

**Lungyen Life Service Corp.**

**2016 Annual General Meeting Minutes**

AGM time and date : 9:00 a.m., Wed., June 21, 2017

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

Number of Attendance : Attendance and Proxy total numbered 337,880,188 shares, representing 80.43  
% of the company's outstanding shares

Attended Directors:

Ichiro Fujibayashi, Shu-Rong Lee, Pai-Lien Chan, Chian-Ju Lin, Shu Yeh, Show-Lian Chang,

Chairman : Wei-Lung Liu

Record : Hsin-Ping Sung

- I. Commencement of the Meeting : The total share number represented by shareholders present had reached statutory number, hence the chairman declared the meeting open.
- II. Chairman Report : Thank our shareholders to participate in the shareholders' meeting, in order to practice corporate governance and to respond to electronic voting manner, agenda of this meeting 【Matters for Discussion】 and 【Matters for Approval】 will be discussed respectively, followed by voting and counting respectively, and now we begin today's agenda.
- III. Matters for Report
  - (1) To report the remuneration to employees and directors and distribution approach in 2016(please refer to the Meeting Agenda)
  - (2) To report the operations' results of 2016(please refer to the Meeting Agenda)
  - (3) To report Audit Committee's review of 2016 (please refer to the Meeting Agenda)
  - (4) To report the execution results of Company's private placement Matters for Discussion (please refer to the Meeting Agenda)
- IV. Matters for Approval
  - (1) To approve 2016 Business Report and Financial Statements(proposed by the board)

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: Number of voting rights of the shareholders attending the vote: 337,879,188 rights,  
including electronic voting: 48,282,191 rights

Voting results	% of Attending shareholders right
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Pro: 332,371,486 votes (Including electronic voting : 42,792,489 rights)	98.37%
Against: 152,558 votes (Including electronic voting : 152,558 rights)	0.05%
Invalid: 0 votes (Including electronic voting : 0 rights)	0%
Abstention & no votes: 5,355,144 votes (Including electronic voting : 5,355,144 votes)	1.58%

The field case shareholder ballot results, according to the original bill vote.

(2) To approve the proposal for distribution of profits in 2016: (proposed by the board)

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: Number of voting rights of the shareholders attending the vote: 337,879,188 votes, including electronic votes of 48,282,191 votes

V. Voting results	% of Attending shareholders right
Pro: 332,366,486 votes (Including electronic voting : 42,787,489 rights)	98.37%
Against : 157,558 votes (Including electronic voting : 157,558 rights)	0.05%
Invalid0 votes (Including electronic voting : 0 rights)	0%
Abstention & no votes : 5,355,144 votes (Including electronic voting : 5,337,144 votes)	1.58%

The field case shareholder ballot results, according to the original bill vote.

#### V. Matters for Discussion

(1) 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 attachments.

2. Please proceed to discuss.

Resolutions: Number of voting rights of the shareholders attending the vote: 337,880,188 votes, including electronic votes of 48,282,191 votes

VI. Voting results	% of Attending shareholders right
Pro: 332,362,281 votes (Including electronic voting : 42,783,284 rights)	98.37%
Against: 157,563 votes (Including electronic voting : 157,563 rights)	0.05%
Invalid: 0 votes (Including electronic voting : 0 rights)	0%
Abstention & no votes: 5,355,144 votes (Including electronic voting: 5,355,144 votes)	1.58%

The field case shareholder ballot results, according to the original bill vote.

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

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: Number of voting rights of the shareholders attending the vote: 337,880,188 votes, including electronic votes of 48,282,191 votes

VII. Voting results	% of Attending shareholders right
Pro: 322,630,281 votes (Including electronic voting : 33,051,284 rights)	95.48%
Against: 9,888,563 votes (Including electronic voting : 9,888,563 rights)	2.93%
Invalid: 0 votes (Including electronic voting : 0 rights)	0%
Abstention & no votes: 5,361,344 votes (Including electronic voting: 5,342,344 votes)	1.59%

The field case shareholder ballot results, according to the original bill vote.

## VI. Matters for Election

- (1) The election for a director of the Company is proposed for discussion.

Remark:

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:

<b>Title</b>	<b>Name</b>	<b>Experience</b>	<b>Shares held</b>
Director	Orix Asia Capital Limited	Not applicable	21,000,000

3. Please proceed to elect.

Result:

<b>Elected Entity</b>	<b>Shareholder's number</b>	<b>Name</b>	<b>Elected Votes</b>
Director	44486	Orix Asia Capital Limited	297,768,144

#### VII. Extempore motions

Shareholder Mr. Chang (account number 43101) inquired about the purpose of the Company's investment in Changhua Bank and its impact to the Company. This was explained and answered by the Chairman.

#### VIII. Meeting adjourned(9:30 a.m., June 21, 2017)

## 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
<b>Total</b>	<b>20,748</b>

### **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.

## **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 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, 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 General Shareholders' Meeting

Independent Director: Yeh, Shu

Independent Director: Chang, Show-Lian

Independent Director: Hung, Kuo-Chao

March 29, 2017

## **Independent Auditors' Report**

To the Board of Directors of LUNGYEN LIFE SERVICE CORPORATION:

### **Audit Opinion**

We have audited the financial statements of LUNGYEN LIFE SERVICE CORPORATION 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 CORPORATION 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 CORPORATION 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

Lungyen Life Service Corp.

## December 31, 2016 and 2015

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

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

**Chairman :**

**Chief Accountant :**

**General Manager :**

**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)

		<b>2016</b>		<b>2015</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note 6(9) &amp; (14) &amp; 7)</b>	\$ 3,033,180	100	3,271,239	100
5000	<b>Operating cost (Note 6(9))</b>	1,175,112	39	1,227,439	38
5900	<b>Operating gross profits</b>	1,858,068	61	2,043,800	62
	<b>Operating expenses:</b>				
6100	Selling expenses	584,543	19	625,734	19
6200	Administration expenses (Note 6(7) & 7)	483,894	16	408,078	12
6000	<b>Total operating expenses</b>	1,068,437	35	1,033,812	31
6900	<b>Operating income (loss)</b>	789,631	26	1,009,988	31
	<b>Non-operating income and expenses:</b>				
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))	9,449	-	74,673	2
		310,341	10	259,667	8
7900	<b>Operating income before tax</b>	1,099,972	36	1,269,655	39
7950	<b>Less: Income tax expense (Note 6(11))</b>	122,132	4	180,294	6
	<b>Net income</b>	977,840	32	1,089,361	33
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not to be reclassified into profit or loss</b>				
8311	Remeasurements of defined benefit plans (Note 6(10))	(971)	-	(3,086)	-
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
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	(1,143)	-	(2,549)	-
8300	<b>Other current comprehensive income (after tax)</b>	798,051	27	(390,293)	(12)
	<b>Total comprehensive income</b>	<b>\$ 1,775,891</b>	<b>59</b>	<b>699,068</b>	<b>21</b>
	<b>Basic earnings per share (Note 6(13))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<b>\$ 2.45</b>		<b>2.73</b>	
9850	<b>Diluted earnings per share (NTD)</b>	<b>\$ 2.45</b>		<b>2.73</b>	

(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					Exchange differences from the translation of foreign institution's financial statement		Unrealized gain (loss) of the available-for-sale financial instruments		Other equity	
	Common stock capital	Additional paid-in capital	Legal reserves	Special reserves	Unappropriated earnings	Total			Total	Total equity	
<b>Balance – January 1, 2015</b>	\$ 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	
<b>Balance – December 31, 2015</b>	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	
<b>Balance – December 31, 2016</b>	\$ 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)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
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)
<b>Net cash flows from (used in) operating activities</b>	<u>2,468,755</u>	<u>3,117,742</u>

**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)

	<b>2016</b>	<b>2015</b>
<b>Cash flows from (used in) investing activities:</b>		
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)
<b>Net cash flows from (used in) investing activities</b>	<b>(2,146,700)</b>	<b>(6,459,405)</b>
<b>Cash flow from (used in) financing activities:</b>		
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)
<b>Net cash flows from (used in) financing activities</b>	<b>(306,346)</b>	<b>3,257,321</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,709</b>	<b>(84,342)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>76,420</b>	<b>160,762</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 92,129</b>	<b>76,420</b>

(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

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

**Total assets**

**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)

		<b>2016</b>		<b>2015</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note 6(13), (18) &amp; 7)</b>	\$ 3,463,382	100	3,529,106	100
5000	<b>Operating cost (Note 6(9), (13) &amp; 7)</b>	1,362,123	39	1,235,213	35
5900	<b>Operating gross profit (loss)</b>	2,101,259	61	2,293,893	65
	<b>Operating expenses (Note 6(9),(14) &amp; 7):</b>				
6100	Selling expenses	652,664	19	658,871	19
6200	Administration expenses	599,121	17	429,173	12
6000	<b>Total operating expenses</b>	1,251,785	36	1,088,044	31
6500	<b>Non-operating income and expenses (Note 6(20)):</b>	82,751	2	41,109	1
6900	<b>Operating income (loss)</b>	932,225	27	1,246,958	35
	<b>Non-operating income and expenses (Note 6(21)):</b>				
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	<b>Operating income before tax</b>	1,203,523	34	1,387,424	40
7950	<b>Less: Income tax expense (Note 6(15))</b>	135,613	4	197,844	6
	<b>Net income</b>	1,067,910	30	1,189,580	34
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not to be reclassified into profit or loss</b>				
8311	Remeasurements of defined benefit plans	(971)	-	(3,086)	-
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
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	<b>Other comprehensive income, net</b>	799,134	23	(390,293)	(11)
	<b>Total comprehensive income</b>	<b>\$ 1,867,044</b>	<b>53</b>	<b>799,287</b>	<b>23</b>
	<b>Net income, attributable to:</b>				
8610	Owners of parent	\$ 977,840	27	1,089,361	31
8620	Non-controlling interest	90,070	3	100,219	3
		<b>\$ 1,067,910</b>	<b>30</b>	<b>1,189,580</b>	<b>34</b>
	<b>Total comprehensive income, attributable to:</b>				
8710	Owners of parent	\$ 1,775,891	51	699,067	20
8720	Non-controlling interest	91,153	2	100,220	3
		<b>\$ 1,867,044</b>	<b>53</b>	<b>799,287</b>	<b>23</b>
	<b>Earnings per share (Note 6(17))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<b>\$ 2.45</b>		<b>2.73</b>	
9850	<b>Diluted earnings per share (NTD)</b>	<b>\$ 2.45</b>		<b>2.73</b>	

(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			
<b>Balance – January 1, 2015</b>	\$ 3,990,842	1,392,072	669,595	15,224	2,912,259	3,597,078	(8,162)	(6,296)	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)	(390,293)	-	(390,293)
Total comprehensive income	-	-	-	-	1,086,275	1,086,275	3,395	(390,602)	699,068	100,219	799,287
Legal reserve	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	219,286	-	(219,286)	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$3.6 per share	-	-	-	(766)	766	-	-	-	-	-	-
Changes in ownership of Subsidiaries	-	-	-	-	(1,436,703)	(1,436,703)	-	-	(1,436,703)	-	(1,436,703)
Increase/decrease in non-controlling interest	-	20,972	-	-	(13,711)	(13,711)	-	-	7,261	(7,261)	-
<b>Balance – December 31, 2014</b>	3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	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	1,083	799,134
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	1,775,891	91,153	1,867,044
Legal reserve	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$0.5 per share	-	-	-	387,207	(387,207)	-	-	-	-	-	-
Increase/decrease in non-controlling interest	-	-	-	-	(199,542)	(199,542)	-	-	(199,542)	-	(199,542)
Changes in ownership of Subsidiaries	-	7,068	-	-	-	-	-	-	7,068	(267,127)	(260,059)
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	345,974	345,974
<b>Balance – December 31, 2016</b>	\$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	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
<b>Cash flows from operating activities:</b>		
Profit (loss) before tax	\$ 1,203,523	1,387,424
<b>Adjustments:</b>		
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
<b>Changes in operating assets and liabilities:</b>		
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)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from (used in) investing activities:</b>		
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)
<b>Net cash flows from (used in) investing activities</b>	<u>(2,323,262)</u>	<u>(5,947,168)</u>
<b>Cash flow from (used in) financing activities:</b>		
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
<b>Net cash flows from (used in) financing activities</b>	<u>(106,672)</u>	<u>3,426,081</u>
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	<u><u>\$ 199,621</u></u>	<u><u>212,719</u></u>

(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"> <li>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 are not subject to this restriction.</u></li> <li>2. Process mergers, spin-offs, acquisitions or assignment of shares.</li> <li>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</li> <li>4. The acquisition or disposal of assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade</li> </ol>	<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"> <li>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.</li> <li>2. Process mergers, spin-offs, acquisitions or assignment of shares.</li> <li>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</li> <li>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:</li> </ol>	Revised parts of the regulations in accordance with the laws

	<p>amount reaches the following standards:</p> <p><u>(1) The Company's paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.</u></p> <p><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</p> <p>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</p> <p>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.</p> <p>3. Bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market.</p> <p>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</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 does not 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>	
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>institution, 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, or <u>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> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</li> <li>2. The reasons for selecting the related party as the counterparty.</li> </ol>	<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> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</li> <li>2. The reasons for selecting the related party as the counterparty.</li> <li>3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition</li> </ol>	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 8<sup>th</sup> amendment was on June 17, 2014.</p> <p>The 9<sup>th</sup> amendment was on June 18, 2015.</p> <p><u>The 10<sup>th</sup> 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 8<sup>th</sup> amendment was on June 17, 2014.</p> <p>The 9<sup>th</sup> 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 <del>and Article 5</del>, <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</p> <p>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.</p> <p><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</p> <p>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 6<sup>th</sup> amendment was on June 4, 2013.</p> <p>The 7<sup>th</sup> amendment was on June 18, 2015.</p> <p><u>The 8<sup>th</sup> 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 6<sup>th</sup> amendment was on June 4, 2013.</p> <p>The 7<sup>th</sup> amendment was on June 18, 2015.</p>	Revision date added
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