,975,435	24	2230 Current income tax liabilities (Note 6(11))	75,227	-	183,438	-
1410 Prepayments (Note 7 & 9)	8,610,171	17	8,454,566	18	2310 Advance receipts (Note 9)	31,386,209	64	29,534,742	64
1476 Other financial assets – current (Note 6(17), 7, 8 & 9)	1,852,070	4	2,185,488	5	2399 Other current liabilities - others	<u>30,800</u>	-	<u>13,579</u>	-
1479 Other current assets	<u>3,080</u>	-	<u>2,342</u>	-		<u>39,378,818</u>	<u>80</u>	<u>37,740,335</u>	<u>82</u>
	<u>23,335,233</u>	<u>47</u>	<u>23,155,574</u>	<u>50</u>	Non-current liabilities:				
Non-current assets:					2570 Deferred income tax liabilities (Note 6(11))	24,287	-	49,587	-
1524 Available-for-sale financial assets – non-current (Note 6 (2) & (17) & 8)	8,576,790	17	6,309,634	14	2640 Accrued pension liabilities - non-current (Note 6(10))	30,058	-	28,561	-
1527 Held-to-maturity financial assets- non-current (Note 6(2) & (17))	307,915	1	-	-	2645 Deposit received	<u>52,802</u>	-	<u>67,606</u>	-
1543 Financial assets carried at cost – non-current (Note 6(2))	17,207	-	21,345	-		<u>107,147</u>	-	<u>145,754</u>	-
1550 Investment under equity method (Note 6(4))	2,509,383	5	2,180,366	4	Total liabilities	<u>39,485,965</u>	<u>80</u>	<u>37,886,089</u>	<u>82</u>
1600 Property, plant and equipment (Note 6(5) & 8)	5,736,127	12	6,113,437	14	Equity:				
1760 Investment property, net (Note 6(6) & 8)	6,527,196	13	6,082,493	13	3100 Capital stock (Note 6(12))	3,990,842	8	3,990,842	9
1780 Intangible assets (Note 6(7) & 7)	775,079	2	767,522	2	3200 Capital surplus (Note 6(12))	1,420,112	3	1,413,044	3
1840 Deferred income tax assets (Note 6(11))	799,686	2	809,184	2	Retained earnings:				
1980 Other financial assets – non-current	22,964	-	23,803	-	3310 Legal reserve (Note 6(12))	997,817	2	888,881	2
1990 Other non-current assets	<u>696,962</u>	<u>1</u>	<u>657,891</u>	<u>1</u>	3320 Special reserve (Note 6(12))	401,665	1	14,458	-
	25,969,309	53	22,965,675	50	3350 Unappropriated retained earnings (Note 6(11) & (12))	<u>2,610,784</u>	<u>5</u>	<u>2,329,600</u>	<u>5</u>
						<u>4,010,266</u>	<u>8</u>	<u>3,232,939</u>	<u>7</u>
					Other equity:				
					3410 Exchange differences from the translation of foreign institution's financial statements (Note 6(12))	-11,300	-	-4,767	-
					3425 Unrealized gain or loss of the available-for-sale financial assets (Note 6(12))	<u>408,657</u>	<u>1</u>	<u>-396,898</u>	<u>-1</u>
Total assets	<u>\$49,304,542</u>	<u>100</u>	<u>46,121,249</u>	<u>100</u>		<u>397,357</u>	<u>1</u>	<u>-401,665</u>	<u>-1</u>
					Total equity	<u>9,818,577</u>	<u>20</u>	<u>8,235,160</u>	<u>18</u>
					Total liabilities and equity	<u>\$49,304,542</u>	<u>100</u>	<u>46,121,249</u>	<u>100</u>

(The accompanying notes are an integral part of the financial statements.)

Chairman :

General Manager :

Chief Accountant :

Lungyen Life Service Corp.
Comprehensive Income Statement

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6(9) & (14) & 7)	\$ 3,033,180	100	3,271,239	100
5000	Operating cost (Note 6(9))	<u>1,175,112</u>	<u>39</u>	<u>1,227,439</u>	<u>38</u>
5900	Operating gross profits	<u>1,858,068</u>	<u>61</u>	<u>2,043,800</u>	<u>62</u>
Operating expenses:					
6100	Selling expenses	584,543	19	625,734	19
6200	Administration expenses (Note 6(7) & 7)	<u>483,894</u>	<u>16</u>	<u>408,078</u>	<u>12</u>
6000	Total operating expenses	<u>1,068,437</u>	<u>35</u>	<u>1,033,812</u>	<u>31</u>
6900	Operating income (loss)	<u>789,631</u>	<u>26</u>	<u>1,009,988</u>	<u>31</u>
Non-operating income and expenses:					
7010	Other income (Note 6(16) & 7)	381,875	13	339,962	10
7020	Other gains and losses (Note 6(16))	3,927	-	(81,708)	(2)
7050	Financial costs (Note 6(3) & (16))	(84,910)	(3)	(73,260)	(2)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	<u>9,449</u>	<u>-</u>	<u>74,673</u>	<u>2</u>
		<u>310,341</u>	<u>10</u>	<u>259,667</u>	<u>8</u>
7900	Operating income before tax	1,099,972	36	1,269,655	39
7950	Less: Income tax expense (Note 6(11))	<u>122,132</u>	<u>4</u>	<u>180,294</u>	<u>6</u>
	Net income	<u>977,840</u>	<u>32</u>	<u>1,089,361</u>	<u>33</u>
8300	Other comprehensive income:				
8310	Items not to be reclassified into profit or loss				
8311	Remeasurements of defined benefit plans (Note 6(10))	(971)	-	(3,086)	-
8360	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of foreign statements	(4,097)	-	5,944	-
8362	Unrealized losses on available-for-sale financial assets	804,262	27	(390,602)	(12)
8380	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	<u>(1,143)</u>	<u>-</u>	<u>(2,549)</u>	<u>-</u>
8300	Other current comprehensive income (after tax)	<u>798,051</u>	<u>27</u>	<u>(390,293)</u>	<u>(12)</u>
	Total comprehensive income	<u>\$ 1,775,891</u>	<u>59</u>	<u>699,068</u>	<u>21</u>
	Basic earnings per share (Note 6(13))				
9750	Basic earnings per share (NTD)	<u>\$ 2.45</u>		<u>2.73</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 2.45</u>		<u>2.73</u>	

(The accompanying notes are an integral part of the financial statements.)

Chairman :

General Manager :

Chief Accountant :

Lungyen Life Service Corp.
Statements of Changes in Equity

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	Retained earnings					Other equity		Total	Total equity	
	Common stock capital	Additional paid-in capital	Legal reserves	Special reserves	Unappropriated earnings	Exchange differences from the translation of foreign institution's financial statement	Unrealized gain (loss) of the available-for-sale financial instruments			
Balance – January 1, 2015	\$ 3,990,842	1,392,072	669,595	15,224	2,912,259	3,597,078	(8,162)	(6,296)	(14,458)	8,965,534
Net profit	-	-	-	-	1,089,361	1,089,361	-	-	-	1,089,361
Other comprehensive income	-	-	-	-	(3,086)	(3,086)	3,395	(390,602)	(387,207)	(390,293)
Total comprehensive income	-	-	-	-	1,086,275	1,086,275	3,395	(390,602)	(387,207)	699,068
Appropriation and distribution of earnings:										
Legal reserve	-	-	219,286	-	(219,286)	-	-	-	-	-
Special reserve	-	-	-	(766)	766	-	-	-	-	-
Shareholders' dividend – cash, 3.6 per share	-	-	-	-	(1,436,703)	(1,436,703)	-	-	-	(1,436,703)
Actual acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	20,972	-	-	(13,711)	(13,711)	-	-	-	7,261
Balance – December 31, 2015	3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160
Net profit	-	-	-	-	977,840	977,840	-	-	-	977,840
Other comprehensive income	-	-	-	-	(971)	(971)	(6,533)	805,555	799,022	798,051
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	799,022	1,775,891
Appropriation and distribution of earnings:										
Legal reserve	-	-	108,936	-	(108,936)	-	-	-	-	-
Special reserve	-	-	-	387,207	(387,207)	-	-	-	-	-
Shareholders' dividend – cash, 0.5 per share	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)
Actual acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	7,068	-	-	-	-	-	-	-	7,068
Balance – December 31, 2016	\$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577

Note: The Company's remuneration for directors and supervisors for NT\$22,680 thousand and NT\$26,178 thousand; bonus to employees for NT\$11,340 thousand and NT\$13,089 thousand are respectively deducted in the Income Statement for the twelve months ended December 31, 2016 & 2015.

(The accompanying notes are an integral part of the financial statements.)

Chairman :

General Manager :

Chief Accountant :

Lungyen Life Service Corp.

Statement of Cash Flow

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2016	2015
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,099,972	1,269,655
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	141,200	119,043
Amortization expense	15,418	10,057
Provision (reversal of provision) for bad debt expense	-	(721)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(57,759)	112,727
Financial costs	84,910	73,260
Interest income	(102,931)	(116,824)
Dividend income	(136,612)	(83,101)
Share of loss (gain) of associates and joint ventures accounted for using equity method	(9,449)	(74,673)
Loss (gain) on disposal of property, plant and equipment	181	1,677
Costs transferred from property, plant and equipment	342	-
Loss (gain) on reduction financial assets carried at cost	5,140	3,000
Loss (gain) on disposal of investment	804	-
Exchange loss (gain) of available-for-sale financial assets	69,553	13,931
Loss (gain) on disposal of available-for-sale financial assets	(48,707)	(2,254)
Total adjustments to reconcile profit (loss)	(37,910)	56,122
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	250,540	(292,286)
Notes receivable and accounts receivable, net	12,417	15,289
Inventories	(544,681)	(274,764)
Prepayments	(155,605)	(258,647)
Other financial assets	(16,383)	746,192
Other current assets	(738)	(125)
Total changes in operating assets	(454,450)	(64,341)
Changes in operating liabilities:		
Notes payable and accounts payable, net	(25,348)	(75,276)
Accounts payable - related parties	(34,444)	31,113
Other payable	13,946	37,416
Advance receipts	1,852,258	1,788,033
Other current liability	17,221	(1,090)
Accrued pension liabilities	526	608
Total changes in operating liabilities	1,824,159	1,780,804
Total changes in operating assets and liabilities	1,369,709	1,716,463
Total adjustments	1,331,799	1,772,585
Cash inflow (outflow) generated from operations	2,431,771	3,042,240
Interest received	95,588	120,983
Dividend received	269,501	211,631
Interest paid	(82,063)	(69,859)
Income taxes refund	49,398	-
Income taxed (paid)	(295,440)	(187,253)
Net cash flows from (used in) operating activities	2,468,755	3,117,742

Lungyen Life Service Corp.

Statement of Cash Flow

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	<u>2016</u>	<u>2015</u>
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(2,704,400)	(6,037,833)
Proceeds from disposal of available-for-sale financial assets	1,226,136	1,190,886
Acquisition of held-to-maturity financial assets	(308,491)	-
Acquisition of financial assets carried at cost	(9,900)	(4,500)
Proceeds from capital reduction of financial assets carried at cost	2,856	5,040
Acquisition of investment using equity method	(450,629)	(831,579)
Acquisition of property, plant and equipment	(199,409)	(308,685)
Proceeds from disposal of property, plant and equipment	249	8,032
Acquisition of intangible assets	(22,975)	(6,041)
Acquisition of investment properties	(480)	(276)
Other financial assets	359,414	(247,146)
Other non-current assets	(39,071)	(227,303)
Net cash flows from (used in) investing activities	<u>(2,146,700)</u>	<u>(6,459,405)</u>
Cash flow from (used in) financing activities:		
Increase in short-term loans	7,577,000	12,697,900
Decrease in short-term loans	(7,669,000)	(8,020,900)
Increase (decrease) in guarantee deposits received	(14,804)	17,024
Cash dividends	(199,542)	(1,436,703)
Net cash flows from (used in) financing activities	<u>(306,346)</u>	<u>3,257,321</u>
Net increase (decrease) in cash and cash equivalents	15,709	(84,342)
Cash and cash equivalents at beginning of period	76,420	160,762
Cash and cash equivalents at end of period	<u>\$ 92,129</u>	<u>76,420</u>

(The accompanying notes are an integral part of the financial statements.)

Chairman :

General Manager :

Chief Accountant :

Independent Auditors' Report

To the Board of Directors of LUNGYEN LIFE SERVICE CORPERATION:

Audit Opinion

We have audited the financial statements of LUNGYEN LIFE SERVICE CORPERATION and its subsidiaries ("LUNGYEN GROUP"), which comprises the balance sheets as of December 31, 2016 and 2015; the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial Statements present fairly, in all material respects, the financial position of LUNGYEN GROUP as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LUNGYEN GROUP in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our Opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for LUNGYEN GROUP 's financial statements are stated as follows:

1. Revenue recognition

Please refer to note 4(18) "Revenue recognition" for the accounting policy related to revenue recognition, and note 6(18) "Revenue" for information related to revenue recognition for the individual financial statement.

How the matter was addressed in our audit

Lungyen Group sales columbarium & Cemetery products and funeral services through cash prepayment or ways of installment prepayment to collect income, therefore, the time of income recognition needs to be judged.

In addition, due to Lungyen Group is public listed company, it may be subject to the expectation of external investors or creditors and the pressure of internal earnings to inflate the income, resulting in exposing income recognition to risks. Therefore, the income recognition test was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's consolidated financial report.

Our principal audit procedures included the following:

- Testing whether revenue recognition is following related auditing internal control procedures.
- Sampling external orders such as purchase orders, sales contracts and receipt records for the current year's sales cases, and assessing if the revenue is recognized at the recognition point.

2. Valuation of inventories

Please refer to note 4(8) "Inventories" for the accounting policy related to valuation of inventories, and note 6(3) "Inventories" for information related to valuation of inventories for the consolidated financial Statement.

How the matter was addressed in our audit

The inventories held by Lungyen Group are mainly columbarium, cemeteries, construction of land and construction in progress. The evaluation in accordance with the IAS 2 specification was expressed and measured by the lower of the cost and market from the financial statements reports.

But the decision of the net realizable value was influenced by funeral products market and the prosperity of real estate, resulting in the possibility of significant false risk. Therefore, the inventory evaluation was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's consolidated financial report.

Our principal audit procedures included the following:

- Obtaining the same or similar product prices for construction sites and Columbarium & Cemeteries for sale in order to the evaluation for net realizable value.
- As for the buildings under construction, the analysis of the return on investment obtained from the management, and examining the parameters of the return on investment (such as the selling price) could assess its rationality and achievability.

3. Impairment of goodwill

Please refer to Note 4(15) intangible assets for accounting policies related to impairment of goodwill. Please refer to Note 5(1) for impairment of goodwill in accounting estimates and assumptions uncertainty. Please refer to Note 6(9) intangible assets for impairment of goodwill and trademark.

How the matter was addressed in our audit

The goodwill recognized by Lungyen Group is due to mergers and acquisitions, and the recoverable amount of goodwill is subject to the subjective judgment and highly uncertain, and the estimated uncertainty may have significant false risk. Therefore, the impairment of goodwill was one of the most important assessments for the accountants in implementing the auditing for Lungyen Group's consolidated financial report.

Our principal audit procedures included the following:

- Assessing whether the cash-generating units identified by the management and the process of performing the impairment test are complete and correct.
- Assessing the management at the main assumption of the weighted average use cost (eg, stock price) and the calculation method, and compare the pre-budget cash inflow with the actual cash inflow to suit the assumptions and methodologies for estimating future cash flows and the weighted average cost of capital use. Based on the demographic data obtained by the Department of Home Affairs of the Ministry of the Interior, to assess the projected growth rate from the Group's management.

Other Matters

Lungyen Life Service Corporation has prepared the individual financial report for the year of 2016 and 2015, and issued by the accountant with unqualified audit report for reference.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing LUNGYEN GROUP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LUNGYEN GROUP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing LUNGYEN GROUP 's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing Standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LUNGYEN GROUP 's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LUNGYEN GROUP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause LUNGYEN GROUP to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA:

Approval
Document
issued by the
competent
securities
authority
March 29, 2017

FSC VI. Tzi No. 0940129108

:

Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

For December 31, 2016 and December 31, 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars,
Except for Earnings Per Share)

Assets		12.31.2016		12.31.2015		Liabilities and Equity		12.31.2016		12.31.2015	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$199,621	-	212,719	-	2100	Short-term loan (Note 6(11) & (22))	\$7,174,900	14	7,240,500	15
1110	Financial assets at fair value through profit or loss – current (Note 6 (2), (22)&(8))	907,233	2	1,136,101	2	2170	Payable notes and accounts (Note 6(22) & 7)	444,138	1	433,440	1
1150	Notes receivable, net	9,712	-	22,220	-	2200	Other payable accounts (Note 6(22) & 7)	404,691	1	442,134	1
1170	Accounts receivable, net (Note 7)	428,616	1	468,688	1	2230	Current income tax liabilities (Note 6(15))	88,654	-	191,764	1
1320	Inventories (Note 6(3),8 & 9)	14,425,211	28	13,563,567	29	2310	Advance receipts (Note 9)	31,668,990	62	29,550,662	62
1400	Biological assets – current	-	-	54,222	-	2399	Other current liabilities	11,951	-	9,527	-
1410	Prepayments (Note 7 & 9)	8,670,520	17	8,447,596	18			<u>39,793,324</u>	<u>78</u>	<u>37,868,027</u>	<u>80</u>
1476	Other financial assets – current (Note 6(10), 7, 8 & 9)	2,173,130	4	2,209,109	5	Non-current liabilities:					
1479	Other current assets (Note 7 & 9)	<u>5,055</u>	-	<u>3,614</u>	-	2540	Long-term loan (Note 6 (12) & (22))	-	-	172,700	-
		<u>26,819,098</u>	<u>52</u>	<u>26,117,836</u>	<u>55</u>	2570	Deferred income tax liabilities (Note 6(15))	24,287	-	49,587	-
						2640	Accrued pension liabilities (Note 6(14))	30,058	-	28,561	-
Non-current assets:						2645	Deposit received	52,802	-	67,606	-
1524	Available-for-sale financial assets – non-current (Note 6 (2), (22) & 8)	8,679,735	17	6,309,634	13	2670	Other non-current liabilities	<u>2,981</u>	-	<u>2,981</u>	-
1527	Hold to maturity financial assets- non-current (Note 6(2) & (22))	307,915	-	-	-			<u>110,128</u>	-	<u>321,435</u>	-
1543	Financial assets carried at cost – non-current (Note 6(2))	18,992	-	23,130	-	Total liabilities		<u>39,903,452</u>	<u>78</u>	<u>38,189,462</u>	<u>80</u>
1550	Investment under equity method (Note 6(4) & (5))	450,296	1	187,793	-	Equity attributable to owners of parent (Note 6(16)):					
1600	Property, plant and equipment (Note 6(7), 7 & 8)	5,866,648	12	6,516,579	14	3100	Capital stock – common stock	3,990,842	8	3,990,842	9
1760	Investment property, net (Note 6(8) & 8)	6,534,031	13	6,089,328	13	3200	Capital surplus	1,420,112	3	1,413,044	3
1780	Intangible assets (Note 6(9) & 7)	775,226	2	769,496	2	Retained earnings:					
1840	Deferred income tax assets (Note 6(15))	801,963	2	809,184	2	3310	Legal reserve	997,817	2	888,881	2
1980	Other financial assets – non-current	25,159	-	28,149	-	3320	Special reserve	401,665	1	14,458	-
1990	Other non-current assets	<u>697,365</u>	<u>1</u>	<u>657,892</u>	<u>1</u>	3350	Unappropriated retained earnings	2,610,784	5	2,329,600	5
		24,157,330	48	21,391,185	45	3400	Other equity interest	<u>397,357</u>	<u>1</u>	<u>-401,665</u>	<u>-1</u>
						Total equity attributable to owners of parent		9,818,577	20	8,235,160	18
						36xx	Non-controlling interest (Note 6(6) & (16))	<u>1,254,399</u>	<u>2</u>	<u>1,084,399</u>	<u>2</u>
						Total equity		<u>11,072,976</u>	<u>22</u>	<u>9,319,559</u>	<u>20</u>
Total assets		<u>\$50,976,428</u>	<u>100</u>	<u>47,509,021</u>	<u>100</u>	Total liabilities and equity		<u>\$50,976,428</u>	<u>100</u>	<u>47,509,021</u>	<u>100</u>

(The accompanying notes are in integral part of the financial statements.)

Chairmen:

General Manager:

Chief Accountant:

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(13), (18) & 7)	\$ 3,463,382	100	3,529,106	100
5000	Operating cost (Note 6(9), (13) & 7)	1,362,123	39	1,235,213	35
5900	Operating gross profit (loss)	2,101,259	61	2,293,893	65
Operating expenses (Note 6(9),(14) & 7):					
6100	Selling expenses	652,664	19	658,871	19
6200	Administration expenses	599,121	17	429,173	12
6000	Total operating expenses	1,251,785	36	1,088,044	31
6500	Non-operating income and expenses (Note 6(20)):	82,751	2	41,109	1
6900	Operating income (loss)	932,225	27	1,246,958	35
Non-operating income and expenses (Note 6(21)):					
7010	Other income	351,579	10	308,555	9
7020	Other gains and losses	6,694	-	(85,014)	(2)
7050	Financial costs (Note 6(3))	(87,778)	(3)	(76,083)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	803	-	(6,992)	-
		271,298	7	140,466	5
7900	Operating income before tax	1,203,523	34	1,387,424	40
7950	Less: Income tax expense (Note 6(15))	135,613	4	197,844	6
	Net income	1,067,910	30	1,189,580	34
8300	Other comprehensive income:				
8310	Items not to be reclassified into profit or loss				
8311	Remeasurements of defined benefit plans	(971)	-	(3,086)	-
8360	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of foreign statements	(5,365)	-	3,395	-
8362	Unrealized losses on available-for-sale financial assets	806,638	23	(390,602)	(11)
8370	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	(1,168)	-	-	-
8300	Other comprehensive income, net	799,134	23	(390,293)	(11)
	Total comprehensive income	\$ 1,867,044	53	799,287	23
	Net income, attributable to:				
8610	Owners of parent	\$ 977,840	27	1,089,361	31
8620	Non-controlling interest	90,070	3	100,219	3
		\$ 1,067,910	30	1,189,580	34
	Total comprehensive income, attributable to:				
8710	Owners of parent	\$ 1,775,891	51	699,067	20
8720	Non-controlling interest	91,153	2	100,220	3
		\$ 1,867,044	53	799,287	23
	Earnings per share (Note 6(17))				
9750	Basic earnings per share (NTD)	\$ 2.45		2.73	
9850	Diluted earnings per share (NTD)	\$ 2.45		2.73	

(The accompanying notes are in integral part of the financial statements.)

Chairmen:

General Manager:

Chief Accountant:

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Changes in Equity

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Equity attributable to owners of parent

	Retained earnings					Other equity interest				Total equity attributable to owners of parent	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total			
Balance – January 1, 2015	\$ 3,990,842	1,392,072	669,595	15,224	2,912,259	3,597,078	(8,162)	(6,296)	(14,458)	8,965,534	970,447	9,935,981
Net profit	-	-	-	-	1,089,361	1,089,361	-	-	-	1,089,361	100,219	1,189,580
Other comprehensive income	-	-	-	-	(3,086)	(3,086)	3,395	(390,602)	(387,207)	(390,293)	-	(390,293)
Total comprehensive income	-	-	-	-	1,086,275	1,086,275	3,395	(390,602)	(387,207)	699,068	100,219	799,287
Legal reserve	-	-	219,286	-	(219,286)	-	-	-	-	-	-	-
Special reserve	-	-	-	(766)	766	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$3.6 per share	-	-	-	-	(1,436,703)	(1,436,703)	-	-	-	(1,436,703)	-	(1,436,703)
Changes in ownership of Subsidiaries	-	20,972	-	-	(13,711)	(13,711)	-	-	-	7,261	(7,261)	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	20,994	20,994
Balance – December 31, 2014	3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559
Net profit	-	-	-	-	977,840	977,840	-	-	-	977,840	90,070	1,067,910
Other comprehensive income	-	-	-	-	(971)	(971)	(6,533)	805,555	799,022	798,051	1,083	799,134
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	799,022	1,775,891	91,153	1,867,044
Legal reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-	-
Special reserve	-	-	-	387,207	(387,207)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$0.5 per share	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)	-	(199,542)
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	345,974	345,974
Changes in ownership of Subsidiaries	-	7,068	-	-	-	-	-	-	-	7,068	(267,127)	(260,059)
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Balance – December 31, 2016	\$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577	1,254,399	11,072,976

(The accompanying notes are in integral part of the financial statements.)

Chairmen:

General Manager:

Chief Accountant:

Lungyen Life Service Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2016	2015
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,203,523	1,387,424
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	172,813	136,717
Amortization expense	16,446	10,910
Provision (reversal of provision) for bad debt expense	11,664	(721)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(58,116)	112,187
Interest expense	87,778	76,083
Interest income	(106,690)	(113,054)
Dividend income	(136,969)	(83,458)
Share of loss (gain) of associates and joint ventures accounted for using equity method	(803)	6,992
Loss (gain) on disposal of property, plant and equipment	199	2,845
Amount of property, plant and equipment transferred to expenses	342	-
Loss (gain) on disposal of intangible assets	-	573
Loss (gain) on disposal of investment properties	-	(2,254)
Exchange loss (gain) on disposal of financial assets	5,140	3,000
Profits for disposal of financial assets available for sale	(48,707)	-
Disposal for loss of financial assets carried at costs	804	-
Loss (gain) on disposal of available-for-sale financial assets	69,553	13,931
Total adjustments to reconcile profit (loss)	13,454	163,751
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	286,984	(337,585)
Decrease (Increase) in notes receivable	13,301	24,529
Decrease (Increase) in accounts receivable	8,666	(49,291)
Decrease (Increase) in construction contract receivable	(885,709)	(800,727)
Decrease (Increase) in inventories	16,421	(20,555)
Decrease (Increase) in biological assets	(225,259)	(246,271)
Decrease (Increase) in prepayments	7,190	572,775
Decrease (Increase) in other financial assets - current	(698)	3,072
Decrease (Increase) in other current assets	(779,104)	(854,053)
Total changes in operating assets		
Changes in operating liabilities:	1,554	(75,958)
Increase (Decrease) in accounts payable	-	(36,577)
Increase (Decrease) in construction contract receivable	(37,086)	56,846
Increase (Decrease) in other payable	2,119,119	1,811,822
Increase (Decrease) in advance receipts	2,645	(17,032)
Increase (Decrease) in other current liabilities	526	608
Accrued pension liabilities	2,086,758	1,739,709
Total changes in operating liabilities	1,307,654	885,656
Total changes in operating assets and liabilities	1,321,108	1,049,407
Total adjustments	2,524,631	2,436,831
Cash inflow (outflow) generated from operations	99,347	117,213
Interest received	136,969	83,458
Dividend received	(84,932)	(72,696)
Interest paid	49,398	-
Income taxes refund	(306,097)	(207,958)
Income taxes (paid)	2,419,316	2,356,848

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows (continued)
For The Twelve Months Ended December 31, 2016 and 2015

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2016	2015
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	\$ (2,804,968)	(6,037,833)
Proceeds from disposal of available-for-sale financial assets	1,226,136	1,190,886
Acquisition of hold to maturity financial assets	(308,491)	-
Acquisition of financial assets carried at cost	(9,900)	(4,500)
Proceeds from capital reduction of financial assets carried at cost	2,856	5,805
Acquisition of investment using equity method	(13,008)	(196,723)
Acquisition of property, plant and equipment	(250,233)	(434,176)
Proceeds from disposal of property, plant and equipment	256	8,493
Acquisition of intangible assets	(26,991)	(7,967)
Proceeds from disposal of intangible assets	-	239
Acquisition of investment properties	(480)	(277)
Increase (Decrease) in other financial assets	35,901	(244,109)
Cash outflows by loss of subsidiaries' control	(134,867)	-
Increase (Decrease) in other non-current assets	(39,473)	(227,006)
Net cash flows from (used in) investing activities	(2,323,262)	(5,947,168)
Cash flow from (used in) financing activities:		
Increase in short-term loans	7,663,400	12,930,400
Decrease in short-term loans	(7,729,000)	(8,278,900)
Increase in long-term loans	-	172,700
Return in long-term loans	(172,700)	-
Increase (decrease) in guarantee deposits received	(14,804)	17,590
Cash dividends	(199,542)	(1,436,703)
Change in non-controlling interests	345,974	20,994
Net cash flows from (used in) financing activities	(106,672)	3,426,081
Effects of foreign exchange rates changes on cash and cash equivalents	(2,480)	4,620
Net increase (decrease) in cash and cash equivalents	(13,098)	(159,619)
Cash and cash equivalents at beginning of period	212,719	372,338
Cash and cash equivalents at end of period	\$ 199,621	212,719

(The accompanying notes are in integral part of the financial statements.)

Chairmen:

General Manager:

Chief Accountant:

Lungyen Life Service Corp. 2016 Distribution of Earnings

Unit: NT\$

Item	Amount
Balance – beginning	1,633,913,626
Add (less):	
Current net income after tax	977,840,217
Current change of defined benefit plan actuarial gains and losses	(971,074)
Appropriate 10% legal reserve	(97,784,022)
Appropriation of special reserves	401,665,031
Current earnings available for distribution	2,914,663,778
Distribution:	
1. Cash dividend to shareholders – 100% (1.2 per share)	(504,101,039)
The ending balance of unappropriated retained earnings	2,410,562,739

Chairman: Liu, Wei-Lung President: Kuo Hsueh-Chun Chief Accountant: Chan, Shu-Juan

Lungyen Life Service Corp.

Comparison table for “Procedures for Acquisition or Disposal of assets” before and after revision

Article	New	Old	Amendment basis & reasons
Article 6	<p>The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. The acquisition or disposal of real estate from and to the related party or the acquisition or disposal of assets other than real estate from and to the related party exceeds an amount of 20% of the paid-in capital, 10% of the total assets, or NT300 million. But the trading of bonds or bonds with repurchase or resale agreements, <u>and purchase or buy back the money market fund issued by domestic securities investment trust</u> are not subject to this restriction. 2. Process mergers, spin-offs, acquisitions or assignment of shares. 3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure. 4. The acquisition or disposal of assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade 	<p>The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. The acquisition or disposal of real estate from and to the related party or the acquisition or disposal of assets other than real estate from and to the related party exceeds an amount of 20% of the paid-in capital, 10% of the total assets, or NT300 million. But the trading of bonds or bonds with repurchase or resale agreements, and purchase or redeem fund in domestic market are not subject to this restriction. 2. Process mergers, spin-offs, acquisitions or assignment of shares. 3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure. 4. The amount of the assets traded other than the ones in the three Sections referred to above, the disposal of credit by the financial institutions or the investments in Mainland China exceeds 20% of the paid-in capital or NT300 million, except for the following circumstances: 	Revised parts of the regulations in accordance with the laws

	<p>amount reaches the following standards: <u>(1) The Company’s paid in capitals does not reach 10 billion</u>, and the trade amount reaches 500 million. <u>(2) The Company’s paid in capitals reaches 10 billion, and the trade amount reaches 100 million.</u></p> <p>5.Public companies that are for construction acquires or disposed of assets and the counterparty is not a related party; also, the trade amount exceed NT500 million</p> <p>6、 The Company expects to invest less than NT500 million for the acquisition of real estate with the methods of commissioned to build by the land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage and jointly built by separate sales.</p> <p>7.Aside from above mentioned 6 articles, other transaction of assets trading and investment in China, the amount reaches 20% of the Company’s paid in capitals or reaches NT\$300 million and over. But the following conditions are not subject to the restriction:</p> <p>1. Bond trade 2. Bond trade with repurchase and resale agreements or buy back money market fund issued by domestic securities investment trust.</p>	<p>1. Bond trade 2. Investing in securities at the securities exchange or securities business premises at home or abroad, or by securities firms in the primary market and in accordance with the provisions of the subscription of securities. 3. Bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market. 4. The acquisition or disposal of assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount does not exceed NT500 million 5. Public companies that are for construction acquires or disposed of assets and the counterparty is not a related party; also, the trade amount does not exceed NT500 million 6. The Company expects to invest less than NT500 million for the acquisition of real estate with the methods of commissioned to build by the land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage and jointly built by separate sales.</p>	
Article 9	<p>The Company should commission objective, impartial and independent specialists in accordance with the general category of assets to issue a report on the Company’s acquisition or disposal of assets:</p> <p>1. The Company’s acquisition or disposal of real estate or other Property, plant and equipment, except for the transactions conducted with government</p>	<p>The Company should commission objective, impartial and independent specialists in accordance with the general category of assets to issue a report on the Company’s acquisition or disposal of assets:</p> <p>1. The Company’s acquisition or disposal of real estate or other Property, plant and equipment, except for the transactions conducted with government agencies, commissioned to build by land</p>	Revised the wording in accordance with the laws

<p><u>institution</u>, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment for business operations, the transaction amount exceeding 20% of the paid-in capital or NT300 million should be accompanied by the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:</p> <p>(1) If the transaction price is determined by referral to an attributive price, a specific price or a special price for a good cause, the transaction should be presented to the board of directors for resolution. The changes in trading conditions should be processed in the same manner.</p> <p>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3) For the professional appraiser's appraisal results with one of the following circumstances, unless the appraisal results of the assets acquired are higher than the transaction amount or the appraisal results of the assets disposed are lower than the transaction amount, they should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation; also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:</p> <p>(1) The spread between the appraisal results and the transaction amount exceeds 20%.</p> <p>(2) The appraisal spread between the two or more appraisers exceeds</p>	<p>owner, commissioned to build by lessee, and machinery equipment for business operations, the transaction amount exceeding 20% of the paid-in capital or NT300 million should be accompanied by the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:</p> <p>(1) If the transaction price is determined by referral to an attributive price, a specific price or a special price for a good cause, the transaction should be presented to the board of directors for resolution. The changes in trading conditions should be processed in the same manner.</p> <p>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3) For the professional appraiser's appraisal results with one of the following circumstances, unless the appraisal results of the assets acquired are higher than the transaction amount or the appraisal results of the assets disposed are lower than the transaction amount, they should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation; also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:</p> <p>(1) The spread between the appraisal results and the transaction amount exceeds 20%.</p> <p>(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.</p> <p>(4) The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than</p>	
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	<p>10% of the transaction amount.</p> <p>(4) The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months old, the original professional appraiser may have an opinion issued.</p> <p>(5) In addition to having the transaction price determined by referring to an attributive price, a specific price or a special price, if an appraisal report cannot be received in time for a good reason, the Company must have an appraisal report received in 2 weeks from the date of occurrence and the opinion of the CPAs referred to in paragraph 3.</p> <p>2. For the acquisition or disposal of securities, the Company should receive the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amounting over 20% of the paid-in capital or NT300 million, the commissioned CPA should be contacted before the date of occurrence to comment on the reasonableness of the transaction prices. If a professional report is needed by the CPAs, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, if the securities are offered publicly with a quote available in the market</p>	<p>three months from the contract date. However, if it is applicable to the same present value announced and is not over six months old, the original professional appraiser may have an opinion issued.</p> <p>(5) In addition to having the transaction price determined by referring to an attributive price, a specific price or a special price, if an appraisal report cannot be received in time for a good reason, the Company must have an appraisal report received in 2 weeks from the date of occurrence and the opinion of the CPAs referred to in paragraph 3.</p> <p>2. For the acquisition or disposal of securities, the Company should receive the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amounting over 20% of the paid-in capital or NT300 million, the commissioned CPA should be contacted before the date of occurrence to comment on the reasonableness of the transaction prices. If a professional report is needed by the CPAs, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, if the securities are offered publicly with a quote available in the market or otherwise authorized by the competent authorities; it is not subject to this restriction.</p> <p>3. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted</p>	
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	<p>or otherwise authorized by the competent authorities; it is not subject to this restriction.</p> <p>3. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p> <p>4. For the Company's acquisition or disposal of assets through the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.</p>	<p>Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p> <p>4. For the Company's acquisition or disposal of assets through the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.</p>	
Article 10	<p>For the acquisition or disposal of real estate of the Company with the related party or the acquisition or disposal of assets other than the real estate traded with the related party for an amount over 20% of the paid-in capital, 10% of the total assets, or NT300 million, except bond trade with repurchase and resale agreements, <u>or buy back the money market fund issued by domestic securities investment trust</u>, the following information should be submitted to the Audit Committee for approval and the Board of Directors for resolution before having the Trade Contract signed and the payments paid:</p> <p>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>2. The reasons for selecting the related party as the counterparty.</p>	<p>For the acquisition or disposal of real estate of the Company with the related party or the acquisition or disposal of assets other than the real estate traded with the related party for an amount over 20% of the paid-in capital, 10% of the total assets, or NT300 million, except bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market, the following information should be submitted to the Audit Committee for approval and the Board of Directors for resolution before having the Trade Contract signed and the payments paid:</p> <p>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>2. The reasons for selecting the related party as the counterparty.</p> <p>3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition</p>	Revised parts of the regulations in accordance with the laws

<p>3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition of real estate from the related party in accordance with Article 15 and Article 16 of the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies”.</p> <p>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</p> <p>5. The monthly cash income and expense forecast within the year from the month of the contract signing; also, assess the necessity of the trade and the reasonableness of the use of funds.</p> <p>6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction.</p> <p>The transactions amount referred to above shall be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article 30 Section 2. Also, the alleged “within one year” means for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the supervisors.</p> <p>For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may authorize</p>	<p>of real estate from the related party in accordance with Article 15 and Article 16 of the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies”.</p> <p>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</p> <p>5. The monthly cash income and expense forecast within the year from the month of the contract signing; also, assess the necessity of the trade and the reasonableness of the use of funds.</p> <p>6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction.</p> <p>The transactions amount referred to above shall be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article 30 Section 2. Also, the alleged “within one year” means for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the supervisors.</p> <p>For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within an amount of NT\$500 million and then reported to the most recent board meeting for ratification. In addition, after the Company has independent directors appointed lawfully and presented to the board of directors for discussion accordingly, the opinions</p>	
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	<p>the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within an amount of NT\$500 million and then reported to the most recent board meeting for ratification. In addition, after the Company has independent directors appointed lawfully and presented to the board of directors for discussion accordingly, the opinions of each independent director should be considered sufficiently and have their opposing opinions and qualified opinions documented in the minutes of meeting.</p>	<p>of each independent director should be considered sufficiently and have their opposing opinions and qualified opinions documented in the minutes of meeting.</p>	
Article 21	<p>The 1st amendment was on May 27, 2003.</p> <p>The 2nd amendment was on June 10, 2007</p> <p>The 3rd amendment was on October 29, 2009.</p> <p>The 4th amendment was on October 12, 2010.</p> <p>The 5th amendment was on June 28, 2011.</p> <p>The 6th amendment was on June 6, 2012.</p> <p>The 7th amendment was on June 4, 2013.</p> <p>The 8th amendment was on June 17, 2014.</p> <p>The 9th amendment was on June 18, 2015.</p> <p><u>The 10th amendment was on June 21, 2017</u></p>	<p>The 1st amendment was on May 27, 2003.</p> <p>The 2nd amendment was on June 10, 2007</p> <p>The 3rd amendment was on October 29, 2009.</p> <p>The 4th amendment was on October 12, 2010.</p> <p>The 5th amendment was on June 28, 2011.</p> <p>The 6th amendment was on June 6, 2012.</p> <p>The 7th amendment was on June 4, 2013.</p> <p>The 8th amendment was on June 17, 2014.</p> <p>The 9th amendment was on June 18, 2015.</p>	Revision date added

Lungyen Life Service Corp.
Comparison table for “Procedures for loaning funds to 3rd parties”
before and after revision

Article	New	Old	Amendment basis & reasons
Article 4	<p>Assessment standards and limitations</p> <p>1. The loaning of funds to each company that is in business with the Company may not exceed the amount of transactions conducted; moreover, they shall not exceed 20% of the net value in the Company’s most recent financial statements. The alleged “business transaction amount” is the amount of transactions conducted within the business operation cycle; also, the accumulated loaning of funds shall not exceed 40% of the net value in the Company’s most recent financial statements.</p> <p>2. The short-term financing needed must be based on the needs for working capital or the short-term financing needed for the purchase of land, building and operating equipment due to lack of funds. The individual loaning of funds is limited to the working capital needed or 70% of the purchase amount of the land, building and operating equipment; moreover, it shall not exceed <u>40%</u> of the net value in the Company’s most recent financial statements and the accumulated loaning of funds shall not exceed 40% of the net value in the Company’s most</p>	<p>Assessment standards and limitations</p> <p>1. The loaning of funds to each company that is in business with the Company may not exceed the amount of transactions conducted; moreover, they shall not exceed 20% of the net value in the Company’s most recent financial statements. The alleged “business transaction amount” is the amount of transactions conducted within the business operation cycle; also, the accumulated loaning of funds shall not exceed 40% of the net value in the Company’s most recent financial statements.</p> <p>2. The short-term financing needed must be based on the needs for working capital or the short-term financing needed for the purchase of land, building and operating equipment due to lack of funds. The individual loaning of funds is limited to the working capital needed or 70% of the purchase amount of the land, building and operating equipment; moreover, it shall not exceed 20% of the net value in the Company’s most recent financial statements and the accumulated loaning of funds shall not exceed 40% of the net value in the Company’s most recent</p>	<p>Revision to the period limitation of loaning funds between the 100% of the foreign companies in accordance with the operation and the law.</p>

	<p>recent financial statements.</p> <p>3. The loaning of funds between the foreign companies with 100% shareholdings with voting rights held by the Company directly and indirectly is not subject to the two restrictions referred to above and Article 5, <u>only the maximum amount of the loan and the accumulated balance shall not exceed the book value of the most recent financial statements of the loaning part.</u></p>	<p>financial statements.</p> <p>3. The loaning of funds between the foreign companies with 100% shareholdings with voting rights held by the Company directly and indirectly <u>is not subject to the two restrictions referred to above and Article 5, but should be in accordance with the provisions of the "public offering company loaning of funds and endorsement guarantee processing guidelines" of the internal operating procedures to determine the amount of funds and the deadline.</u></p>	
Article 5	<p>Duration and interest rate The loan and the time limitation of the loan of the Company shall not exceed one year, and shall be approved by the board of directors for the purpose of engaging in the business relationship. <u>The loan and term of the funds between the foreign subsidiaries, which are directly and indirectly held by 100% of the voting shares, are not subject to the aforesaid one year, but the maximum shall not exceed three years and shall be subject to the approval of the board to extend for at most two times, and could not exceed 3 years each time.</u> The interest rate shall be adjusted on the basis of the capital cost of the Company, but shall not be less than the maximum interest rate of the Company at the time of the loan to the general financial institution.</p>	<p>Duration and interest rate The loan and the time limitation of the loan of the Company shall not exceed one year, and shall be approved by the board of directors for the purpose of engaging in the business relationship. The interest rate shall be adjusted on the basis of the capital cost of the Company, but shall not be less than the maximum interest rate of the Company at the time of the loan to the general financial institution.</p>	<p>Revision to the period limitation of loaning funds between the 100% of the foreign companies in accordance with the law.</p>

Revision Date	<p>The 1st amendment was on May 27, 2003.</p> <p>The 2nd amendment was on June 10, 2009.</p> <p>The 3rd amendment was on October 29, 2009.</p> <p>The 4th amendment was on June 28, 2011.</p> <p>The 5th amendment was on June 6, 2012.</p> <p>The 6th amendment was on June 4, 2013.</p> <p>The 7th amendment was on June 18, 2015.</p> <p><u>The 8th amendment was on June 21, 2017.</u></p>	<p>The 1st amendment was on May 27, 2003.</p> <p>The 2nd amendment was on June 10, 2009.</p> <p>The 3rd amendment was on October 29, 2009.</p> <p>The 4th amendment was on June 28, 2011.</p> <p>The 5th amendment was on June 6, 2012.</p> <p>The 6th amendment was on June 4, 2013.</p> <p>The 7th amendment was on June 18, 2015.</p>	Revision date added
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Lungyen Life Service Corp.

Articles of Corporation

Chapter 1 General Rules

Article 1: The Company is organized in accordance with the Company Law and named “Lungyen Life Service Corp.”

Article 2: The Company’s business services are as follows:

1. H701010 Residents and buildings development and rental business
2. H701040 Specific professional area development business
3. H701060 New towns and new community development business
4. F111090 Construction materials wholesale business
5. F205040 Furniture, beddings, kitchen utensils and appliances, and fixtures retail business
6. F211010 Construction materials retail business
7. I503010 Landscape and interior design business
8. H701050 Investments in the construction of public works business
9. H703090 Real estate trade business
10. H703100 Real estate rental business
11. H703110 Senior homes business
12. H701080 Urban renewal and reconstruction business
13. JZ99141 Funeral facilities operations business
14. JZ99151 Funeral and liturgical services business
15. J202010 Industrial incubation business
16. J901020 General hotel business
17. J701040 Recreational club business
18. J701070 Information and leisure business
19. J801030 Tournament and leisure stadium business
20. JZ99050 Agency services business

21. JZ99090 Festive general service business
22. F401010 International trade business
23. F206060 The ritual supplies retail business
24. F203010 Food, sundries and beverage retail business
25. F201070 Flower retail business
26. F201010 Agricultural products retail business
27. F399040 Non-store retail business
28. J101030 Waste collection business
29. J101040 Waste disposal business
30. JZ99990 Unclassified services business
31. H704031 Real estate brokerage business
32. H704041 Real estate marketing agency business
33. G801010 Warehousing
34. In addition to the chartered business, the business not prohibited or restricted by law

Article 3: The Company may operate external guarantee business.

Article 4: The Company may invest in other companies as a shareholder with limited liability and the total investment amount is not limited to the threshold of 40% of the paid-in capital.

Article 5: The Company has its headquarters located in Taipei City and if necessary, branches can be established domestically or overseas with the approval of the board of directors.

Article 6: Deleted.

Chapter 2 Stock shares

Article 7: The Company's authorized capital stock amounts to NT6 billion with 600 million shares issued at NT10 Par. The Board of Directors is authorized to have stock shares issued separately, in which, NT600 million divided into 60 million shares at NT10 Par are reserved for subscription when the stock option is exercised.

Article 8: The Company's stock shares are straight stock shares that must be signed or stamped by at least three directors and are listed and stamped with the corporate seal; also, the stock shares are issued after being certified by the certification agency designated by the competent authority.

Article 8.1: The Company's straight stock shares are issued with the stock printed, but should be

registered with the security centralized depository enterprise.

Article 9: The Company's stock affairs are processed in accordance with the "Criteria Governing Handling of Stock Affairs by Public Stock Companies" and other relevant laws and regulations.

Chapter 3 Shareholders' meeting

Article 10: Shareholders' meetings are divided into general shareholders' meetings and extraordinary shareholders' meetings. A general shareholders' meeting is convened annually within six months after each fiscal year ends. An extraordinary shareholders' meeting is convened, when necessary. Shareholders should be informed as to the reason for convening a meeting 30 days before the general shareholders' meeting and 15 days before the extraordinary shareholders' meeting.

Article 11: The Board Chairman is the chairman of the shareholders' meeting. If the Board Chairman is on leave of absence or is unable to perform his duty for a reason, one of the board directors is designated to chair on behalf of the Board Chairman. If the Board Chairman does not have a representative appointed to perform his duty, one of the directors is elected to chair on behalf of the Board Chairman.

Article 12: Shareholders are entitled to one voting right per share except for those without any voting rights granted according to Article 179 of the Company Law.

Shareholders can elect to exercise his/her/its voting rights in writing or by means of electronic transmission, and should be stated in shareholder meeting notice.

Article 13: A shareholder who is unable to attend the shareholders' meeting in person may have a representative appointed to attend the meeting with a signed and sealed proxy letter issued in accordance with Article 177 of the Company Law and Article 25.1 of the Securities and Exchange Act.

Article 14: The resolution reached in the Company's shareholders' meeting, unless otherwise provided for in the Company Law, must be approved with the majority votes of the shareholders present that represent majority shareholdings.

Article 15: The resolutions reached in the shareholders' meeting must be documented in the minutes of the meeting in accordance with Article 183 of the Company Law.

Chapter 4 Board of Directors and Audit Committee

Article 16: There are 5 to 9 board directors who are competent individuals elected in the shareholders' meeting for a term of three years and can be elected for a second term. The straight stock shares held by the board directors taken as a whole are processed in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public

Companies.”

Article 16.1: For the number of directors of the Company referred to above, the three independent directors are elected from the nominees who are nominated by the shareholders from the list of candidates in accordance with Article 192.1 of the Company Law.

Independent directors and directors are elected at the same time but with the elected seats counted separately.

The requirements for professional qualifications, shareholdings, part-time constraints, the nomination and election, and other binding matters for independent directors are handled in accordance with the governing provisions of the securities competent authorities.

Article 16.2: The Company has the Audit Committee set-up in accordance with Article 14.4 of the Securities and Exchange Act. The Audit Committee shall be composed by all independent directors.

The Audit Committee is to exercise power and compliance in accordance with the governing laws or regulations.

Article 16.3: The board directors should be informed in writing or by e-mail or fax seven days before convening the board meeting.

Article 17: If a board director reelection cannot be held after the expiry date of the current term, the office term of the current board directors is extended until the newly elected board director reports for duty. However, the competent authority may demand that the Company must have the board of directors’ reelection processed before the deadline. If the reelection is not held before the deadline, the current board of directors is dismissed automatically on the expiry date.

Article 18: The formation of the Board of Directors by the directors should be with the attendance of more than two thirds of the directors and the consent of a majority of the directors present. The chairman is elected among the directors to represent the Company to the public and to resolve all matters in accordance with the governing law and regulations, the Articles of Incorporation, the resolutions reached in the shareholders’ meetings and the decisions of the board of directors internally.

Article 19: The Company’s business policies and other important matters are to be resolved by the Board of Directors. Except for the first board meeting, each term is to be convened by the Board of Directors in accordance with Article 203 of the Company Law, the Board Chairman is to convene and chair the board meetings thereafter. If the Board Chairman cannot perform his/her duties as chairman, the Board Chairman is to designate a representative to act on his/her behalf. If a representative of the board chairman is not specified, a representative is to be elected from among the directors.

Article 20: The resolution of the Board of Directors, unless otherwise provided in the Company Law, should be approved with the attendance of a majority of the directors and the consent of a majority of the directors present. When directors are represented in the board meeting by other

directors for valid reasons, a proxy must be issued with the scope of authorization cited for the meeting convened. However, this is limited to one shareholder per proxy.

Board directors who have attended the board meeting through a conference call are deemed as attending the meeting in person.

Article 21: The resolutions of the board of directors must be documented in the minutes of meeting and signed or sealed by the Chairman and then distributed to the board directors within 20 days after the meeting. The essentials and results of the proceedings should be detailed in the minutes of meeting. The minutes of meeting, attendance register and proxies should be kept for records in the Company.

Article 22: Deleted

Article 23: The board of directors is authorized to determine the remunerations to the Chairman, board directors and independent directors in accordance with the degree of involvement and the value of contribution to the Company's operations and the payment standards of the domestic and international industry. The Board of Directors may, depending on the actual needs, acquire liability insurance for all the board directors throughout the service term with the attendance of a majority of the directors and the consent of a majority of the directors present.

Article 5 Managers and staff

Article 24: The Company may have a manager designated with the appointment, dismissal and remuneration processed in accordance with the Company Law.

Article 25: Deleted.

Chapter 6 Accounting

Article 26: The Company's fiscal year is defined as from January 1 to December 31.

Article 27: The Company's Board of Directors is to have the following accounting books compiled at the end of the fiscal year and submitted to the Audit Committee for audit 30 days before convening the Shareholders' Meeting and then presenting it in the general shareholders' meeting for recognition.

1. Business report
2. Financial statements
3. Proposal for earnings distribution or loss supplement

Article 28: The Company's annual earnings, if any, should be applied to pay for taxes and to make up losses of prior years, then appropriate 10% of the remaining earnings as legal reserves and, if necessary, special reserves. The remaining amount, if any, is for retained earnings and distribution proportionally as follows:

- (1) Common stock dividend and bonus may not be less than 97%
- (2) Remuneration to directors and supervisors may not be more than 2%
- (3) Bonus to employees may not be less than 1%

If the distribution of bonus to employees is paid with stock shares, the recipients shall include the qualified employees of the subsidiaries. Retained earnings can be distributed in the form of stock dividends for the purpose of protecting shareholders' equity and in response to the annual fund demands estimated in accordance with the Company's capital budget planning. The distribution of cash dividends may not be less than 10% of the dividend to shareholders.

Chapter 7 Supplementary Rules

Article 29: The Company's Articles of Incorporation and enforcement rules are stipulated separately by the Board of Directors.

Article 30: Matters that are not addressed in the Articles of Incorporation are to be governed in accordance with the Company Law and other relevant laws and regulations.

Article 31: The Articles of Incorporation were stipulated on February 27, 1987.

The 1st amendment was on March 20, 1987.

The 2nd amendment was on January 18, 1991.

The 3rd amendment was on September 2, 1992.

The 4th amendment was on December 31, 1993.

The 5th amendment was on March 1, 1995.

The 6th amendment was on July 15, 1996.

The 7th amendment was on March 19, 1997.

The 8th amendment was on April 26, 1997.

The 9th amendment was on October 24, 1997.

The 10th amendment was on May 18, 1998.

The 11th amendment was on December 4, 1998.

The 12th amendment was on May 6, 1999.

The 13th amendment was on June 22, 2001.

The 14th amendment was on June 30, 2002.

The 15th amendment was on February 8, 2006.

The 16th amendment was on February 8, 2006.

The 17th amendment was on June 15, 2007.

The 18th amendment was on August 1, 2008.

The 19th amendment was on June 10, 2009.

The 20th amendment was on October 29, 2009.

The 21st amendment was on October 12, 2010.

The 22nd amendment was on June 28, 2011.

The 23rd amendment was on June 6, 2012.

The 24th amendment was on June 17, 2014

The 25th amendment was on June 18, 2015

The 26th amendment was on June 17, 2016

Lungyen Life Service Corp.

Rules for Shareholders' Meetings

1. The Company's Shareholders' Meeting, unless otherwise provided by law, shall be handled in accordance with the Rules of Procedure for Shareholders' Meetings.

2. The attendance register should be made available at the shareholders' meeting for the attending shareholders to sign or the attending shareholders may have attendance cards presented instead.

The attendees' shareholding is calculated in accordance with the attendance register or the attendance cards collected.

3. The attendance and votes of the Shareholders' Meeting are counted by the number of shares.

4. The Shareholders' Meeting location must be at the Company's premises or where it is suitable and convenient for shareholders to attend. The shareholders' meeting time may not be earlier than 9:00am or later than 3:00pm.

5. If the Shareholders' Meeting is convened by the Board of Directors, the Chairman is to chair the meeting. The Chairman who is on leave of absence or is unable to perform his/her duty is to be represented by the Vice Chairman. If there is no Vice Chairman or if the Vice Chairman is also on leave of absence or is unable to perform his/her duty, the Chairman is to appoint one general director to perform this duty. If there is no general director, the Chairman is to appoint one director to perform this duty. If the Chairman does not have a representative appointed to perform this duty, one of the general directors or directors is to be elected to perform this duty.

If Shareholders' Meeting is convened by another authorized individual, the authorized individual is the chairman to chair the meeting.

6. The Company's CPAs, lawyers or other related personnel may be invited to attend the board meeting.

The service personnel for the shareholders' meeting shall wear identification badges or armbands.

7. The shareholders' meeting in session should be recorded or filmed and kept for at least one year.

8. The Chairman shall declare the board meeting in session. However, the Chairman may declare a postponement of the meeting at the meeting time when the attending shareholders constitute less than a majority of shareholdings. The meeting is limited to two postponements for a total of less than 1 hour. A pseudo-resolution could be reached in accordance with Article 175 Section 1 of the Company Law if there are insufficient attendees to attend the meeting after two meeting postponements that represent more than one thirds of shareholders.

The Chairman may have a pseudo-resolution reached if the attending shareholders constitute a majority of the shareholders before the end of the session and may have it presented again for resolution during the meeting in accordance with Article 174 of the Company Law.

9. If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened by other than the board of directors.

The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above.

The shareholders may not elect another chairman to continue the meeting at the original meeting place or in a new location after the meeting is adjourned. If the Chairman has announced the meeting adjourned in violation of the procedures, the shareholders present with a majority of voting rights may elect a chairman to continue the meeting.

10. The attending shareholders must fill out and submit the statement slip stating the purpose of the speech, the shareholder account number (or attendance card number) and account name for the Chairman to determine the order of speakers.

The attending shareholders who present a statement slip but do not speak shall be deemed as not speaking. The content of the speech shall prevail if it is inconsistent with the statement slip.

The speech of the attending shareholders may not be interrupted by other shareholders, unless otherwise with the consent of the chairman and the speaking shareholder. The chairman must stop the offender from speaking.

11. Each shareholder may not speak on the same proposal more than twice and for not more than 5 minutes each time unless otherwise permitted by the Chairman.

However, the Chairman may stop the shareholder from speaking if the speech is in violation of the regulations referred to above or outside the scope of the motion.

12. The legal person entrusted to attend the shareholders' meeting is entitled to appoint only one person.

If there is more than one proxy appointed by the institutional shareholder to attend the shareholders' meeting, only one proxy can speak on the same motion.

13. The Chairman may have the speech of the shareholder represented in person or by the designated personnel.

14. The Chairman of the board meeting is to have the motion in discussion that is ready for balloting put to the vote.

15. The Chairman is to appoint the controllers of ballot and tally clerks who are shareholders for

the proposals to be put to vote, if any.

The balloting results should be announced immediately at the meeting and it should be documented for record.

16. The Chairman at his/her discretion may announce the meeting in recess.

17. Unless otherwise provided in the Company Law and the Company's Articles of Incorporation, the motion is passed in the meeting by the shareholders representing a majority of the balloting rights.

The Chairman is to consult the motion ready for balloting with the attendees at the meeting and it is deemed as having been passed if there are no objections raised.

18. For the motion with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If one of the motions is put on the ballot and passed, other motions shall be deemed as vetoed without the need for further balloting.

19. The Chairman may command the marshals (or security guards) to assist with the maintenance of order. The marshals (or security guards) at the meeting venue assisting with maintenance of order shall wear armbands marked "Marshal."

Lungyen Life Service Corp.

Procedure for the Acquisition and Disposition of Assets

Article 1:

The “Guidelines for Handling the Acquisition and Disposal of Assets” is stipulated in accordance with Article 36.1 of the Securities and Exchange Act and the Guidelines for Handling the Acquisition and Disposal of Assets by Public Companies.”

Article 2:

The applicability of “assets” defined in the Guidelines is as follows:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities;
2. Real estate (excluding the inventory of the construction industry) and other Property, plant and equipment;
3. Membership card;
4. Intangible assets including patents, copyrights, trademarks and charter;
5. Financial institutions’ claims (including receivables, foreign exchange discount and loans and nonperforming loans);
6. Directives;
7. The acquisition or disposal of assets by law full merger, spins-off, acquisition or assignment of shares;
8. Other important assets;

Article 3:

The assessment process of the Company’s acquisition or disposal of assets is as follows:

1. The Company’s acquisition or disposal of real estate and other Property, plant and equipment is handled in accordance with the Company’s Internal Control System Property, plant and equipment Circulatory Procedure.
2. The factors of feasibility, necessity and reasonableness of pricing must be included in assessing the Company’s acquisition or disposal of assets.
3. The price determination method and reference for the Company’s acquisition or disposal of assets:
 - (1) The acquisition or disposal of marketable securities that were traded in the listed market or GreTai Securities Market (GTSM) shall be determined in accordance with the stock price or bond price.
 - (2) The acquisition or disposal price of the marketable securities that were not traded in the listed market or GreTai Securities Market (GTSM) shall be determined with the references to the net worth per share, profitability, potential for development, market interest rates, bond coupon rate, and debtor’s credit, including the prevailing trade price or the opinions on the reasonableness of the transaction amount issued by securities analysts.

- (3) The acquisition or disposal price of assets other than the ones referred to above should be determined by parity, negotiation or tender, with reference to the announced present value, appraised value, and the actual transaction price of the nearby real estate. Please refer to the appraisal report issued by a professional appraisal agency for assets that must be announced and reported in accordance with the Guidelines.

Article 4:

The Company's decision-making process for the acquisition or disposal of assets:

1. For the Company's acquisition or disposal of assets, the undertaking unit should have the reasons, underlying subject, counterparties, transfer price, payment terms and price reference presented to the competent authorities for decision-making. If the acquisition or disposal of assets are in accordance with the Guidelines, it should be resolved by the limitation of authority act; if it belongs to Article 185 of the Company Law, it should be resolved in advance at the shareholders' meeting.
2. The Company's acquisition or disposal of assets that must be reported to the board of directors for discussion in accordance with the Guidelines or other governing laws. The opinions of each independent director should be considered sufficiently and have their supporting or opposing opinions and reasons documented in the minutes of meeting.

In addition, if the Company has independent directors appointed, for the acquisition or disposal of assets presented to the board of directors for discussion as referred to above, the opinions of each independent director should be considered sufficiently and have their supporting or opposing opinions and reasons documented in the minutes of meeting.

Article 5 The unit that is responsible for the Company's acquisition or disposal of assets should have them presented for approval in accordance with the Company's authorization hierarchy and then the competent unit will have them implemented accordingly.

Article 6 The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:

1. The acquisition or disposal of real estate from and to the related party or the acquisition or disposal of assets other than real estate from and to the related party exceeds an amount of 20% of the paid-in capital, 10% of the total assets, or NT300 million. But the trading of bonds or bonds with repurchase or resale agreements, and purchase or redeem fund in domestic market are not subject to this restriction.
2. Process mergers, spin-offs, acquisitions or assignment of shares.
3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.
4. The amount of the assets traded other than the ones in the three Sections referred to above, the disposal of credit by the financial institutions or the investments in Mainland China

exceeds 20% of the paid-in capital or NT300 million, except for the following circumstances:

1. Bond trade
2. Investing in securities at the securities exchange or securities business premises at home or abroad, or by securities firms in the primary market and in accordance with the provisions of the subscription of securities.
3. Bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market.
4. The acquisition or disposal of assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount does not exceed NT500 million
5. Public companies that are for construction acquires or disposed of assets and the counterparty is not a related party; also, the trade amount does not exceed NT500 million
6. The Company expects to invest less than NT500 million for the acquisition of real estate with the methods of commissioned to build by the land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage and jointly built by separate sales.

Article 7:

The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported on-line at the information network designated by the Financial Supervisory Commission, Executive Yuan within 2 days from the date of occurrence:

1. The original transaction contract is modified, terminated, or revoked.
2. Mergers, spin-offs, acquisitions or assignment of shares are not completed in accordance with the deadline stated in the contract signed.
3. Changes made to the original announcement and report.

Article 8:

For the appraisal report or the opinions obtained from the CPAs, attorney or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters and the trade parties must be not related.

Article 9:

The Company should commission objective, impartial and independent specialists in accordance with the general category of assets to issue a report on the Company's acquisition or disposal of assets:

1. The Company's acquisition or disposal of real estate or other Property, plant and equipment, except for the transactions conducted with government agencies, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment for business operations, the transaction amount exceeding 20% of the paid-in capital or

NT300 million should be accompanied by the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:

- (1) If the transaction price is determined by referral to an attributive price, a specific price or a special price for a good cause, the transaction should be presented to the board of directors for resolution. The changes in trading conditions should be processed in the same manner.
 - (2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.
 - (3) For the professional appraiser's appraisal results with one of the following circumstances, unless the appraisal results of the assets acquired are higher than the transaction amount or the appraisal results of the assets disposed are lower than the transaction amount, they should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation; also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:
 - (1) The spread between the appraisal results and the transaction amount exceeds 20%.
 - (2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.
 - (4) The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months old, the original professional appraiser may have an opinion issued.
 - (5) In addition to having the transaction price determined by referring to an attributive price, a specific price or a special price, if an appraisal report cannot be received in time for a good reason, the Company must have an appraisal report received in 2 weeks from the date of occurrence and the opinion of the CPAs referred to in paragraph 3.
2. For the acquisition or disposal of securities, the Company should receive the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amounting over 20% of the paid-in capital or NT300 million, the commissioned CPA should be contacted before the date of occurrence to comment on the reasonableness of the transaction prices. If a professional report is needed by the CPAs, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, if the securities are offered publicly with a quote available in the market or otherwise authorized by the competent authorities; it is not subject to this restriction.
3. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in

accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.

4. For the Company's acquisition or disposal of assets through the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.

Article 9.1

The transactions amount referred to above should be calculated in accordance with "The Public Offering Company of Procedures for Acquisition or Disposal of assets" Article 30 Section 2.

Also, the alleged "within one year" means for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions rendered in accordance with the guidelines.

Article 10:

For the acquisition or disposal of real estate of the Company with the related party or the acquisition or disposal of assets other than the real estate traded with the related party for an amount over 20% of the paid-in capital, 10% of the total assets, or NT300 million, except bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market, the following information should be submitted to the Audit Committee for approval and the Board of Directors for resolution before having the Trade Contract signed and the payments paid:

1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
2. The reasons for selecting the related party as the counterparty.
3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition of real estate from the related party in accordance with Article 15 and Article 16 of the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies".
4. The matters of the related party's original acquisition date and price, counterparty and the relationship between the Company and the related party.
5. The monthly cash income and expense forecast within the year from the month of the contract signing; also, assess the necessity of the trade and the reasonableness of the use of funds.
6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.
7. The restrictions and other important stipulations of the transaction.

The transactions amount referred to above shall be calculated in accordance with "The Public Offering Company of Procedures for Acquisition or Disposal of assets" Article 30 Section 2. Also, the alleged "within one year" means for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the supervisors.

For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may

authorize the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within an amount of NT\$500 million and then reported to the most recent board meeting for ratification. In addition, after the Company has independent directors appointed lawfully and presented to the board of directors for discussion accordingly, the opinions of each independent director should be considered sufficiently and have their opposing opinions and qualified opinions documented in the minutes of meeting.

Article 11:

The Company should assess the reasonableness of the transaction costs for the acquisition or disposal of real estate from or to the related party in accordance with the following methods: 1. Based on the transaction prices of the related party plus the necessary funds interest and buyer's cost by law. The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased were provided and it should not be higher than the non-financial industry's highest loan interest rate announced by the Ministry of Finance. 2. If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual cumulative lending value of the subject matter granted by the financial institutions should be over 70% of the assessed gross lending value for a lending period over a period of one year. However, this is not applicable if the financial institution and counterparty are related. For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above. The cost of the real estate acquired by the Company from the related party should be assessed in accordance with Section 1 and Section 2 referred to above; also, a CPA should be commissioned to review and express an opinion. The acquisition of real estate by the Company from the related parties that fall under one of the following situations should be handled in accordance with Article 10 instead of the provisions referred to in the last three sections: 1. The acquisition of real estate by a related party is by inheritance or gift. 2. A related party's contracting for the acquisition of real estate is more than five years from the date of the trade contract signing. 3. The acquisition of real estate is by signing a construction contract with the related party.

Article 11.1:

If the assessment results of the Company's acquisition or disposal of real estate from or to the related party is lower than the trade price in accordance with Section 1 and Section 2 referred to above, it must be processed in accordance with Article 11.2. However, as a result of the following circumstances, it is not subject to the limitations with the objective evidence presented and an appraisal report received from the professional real estate appraiser and the solid and reasonable opinion of the CPAs: 1. A related party that has obtained prime land or rental land for construction has submitted the proof of complying with one of the following conditions: 1. The prime land is assessed in accordance with the methods referred to above. The house is assessed in accordance

with the sum of the related party's construction costs and a reasonable profit that exceeds the actual transaction price. The term "reasonable construction profit" is based on the average gross profit rate in the last three years of the related party's construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance, whichever is lower. 2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with a similar floor area; also, the trading conditions are assessed to be equivalent with the reasonable price spread of the same floors or area in a general real estate trade. 3. For the lease of other floors of the same underlying house and land by the unrelated party within one year, the trading conditions are assessed to be equivalent with the reasonable price spread of the same floors in a general real estate lease. 2. The Company evidences that the terms of acquiring the real estate from the related parties are similar to the successful trade by the unrelated party in the neighborhood within one year with the similar floor area. The alleged "successful trade" in the neighborhood referred to above means for the underlying subject on the same street or an adjacent street/block within the 500m-radius of the subject matter or with the similarly announced present value. The alleged "similar floor area" means for the successful trade of the subject matter by the other unrelated party is not less than 50% of the floor area of the subject matter. The alleged "within one year" means for the one year prior to the date of occurrence for the acquisition of the real estate.

Article 11.2:

If the assessment results of the acquisition or disposal of real estate from and to the related party is lower than the trade price in accordance with Article 11.1, the Company is to have the following matters processed: 1. A special reserve is to be appropriated with respect to the spread between the transaction price and the assessment costs of the real estate in accordance with Article 41 Section 1 of the Securities and Exchange Act. Also, the special reserve may not be distributed or capitalized for stock dividends. If the public company has its investments in the Company valued under the equity method, a special reserve should be appropriated proportionately to the shareholding ratio with respect to the appropriated amount in accordance with Article 41 Section 1 of the Securities and Exchange Act. 2. Audit Committee shall apply mutatis mutandis with Article 218 of the Company Law. 3. The process referred to in Paragraph 1 and Paragraph 2 should be presented at the shareholders' meeting. Also, the transaction details should be disclosed in the annual report and prospectus. If the Company has a special reserve appropriated in accordance with the provisions referred to above, the special reserve can be used with the approval of the Financial Supervisory Commission, Executive Yuan as soon as the high-price assets acquired are with the devaluation recognized, are disposed of, are appropriately compensated or restored, or are evidenced otherwise without any unreasonableness. The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the two sections referred to above.

Article 12:

If the Company's acquisition or disposal of credit is acquired from financial institutions, it is classified as "financial institution claims" in accordance with Article 2 Section 1 Paragraph 5 of the Guidelines. However, if it is not acquired from financial institutions, it is classified as "other material assets" in accordance with Article 2 Section 1 Paragraph 8 of the Guidelines.

Article 13:

The Company before engaging in derivative transactions must have the "Guidelines Governing Derivatives Transactions" stipulated in accordance with the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" announced by the Financial Supervisory Commission of the Executive Yuan.

Article 14:

The Company prior to the mergers, spin-offs, acquisitions or assignment of shares shall have the "Guidelines for Handling Merger, Spins-off, Acquisition, or Assignment of Shares" stipulated in accordance with the Company Law, the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" published by the Financial Supervisory Commission, Executive Yuan and the related laws and regulations.

Article 15:

The total amount of the non-operating real estate or securities acquired by the Company; also, the limits of each security acquired are as follows:

1. The total amount of the non-operating real estate may not exceed 90% of the total assets on the Company's most recent financial statements.
2. The total investment amount of the securities, except for long-term equity investments, may not exceed 90% of the total assets on the Company's most recent financial statements.
3. Except for long-term equity investments, the investments in each marketable security may not exceed 80% of the total assets on the Company's most recent financial statements.

Article 16:(Deleted)

Article 17:

The acquisition or disposal of assets by the Company's subsidiary is processed in accordance with the governing regulations.

1. The subsidiary's acquisition or disposal of assets shall be processed in accordance with the relevant requirements of the Company and the Financial Supervisory Commission.

2. If the subsidiary is not a public company in Taiwan, the Company is to have the subsidiary's acquisition or disposal of assets announced and reported in accordance with Article 6 and Article 7 of the Guidelines.
3. The "amount equivalent to 20% of the company's paid-in capital or 10% of the total assets" as defined in the subsidiary's announcement and reporting standard is based on the Company's actual capital stock collected or the total assets.

Article 18:

The Company's management and clerk in charge of violations in the Guidelines that are detrimental to the Company's interests will be punished in accordance with the Company's Personnel Management Rules.

Article 19:

The matters that are not properly addressed in the Guidelines shall be processed in accordance with the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies."

Article 20:

The "Guidelines" is with the consent of the Audit Committee, the approval of the board of directors and the resolutions reached in the shareholders' meeting before implementation, same as the amendments.

The stipulations or amendments in the Guidelines for Handling Acquisition or Disposal of Assets should be with the consent of a majority of the Audit Committee members and resolved by the Board of Directors.

The matters referred to above without the consent of a majority of the Audit Committee must be with the consent of more than two thirds of the board directors; also, the resolutions of the Audit Committee should be clearly stated in the minutes of the board meeting. The Audit Committee body referred to above is meant for the incumbents. For the acquisition or disposal of assets that must be resolved by the board of directors in accordance with the Guidelines or other governing law, the opinions of each independent director should be considered sufficiently; also, their supporting or opposing opinions and reasons should be documented in the minutes of the meeting.

Article 21:

The 1st amendment was on May 27, 2003.

The 2nd amendment was on June 10, 2007.

The 3rd amendment was on October 29, 2009.

The 4th amendment was on October 12, 2010.

The 5th amendment was on June 28, 2011.

The 6th amendment was on June 6, 2012.

The 7th amendment was on June 4, 2013.

The 8th amendment was on June 17, 2014.

The 9th amendment was on June 18, 2015.

Attachment 4

Lungyen Life Service Corp. Procedure for Loaning of Funds

Article 1: Reference

The procedure is stipulated in accordance with the “Guidelines for Loaning of Funds and Making of Endorsement and Guarantee by Public Companies.”

Article 2: Purpose

The loaning of funds to others for the needs of business operations is processed in accordance with the “Procedures for Governing Loaning of Funds” without violating Article 15 Section 1 of the Company Law.

Article 3: Underlying subject

1. Business transactions between companies and corporations.
2. Short-term financing needed between companies and corporations. Financing amount shall not exceed 40% of the net value of the debtor.
3. The short-term financing needed between the foreign companies (hereinafter referred to as “the borrower”) with 100% shareholdings with voting rights held by the Company directly or indirectly.

Article 4: Assessment standards and limitations

1. The loaning of funds to each company that is in business with the Company may not exceed the amount of transactions conducted; moreover, they shall not exceed 20% of the net value in the Company’s most recent financial statements. The alleged “business transaction amount” is the amount of transactions conducted within the business operation cycle; also, the accumulated loaning of funds shall not exceed 40% of the net value in the Company’s most recent financial statements.
2. The short-term financing needed must be based on the needs for working capital or the short-term financing needed for the purchase of land, building and operating equipment due to lack of funds. The individual loaning of funds is limited to the working capital needed or 70% of the purchase amount of the land, building and operating equipment; moreover, it shall not exceed 20% of the net value in the Company’s most recent financial statements and

the accumulated loaning of funds shall not exceed 40% of the net value in the Company's most recent financial statements.

3. The loaning of funds between the foreign companies with 100% shareholdings with voting rights held by the Company directly and indirectly is not subject to the two restrictions referred to above and Article 5, but should be in accordance with the provisions of the "public offering company loaning of funds and endorsement guarantee processing guidelines" of the internal operating procedures to determine the amount of funds and the deadline.

Article 5: Duration and interest rate

The loan and the time limitation of the loan of the Company shall not exceed one year, and shall be approved by the board of directors for the purpose of engaging in the business relationship. The interest rate shall be adjusted on the basis of the capital cost of the Company, but shall not be less than the maximum interest rate of the Company at the time of the loan to the general financial institution.

Article 6: Processing and audit procedures

1. The Borrowers that apply for the loaning of funds to the Company shall present a loan application document (or letter) indicating the loan amount, loan terms, intended use, sinking fund, with or without collateral and the content of the collateral, basic information and financial information, and guarantor information upon the request of the Company for the credit checking process.

2. The financial department shall, according to the information obtained in the preceding paragraph, determine the necessary and reasonable nature of the loan, the credit and the risk assessment of the loan and the object, the impact on the operating risks, financial status and shareholders' equity of the Company and whether to obtain the collateral and the review of collateral value.

3. After the credit check and assessment are performed, if the borrower is with good credit rating and the intended use is reasonable, the finance department of the Company shall draft the loaning of funds conditions for the approval of the Chairman and the resolution of the board of directors without leaving the decision-making to others. If the Company is with independent directors appointed, the opinions of each independent director should be considered sufficiently and have their supporting or opposing opinions and reasons documented in the minutes of the meeting.

4. The borrowing between the Company and its parent company or its subsidiaries, or the subsidiaries of the Company shall be subject to the resolutions of the board of directors in accordance with the provisions of the preceding paragraph, and shall authorize the chairman of the board to subscribe for the same amount of credit for the same loan and object to the board of directors and not more than one year for sub-credit or recycling, but the authorized amount shall not exceed the loan and the company's latest net financial statements of 10%.

5. If an approval is granted only when collateral is collected, the borrower should provide the collateral with the pledge or mortgage procedure completed to ensure the claims of the Company.

6. Except for land and securities, all collateral must be protected with a fire insurance acquired and a comprehensive insurance is acquired for vehicles and the insured amount is not less than the principle of the cost value of the collateral. The insurance should be with the Company as the beneficiary, the subject title, quantity, storage location, insurance terms, number of storage sites, insurance conditions and insurance endorsement should be consistent with the originally authorized loan conditions.

7. After the loan is allocated, the financial institution shall regularly assess the financial and credit status of the borrower and the guarantor (if any). If the overdue happened and the creditors who are still unable to recover, the financial entity shall notify the legal entity to take further recourse against the debtor to ensure the rights and interests of the Company.

Article 7: Announcement and reporting:

1. The Company and its subsidiaries should have the loaning of funds amount of the prior month reported on-line at the information network designated by the competent authorities before the 10th day of each month.

2. The Company should have the loaning of funds fall under one of the following circumstances announced and reported within 2 days from the date of occurrence:

(1) The loaning of funds amount of the Company and its subsidiaries exceeds 20% of the net value in the most recent financial statements.

(2) The total loaning of funds amount made to one single enterprise by the Company and its subsidiaries exceeds 10% of the net value in the Company's most recent financial statements.

(3) The additional loaning of funds made by the Company and its subsidiaries exceeds NT 10 million; also, exceeds 2% of the net value in the Company's most recent financial statements.

3. If the subsidiary is not a public company in Taiwan, the Company is to have the three announcements and reporting referred to above made on behalf of the subsidiary.

4. The Company is to have the loaning of funds assessed in accordance with the generally accepted accounting principles with sufficient allowance for bad debts appropriated; also, have the loaning of funds disclosed accordingly in the financial statements with the relevant information provided to the CPAs performing the necessary audit procedures.

Article 8: Control measures:

1. For the Company's loaning of funds matters, the finance and accounting units should establish a Log for the records of the loaning of funds object, amount, the date of the resolutions reached by the Board of Directors, the loaning of funds date and the matters to be carefully assessed.

2. The clerk should take the initiative to check whether the loaning of funds case is closed and cancelled on the expiry date. The mortgage should be cancelled or the collateral should be returned after the loan is repaid in full.

3. The Company's internal auditors shall at least quarterly audit the Procedures for Governing the Loaning of Funds and their implementation with a written record kept. Any

serious violations identified should be communicated in writing to the Audit Committee and continuously track the improvement of the situation.

4. If the underlying subject of the loaning of funds does not comply with the requirements of the Procedures or the loaning of funds amount exceeds the threshold due to the change of circumstances, there should be plans for improvement. The related improvement plans should be presented to the Audit Committee for review and approval; also, the improvement plans should be implemented on schedule.

Article 9: The control procedures for the loaning of funds processed by the subsidiaries

1. The Company's subsidiaries may not arrange the loaning of funds to others without the consent of the Company.

2. The Company's subsidiaries that intend to have the loaning of funds arranged for others should have the Procedures for Handling Loaning of Funds stipulated for compliance in accordance with the "Guidelines for Handling Loaning of Funds by Public Companies."

3. Subsidiaries that have the loaning of funds made for others should have the statement of the loaning of funds of the prior months prepared and presented to the Company before the 5th day of each month.

4. The Company's internal auditors shall at least quarterly audit the Procedures for Handling the Loaning of Funds and their implementation with a written record kept for the subsidiaries that have the loaning of funds arranged for others. Any serious violations identified should be communicated in writing to the Audit Committee and continuously track the improvement of the situation.

Article 10: Punishment for violating the Procedures

The Company's management and the clerk in charge of violations of the "Guidelines for Loaning of Funds and Making of Endorsement and Guarantee by Public Companies" or these Guidelines that are detrimental to the Company's interests will be punished in accordance with the Company's Personnel Management Rules.

Article 11: The Procedures are to be agreed to by the Audit Committee and then approved by the Board of Directors and resolved in the shareholders' meeting for implementation.

The documented or written objections of the directors, if any, should be presented to the supervisors and in the shareholders' meeting for discussion, same as for the amendments.

Article 12: If there is any problem in the operation procedure, please follow the "The Public Offering Company's Procedures for loaning funds to others Guidelines" announced by the Financial Supervisory Commission.

Amendment Date:

The 1st amendment was on May 27, 2003.

The 2nd amendment was on June 10, 2009.

The 3rd amendment was on October 29, 2009.

The 4th amendment was on June 28, 2011.

The 5th amendment was on June 6, 2012.

The 6th amendment was on June 4, 2013.

The 7th amendment was on June 18, 2015.

Lungyen Life Service Corp. Rules for Election of Directors

1. The Company's director elections shall be handled in accordance with the "Rules for Election of Directors."
2. The Company's director elections is handled at the stockholders' meeting.
3. The competent individuals of the Company can be elected as directors in accordance with the "Rules for Election of Directors." If the government or legal person is the Company's shareholder, its representatives can be elected as board directors. The letter of appointment should be issued to the designated representatives at the time of applying for registration.
4. The Company's Independent Directors shall be elected by nomination in accordance with Article 192.1 of the Company Law.
5. Adopt a cumulative voting system for electing the Company's directors. Each stock share is entitled to the number of vote equivalent to the number of directors to be elected. The entire voting rights can be cast for one or more candidates. Independent directors and directors are elected at the same time but with the elected seats counted separately.
6. The Company's director election is based on the votes received from highest to lowest. If two or more candidates received the same number of votes, exceeding the seats to be filled, this shall be determined by holding a draw and the Chairman is to make a draw on behalf of the absent candidates.
7. The Chairman is to appoint the controllers of the ballot and tally clerks before the elections commence to handle election matters.
8. The Company is to have the ballots prepared and issued; also, coded in accordance with the serial numbers of the attendance cards and with the number of votes detailed.
9. If the candidate is a shareholder, the elector is to state the candidate name and shareholder account number in the candidate column on the ballot. If the candidate is not a shareholder, the name and identity document number of the candidate should be detailed. If the candidate is a government or institutional shareholder, the name/title of the government or institutional shareholder should be filled in the candidate column on the ballot, including the name of the representative(s) of the government or institutional shareholder in detail.
10. Ballots that are found with any of the following are invalid:
 - (1) Ballots as defined in accordance with the "Rules Governing the Election of Directors" are not used.
 - (2) Blank ballots are cast into the ballot box.
 - (3) Ballots are illegible or altered.

- (4) If the candidate is a shareholder, the account name and shareholder account number are inconsistent with the Register of Shareholders. If the candidate is not a shareholder, the name and identity document number are found to be inconsistent.
 - (5) Ballots, in addition to the candidate account name (name) or shareholder account number (identity document number) and assigned number of suffrage, are found with other texts written.
 - (6) The candidate name filled in the ballots is same as other shareholders and without the shareholder account number or identity document available for identification.
11. When the total number of votes allocated to the ballots is less than the number of votes held by the electors, the reduced number of votes is deemed as a waiver.
 12. The balloting result should be announced by the chairman immediately at the end of the voting period.
 13. The matters that are not specified in the “Rules Governing the Election of Directors” should be handled in accordance with the Company Law, the Articles of Incorporation, and the relevant laws and regulations.
 14. The “Rules Governing the Election of Directors” shall come into force with the resolutions reached at the shareholders’ meeting, same as for the amendments.

Lungyen Life Service Corp. Directory of Directors

1. The shareholdings of an individual director and the directors taken as a whole in the shareholder's register on the Ex-Dividend date (April 23, 2017) is as follows.

Job title	Name	On-board date	Term	Shares held when elected		Shares held on the Ex-Dividend date	
			Office	Quantity of shares	Sharehol		
Chairman	Liu, Wei-Lung	06.18.2015	3 Years	0	0.00%	0	0.00%
Chairman	Chen Chung Investment Corp. Representative: Lee Shih-Tsung	06.18.2015	3 Years	26,123,332	6.55%	26,123,332	6.22%
Director	Chen Chung Investment Corp. Representative: Fujibayashi Ichiro	06.18.2015	3 years				
Director	Chen Chung Investment Corp. Representative: Lee, Shu-Rong	06.18.2015	3 years				
Director	Chen Chung Investment	06.18.2015	3				

	Corp. Representative: Lin, Chian-Ju		years				
Director	Chan, Pai-Lien	06.18.2015	3 years	90,855	0.02%	90,855	0.02%
Independent Director	Yeh, Shu	06.18.2015	3 years	0	0.00%	0	0.00%
Independent Director	Chang, Show-Lian	06.18.2015	3 years	0	0.00%	0	0.00%
Independent Director	Hong, Guo-Chao	01.25.2017	3 years	0	0.00%	0	0.00%
Total				26,214,187	6.57%	26,214,187	6.24%

2. The Company's paid-up capital is NT\$4,200,841,990, and total outstanding share is 420,084,199 shares. The required shareholdings of the directors taken as a whole: 16,803,368 shares.
3. The Company has an Audit Committee established; therefore, there is no requirement on the minimum shareholdings of the supervisors.
4. The shareholdings of the Company's Directors are all in compliance with the ownership ratio standard stated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

Other explanations

1. Explanation of the shareholders' proposals for this shareholder meeting

Explanation: (1) Based on Article 172-1 of Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter (300 words) shall be allowed in each single proposal.

(2) In accordance with the provisions of Article 192-1 of the Company Act and the Articles of the Company, the directors shall adopt the nomination system for the candidates and for those who hold more than 1% of the total issued shares could nominate in writing a list of candidates for the directors, but the number of nominees shall not exceed the number of the directors needed to be elected.

(3) The period for shareholders to submit proposals to be discussed at the Company 2017 shareholder meeting is April 14, 2017 to April 24, 2017. This is announced in MOPS in accordance with regulation.

(4) During the above-mentioned period, the Company did not receive any shareholder's proposal except the shareholders who hold more than 1% of the shares to appoint the director from the ORIX Asia Capital Limited and have been listed on the list of candidates

2. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate: The Company does not distribute stock dividend this year, so does not applicable.