

**【Translation】**

Stock Code: 5530

**Lungyen Life Service**  
**Handbook for the 2019 Annual Meeting of**  
**Shareholders**

May 31, 2019

**Time:** 10:30 am, May 31, 2019 (Fri.)

**Place:** No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan (The Company's auditorium)

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**Lungyen Life Service Corp.**  
**Procedure for**  
**2019 Annual Meeting of Shareholders**

- I. Commencement of the Meeting (Reporting the quorum present)
- II. Message from the Chairman
- III. Matters to Report
- IV. Matters for Ratification
- V. Matters for Discussion
- VI. Extempore motions
- VII. Adjournment

# **Lungyen Life Service Corp.**

## **Agenda for 2019 Annual Meeting of Shareholders**

Time: 10:30 a.m., Friday, May 31, 2019

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

1. Commencement of the Meeting (Reporting the quorum present)
2. Message from the Chairman
3. Matters to Report
  - (1) Report on the apportionment of Directors' and employees' compensation of the year 2018
  - (2) Report on the 2018 operation results
  - (3) Report on the 2018 business report and financial statements audited by the Audit Committee
  - (4) Report on the revision of the Company's "Rules and Procedure for Board of Directors Meetings"
  - (5) Report on the institution of the Company's "Code of Ethical Conduct"
  - (6) Report on the institution of the Company's "Ethical Corporate Management Best Practice Principles"
  - (7) Report on the Company's merger with its subsidiary Lung An Company Limited
4. Matters for Ratification
  - (1) Ratification for the 2018 business report and financial statements
  - (2) Ratification for the 2018 profit apportionment
5. Matters for Discussion
  - (1) Discussion on the revision of the Company's "Articles of Incorporation"
  - (2) Discussion on the revision of the Company's "Procedures for Acquisition or Disposal of Assets"
  - (3) Discussion on the revision of the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee"
6. Extempore motions

# Matters to Report

## Case 1

Summary: Report on the apportionment of Directors' and employees' compensation of the year 2018 is presented for approval

Remarks: 1. The Company's income before tax with deductions from Directors' and employees' compensation for 2018 was NT\$2,467,586,479. It is proposed to apportion NT\$24,672,655 as employees' compensation and NT\$49,345,311 as Directors' compensation. All payment will be made in cash.

2. Above compensation to employees and directors has already been reported as expense in 2018. There is no difference between reported amount and proposed distribution amount.

## Case 2

Summary: Report on the 2018 operation results is presented for approval

Remarks: For the business report for the year of 2018, please refer to Appendix 1 (Page 13~16) of the Handbook

## Case 3

Summary: Report on the 2018 business report and financial statements audited by the Audit Committee is presented for approval

Remarks: For the business report and financial statements audited by the Audit Committee for the year of 2018, please refer to Appendix 2 (Page 17) of the Handbook

## Case 4

Summary: Report on the revision of the Company's "Rules and Procedure for Board of Directors Meetings" is presented for approval

Remarks: In conjunction with amendments regarding the procedures of dealing with requirements from directors announced by Taipei Exchange, it is proposed to amend the Company's "Rules and Procedure for Board of Directors Meetings". For the comparison table for before and after revision, please refer to Appendix 3 (Page 18~19) of the Handbook.

### **Case 5**

**Summary:** Report on the institution of the Company's "Code of Ethical Conduct" is presented for approval

**Remarks:** In order to guide the Company's personnel's behavior in line with ethical standards and make the Company's stakeholders have a better understanding of the Company's ethical standards to ensure the Company's sustainable operation and development, the Company has established an " Code of Ethical Conduct " based on the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies". Please refer to Appendix 4 (Page 20~21) of the Handbook.

### **Case 6**

**Summary:** Report on the institution of the Company's "Ethical Corporate Management Best Practice Principles" is presented for approval

**Remarks:** In order to establish a corporate culture of integrity management, sound the development and improve business operations with the consideration of the Company's needs, the Company has established an "Ethical Corporate Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". Please refer to Appendix 5 (Page 22~30) of this Handbook.

### **Case 7**

**Summary:** Report on the Company's merger with its subsidiary Lung An Company Limited is presented for approval

**Remarks:** Lung An Company Limited was a 100% owned subsidiary of the Company. In order to meet the Group's business strategy and enhance its operational performance and competitiveness, the Company conducted a simple merger in accordance with Article 19 of the Corporate Mergers and Acquisitions Act. On April 1, 2019, the merger was completed. After the merger, the Company was a surviving company while Lung An Company Limited was the extinguished company. This merger was an organizational restructure in the same group and therefore didn't affect the interests of shareholders.

# Matters for Ratification

## Case 1

(Proposed by the Board of Directors)

Summary: Ratification for the 2018 business report and financial statements is proposed for approval

Remarks: 1. For the Company's 2018 business report and financial report (including balance sheet, comprehensive income statement, changes in equity and cash flow statement), please refer to Appendix 6 (page 31~41) and Appendix 7 (page 42~51) of the Handbook

2. Above mentioned financial reports have been audited by KPMG's accountants, Mr. Zeng, Guo-Yang and Ms. Lai, Li-Zhen. (The complete version of the Company's financial report can be downloaded from MOPS website: <http://newmops.twse.com.tw>)

Resolutions:

## Case 2

(Proposed by the Board of Directors)

Summary: Ratification for the 2018 profit apportionment is proposed for approval

Remarks: 1. The Company's net income for 2018 was NT\$2,180,534,998. After setting aside the legal reserve and other equity adjustments, with addition of beginning retained earnings, the unappropriated retained earnings as of December 31, 2018 were NT\$6,075,068,088. Considering the Company's future investment plan, it is proposed to distribute cash dividends of NT\$ 1,260,252,597 from current profit available for appropriation, which equals NT\$3.0 per share. For the Company's profit distribution table, please refer to Appendix 8 (Page 52) of the Handbook.

2. Cash dividend is distributed prorated 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 before the Ex-dividend date, the Chairman 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 approval.

Resolutions:



# Matters for Discussion

## Case 1

Summary: Discussion of the revision of the Company's "Articles of Incorporation" is proposed for approval

- Remarks:
1. In order to enhance corporate governance with consideration of operation flexibility, it is proposed to make amendment on the Company's "Articles of Incorporation". For the Comparison table for the "Articles of Incorporation" before and after revision, please refer to Appendix 9 (page 53~55) of the Handbook.
  2. Hereby apply for discussion.

Resolutions:

## Case 2

Summary: Discussion of the revision of the Company's "Procedures for Acquisition or Disposal of Assets" is proposed for approval

- Remarks:
1. In conjunction with the Financial Supervisory Commission's amendment to the "Regulations governing the Acquisition and Disposal of Assets by Public Companies" and the actual business needs of the Company, it is proposed to make amendment on the Company's "Procedures for Acquisition or Disposal of Assets". For the Comparison table for the "Procedures for Acquisition or Disposal of Assets" before and after revision, please refer to Appendix 10 (page 56~72) of the Handbook.
  2. Hereby apply for discussion.

Resolutions:

## Case 3

Summary: Discussion of the revision of the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" is proposed for approval

- Remarks:
1. In conjunction with the Financial Supervisory Commission's amendment to the "Regulations governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies" and the actual business needs of the Company, it is proposed to make amendment on the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee". For the Comparison table for the "Procedures for

Lending Funds to Other Parties” and “Procedures for Endorsement and Guarantee” before and after revision, please refer to Appendix 11 (page 73~78) and Appendix 12 (page 79~85) of the Handbook.

2. Hereby apply for discussion.

Resolutions:

## **Extemporary Motions**

## **Adjournment**

# **APPENDIX**

## 2018 Business Report

The global economy has seen a high since 2018, including the OECD leading indicators began to decline at the beginning of the year, and the major think tanks have gradually lowered their economic forecasts for the future. The political uncertainty includes the continuously changing Sino-US trade war, the US-South Korea relationship, the US bipartisan confrontation, the Brexit and other issues, which have a huge impact on the capital market or the real economy. This also forced central banks with tighter monetary policies in early 2018 to gradually turn into a loose policy.

Looking ahead to the Taiwan economy in 2019, global uncertainties still exist and continue to change. Major economic forecasting institutions believe that growth in 2019 will not be as good as in 2018. Due to the high linkage between Taiwan's economy and the world, especially China and the United States are both Taiwan's major export markets, changes in the international situation will test Taiwan's economic performance, and whether the government can launch corresponding policies in a timely manner is another uncertainty. Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) predicts that the economic growth in 2019 will be 2.27% (the real GDP will increase by NT\$380.8 billion compared with 2018), which is 0.14 percentage points lower than the forecast of 2.41% in November 2018. The GDP per capita is US\$25,229 and the CPI is up 0.73%.

Facing the uncertainty of economic and political situation, the Company's management team and all employees still adhere to the spirit of the Company, focusing on the improvement of product and service quality, deepening brand value, and continuously pursuing steady growth. Business performance for the year 2018 and the business plan for 2019 are hereby presented to the Company's shareholders as of follows:

### 1. Operating results for 2018

The Company's 2018 annual revenue benefited from the recognition construction completion of columbarium and cemetery products, and its performance remained outstanding. In addition, for the activation of assets and effective allocation of funds, revenue from non-operating activities also contributed to the growth of profit. The net profit attributable to the parent company was NT\$2.18 billion, an increase of 18.3% over the previous year. The net profit after tax was 46.2%, which was 3.5 percentage points higher than the previous year. Earnings per share reached NT\$5.19, reaching a new high in the past four years

As of December 31, 2018, the total consolidated asset was NT\$63.29 billion, increased by 18.0% compared to the previous year; the total liability was NT\$46.82 billion and debt ratio was 74.0%. It includes contract liabilities of NT\$37.76 billion. These contract liabilities are the nature of advance receipts and booked as unrealized income, 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 35.49% if the company deducted the contract liabilities and relative asset amounts.

## 2. Summary of business plan for 2019

### (1) Operations guidelines:

- i. Carry out business plan to achieve business target
- ii. Optimize capital allocation to improve financial performance
- iii. Strengthen risk management to solidify business fundamentals
- iv. Improve operations management to enhance corporate value
- v. Fulfill corporate social responsibilities to polish corporate image

### (2) 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 funeral service provided to effectively increase product penetration rate. In addition, through the construction of pavilions throughout Taiwan area, combined with high-standard hardware facilities and high-quality services, the sales momentum will be strengthened to significantly increase the market share. At the same time, we will replicate the successful experience of Taiwan and actively explore overseas markets to become the best funeral service provider in Greater China.

#### 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 investment properties to fulfill the profits of long-term investment and invest more capitals in expanding the core business.

#### 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 and improve the quality of this industry, 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, shareholders and other stakeholders.

(3) Estimated production and sales in 2019 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	6,063
Cemetery	210
Preneed Funeral	12,448
<b>Total</b>	<b>18,721</b>

### 3. The Company's development strategy

In 2019, we will continue to focus on the planning and design new columbarium and cemetery products, actively launch diversified products in different regions and at different price to meet the diverse needs of different consumer groups, supplemented by a combination of preneed funeral contract. Under the philosophy of integrated funeral services of the entire country, we shall further effectively augment the benefits of Lungyen brand logo. In addition, through the combination of high-standard pavilions hardware facilities and high-quality services, sales momentum can be strengthened, and insurance multi-sales channels can be expanded. As a result, our core business market share will continuously expand to maximize economic benefits and enhance company profitability.

Through the diversification of sales methods and products, the Company will continue to promote the concept of funeral industry reform and solidify the concept of preneed funeral contract, and strive to improve the quality of the industry to achieve the purpose of continuous growth of performance; in addition, the Company will continue to strengthen the internal control and requirements of service quality, deepen the brand value, and then deepen the broader consumer base to increase market share.

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious, it will be conducive to the increase in the demand for preneed funeral contracts. In addition to the life service business as the foundation, the Company will gradually expand its operation into related businesses in the life service industry with a steady spirit. On the other hand, in addition to firmly operate Taiwan's existing market, it will replicate Taiwan's successful experience to actively expand the mainland China market, ally local superior teams to implement the Wenzhou project and continue to develop other high-quality projects to achieve the goal of becoming the best funeral service provider in Greater China.

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

Over the years, the Company has been committed to the reform of the funeral business, and to improve the overall industrial quality as a priority, to arouse the importance of consumer rights protection. The funeral business is being perfected under the relevant regulations by the domestic

authorities, which will help improve the efficiency of industrial management, prevent unscrupulous operators from depriving consumers of their rights and interests, and further protect Lungyen's long-term philosophy of integrity management. The Company has set up the Audit Committee, the Compensation Committee and the Corporate Governance and Nomination Committee under the Board of Directors. The responsibility of these committees is to ensure the effectiveness and appropriateness of the Company's internal control system and the appropriate reporting of financial statements, and to formulate and regularly review related issues regarding the performance evaluation and salary remuneration of managers, corporate governance operations, and the nomination and succession of board members, functional committee members and senior managers. These committees help to enhance the effectiveness and quality of the board of directors in corporate governance performance, and will take the international best practice as the benchmark to achieve outstanding performance as business operation.

The funeral business is a necessity for the people's livelihood; therefore, the sales performance is less affected by the economy. The aging population and the trend of declining birth rate are also the sales momentum of the funeral industry. 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: Liu, Wei-Lung

Chief Accountant: Chan, Shu-Juan



## 2018 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for profit apportionment, of which the individual and consolidated financial report have been audited by CPA Tseng, Guo-Yang and CPA Lai, Li-Zen of KPMG. An audit report for above financial statement has been issued as well.

The business report, individual and consolidated financial statements, and proposal for profit apportionment mentioned above have been audited and concluded to comply with related Company Act by the Audit Committee. Hereby we submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2019 Annual Meeting of Shareholders

Independent Director: Yeh, Shu

Independent Director: Wang, Huai

Independent Director: Wang, Chun-Chung

February 26, 2019

## Comparison Table for the “Rules and Procedures of Board of Directors Meetings” Before and After Revision

Article	After the Revision	Before the Revision	Remarks
4	<p>The designated unit responsible for the Board Meetings of the Company shall be the Board Secretary.</p> <p>The unit responsible for board meeting shall draft items and prepare sufficient meeting materials, and shall deliver them together with the notice of the Meeting.</p> <p>A Director who is of the opinion that the meeting material provided are insufficient may request their supplementation by the unit responsible for Board Meetings, <b><u>and the designated unit shall provide the supplementary materials within 5 days.</u></b> If a Directors is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.</p>	<p>The designated unit responsible for the Board Meetings of the Company shall be the Board Secretary.</p> <p>The unit responsible for board meeting shall draft items and prepare sufficient meeting materials, and shall deliver them together with the notice of the Meeting.</p> <p>A Director who is of the opinion that the meeting material provided are insufficient may request their supplementation by the unit responsible for Board Meetings. If a Directors is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors</p>	Revised in accordance with current laws and regulations.
4-1	<p><b><u>All directors of the Company should be able to obtain the assistance of the head of corporate governance to ensure that the board procedures and all applicable laws and regulations are followed, and that communication between board members, directors and management is good.</u></b></p>	(new article)	Revised in accordance with current laws and regulations.
4-2	<p><b><u>The Company has set up the head of corporate governance, and the head of corporate governance (the Board secretary) is responsible for handling the requirements of the directors within 5 days in an effective and effective manner.</u></b></p>	(new article)	Revised in accordance with current laws and regulations.
18	<p>These Rules and Procedures shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting.</p> <p>The 1<sup>st</sup> amendment was on January 1, 2007</p> <p>The 2nd amendment was on</p>	<p>These Rules and Procedures shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting.</p> <p>The 1<sup>st</sup> amendment was on January 1, 2007</p> <p>The 2nd amendment was on</p>	Added new amendment records

Appendix 3: Comparison Table for the 'Rules and Procedures of Board of Directors Meetings' before and after Revision

Article	After the Revision	Before the Revision	Remarks
	March 31, 2011 The 3rd amendment was on March 19, 2012 The 4 <sup>th</sup> amendment was on March 14, 2013 The 5 <sup>th</sup> amendment was on November 7, 2017 The 6 <sup>th</sup> amendment was on May 7, 2018 <u><i>The 7<sup>th</sup> amendment was on            April 11, 2019</i></u>	March 31, 2011 The 3rd amendment was on March 19, 2012 The 4 <sup>th</sup> amendment was on March 14, 2013 The 5 <sup>th</sup> amendment was on November 7, 2017 The 6 <sup>th</sup> amendment was on May 7, 2018	

## **LUNGYEN LIFE SERVICE CORP.**

### **Codes of Ethical Conduct**

- Article 1 These Guidelines are adopted for the purpose of encouraging the Company's personnel to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company, and to ensure the Company's sustainable development.
- Article 2 These Principles are applicable to the Company's directors, managerial officers (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company) and other employees.
- The underlying subjects of preceding paragraph is hereinafter referred to as "the Company's personnel".
- Article 3 The Company's personnel should abide by relevant laws and regulations (for example: The Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Money Laundering Control Act, Personal Information Protection Act, Consumer Protection Act, etc.) and the relevant provisions of the competent authority. The Company's personnel shall not violate the provisions of the law, such as compulsory or prohibition, public order and good customs.
- Article 4 The Company's personnel should avoid conflicts of interest when personal interest intervenes or is likely to intervene in the overall interest of the Company, including the inability to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. In order to prevent conflicts of interests, when the Company engages in loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which the preceding personnel works, the Company's personnel shall follow the relevant operation procedures and voluntarily explain whether there is any potential conflict between them and the Company.
- Article 5 The Company's personnel have the responsibility to safeguard the Company's tangible and intangible assets and to ensure that these assets can be effectively and lawfully used

for official business purposes. The Company's personnel shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited or disclosed by a competitor, could result in damage to the Company or its suppliers and customers.

- Article 6 The Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
- Article 7 The Company's personnel should uphold the Company's core values when handling various businesses, and follow "Ethical Corporate Management Best Practices" and "Personnel Management Measures" of the Company, the Securities and Exchange Act, other laws and regulations, and the Company's various regulations.
- Article 8 If the Company's personnel suspect or discover any violation of laws and regulations or this Code, they shall follow the rules of the Company's "Ethical Corporate Management Best Practices".
- Article 9 In the event that the Company's personnel violates this Code, the company will handle it according to internal disciplinary measures or relevant laws and regulations, and the Company will provide an opportunity for the violators to statement or appeal before making a punishment decision.
- Article 10 The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.
- Article 11 These Guidelines shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting; the same shall apply to amendments or abolishment hereto.

## **LUNGYEN LIFE SERVICE CORP.**

### **ETHICAL CORPORATE MANAGEMENT BEST PRACTICES**

- Article 1      These Principles are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer reference framework for establishing good commercial practices.
- These Principles are applicable to the Company, its subsidiaries and institutions or juridical persons which are substantially controlled by the Company.
- Article 2      The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 3      The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 4      When engaging in commercial activities, managers, employees and the substantial controllers of the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (“unethical conduct”) for purpose of acquiring or maintaining benefits.
- Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 5      Benefits in these Principles means any valuable things, including money endowments, commissions, positions services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 6      The Company and its respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

- Article 7 The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.
- Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealing with persons so involved.
- When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.
- Article 8 When conducting business, the Company and its directors, managers, employees and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
- Article 9 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employee and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- Article 10 When making or offering donations and sponsorship, the Company and its directors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- Article 11 The Company and its directors, managers, employees and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transaction.
- Article 12 The Company and its directors, managers, employees and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
- Article 13 The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish

output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 In course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Article 15 Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish the Board Secretary unit to be responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 16 Directors of the Company shall practice self-discipline, and comply with the Regulation Governing Procedure for Board of Directors Meetings of Public Companies and the Company's Rules and Procedures of Board of Directors Meetings when a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by. The directors also shall proactive self-discipline and must not support one another in improper dealings.

The Company's directors, managers, employees and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 17 The Company shall establish effective accounting systems and internal control systems, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are



showing results.

- Article 18
1. Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining or any other benefits, the conduct of the given personnel of the Company shall comply with the provisions of these Principles and relevant procedures:
    - (1) Conduct that complies with laws and regulations of the country where the Company is doing business.
    - (2) The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination
    - (3) The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
    - (4) Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
    - (5) Attendance at folk festivals that are open to and invite the attendance of the general public.
    - (6) Rewards, emergency assistance, condolence payments, or honorariums from the management.
    - (7) When money, property, or other benefits offered to or accepted from a person other than relatives or friends; or gifts of property given by another party, the reasonable prices shall be judged by the actual occurrence or the general market prices.
    - (8) When property received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative, the reasonable prices shall be judged by the actual occurrence or the general market prices.
    - (9) Other logical, reasonable and legitimate conduct

2. Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, whether directly or indirectly, money, gratuity, service, preferential treatment, rebate, dining or any other benefits by a third party, the matter shall be handled in accordance with the following procedures:

- (1) If there is relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor and the human resource unit within 3 days from the acceptance of the benefits.
- (2) If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and the human resource unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the human resource unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel", as referred to in the preceding paragraph, refers to one of the following circumstances:

- (1) When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- (2) When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- (3) Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The human resource unit of the Company shall make a proposal, based on the importance and significance of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the General Manager.

3. Prohibition of and handling procedure for facilitating payment

The Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate

supervisor stating the facts and shall notify the internal audit unit.

Upon receipt of the report under the preceding paragraph, the internal audit unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the internal audit unit shall also immediately report to the relevant judicial agency.

4. Procedures for handling lawful political contributions

Political contributions by the Company shall be made in accordance with the following provisions and the Company's Procedure of the Level of Authority:

- (1) It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
- (2) Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
- (3) In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interest of the Company with the related government agencies shall be avoided.

5. Procedures for handling charitable donations or sponsorships

Charitable donations or sponsorship by the Company shall be provided in accordance with the following provisions, the Company's Procedure of the Level of Authority and relevant laws and regulations such as the Regulation Governing Procedure for Board of Directors Meetings of Public Companies and the Company's Rules and Procedures of Board of Directors Meetings:

- (1) It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
- (2) A written record of the decision making process shall be kept.
- (3) A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- (4) The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
- (5) After a charitable donation or sponsorship has been given, it shall be

ascertained that the destination to which the money flow is consistent with the purpose of the contribution.

6. 6. Procedures for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business

(1) All Company personnel shall comply with relevant procedures for business secrets and are prohibited from divulging undisclosed information to any other party, and inquire about or collect any trade secrets.

(2) All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

(3) Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

7. 7. Procedures for standards and handling of suppliers, customers and other business-related institutions and personnel

(1) Before developing a commercial relationship with another party, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

(2) All personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, and improper benefit in whatever form or name.

(3) All personnel of the Company shall avoid business transactions with and agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel

shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

8. Handing of unethical conduct by personnel of the Company

- (1) When the Company discovers or receives report of its personnel's unethical conduct, it shall immediately verify the facts. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
- (2) When an unethical conduct has occurred already, the Company shall charge relevant units with the task reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
- (3) If any personnel of the Company discover that another party has engaged in unethical conduct toward the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 19 The Company shall establish the "Whistleblower Protection Policy" for all personnel to comply with.

Article 20 The Company shall disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on the Company's website, annual report, and prospectuses.

Article 21 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 22 The establishment and abolishment of these Procedures, and any amendments

hereto, shall be implemented after adoption by resolution of the board of directors.

These Procedures have been in effect and implemented on the date of establishment, and any amendment or abolishment hereto is in effect on the relevant date.

**2018 Independent Auditor's Audit Report  
and  
Consolidated Financial Statements**

## INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders  
Lungyen Life Service Corp.

### Opinion

We have audited the accompanying consolidated financial statements of Lungyen Life Service Corporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As mentioned in Note 3(1) of the Consolidated Financial Report, the Company first introduced the International Financial Reporting Standards 9 "Financial Instruments" on January 1, 2018 and chose not to restate the comparison period, thus we did not modify the audit opinion.

As mentioned in Note 3(1), the Company first introduced the International Financial Reporting Standards 15 "Revenue from Contracts with Customers" on January 1, 2018 and adopted the cumulative effect method rather restated the comparison period, thus we did not modify the audit opinion.

### Key Audit Matter



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provided a separate opinion on these matter. Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

#### 1. Revenues Recognition

Accounting policies regarding revenues recognition can be found Notes 4 (18) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (20) Revenues.

Explanation for key audit matters:

The Company sells columbarium and cemetery products and provides funeral services, prepayments for products and services are paid by cash or installments. Timing of revenues recognition is judged by management team.

Besides, as being a listed company, the Company may be affected by external investors and debtors' expectation and internal performance pressure to inflate revenues, which may bring risks to revenues recognition. Therefore, examination on revenues recognition is one of our key audit matters when auditing the Company's consolidated financial reports.

Adaptive auditing processes:

- Examine whether revenues were recognized based on the Company's internal control process;
- Conduct the selective examination of sales orders, contracts and collection records to clarify whether revenues were recognized at a proper timing.

#### 2. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (15) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (11) of the consolidated financial report.

Explanation of key auditing matters:

The Company's goodwill and trademark were resulted from corporate acquisition; receivable amounts related to goodwill and trademark were estimated based on managers' subjective judgment thus including high uncertainty, which may result in material risks of inaccurate expression. For this reason, examination on goodwill and goodwill impairment is one of our key audit matters when auditing the Company's consolidated financial reports.

Adaptive auditing processes:

- Examine whether the cash generating unit and impairment test process recognized by managers were comprehensive and correct.
- Access the rationality of evaluation method adopted by managers to evaluate receivable amounts; access the accuracy of past forecast made by managers; examine calculating and accounting records of receivable amounts of cash unit evaluated by managers; access parameters used to estimate cash flow forecast and receivable amounts (eg. sales growth rate); and examine weighted average cost of capital and parameters thereon used in the impairment tests.

### **Other Matter**

We also audited the unconsolidated financial report of Lungyen Life Service Corp. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion and an emphasis of matter.

### **Responsibilities of Management and Those Charge with Governance of the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated 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 the Company'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 the Company'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 consolidated 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 the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matter, 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 consolidated financial statements for the year ended December 31, 2018 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 determined 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: *Zeng, Guo-Yang*

*Lai, Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 0940129108

February 26, 2019

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2018 and 2017**

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

Assets	12.31.2018		12.31.2017			Liabilities and Equity	12.31.2018		12.31.2017	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (Note 6 (1) & 9)	\$ 194,002	-	169,781	-	2100	Short-term loan (Note 6 (12))	\$ 3,165,300	5	2,824,000	5
1110 Financial assets at fair value through profit or loss – current (Note 6 (2) & 9)	1,527,182	2	1,457,535	3	2130	Contract Liability— current(Note 6 (20) & 9)	37,755,020	61	-	-
1150 Notes receivable, net (Note 6 (3) & (20))	6,345	-	16,577	-	2150	Notes payable	7,105	-	-	-
1170 Accounts receivable, net (Note 6 (3) & (20))	8,748,396	14	1,009,425	2	2170	Payable accounts (Note 7)	617,756	1	464,114	1
1320 Inventory (Note 6(4), 7, & 8)	15,440,765	25	14,768,349	28	2200	Other payable accounts (Note 7)	830,485	1	709,194	1
1410 Prepayments (Note 9)	251,030	-	9,548,767	18	2230	Current income tax liabilities (Note 6 (17))	290,179	-	249,060	-
1460 Non-current assets for sale (net) (Note 6 (5) & 8)	2,565,683	4	-	-	2310	Advance receipts (Note 10)	834,391	1	32,222,626	60
1476 Other financial assets – current (Note 6 (12), 8 & 9)	2,113,425	3	2,374,528	4	2399	Other current liabilities - others	7,835	-	8,562	-
1479 Other current assets (Note 7 & 9)	7,600	-	3,497	-			<u>43,508,071</u>	<u>69</u>	<u>36,477,556</u>	<u>67</u>
1480 Incremental cost of contract acquisition – current (Note 9)	7,969,334	13	-	-	2530	<b>Non-current liabilities:</b>				
	<u>38,823,762</u>	<u>61</u>	<u>29,348,459</u>	<u>55</u>	2570	Corporate bond payable (Note 6 (14))	3,190,916	5	3,139,651	6
<b>Non-current assets:</b>					2640	Deferred income tax liabilities (Note 6 (17))	16,119	-	18,994	-
1517 Financial assets at fair value through other comprehensive income (Note 6 (2), 8, & 9)	10,048,850	17	-	-	2645	Net defined benefit liability – non-current	30,686	-	31,263	-
1524 Available-for-sale financial assets - non-current (Note 6 (2), 8, & 9)	-	-	8,585,120	16	2670	Deposit received	71,542	-	60,931	-
1527 Held to maturity financial assets – non-current (Note 6(2) & 9)	-	-	614,832	1		Other non-current liabilities - others	2,981	-	2,981	-
1535 Financial assets at amortized cost— non-current (Note 6(2) & 9)	1,017,051	2	-	-			<u>3,312,244</u>	<u>5</u>	<u>3,253,820</u>	<u>6</u>
1543 Financial assets carried at cost— non-current (Note 6 (2))	-	-	18,992	-		<b>Total liabilities</b>	<u>46,820,315</u>	<u>74</u>	<u>39,731,376</u>	<u>73</u>
1550 Investment under equity method (Note 6 (6) & (67))	1,209,106	2	425,480	1		<b>Equity attributable to owners of parent (Note 6(13) &amp; (17))</b>				
1600 Property, plant and equipment (Note 6 (9), 7, 8, & 9)	5,812,305	9	5,844,965	11	3100	Capital stock – common stock	4,200,842	7	4,200,842	8
1760 Investment property, net (Note 6 (10), 8, & 9)	3,893,572	6	6,486,105	12	3200	Capital surplus	2,519,954	4	2,519,954	5
1780 Intangible assets (Note 6 (11))	759,365	1	764,631	1		Retained earnings:				
1840 Deferred income tax assets (Note 6 (17))	899,795	1	805,900	2	3310	Legal reserve	1,280,001	2	1,095,601	2
1980 Other financial assets – non-current (Note 7)	55,838	-	45,761	-	3350	Unappropriated retained earnings	6,293,123	10	4,253,894	8
1990 Other non-current assets - others	773,664	1	697,334	1	3400	Other equity interest	688,453	1	458,615	1
	<u>24,469,546</u>	<u>39</u>	<u>24,289,120</u>	<u>45</u>		<b>Total equity attributable to owners of parent</b>	<u>14,982,373</u>	<u>24</u>	<u>12,528,906</u>	<u>24</u>
<b>Total Assets</b>	<u>\$ 63,293,308</u>	<u>100</u>	<u>53,637,579</u>	<u>100</u>	36xx	Non-controlling interest (Note 6 (6)&(18))	1,490,620	2	1,377,297	3
						<b>Total Equity</b>	<u>16,472,993</u>	<u>26</u>	<u>13,906,203</u>	<u>27</u>
						<b>Total liabilities and equity</b>	<u>\$ 63,293,308</u>	<u>100</u>	<u>53,637,579</u>	<u>100</u>

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

For Year Ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6 (15), (20), (21), &amp; 7)</b>	\$ 4,957,018	100	5,104,378	100
5000	<b>Operating cost (Note 6 (15) &amp; 7)</b>	<u>1,613,521</u>	<u>33</u>	<u>1,293,599</u>	<u>25</u>
5900	<b>Operating gross profit (loss)</b>	<u>3,343,497</u>	<u>67</u>	<u>3,810,779</u>	<u>75</u>
	<b>Operating expenses (Note 6 (16),(22) &amp; 7) :</b>				
6100	Selling expenses	981,072	20	965,280	19
6200	Administration expenses	547,579	11	620,414	12
6450	Expected credit losses	<u>7,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,536,414</u>	<u>31</u>	<u>1,585,694</u>	<u>31</u>
6500	<b>Other income and expenses (Note 6 (23))</b>	<u>145,618</u>	<u>3</u>	<u>-</u>	<u>-</u>
6900	<b>Operating income</b>	<u>1,952,701</u>	<u>39</u>	<u>2,225,085</u>	<u>44</u>
	<b>Non-operating income and expenses (Note 6(24)&amp;7) :</b>				
7010	Other income	433,354	9	398,736	8
7020	Other gains and losses	338,277	7	(85,410)	(2)
7050	Financial costs	(83,273)	(2)	(81,040)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	<u>(42,241)</u>	<u>(1)</u>	<u>(11,190)</u>	<u>-</u>
		<u>646,117</u>	<u>13</u>	<u>221,096</u>	<u>4</u>
7900	<b>Operating income before tax</b>	2,598,818	52	2,446,181	48
7950	<b>Less: Income tax expense (Note 6 (17))</b>	<u>307,344</u>	<u>6</u>	<u>264,148</u>	<u>5</u>
	<b>Net income</b>	<u>2,291,474</u>	<u>46</u>	<u>2,182,033</u>	<u>43</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss:</b>				
8311	Defined benefit obligation (Note 6(16))	791	-	(669)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	<u>481,235</u>	<u>10</u>	<u>-</u>	<u>-</u>
	<b>Total items that may not be subsequently reclassified to profit or loss</b>	<u>482,026</u>	<u>10</u>	<u>(669)</u>	<u>-</u>
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign statements	34,825	1	(2,157)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	60,431	1
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	<u>(42,204)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
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	<u>(45,815)</u>	<u>(1)</u>	<u>(368)</u>	<u>-</u>
	<b>Total items that may be subsequently reclassified to profit or loss</b>	<u>(53,194)</u>	<u>(1)</u>	<u>57,906</u>	<u>1</u>
8300	<b>Other comprehensive income, net</b>	<u>428,832</u>	<u>9</u>	<u>57,237</u>	<u>1</u>
	<b>Total comprehensive income</b>	<u><u>\$ 2,720,306</u></u>	<u><u>55</u></u>	<u><u>2,239,270</u></u>	<u><u>44</u></u>
	<b>Net income, attributable to:</b>				
8610	Owners of parent	\$ 2,180,535	44	1,843,999	36
8620	Non-controlling interest	<u>110,939</u>	<u>2</u>	<u>338,034</u>	<u>7</u>
		<u><u>\$ 2,291,474</u></u>	<u><u>46</u></u>	<u><u>2,182,033</u></u>	<u><u>43</u></u>
	<b>Total comprehensive income, attributable to:</b>				
8710	Owners of parent	\$ 2,606,983	53	1,904,588	37
8720	Non-controlling interest	<u>113,323</u>	<u>2</u>	<u>334,682</u>	<u>7</u>
		<u><u>\$ 2,720,306</u></u>	<u><u>55</u></u>	<u><u>2,239,270</u></u>	<u><u>44</u></u>
	<b>Earnings per share (Note 6 (19))</b>				
9750	<b>Basic earnings per share (NTD)</b>		<u><u>\$ 5.19</u></u>		<u><u>4.44</u></u>

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For Year of 2018 and 2017**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Others						
	Capital Stock		Retained Earnings				Exchange differences on foreign translation	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		Unrealized gain (loss) on available-for- sale financial assets	Total equity attributable to owners of parent	Non- controlling interests	Total equity
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated Earnings	Total		Total	Total equity attributable to owners of parent				
<b>Balance – January 1, 2018</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	1,254,399	11,072,976
Net profit	-	-	-	-	1,843,999	1,843,999	-	-	-	-	1,843,999	338,034	2,182,033
Other comprehensive income	-	-	-	-	(669)	(669)	(2,525)	-	63,783	61,258	60,589	(3,352)	57,237
Total comprehensive income	-	-	-	-	1,843,330	1,843,330	(2,525)	-	63,783	61,258	1,904,588	334,682	2,239,270
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$1.2 per share)	-	-	-	-	(504,101)	(504,101)	-	-	-	-	(504,101)	-	(504,101)
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	-	9,961	-	9,961
Capital increased by cash	210,000	1,094,100	-	-	-	-	-	-	-	-	1,304,100	-	1,304,100
Changes to subsidiaries' ownership	-	(4,219)	-	-	-	-	-	-	-	-	(4,219)	4,219	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(216,003)	(216,003)
<b>Balance – January 1, 2018</b>	4,200,842	2,519,954	1,095,601	-	4,253,894	5,349,495	(13,825)	-	472,440	458,615	12,528,906	1,377,297	13,906,203
Retrospective adjustment due to new accounting standard	-	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694	-	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	-	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600	1,377,297	14,802,897
Net income	-	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535	110,939	2,291,474
Other comprehensive income	-	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448	2,384	428,832
Total comprehensive income	-	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983	113,323	2,720,306
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	184,400	-	(184,400)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$2.5 per share)	-	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-	-	-
<b>Balance –September 30, 2018</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,280,001</b>	<b>-</b>	<b>6,293,123</b>	<b>7,573,124</b>	<b>(24,815)</b>	<b>713,268</b>	<b>-</b>	<b>688,453</b>	<b>14,982,373</b>	<b>1,490,620</b>	<b>16,472,993</b>

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

Year Ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from (used in) operating activities</b>		
<b>Profit (loss) before tax</b>	\$ 2,598,818	2,446,181
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	127,920	144,589
Amortization expense	17,427	16,039
Allowance for bad debt	7,763	19,643
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	12,347	(25,910)
Interest expense	83,273	81,040
Interest revenue	(277,761)	(115,984)
Dividend income	(232,871)	(184,701)
Loss (gain) on affiliates under equity method	42,241	11,190
Loss (gain) on disposal and scrap of property, plant and equipment	1,780	(179)
Loss (gain) on disposal of investment property	(525)	-
Loss (gain) on disposal of other assets	(347,626)	-
Loss (gain) on disposal of investment	-	(27,814)
Loss (gain) on disposal of investment under equity method	6,924	-
Impairment loss on financial assets	5,940	-
Exchange loss on available-for-sale financial assets	-	88,602
Exchange profit on financial assets at fair value through other comprehensive income	(51,860)	-
Loss on disposal of financial assets at fair value through other comprehensive income	27,734	-
Total adjustments to reconcile profit (loss)	<u>(577,294)</u>	<u>6,515</u>
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets held for trading	-	(524,392)
(Increase) Decrease in financial assets at fair value through income	53,012	-
(Increase) Decrease in notes receivable	10,232	(6,865)
(Increase) Decrease in account receivable	(28,893)	(497,884)
(Increase) Decrease in inventories	(672,416)	(343,138)
(Increase) Decrease in prepayments	169,335	(759,634)
(Increase) Decrease in other financial assets	(99,759)	13,044
(Increase) Decrease in other current assets	(5,180)	1,507
Increase (Decrease) in incremental cost of contract acquisition	183,643	-
Increase (Decrease) in contract liabilities	(155,281)	-
Increase( Decrease) in accounts payable	153,642	19,978
Increase (Decrease) in other payable	76,677	189,663
Increase (Decrease) in advance receipts	5,637	553,636
Increase (Decrease) in other current liabilities	(729)	(3,379)
Increase (Decrease) in defined benefits liabilities	214	536
Total net change in assets and liabilities related to operations	<u>(309,866)</u>	<u>(1,356,928)</u>
Total Adjustments	<u>(887,160)</u>	<u>(1,350,413)</u>
Cash inflow generated from operations	1,711,658	1,095,768
Interest received	277,891	109,852
Dividend received	232,871	187,000
Interest paid	(25,874)	(37,899)
Income taxes (paid)	<u>(368,476)</u>	<u>(112,891)</u>



**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows (Cont.)**

Year Ended September 30, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	<b>2018</b>	<b>2017</b>
<b>Net cash flows from (used in) operating activities</b>	<u>1,828,070</u>	<u>1,241,830</u>
<b>Cash flows from (used in) investment activities</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,857,471)	-
Disposal of financial assets at fair value through other comprehensive income	929,548	-
Return on capital reduction of financial assets at fair value through other comprehensive income	893	-
Distribution from liquidation of financial assets at fair value through other comprehensive income	2,551	-
Acquisition of financial assets at amortized cost	(607,084)	-
Acquisition of available-for-sale financial assets	-	(1,124,127)
Disposal of available-for-sale financial assets	-	1,218,123
Acquisition of held-to-maturity financial assets	-	(309,640)
Disposal of investment under equity method	1,009	-
Payment from capital reduction of investee under equity method	-	11,135
Acquisition of property, plant and equipment	(71,929)	(75,765)
Disposal of property, plant and equipment	814	997
Acquisition of intangible assets	(12,161)	(5,444)
Acquisition of investment property	(675)	-
Disposal of investment property	750	-
Decrease (Increase) in other financial assets - current	215,383	(317,515)
Decrease (Increase) in other financial assets - non current	(10,075)	(20,612)
Cash outflow due loss of control of subsidiaries	(17,621)	-
Disposal of other non-current assets	604,302	15
Acquisition of other non-current assets	<u>(293,430)</u>	<u>-</u>
<b>Net cash flows from (used in) investing activities</b>	<u>(1,115,196)</u>	<u>(622,833)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	8,479,300	8,804,100
Decrease in short-term loans	(8,138,000)	(13,155,000)
Issuance of corporate bond	-	3,113,000
Increase in guarantee deposits	10,611	8,129
Cash dividends	(1,050,210)	(504,101)
Capital increase	-	1,304,100
Change in non-controlling interests	<u>-</u>	<u>(216,003)</u>
<b>Net cash flows from (used in) financing activities</b>	<u>(698,299)</u>	<u>(645,775)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	9,646	(3,062)
Net (decrease) increase in cash and cash equivalents	24,221	(29,840)
Cash and cash equivalents at beginning of period	<u>169,781</u>	<u>199,621</u>
Cash and cash equivalents at end of period	<u><b>\$ 194,002</b></u>	<u><b>169,781</b></u>

**2018 Independent Auditor's Audit Report  
and  
Individual Financial Statements**

## **INDEPENDENT AUDITORS' REPORT**

To Board of Directors and Shareholders

Lungyen Life Service Corp.

We have audited the financial statements of Lungyen Life Service Corporation, which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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 audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Highlighted Items**

As illustrated in Note 3 (1), the Company first applied IFRS 9 "Financial Instruments" on January 1, 2018 and chose not to restate the financial statements of the comparison period. We do not adjust the review results accordingly.

As illustrated in Note 3 (1), the Company first applied IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018 and chose not to restate the financial statements of the comparison period. We do not adjust the review results accordingly.

### **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 for the year ended December 31, 2018. 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 provided a separate opinion on these matter. Key audit matters for the Company's financial statements for the year ended December 31, 2018 are stated as follows:

## 1. Revenues Recognition

Accounting policies regarding revenues recognition can be found Notes 4 (17) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (17) Revenues.

Explanation for key audit matters:

The Company sells columbarium and cemetery products and provides funeral services, and the products and services are paid by cash or installments. Timing of revenues recognition is judged by management team.

Besides, as being a listed company, the Company may be affected by external investors and debtors' expectation and internal performance pressure to inflate revenues, which may bring risks to revenues recognition. Therefore, examination on revenues recognition is one of our key audit matters when auditing the Company's individual financial reports.

Adaptive auditing processes:

- Examine whether revenues were recognized based on the Company's internal control process;
- Conduct the selective examination of sales orders, contracts and collection records to clarify whether revenues were recognized at a proper timing.

## 2. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (14) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (9) of the consolidated financial report.

Explanation of key auditing matters:

The Company's goodwill and trademark were resulted from corporate acquisition; receivable amounts related to goodwill and trademark were estimated based on managers' subjective judgment thus including high uncertainty, which may result in material risks of inaccurate expression. For this reason, examination on goodwill and goodwill impairment is one of our key audit matters when auditing the Company's financial reports.

Adaptive auditing processes:

- Examine whether the cash generating unit and impairment test process recognized by managers were comprehensive and correct.
- Access the rationality of evaluation method adopted by managers to evaluate receivable amounts; access the accuracy of past forecast made by managers; examine calculating and accounting records of receivable amounts of cash unit evaluated by managers; access parameters used to estimate cash flow forecast and receivable amounts (e.g. sales growth rate); and examine weighted average cost of capital and parameters (e.g. stock price) thereon used in the impairment tests.

### **Management's Responsibility for the Individual Financial Statements**

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

In preparing the individual financial statements, management is responsible for assessing the Company'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 the Company or to cease operation, or has no realistic alternative but to do so.

The Audit Committee of the Company are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Individual Financial Statements**

Our objective are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and 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 individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual 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 the Company'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

Appendix 7: 2018 Independent Auditor's Audit Report and  
individual financial statements

conditions that may cast significant doubt on the Company'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 individual 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 the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matter, 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 individual financial statements for the year ended December 31, 2018 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 determined 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: *Zeng, Guo-Yang*

*Lai, Li-Zeng*

Approval issued by the competent securities authority:  
FSC VI. Tzi No. 0940129108  
February 26, 2019

**Lungyen Life Service Corp. and Subsidiaries**  
**Individual Balance Sheets**

December 31, 2018 and 2017

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

	12.31.2018		12.31.2017			Liabilities and Equity					
	Amount	%	Amount	%		12.31.2018		12.31.2017			
						Amount	%	Amount	%		
<b>Assets</b>											
<b>Current Assets :</b>											
1100	Cash and cash equivalents (Note 6 (1) & (22))	\$ 107,666	-	60,066	-	2100	Short-term loan ( Note 6 (10), (22))	\$ 3,089,000	5	2,792,000	5
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) 、(22) and 9)	1,227,298	2	1,178,602	2	2130	Contract Liability – current ( Note 6 (17) &9)	37,522,150	63	-	-
1150	Notes receivable, net (Note 6 (3) & (22))	6,345	-	16,077	-	2150	Notes Payable ( Note 6 (22))	7,027	-	-	-
1170	Accounts receivable, net (Note 6 (3) & (22))	8,120,727	13	555,505	1	2170	Accounts Payable ( Note 6 (22))	460,468	1	350,135	1
1320	Inventory (Note 6 (4) & 8)	12,125,388	21	11,776,407	23	2180	Accounts Payable-related party ( Note 6 (22) &7)	41,104	-	38,223	-
1410	Prepayments (Note 7)	257,307	-	8,839,371	17	2200	Other payable accounts ( Note 6 (22) &7)	611,424	1	537,363	1
1460	Non-current assets for sale (net) (Note 6 (5) & 8)	2,565,683	4	-	-	2230	Current income tax liabilities	228,777	-	177,515	-
1476	Other financial assets – current (Note 6 (22), 7 &9)	2,146,927	4	2,255,362	5	2310	Advance receipts ( Note 9)	833,687	1	32,181,387	63
1479	Other current assets-other	7,567	-	1,877	-	2399	Other current liabilities - others( Note 7)	23,262	-	31,786	-
1480	Incremental cost of contract acquisition - current	7,910,905	13	-	-			42,816,899	71	36,108,409	70
		34,475,813	57	24,683,267	48						
<b>Non-current assets :</b>											
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), (22), 8 & 9)	9,966,394	17	-	-	2530	Corporate bond payable (Note 6 (11), (22) & 7)	3,190,916	5	3,139,651	6
1524	Available-for-sale financial assets - non-current (Note 6 (2), (22), 8 & 9)	-	-	8,508,339	17	2570	Deferred income tax liabilities (Note 6 (14))	16,119	-	18,994	-
1527	Held to maturity financial assets – non-current (Note 6 (2), (22) & 9)	-	-	614,832	1	2640	Net defined benefit liability – non-current (Note 6 (13))	30,686	-	31,263	-
1535	Financial assets at amortized cost – non-current (Note 6 (2), (22) & 9)	1,017,051	2	-	-	2645	Deposit received (Note 6 (22))	71,542	-	60,931	-
1543	Financial assets carried at cost – non-current (Note 6 (2), (22))	-	-	17,207	-			3,309,263	5	3,250,839	6
1550	Investment under equity method (Note 6 (6))	3,652,194	6	3,590,587	7			46,126,162	76	39,359,248	76
1600	Property, plant and equipment (Note 6 (7), 7, 8 & 9)	5,679,403	9	5,711,010	12	<b>Total liabilities</b>					
1760	Investment property, net (Note 6 (8), 8 & 9)	3,886,738	6	6,479,270	12	<b>Equity:</b>					
1780	Intangible assets (Note 6 (9))	759,365	1	764,631	1	3100	Capital stock ( Note 6 (15))	4,200,842	7	4,200,842	8
1840	Deferred income tax assets (Note 6 (14))	854,014	1	777,751	1	3200	Capital surplus ( Note 6 (11) & (15))	2,519,954	4	2,519,954	5
1980	Other financial assets – non-current (Note 6 (22) & 7)	44,283	-	44,298	-	Retained earnings:					
1990	Other non-current assets - others	773,280	1	696,962	1	3310	Legal reserve ( Note 6 (15))	1,280,001	2	1,095,601	2
		26,632,722	43	27,204,887	52	3350	Unappropriated retained earnings (or losses to be compensated) (Note 6 (15))	6,293,123	10	4,253,894	8
								7,573,124	12	5,349,495	10
						3410	Other equity interest:				
							Exchange difference for conversion of financial statements of foreign operating institutions ( Note 6 (15))	(24,815)	-	(13,825)	-
						3420	Unrealized gains and losses on financial assets measured at fair value through other comprehensive income ( Note 6 (15))	713,268	1	-	-
						3425	Unrealized gains and losses on available-for-sale financial assets ( Note 6 (15))	-	-	472,440	1
								688,453	1	458,615	1
								14,982,373	24	12,528,906	24
<b>Total Assets</b>		<b>\$ 61,108,535</b>	<b>100</b>	<b>51,888,154</b>	<b>100</b>		<b>Total Equity</b>	<b>\$ 61,108,535</b>	<b>100</b>	<b>51,888,154</b>	<b>100</b>
							<b>Total liabilities and equity</b>				

**Lungyen Life Service Corp. and Subsidiaries**  
**Individual Statements of Comprehensive Income**

January 1 to December 31, 2018 and 2017

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

		<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note 6 (12), (17) &amp; (18))</b>	\$ 4,378,482	100	3,831,552	100
5000	<b>Operating cost (Note 6 (12))</b>	<u>1,552,236</u>	<u>36</u>	<u>1,176,602</u>	<u>31</u>
5900	<b>Operating gross profit (loss)</b>	<u>2,826,246</u>	<u>64</u>	<u>2,654,950</u>	<u>69</u>
<b>Operating expenses:</b>					
6100	Selling expenses	877,929	20	721,424	19
6200	Administration expenses (Note 6 (19) & 7)	485,396	11	483,881	13
6450	Expected credit impairment loss (gain) (Note 6 (3))	<u>7,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	<b>Total operating expenses</b>	<u>1,371,088</u>	<u>31</u>	<u>1,205,305</u>	<u>32</u>
6500	<b>Other income and expenses (Note 6(20))</b>	<u>138,011</u>	<u>3</u>	<u>-</u>	<u>-</u>
6900	<b>Operating income (loss)</b>	<u>1,593,169</u>	<u>36</u>	<u>1,449,645</u>	<u>37</u>
<b>Non-operating income and expenses:</b>					
7010	Other income (Note 6 (21) & 7)	463,243	11	414,058	11
7020	Other gains and losses (Note 6 (21))	346,825	8	(90,582)	(2)
7050	Financial costs (Note 6 (21))	(79,419)	(2)	(80,703)	(2)
7070	Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (6))	<u>69,571</u>	<u>2</u>	<u>358,995</u>	<u>9</u>
		<u>800,400</u>	<u>19</u>	<u>601,768</u>	<u>16</u>
7900	<b>Operating income before tax</b>	2,393,569	55	2,051,413	53
7950	<b>Less: Income tax expense (Note 6 (14))</b>	<u>213,034</u>	<u>5</u>	<u>207,414</u>	<u>5</u>
	<b>Net income</b>	<u>2,180,535</u>	<u>50</u>	<u>1,843,999</u>	<u>48</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss:</b>				
8311	Revaluation of defined benefit plans (Note 6 (13))	(791)	-	(669)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	476,006	11	-	-
8330	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may not be reclassified to profit or loss	2,845	-	-	-
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
8361	Exchange differences on translation of foreign statements	34,825	1	(4,848)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	67,783	2
8367	Unrealized loss on investments in liability instruments at fair value through other comprehensive income	(42,204)	(1)	-	-
8380	Share of other comprehensive profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	<u>(45,815)</u>	<u>(1)</u>	<u>(1,677)</u>	<u>-</u>
	<b>Total items that may be subsequently reclassified to profit or loss</b>	<u>(53,194)</u>	<u>(1)</u>	<u>61,258</u>	<u>2</u>
8300	<b>Other comprehensive income, net</b>	<u>426,448</u>	<u>10</u>	<u>60,589</u>	<u>2</u>
	<b>Total comprehensive income</b>	<u>\$ 2,606,983</u>	<u>60</u>	<u>1,904,588</u>	<u>50</u>
	<b>Net income, attributable to:</b>				
	<b>Earnings per share (Note 6(16))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<u>\$ 5.19</u>		<u>4.44</u>	
9850	<b>Diluted earnings per share (NTD)</b>	<u>\$ 4.70</u>		<u>4.15</u>	



**Lungyen Life Service Corp. and Subsidiaries**  
**Individual Statements of Changes in Equity**  
**For Year of 2018 and 2017**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings				Exchange differences on foreign translation	Others		Total	Total equity
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated Earnings	Total		Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets		
<b>Balance – January 1, 2017</b>	<u>\$ 3,990,842</u>	<u>1,420,112</u>	<u>997,817</u>	<u>401,665</u>	<u>2,610,784</u>	<u>4,010,266</u>	<u>(11,300)</u>	<u>-</u>	<u>408,657</u>	<u>397,357</u>	<u>9,818,577</u>
Net profit	-	-	-	-	1,843,999	1,843,999	-	-	-	-	1,843,999
Other comprehensive income	-	-	-	-	(669)	(669)	(2,525)	-	63,783	61,258	60,589
Total comprehensive income	-	-	-	-	1,843,330	1,843,330	(2,525)	-	63,783	61,258	1,904,588
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-
Special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$1.2 per share)	-	-	-	-	(504,101)	(504,101)	-	-	-	-	(504,101)
Other changes in capital surplus :											
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	-	9,961
Capital increased by cash	210,000	1,094,100	-	-	-	-	-	-	-	-	1,304,100
Changes to subsidiaries' ownership	-	(4,219)	-	-	-	-	-	-	-	-	(4,219)
<b>Balance – December 31, 2017</b>	<u>4,200,842</u>	<u>2,519,954</u>	<u>1,095,601</u>	<u>-</u>	<u>4,253,894</u>	<u>5,349,495</u>	<u>(13,825)</u>	<u>-</u>	<u>472,440</u>	<u>458,615</u>	<u>12,528,906</u>
Retrospective adjustment due to new accounting standard	-	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694
Restated beginning balance	<u>4,200,842</u>	<u>2,519,954</u>	<u>1,095,601</u>	<u>-</u>	<u>5,358,749</u>	<u>6,454,350</u>	<u>(13,825)</u>	<u>264,279</u>	<u>-</u>	<u>250,454</u>	<u>13,425,600</u>
Net income	-	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535
Other comprehensive income	-	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448
Total comprehensive income	-	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	184,400	-	(184,400)	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$2.5 per share)	-	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-
<b>Balance – December 31, 2018</b>	<u>\$ 4,200,842</u>	<u>2,519,954</u>	<u>1,280,001</u>	<u>-</u>	<u>6,293,123</u>	<u>7,573,124</u>	<u>(24,815)</u>	<u>713,268</u>	<u>-</u>	<u>688,453</u>	<u>14,982,373</u>

**Lungyen Life Service Corp.**

**Statements of Cash Flows**

**For The Twelve Months Ended December 31, 2018 and 2017**

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

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 2,393,569	2,051,413
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	120,228	137,508
Amortization expense	17,427	15,892
Allowance for doubtful accounts	7,763	3,898
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	13,868	(25,329)
Interest expense	79,419	80,703
Interest income	(269,358)	(103,315)
Dividend income	(228,582)	(179,472)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(69,751)	(358,995)
Loss (gain) on disposal and scrap of property, plant and equipment	606	(179)
Loss (gain) on disposal of investment property	(525)	-
Loss (gain) on disposal of other assets	(347,626)	-
Disposal of investment gains (losses)	-	(21,031)
Impairment loss on financial assets carried at costs	5,940	-
Exchange profit on financial assets at fair value through other comprehensive income	(51,860)	-
Loss on disposal of financial assets at fair value through other comprehensive income	27,734	-
Exchange loss on available-for-sale financial assets	-	88,603
Total adjustments to reconcile profit (loss)	<u>(694,717)</u>	<u>(361,717)</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets held for trading	-	(291,301)
Financial assets at fair value through income	72,442	-
Notes receivable and account receivable, net	154,589	(77,217)
Inventories	(348,981)	(256,291)
Prepayments	130,511	(115,005)
Other financial assets - current	39,733	(14,180)
Other current assets	(5,690)	1,203
Incremental cost of contract acquisition	215,682	-
Total net changes in operating assets	<u>258,286</u>	<u>(752,791)</u>
Net changes in operating liabilities:		
Contract liability	(347,397)	-
Notes payable and accounts payable (including related parties)	120,241	40,540
Other payable	54,696	18,640
Advance receipts	5,418	795,178
Other current liabilities	(8,524)	986
Net defined benefit liabilities	214	536
Total net changes in operating liabilities	<u>(175,352)</u>	<u>855,880</u>
Total net changes in operating assets and liabilities	<u>82,934</u>	<u>103,089</u>
Total adjustments	<u>(611,783)</u>	<u>(258,628)</u>
Cash inflow (outflow) generated from operations	1,781,786	1,792,785
Interest received	269,488	97,183

**Lungyen Life Service Corp.**

**Consolidated Statements of Cash Flows (Cont.)**

**For The Twelve Months Ended December 31, 2018 and 2017**

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

	<b>2018</b>	<b>2017</b>
Dividend received	228,582	179,648
Interest paid	(22,021)	(37,562)
Income taxes paid	(240,910)	(88,484)
<b>Net cash flows from (used in) operating activities</b>	<b>2,016,925</b>	<b>1,943,570</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,857,468)	-
Disposal of financial assets at fair value through other comprehensive income	929,099	-
Return on capital reduction of financial assets at fair value through other comprehensive income	2,551	-
Acquisition of financial assets at amortized cost	(607,084)	-
Acquisition of available-for-sale financial assets	-	(1,115,574)
Disposal of available-for-sale financial assets	-	1,183,975
Acquisition of held-to-maturity financial assets	-	(309,640)
Acquisition of investment under equity method	-	(732,955)
Acquisition of property, plant and equipment	(62,245)	(65,283)
Disposal of property, plant and equipment	318	997
Acquisition of intangible assets	(12,161)	(5,444)
Acquisition of investment real estate	(675)	-
Disposal of investment property	749	-
Decrease (increase) in other financial assets - current	69,303	(488,503)
Decrease (increase) in other financial assets - non current	15	(21,334)
Acquisition of other non-current assets	604,302	-
Disposal of other non-current assets	(293,430)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(1,226,726)</b>	<b>(1,553,761)</b>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	8,435,000	8,794,000
Decrease in short-term loans	(8,138,000)	(13,137,000)
Issuance of corporate bond	-	3,113,000
Increase (decrease) in guarantee deposits received	10,611	8,129
Payment for cash dividends	(1,050,210)	(504,101)
Capital Increase	-	1,304,100
<b>Net cash flows from (used in) financing activities</b>	<b>(742,599)</b>	<b>(421,872)</b>
Net increase (decrease) in cash and cash equivalents	47,600	(32,063)
<b>Cash and cash equivalents at beginning of period</b>	<b>60,066</b>	<b>92,129</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 107,666</b>	<b>60,066</b>

## Lungyen Life Service Corp.

### 2018 Appropriation of Earnings

In NT\$

Item	Amount
Balance – January 1, 2018	3,019,282,759
Add(deduct) :	
Impact of retrospective application of new standard	1,104,855,351
Adjusted Balance – January 1, 2018	4,124,138,110
Add(deduct) :	
Current net income	2,180,534,998
Current change of defined benefit plan actuarial gains and losses	790,397
Disposal of equity instrument investments measured at fair value through other comprehensive income, cumulative gains and losses transferred directly to retained earnings	(12,341,917)
Legal reserve (10% of total earnings)	(218,053,500)
Earnings available for appropriation for 2018	6,075,068,088
Appropriation:	
Cash dividends - 100% (estimate to be NT\$3.0 per share)	(1,260,252,597)
Balance – December 31, 2018	4,814,815,491

Chairman: Liu, Wei-Lung

President: Liu, Wei-Lung

Chief Accountant: Chan, Shu-Juan

## Comparison Table for the “Article of Incorporation” Before and After Revision

Article	After Revision	Before Revision	Remarks
1	The Company shall be incorporated, as a company limited by shares, under the Company Law, and its name shall be 龍巖股份有限公司 in the Chinese language, and <u><i>its English name shall be “LUNGYEN LIFE SERVICE CORPORATION”.</i></u>	The Company shall be incorporated, as a company limited by shares, under the Company Law, and its name shall be 龍巖股份有限公司 in the Chinese language, and <u><i>“Lungyen Life Service Corp. in the English language.”</i></u>	Revised in accordance with current laws and regulations.
7	The Company’s authorized capital stock amounts to NT\$6 billion with 600 million shares issued at a par value of NT\$10. The Board of Directors is authorized to have stock shares issued separately, in which, NT600 million divided into 60 million shares at a par value of NT\$10 shall be reserved for subscription when the stock option is exercised.	The Company’s authorized capital stock amounts to NT\$6 billion with 600 million shares issued at a par value of NT\$10. The Board of Directors is authorized to have stock shares issued separately, in which, NT600 million divided into 60 million shares at a par value of NT\$10 shall be reserved for subscription when the stock option is exercised.	Part of words revised in the original Chinese version.
7-1	<u><i>Employees, including those of parents or subsidiaries of the Company meeting certain specific conditions, are entitled to receive shares bought back by the Company under the company law, the share subscription warrant, the restricted stock for employees, and the new shares issued from capital increase by cash reserved for the employees. The aforementioned certain conditions are set by the Board of Directors.</i></u>	(new article)	Revised in accordance with current laws and regulations.
8	All shares certificates of the Company shall be issued in registered form <u><i>and shall be issued in accordance with Republic of China Company Act and other relevant laws and regulations.</i></u>	All shares certificates of the Company shall be issued in registered form <u><i>after being signed by or affixed with the seal of at least 3 Directors, sequentially numbered and stamped with the corporate seal; also, the stock shares are issued after being certified by the certification agency designated by the competent authority.</i></u>	Revised in accordance with current laws and regulations.
8-1	The Company may issue stocks without printing share certificates, provided that, any shares shall be recorded by a centralized securities custodian.	The Company may issue <u><i>registered</i></u> stock without printing share certificates, provided that, any shares shall be recorded by a centralized securities	Revised in accordance with current laws and regulations.

Appendix 9: Comparison Table for the “Article of Incorporation” Before and After Revision

Article	After Revision	Before Revision	Remarks
		custodian.	
16-3	<u><i>The Company may set up functional committees under the Board of Directors. All kinds of functional committees shall stipulate the regulations for exercise of powers, which shall be implemented after the approval of the board of directors.</i></u>	<u><i>A notice of convening a Board meeting shall be given to each Director in writing, via electronic mail or fax before 7 days prior to the meeting date.</i></u>	New article for setting up functional committees.
16-4	<u><i>A notice of convening a Board meeting shall be given to each Director in writing, via electronic mail or fax before 7 days prior to the meeting date.</i></u>	(new article)	No. of article changed.
28	<p>The Company shall set aside not less than 1% of its annual profit, if any, as employee bonus and not more than 2% as compensation to Directors; provided, however, that the Company shall have reserved a sufficient amount to offset its accumulated losses, if any.</p> <p>Employ bonus may be distributed in the form of stocks or cash. The employees qualifying for such distribution may include qualified employees of subsidiaries of the Company. <u><i>The certain conditions are set by the Board of Directors.</i></u></p> <p><u><i>The company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ and directors’ compensation, and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.</i></u></p> <p><u><i>The Company which has the profit distributed to employees in the form of shares by a resolution of the meeting of board of directors in accordance with the provision of the preceding paragraph may resolve, at the same meeting of the board of directors, to distribute the shares by way of new shares to be issued by the company or</i></u></p>	<p>The Company shall set aside not less than 1% of its annual profit, if any, as employee bonus and not more than 2% as compensation to Directors; provided, however, that the Company shall have reserved a sufficient amount to offset its accumulated losses, if any.</p> <p>Employ bonus may be distributed in the form of stocks or cash. The employees qualifying for such distribution may include qualified employees of subsidiaries of the Company.</p>	Revised in accordance with current laws and regulations.

Appendix 9: Comparison Table for the “Article of Incorporation” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<u><i>existing shares to be re-purchased by the company.</i></u>		
31	<p>These Articles of Incorporation were made on February 27, 1987 and amended on:</p> <p>The 1<sup>st</sup> amendment: March 20, 1987.                      The 2<sup>nd</sup> amendment: January 18, 1991.                      The 3<sup>rd</sup> amendment: September 2, 1992.                      The 4<sup>th</sup> amendment: December 31, 1993.                      The 5<sup>th</sup> amendment: March 1, 1995.                      The 6<sup>th</sup> amendment: July 15, 1996.                      The 7<sup>th</sup> amendment: March 19, 1997.                      The 8<sup>th</sup> amendment: April 26, 1997.                      The 9<sup>th</sup> amendment: October 24, 1997.                      The 10<sup>th</sup> amendment: May 18, 1998.                      The 11<sup>th</sup> amendment: December 4, 1998.                      The 12<sup>th</sup> amendment: May 6, 1999.                      The 13<sup>th</sup> amendment: June 22, 2001.                      The 14<sup>th</sup> amendment: June 30, 2002.                      The 15<sup>th</sup> amendment: February 8, 2006.                      The 16<sup>th</sup> amendment: February 8, 2006.                      The 17<sup>th</sup> amendment: June 15, 2007.                      The 18<sup>th</sup> amendment: August 1, 2008.                      The 19<sup>th</sup> amendment: June 10, 2009.                      The 20<sup>th</sup> amendment: October 29, 2009.                      The 21<sup>st</sup> amendment: October 12, 2010.                      The 22<sup>nd</sup> amendment: June 28, 2011.                      The 23<sup>rd</sup> amendment: June 6, 2012.                      The 24<sup>th</sup> amendment: June 17, 2014.                      The 25<sup>th</sup> amendment: June 18, 2016.                      The 26<sup>th</sup> amendment: June 17, 2016                      The 27<sup>th</sup> amendment: June 20, 2018  <u><i>The 28th amendment: May 31, 2019</i></u></p>	<p>These Articles of Incorporation were made on February 27, 1987 and amended on:</p> <p>The 1<sup>st</sup> amendment: March 20, 1987.                      The 2<sup>nd</sup> amendment: January 18, 1991.                      The 3<sup>rd</sup> amendment: September 2, 1992.                      The 4<sup>th</sup> amendment: December 31, 1993.                      The 5<sup>th</sup> amendment: March 1, 1995.                      The 6<sup>th</sup> amendment: July 15, 1996.                      The 7<sup>th</sup> amendment: March 19, 1997.                      The 8<sup>th</sup> amendment: April 26, 1997.                      The 9<sup>th</sup> amendment: October 24, 1997.                      The 10<sup>th</sup> amendment: May 18, 1998.                      The 11<sup>th</sup> amendment: December 4, 1998.                      The 12<sup>th</sup> amendment: May 6, 1999.                      The 13<sup>th</sup> amendment: June 22, 2001.                      The 14<sup>th</sup> amendment: June 30, 2002.                      The 15<sup>th</sup> amendment: February 8, 2006.                      The 16<sup>th</sup> amendment: February 8, 2006.                      The 17<sup>th</sup> amendment: June 15, 2007.                      The 18<sup>th</sup> amendment: August 1, 2008.                      The 19<sup>th</sup> amendment: June 10, 2009.                      The 20<sup>th</sup> amendment: October 29, 2009.                      The 21<sup>st</sup> amendment: October 12, 2010.                      The 22<sup>nd</sup> amendment: June 28, 2011.                      The 23<sup>rd</sup> amendment: June 6, 2012.                      The 24<sup>th</sup> amendment: June 17, 2014.                      The 25<sup>th</sup> amendment: June 18, 2016.                      The 26<sup>th</sup> amendment: June 17, 2016                      The 27<sup>th</sup> amendment: June 20, 2018</p>	<p>New amendment records added.</p>

## Comparison Table for the “Procedure for the Acquisition and Disposition of Assets” Before and After Revision

Article	After Revision	Before Revision	Remarks
2	<p>The applicability of “assets” defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities;</li> <li>2. Real estate (excluding the inventory of the construction industry) and other Property, plant and equipment;</li> <li>3. Membership card;</li> <li>4. Intangible assets including patents, copyrights, trademarks and charter;</li> <li>5. <b><u>Right-of-use assets</u></b>;</li> <li>6. Financial institutions’ claims (including receivables, foreign exchange discount and loans and nonperforming loans);</li> <li>7. Directives;</li> <li>8. The acquisition or disposal of assets by law full merger, spins-off, acquisition or assignment of shares;</li> <li>9. Other important assets.</li> </ol>	<p>The applicability of “assets” defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities;</li> <li>2. Real estate (excluding the inventory of the construction industry) and other Property, plant and equipment;</li> <li>3. Membership card;</li> <li>4. Intangible assets including patents, copyrights, trademarks and charter;</li> <li>5. Financial institutions’ claims (including receivables, foreign exchange discount and loans and nonperforming loans);</li> <li>6. Directives;</li> <li>7. The acquisition or disposal of assets by law full merger, spins-off, acquisition or assignment of shares;</li> <li>8. Other important assets.</li> </ol>	<p>Revised in accordance with current laws and regulations.</p>
4	<p>The Company’s <b><u>handling</u></b> process for the acquisition or disposal of assets:</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>The Company’s <b><u>decision-making</u></b> process for the acquisition or disposal of assets:</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>Part of words revised based on current laws and regulations.</p>



Appendix 10: Comparison Table for the “Procedure  
for the Acquisition and Disposition of Assets”  
Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p>be resolved in advance at the shareholders’ meeting.</p> <p>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.</p> <p>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.</p>	<p>in advance at the shareholders’ meeting.</p> <p>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.</p> <p>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.</p>	
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> <p>1. The acquisition or disposal of real estate <b><i>or right-of-use assets</i></b> from and to the related party or the acquisition or disposal of assets other than real estate <b><i>or right-of-use assets</i></b> 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 <b><i>domestic</i></b> bonds or bonds with repurchase or resale agreements, and purchase or buy back the money market fund issued by domestic securities investment trust are not subject to this restriction.</p> <p>2. Process mergers, spin-offs, acquisitions or assignment of shares.</p>	<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> <p>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 buy back the money market fund issued by domestic securities investment trust are not subject to this restriction.</p> <p>2. Process mergers, spin-offs, acquisitions or assignment of shares.</p> <p>3. Engaged in derivatives transaction</p>	Revised in accordance with current laws and regulations.

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	<p>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>4. The acquisition or disposal of <b><u>equipment or right-of-use assets</u></b> that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount reaches the following standards:</p> <p>(1) The Company’s paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.</p> <p>(2) The Company’s paid in capitals reaches 10 billion, and the trade amount reaches 100 million.</p> <p>5. <b><u>For construction business of real property</u></b>, the acquisition or disposal by <b><u>the Company</u></b> thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <b><u>and furthermore the transaction counterparty is not a related party</u></b>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following</p>	<p>with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>4. The acquisition or disposal of <b><u>assets</u></b> that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount reaches the following standards:</p> <p>(1)The Company’s paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.</p> <p>(2)The Company’s paid in capitals reaches 10 billion, and the trade amount reaches 100 million.</p> <p>5. Acquisition or disposal by <b><u>a public company</u></b> in the construction business of real property thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase and resale</p>	

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	<p>circumstances:</p> <p>(1) Trading of <b><u>domestic</u></b> government bonds.</p> <p>(2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p>	<p>agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p>	
8	<p>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 <b><u>shall meet the following requirements:</u></b></p> <p>1. <b><u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></b></p> <p>2. <b><u>May not be a related party or de facto related party of any party to the transaction.</u></b></p> <p>3. <b><u>If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></b></p> <p><b><u>When issuing an appraisal report or</u></b></p>	<p>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 <b><u>shall not be a related party of the Company.</u></b></p>	Revised in accordance with current laws and regulations.

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	<p><u>opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> <li>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> <li>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></li> </ol>		
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> <ol style="list-style-type: none"> <li>1. The Company’s acquisition or disposal of real estate, other Property, plant and equipment, <u>or right-of-use assets</u> except for the</li> </ol>	<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> <ol style="list-style-type: none"> <li>1. The Company’s acquisition or disposal of real estate <u>or</u> other Property, plant and equipment, except for the transactions conducted</li> </ol>	Revised in accordance with current laws and regulations.

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	<p>transactions conducted with <u><i>domestic</i></u> government institution, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment <u><i>or right-of-use assets</i></u> 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> <ol style="list-style-type: none"> <li>(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.</li> <li>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</li> <li>(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</li> </ol>	<p>with government 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> <ol style="list-style-type: none"> <li>(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.</li> <li>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</li> <li>(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:</li> </ol>	

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	<p>the adequacy of the transaction price:</p> <ul style="list-style-type: none"> <li>i. The spread between the appraisal results and the transaction amount exceeds 20%.</li> <li>ii. The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.</li> </ul> <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</p>	<ul style="list-style-type: none"> <li>i. The spread between the appraisal results and the transaction amount exceeds 20%.</li> <li>ii. The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.</li> </ul> <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</p>	

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	<p>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 <u>or right-of-use assets</u> with the transactions amount over 20% of the paid-in capital or NT300 million except for the transactions conducted with <u>domestic</u> government institution, 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>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 except for the transactions conducted with government institution, 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>	
9-1	The transactions amount referred to above article, <u>paragraph 1 to 3</u> , should be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article <u>31</u> Section 2 .Also, the alleged “within one year” means for the one year prior to	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	Revised in accordance with current laws and regulations.

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	the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions rendered in accordance with the guidelines.	excluding the appraisal report issued by the professional appraiser or the CPA’s opinions rendered in accordance with the guidelines.	
10	<p>For the acquisition or disposal of real estate <u>or the right-of-use assets</u> of the Company with the related party or the acquisition or disposal of assets other than the real estate <u>or the right-of-use assets</u> traded with the related party for an amount over 20% of the paid in capital, 10% of the total assets, or NT300 million, except for <u>domestic</u> government bond, bond trade with repurchase and resale agreements, or buy back the money market fund issued by domestic securities investment trust, 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 of real estate <u>or right-of-use assets</u> from the related party in accordance with Article 16 and Article 17 of the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies”.</li> <li>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</li> <li>5. The monthly cash income and</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 for government bond, bond trade with repurchase and resale agreements, or buy back the money market fund issued by domestic securities investment trust, 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 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”.</li> <li>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</li> <li>5. The monthly cash income and expense forecast within the year from the month of the contract signing;</li> </ol>	Revised in accordance with current laws and regulations.



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	<p>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 3<u>I</u> 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 Audit Committee.</p> <p><b><u>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital,</u></b> 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.</p> <p>1. <b><u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></b></p> <p>2. <b><u>Acquisition or disposal of real property right-of-use assets held for business use.</u></b></p> <p>In addition, after the Company has independent directors appointed lawfully and presented to the board of directors for discussion accordingly, the opinions of</p>	<p>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 Audit Committee.</p> <p>For the <b><u>acquisition or disposal of operating machinery and equipment</u></b> 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.</p>	

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	each independent director should be considered sufficiently and have their opposing opinions and qualified opinions documented in the minutes of meeting.		
11	<p>The Company should assess the reasonableness of the transaction costs for the acquisition or disposal of real estate <u>or right-of-use assets</u> from or to the related party in accordance with the following methods:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> <p>For the combined purchase <u>or lease</u> 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.</p>	<p>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:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> <p>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.</p> <p>The cost of the real estate acquired by the Company from the related party should be</p>	Revised in accordance with current laws and regulations

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	<p>The cost of the real estate <u><i>or right-of-use assets</i></u> acquired by the Company from the related party should be assessed in accordance with <u><i>the preceding two</i></u> Section above; also, a CPA should be commissioned to review and express an opinion.</p> <p>The acquisition of real estate <u><i>or right-of-use assets</i></u> by the Company from the related parties that fall under one of the following situations should be handled in accordance with <u><i>previous article</i></u> instead of the provisions referred to in the last three sections:</p> <ol style="list-style-type: none"> <li>1. The acquisition of real estate <u><i>or right-of-use assets</i></u> by a related party is by inheritance or gift.</li> <li>2. A related party’s contracting for the acquisition of real estate <u><i>or right-of-use assets</i></u> is more than five years from the date of the trade contract signing.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> <li>4. <u><i>The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</i></u></li> </ol>	<p>assessed in accordance with Section <u><i>1 and Section 2</i></u> referred to above; also, a CPA should be commissioned to review and express an opinion.</p> <p>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:</p> <ol style="list-style-type: none"> <li>1. The acquisition of real estate by a related party is by inheritance or gift.</li> <li>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.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> </ol>	
11-1	<p>If the assessment results 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</p>	<p>If the assessment results <u><i>of the Company’s acquisition or disposal of real estate from or to the related party</i></u> 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</p>	<p>Revised in accordance with current laws and regulations</p>

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	<p>presented and an appraisal report received from the professional real estate appraiser and the solid and reasonable opinion of the CPAs:</p> <ol style="list-style-type: none"> <li>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:               <ol style="list-style-type: none"> <li>(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.</li> <li>(2) The <u>transactions</u> of other floors of the same underlying house and land or the <u>transactions</u> 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 <u>or lease</u>.</li> </ol> </li> <li>2. The Company evidences that the</li> </ol>	<p>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:</p> <ol style="list-style-type: none"> <li>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:               <ol style="list-style-type: none"> <li>(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.</li> <li>(2) The <u>successful trade</u> of other floors of the same underlying house and land or <u>the successful trade</u> 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</li> </ol> </li> </ol>	

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Article	After Revision	Before Revision	Remarks
	<p>terms of acquiring the real estate <u>or right-of-use assets through lease</u> from the related parties are similar to the <u>transactions</u> by the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>The alleged “<u>transactions</u>” 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 <u>transactions</u> 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 <u>or right-of-use assets</u>.</p>	<p>general real estate trade.</p> <p>(3) <u>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.</u></p> <p>2. The Company evidences that the terms of acquiring the real estate from the related parties are similar to the <u>successful trade</u> by the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>The alleged “<u>successful trade</u>” 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 <u>successful trade</u> 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.</p>	
11-2	<p>If the assessment results of the acquisition or disposal of real estate <u>or right-of-use assets</u> 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:</p> <p>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 <u>or right-of-use</u></p>	<p>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:</p> <p>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</p>	Revised in accordance with current laws and regulations

Appendix 10: Comparison Table for the “Procedure  
for the Acquisition and Disposition of Assets”  
Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p><u>assets</u> 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.</p> <p>2. Audit Committee shall apply mutatis mutandis with Article 218 of the Company Law.</p> <p>3. The process referred in the <u>preceding two</u> paragraphs should be presented at the shareholders’ meeting. Also, the transaction details should be disclosed in the annual report and prospectus.</p> <p>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 <u>or leased</u> are with the devaluation recognized, are disposed of, <u>or termination of lease contract</u>, are appropriately compensated or restored, or are evidenced otherwise without any unreasonableness. The acquisition of real estate <u>or right-of-use assets</u> 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.</p>	<p>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.</p> <p>2. Audit Committee shall apply mutatis mutandis with Article 218 of the Company Law.</p> <p>3. The process referred in <u>Paragraph 1 and Paragraph 2</u> should be presented at the shareholders’ meeting. Also, the transaction details should be disclosed in the annual report and prospectus.</p> <p>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.</p>	

Appendix 10: Comparison Table for the “Procedure  
for the Acquisition and Disposition of Assets”  
Before and After Revision

Article	After Revision	Before Revision	Remarks
15	<p>The total amount of the non-operating real estate <i><u>or right-of-use assets</u></i>, or securities acquired by the Company; also, the limits of each security acquired are as follows:</p> <ol style="list-style-type: none"> <li>1. The total amount of the non-operating real estate <i><u>or right-of-use assets</u></i> may not exceed 90% of the total assets in the Company’s most recent financial statements.</li> <li>2. The total investment amount of the securities, except for long-term equity investments, may not exceed 90% of the total assets in the Company’s most recent financial statements.</li> <li>3. Except for long-term equity investments, the investments in each marketable security may not exceed 80% of the total assets in the Company’s most recent financial statements.</li> </ol>	<p>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:</p> <ol style="list-style-type: none"> <li>1. The total amount of the non-operating real estate may not exceed 90% of the total assets in the Company’s most recent financial statements.</li> <li>2. The total investment amount of the securities, except for long-term equity investments, may not exceed 90% of the total assets in the Company’s most recent financial statements.</li> <li>3. Except for long-term equity investments, the investments in each marketable security may not exceed 80% of the total assets in the Company’s most recent financial statements.</li> </ol>	Revised in accordance with current laws and regulations
17	<p>The acquisition or disposal of assets by the Company’s subsidiary is processed in accordance with the governing regulations:</p> <ol style="list-style-type: none"> <li>1. The subsidiary’s acquisition or disposal of assets shall be processed in accordance with the relevant requirements of the Company’s <i><u>“Procedures on Supervision on subsidiaries” Article 2</u></i> and the Financial Supervisory Commission.</li> <li>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.</li> <li>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.</li> </ol>	<p>The acquisition or disposal of assets by the Company’s subsidiary is processed in accordance with the governing regulations:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	Added related procedures based on actual needs.

Appendix 10: Comparison Table for the “Procedure  
for the Acquisition and Disposition of Assets”  
Before and After Revision

Article	After Revision	Before Revision	Remarks
21	<i><u>(Deleted)</u></i>	<u><i>The 1st amendment was on May 27, 2003</i></u> <u><i>The 2nd amendment was on June 10, 2007</i></u> <u><i>The 3rd amendment was on October 29, 2009</i></u> <u><i>The 4th amendment was on October 12, 2010</i></u> <u><i>The 5th amendment was on June 28, 2011</i></u> <u><i>The 6th amendment was on June 6, 2012</i></u> <u><i>The 7th amendment was on June 4, 2013</i></u> <u><i>The 8th amendment was on June 17, 2014</i></u> <u><i>The 9th amendment was on June 18, 2015</i></u> <u><i>The 10th amendment was on June 21, 2017</i></u>	Deleted the amendment dates



## Comparison Table for the “Procedure for Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
3	<p>Underlying subject</p> <ol style="list-style-type: none"> <li>1. Business transactions between companies and corporations.</li> <li>2. Short-term financing needed between companies and corporations. Financing amount shall not exceed 40% of the net value of the debtor.</li> <li>3. <b><u>Financing</u></b> between the foreign companies with 100% shareholdings with voting rights held by the Company directly or indirectly.</li> <li>4. <b><u>The foreign companies with 100% shareholdings with voting rights held by the Company directly or indirectly engage in the financing loans to the Company.</u></b></li> </ol> <p><b><u>The preceding 1 to 3 subjects of the preceding paragraph, hereinafter referred to as “the borrower”.</u></b></p>	<p>Underlying subject</p> <ol style="list-style-type: none"> <li>1. Business transactions between companies and corporations.</li> <li>2. Short-term financing needed between companies and corporations. Financing amount shall not exceed 40% of the net value of the debtor.</li> <li>3. The <b><u>short-term financing needed</u></b> between the foreign companies (<b><u>hereinafter referred to as “the borrower”</u></b>) with 100% shareholdings with voting rights held by the Company directly or indirectly.</li> </ol>	<p>Revised in accordance with current laws and regulations and actual needs.</p>
4	<p>Assessment standards and limitations</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	<p>Assessment standards and limitations</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	<p>Revised in accordance with current laws and regulations and actual needs.</p>

Appendix 11: Comparison Table for the “Procedure for  
Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p>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 40% 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.</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>or the aforementioned foreign companies engaging in the financing loans to the Company</u>, is not subject to the two restrictions referred to above 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.</p>	<p>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 40% 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.</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 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.</p>	
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. The loan and term of the funds between the foreign <u>companies</u>, which are directly and indirectly held by 100% of the voting shares, <u>or the aforementioned foreign companies engaging in the financing loans to the Company</u>, 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. The interest rate shall be adjusted on the basis of the capital cost of the Company, but shall not</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 loan and term of the funds between the foreign <u>companies</u>, 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. 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</p>	Revised in accordance with current laws and regulations and actual needs.

Appendix 11: Comparison Table for the “Procedure for  
Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
	be less than the maximum interest rate of the Company at the time of the loan to the general financial institution.	general financial institution.	
6	<p>Processing and audit procedures</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>4. The borrowing between the Company</li> </ol>	<p>Processing and audit procedures</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>4. The borrowing between the Company</li> </ol>	Revised in accordance with current laws and regulations and actual needs.

Appendix 11: Comparison Table for the “Procedure for  
Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p>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. <u><i>Except for the loans mentioned in the Article 4, paragraph 3 is not restricted,</i></u> the authorized amount shall not exceed the loaning company's latest net financial statements of 10%.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>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 loaning company's latest net financial statements of 10%.</p> <p>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.</p> <p>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.</p> <p>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</p>	

Appendix 11: Comparison Table for the “Procedure for  
Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
	recourse against the debtor to ensure the rights and interests of the Company.	Company.	
9	<p>The control procedures for the loaning of funds processed by the subsidiaries</p> <ol style="list-style-type: none"> <li>1. The Company’s subsidiaries may not arrange the loaning of funds to others without <u><i>the resolution of the Board of Directors of the Company.</i></u></li> <li>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.”</li> <li>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.</li> <li>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.</li> </ol>	<p>The control procedures for the loaning of funds processed by the subsidiaries</p> <ol style="list-style-type: none"> <li>1. The Company’s subsidiaries may not arrange the loaning of funds to others without the consent of the Company.</li> <li>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.”</li> <li>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.</li> <li>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.</li> </ol>	Revised in accordance with the Company’s supervision specifications for subsidiaries.
11	<p>The Procedures are to be agreed by the <u><i>more than one-half of all members</i></u> of the Audit Committee and then approved by the Board of Directors and resolved in the shareholders’ meeting for implementation.</p> <p><u><i>If the Procedures is not approved by more than one-half of all members of the Audit Committee, it may be agreed by</i></u></p>	<p>The Procedures are to be agreed by the Audit Committee and then approved by the Board of Directors and resolved in the shareholders’ meeting for implementation. <u><i>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.</i></u></p>	Revised in accordance with current laws and regulations and actual needs.

Appendix 11: Comparison Table for the “Procedure for  
Loaning of Funds” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p><u>more than two-thirds of all directors, and the resolutions of the Audit Committee shall be stated in the minutes of the Board of Director’s meeting.</u></p>	<p><u>Where the Company has established the position of independent director, when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</u></p>	
Amendment Date	<p>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  The 8th amendment was on June 21, 2017  <u>The 9th amendment was on May 31, 2019</u></p>	<p>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  The 8th amendment was on June 21, 2017</p>	New amendment date added.

## Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
4	<p>Underlying subject</p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> <li>1. Any company who has business relationship with the Company.</li> <li>2. Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company.</li> <li>3. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares.</li> </ol> <p>Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other.</p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be provided.</p> <p>Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the</p>	<p>Underlying subject</p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> <li>1. Any company who has business relationship with the Company.</li> <li>2. Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company.</li> <li>3. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares.</li> </ol> <p>Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, <b><u>and the total amount of such endorsement/guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company.</u></b></p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested</p>	<p>Revised in accordance with current laws and regulations.</p>

Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
	Company, or through a company in which the Company holds 100% of the voting shares.	company in proportion to their shareholding percentages, such endorsements/guarantees may be provided. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.	
5	<p>Assessment standards and limitations</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth in its latest financial statement.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company or by the Company and its subsidiaries to any individual entity shall not exceed thirty percent (30%) of the Company's net worth in its latest financial statement.</li> <li>3. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed 20 times of the total business amount between such party and the Company for the twelve-month period, and shall not exceed thirty percent (20%) of the Company's net worth in its latest financial statements.</li> <li>4. Endorsement/guarantee between companies in which the Company holds <u>90%</u> of the voting shares, <u>the amount of</u></li> </ol>	<p>Assessment standards and limitations</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth in its latest financial statement.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company or by the Company and its subsidiaries to any individual entity shall not exceed thirty percent (30%) of the Company's net worth in its latest financial statement.</li> <li>3. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed 20 times of the total business amount between such party and the Company for the twelve-month period, and shall not exceed thirty percent (20%) of the Company's net worth in its latest financial statements.</li> <li>4. <u><b>Endorsement/guarantee provided by the Company to companies held 100% directly or indirectly by the Company, or</b></u></li> </ol>	Revised in accordance with current laws and regulations.



Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p><b><u>endorsement/guarantee shall not exceed ten percent (10%) of the Company's net worth.</u></b></p> <p>5. Endorsement/guarantee based on the requirements of the contractual obligations for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such Endorsement/guarantee was not restricted by the preceding paragraphs 1 to 3 restrictions.</p>	<p>endorsement/guarantee between companies in which the Company holds <b><u>100%</u></b> of the voting shares, <b><u>was not restricted by the preceding paragraphs 1 to 3 restrictions.</u></b></p> <p>5. Endorsement/guarantee based on the requirements of the contractual obligations for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such Endorsement/guarantee was not restricted by the preceding paragraphs 1 to 3 restrictions.</p>	
7	<p>Announcement and reporting</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial</p>	<p>Announcement and reporting</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial</p>	Revised in accordance with current laws and regulations and actual needs.

Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p>statement.</p> <p>(2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of <u>book value of investment under equity method</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to</p>	<p>statement.</p> <p>(2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of <u>a long-term nature in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding</p>	

Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
	<p>subparagraph 4 of the preceding paragraph.</p> <p>4. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>	<p>paragraph.</p> <p>4. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>	
9	<p>The control procedures for endorsements/guarantees processed by the subsidiaries</p> <p>1. The Company’s subsidiaries may not provide endorsements/guarantees to others <u><i>the resolution of the Board of Directors of the Company.</i></u></p> <p>2. The Company’s subsidiaries that intend to provide endorsements/guarantees for others should have the Procedures for endorsement and guarantee stipulated for compliance in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies .”</p> <p>3. Subsidiaries that have endorsements/guarantees made for others should have the statement of endorsements/guarantees of the prior months prepared and presented to the Company before the 10th day of each month.</p> <p>4. The Company’s internal auditors shall at least quarterly audit the Procedures for</p>	<p>The control procedures for endorsements/guarantees processed by the subsidiaries</p> <p>1. The Company’s subsidiaries may not provide endorsements/guarantees to others <u><i>without the consent of the Company.</i></u></p> <p>2. The Company’s subsidiaries that intend to provide endorsements/guarantees for others should have the Procedures for endorsement and guarantee stipulated for compliance in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies .”</p> <p>3. Subsidiaries that have endorsements/guarantees made for others should have the statement of endorsements/guarantees of the prior months prepared and presented to the Company before the 10th day of each month.</p> <p>4. The Company’s internal auditors shall at least quarterly audit the Procedures for</p>	<p>Revised in accordance with the Company's supervision specifications for subsidiaries.</p>

Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

Article	After Revision	Before Revision	Remarks
	endorsements/guarantees and their implementation with a written record kept for the subsidiaries that make endorsements/guarantees for others. Any serious violations identified should be communicated in writing to the Audit Committee and continuously track the improvement of the situation.	endorsements/guarantees and their implementation with a written record kept for the subsidiaries that make endorsements/guarantees for others. Any serious violations identified should be communicated in writing to the Audit Committee and continuously track the improvement of the situation.	
11	<p>The Procedures are to be agreed to by <b><u>more than one-half of all members of the Audit Committee</u></b> and then approved by the Board of Directors and resolved in the shareholders’ meeting for implementation.</p> <p><b><u>If the Procedures is not approved by more than one-half of all members of the Audit Committee, it may be agreed by more than two-thirds of all directors, and the resolutions of the Audit Committee shall be stated in the minutes of the Board of Director’s meeting.</u></b></p>	<p>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. <b><u>The documented or written objections of the directors, if any, should be presented to the supervisor and then proposed to shareholders’ meeting for discussion, same as for the amendments.</u></b></p> <p><b><u>Where the Company has established the position of independent director, when submitting this procedure to the board of directors for discussion in accordance with the provisions of the preceding paragraph, it shall take into full consideration each independent director’s opinions; independent directors’ opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors’ meeting.</u></b></p>	Revised in accordance with current laws and regulations and actual needs.
Amendment 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 June18, 2015</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 June18, 2015</p>	New amendment date added.

Appendix 12: Comparison Table for the “Endorsement and Guarantee Procedures” Before and After Revision

<b>Article</b>	<b>After Revision</b>	<b>Before Revision</b>	<b>Remarks</b>
	<u><i>The 8th amendment was on May 31, 2019</i></u>		

# **ANNEX**

# **Lungyen Life Service Corp.**

## **Rules and Procedures of Board of Directors Meetings**

Last amended on May 7, 2018

- Article 1 In order to establish a solid governance system, enhance the supervision capability and strengthen the management function of the Board of Directors, hereby adopt these Rules and Procedures pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2 With respect to the Board of Directors Meetings (“Board Meeting”) of the Company, the main agenda items, working procedures required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provision of these Rules and Procedures.
- Article 3 The Board of Directors shall meet at least quarterly.  
A notice of the reasons for convening a Board Meeting shall be given to each Director before 7 days prior to the Meeting is convened via written notice, e-mail or fax. In emergency circumstances, however, a Board Meeting may be called whenever necessary.  
All matters set forth under Article 12, paragraph 1 of these Rules and Procedures shall be specified in the notice of the reasons for convening a Board Meeting. None of those matters may be raised by an extempore motion except in the case of an emergency or for other legitimate reason.
- Article 4 The designated unit responsible for the Board Meetings of the Company shall be the Board Secretary.  
The unit responsible for board meeting shall draft items and prepare sufficient meeting materials, and shall deliver them together with the notice of the Meeting. A Director who is of the opinion that the meeting material provided are insufficient may request their supplementation by the unit responsible for Board Meetings. If a Directors is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.
- Article 5 When a Board Meeting is held, an attendance book shall be provided for signing-in by attending Directors, which shall be made available for future reference.  
Directors shall attend Board Meetings in person. A Director unable to attend in

person may appoint another Director to attend the Meeting in his or her place in accordance with the Company's "Article of Incorporation". Attendance by videoconference will be deemed attendance in person.

A Director who appoints another Director to attend a Board Meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the Meeting. The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 6 A Board Meeting shall be held at the premises and during the business hour of the Company. Or at a place and time convenient for all Directors to attend and suitable for holding Board Meetings.

Article 7 Board Meetings shall be convened and chaired by the Chairperson of the Board. However, with respect to the first Meeting of each newly elected Board of Directors, it shall be called and chaired by the Director that received votes representing the largest portion of voting right at the Shareholders Meeting in which the Directors were elected; if two or more Directors are so entitle to convene the Meeting, they shall select from among themselves one Director to serve as Chair.

When the Chairperson of the Board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave of for any reason unable to exercise the posers of vice chairperson, the chairperson shall appoint one of the Managing Directors to act, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. If no such designation is made by the chairperson, the Managing Directors or Directors shall select one person from among themselves to serve as Chair.

Article 8 When a Board Meeting is held, the Finance Section shall furnish the attending Directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a Board Meeting, personnel form a relevant department or a subsidiary may be notified to attend the Meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the Meeting as non-voting participants and to make explanatory statements, provided that they shall leave the Meeting when deliberation or noting takes place. The Chair shall call the Board Meeting to order at the appointed meeting time and when more than one-half of all the Directors are in attendance. If one-half of all the Directors are not in attendance at the appointed meeting time, the Chair may



announce postponement of the meeting time, provided that no more than two such postponements may be made. IF the quorum is still not met after two postponements, the Chair shall reconvene the Meeting in accordance with the procedures in Article 2, paragraph 2.

The number of “all Directors”, as used in the preceding paragraph and in Article 16, paragraph 2, shall be counted as the number of Directors then actually in office.

Article 9 Proceedings of a Board Meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum for 5 years. The record may be retained in electronic form. IF any litigation arises with respect to a resolution of a Board Meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation. Where a Board Meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 10 Agenda items for regular Board Meetings of the Company shall include at least the following:

1. Matters to be reported:
  - A. Minutes of the last meeting and action taken;
  - B. Important financial and business matters;
  - C. Internal audit activities;
  - D. Other important matters to be reported.
2. Matters for discussion:
  - A. Items for continued discussion from the last meeting;
  - B. Items for discussion at this meeting.
3. Extempore motions

Article 11 A Board Meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of Directors in attendance at the Board Meeting.

The Chair may not declare the Meeting closed without the approval of a majority of the Directors in attendance at the Meeting.

At any time during the course of a board meeting, if the number of Directors sitting at the meeting does not constitute a majority of the attending Directors, then upon the motion by a Director sitting at the Meeting, the Chair shall declare a suspension of the Meeting, in which case Article 8, paragraph 3 shall apply mutatis mutandis.

Article 12 The matters listed below as they relate to the Company shall be raised for

discussion at a Board Meeting:

1. The Company's business plan;
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA);
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the validity of the internal control system;
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others;
5. The offering, issuance, or private placement of equity-type securities;
6. The appointment or discharge of a financial, accounting, or internal audit officer;
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for retroactive recognition;
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report of the most recent year (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph). The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current Board of Directors Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

With respect to a matter that, under Article 14-3 of the Securities and Exchange Act, must be approved by resolution at a Board Meeting, any and all Independent

Directors of the Company shall attend the Meeting in person or appoint another Independent Director to attend the Meeting as proxy. If an Independent Director objects to or expresses reservations about such a matter, it shall be recorded in the Board Meeting minutes; if an Independent Director intends to express an objection or reservation but is unable to attend the Meeting in person, then unless there is a legitimate reason to do otherwise, that Director shall issue a written opinion in advance, which shall be recorded in the Board Meeting minutes.

Article 13 When the Chair at a Board Meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a Board Meeting, if no attending Director voices an objection following an inquiry by the Chair, the proposal will be deemed approved. If there is an objection following an inquiry by the Chair, the proposal shall be brought to a vote.

“Attending Directors”, as used in the preceding two paragraphs, does not include Directors that may not exercise voting rights pursuant to Article 15, paragraph 1. One voting method for proposals at a Board Meeting shall be selected by the Chair from among those below, provided that when an attending Directors has an objection, the Chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine;
2. A roll call vote;
3. A vote by ballot;
4. A vote by a method selected at the Company’s discretion.

Article 14 Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a Board Meeting shall require the approval of a majority of the Directors in attendance at a Board of Directors Meeting attended by a majority of all Directors. When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If anyone among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a note on a proposal requires monitoring and counting personnel, the Chair shall appoint such personnel, providing that all monitoring personnel shall be Directors. Voting results shall be made know on-site immediately and recorded in writing.

Article 15 If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the import aspects of the

interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on the item, and may not exercise voting rights as proxy for another Director.

Where a Director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a Board Meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.

Article 16 Discussions at a Board Meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting;
2. The name of the Chair;
3. The Directors' attendance at the Meeting, including the names and the number of Directors in attendance, excused, and absent;
4. The names and titles of those attending the Meeting as non-voting participants;
5. The name of the minute taker;
6. The matters reported at the Meeting;
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by Directors, experts, or other persons; the name of any Director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the Meeting that were included in records or stated in writing; and any opinion issued in writing by an Independent Director pursuant to Article 12, paragraph 4;
8. Extempore motions: the name of the mover, the method of resolution and the result, a summary of the comments of any Director, expert, or other person; the name of any Director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspect of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements;
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a Board Meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from

the date of the Meeting.

1. Any objection or expression of reservations by an independent Director expresses of which there is a record or written statement;
2. A resolution is adopted with the approval of two-thirds or more of all Directors, without having been passed by the audit committee of the Company.

The attendance book constitutes part of the minutes for each Board Meeting and shall be retained for the duration of the existence of the Company.

The minutes of a Board Meeting shall bear the signature or seal of both the Chair and the minute taker, and a copy of the minutes shall be distributed to each Director and Supervisor within 20 days after the Meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may be produced and distributed in electronic form.

Article 17 With the exception of matters required to be discussed at a Board Meeting under Article 12, paragraph 1, when the Board of Directors appoints a party to exercise the powers of the Board in accordance with applicable laws and regulations or the Company's "Articles of Incorporation", the levels of such delegation and the content or matters it covers shall be definite and specific, and the execution condition shall be report to the Board of Directors Meeting.

Article 18 These Rules and Procedures shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting.

The 1st amendment was on January 1, 2007

The 2nd amendment was on March 31, 2011

The 3rd amendment was on March 19, 2012

The 4th amendment was on March 14, 2013

The 5th amendment was on November 7, 2017

The 6th amendment was on May 7, 2018

# **Lungyen Life Service Corp.**

## **Articles of Incorporation**

Last amended on June 20, 2018

### **Section I – General Provisions**

Article 1           The Company shall be incorporated, as a company limited by shares, under the Company Law, and its name shall be 龍巖股份有限公司 in the Chinese language, and “Lungyen Life Service Corp. in the English language.

Article 2           The scope of business of the Company shall be as follow:

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. JJ801030 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 provide endorsement and guarantee and act as a guarantor.

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 shall have 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

## **Section II – Capital Stock**

Article 7 The Company's authorized capital stock amounts to NT\$6 billion with 600 million shares issued at a par value of NT\$10. The Board of Directors is authorized to have stock shares issued separately, in which, NT600 million divided into 60 million shares at a par value of NT\$10 shall be reserved for subscription when the stock option is exercised

Article 8 All shares certificates of the Company shall be issued in registered form after being signed by or affixed with the seal of at least 3 Directors, sequentially numbered 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 may issue registered stock without printing share certificates, provided that, any shares shall be recorded by a centralized securities custodian.

Article 9 All matters regarding the Company's shares shall be conducted in accordance with the "Criteria Governing Handling of Stock Affairs by Public Stock Companies" and other relevant laws and regulations.

## **Section III – Shareholders' Meeting**

- Article 10 Shareholders' meetings may be ordinary meetings and extraordinary shareholders' meetings. Ordinary meetings shall be convened annually within six months after the end of each fiscal year. Extraordinary meetings shall be convened when necessary in accordance with applicable laws. A notice with purpose(s) for convening the meeting shall be sent to all shareholders at least thirty (30) days in advance for an ordinary meeting and fifteen (15) days in advance for an extraordinary meeting.
- Article 11 The shareholders' meeting shall be chaired by Chairperson of the Board of Directors. In the event the Chairperson of the Board of Directors is absent, one director shall be designated to serve as Chair; in the absence of such a designation, the directors shall elect one among themselves to serve as Chair.
- Article 12 Each share shall be entitled to one vote, except those with restricted voting rights or no voting rights granted under Article 179 of the Company Act. Shareholders may execute their voting rights in writing or via an electronic voting system. The voting method shall be stated in the meeting notice for shareholders' meeting.
- 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 or 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 Company's resolution shall only be reached when the meeting is attended by shareholders representing more than one half of the total issued shares and the resolution is approved by the majority of valid vote present at the meeting, unless otherwise provided for in the Company Act.
- Article 15 The resolutions reached in the shareholders' meeting shall be documented in the minutes of the meeting in accordance with Article 183 of the Company Act

#### **Section IV –Board of Directors and Audit Committee**

- Article 16 The Company shall have 11 Directors who are competent individuals elected in the shareholders' meeting. The term of office for Directors shall be three year, and all Directors shall be eligible for re-election. The registered shares held by Directors 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 3 to 5 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 Act.



The election of Independent Directors and Directors shall be held together; provided, however, the number of Independent Directors and Directors elected shall be calculated separately.

The professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election of Independent Directors shall be handled in accordance with Securities and Exchange Act and relevant regulations.

Article 16-2 In compliance with Article 14-4 of the Securities and Exchange Act, the Company shall establish the Audit Committee, which shall be composed of the entire number of Independent Directors.

Scope of responsibilities and regulations for the Company's Audit Committee shall be governed by relevant laws and regulations.

Article 16-3 A notice of convening a Board meeting shall be given to each Director in writing, via electronic mail or fax before 7 days prior to the meeting date.

Article 17 In the event that no new Directors can be elected immediately after the expiration of a term of office, the current Directors shall continue to perform their duties until the new Directors are elected and assume their office. However, the competent authority may demand the Company to elect new Directors within a certain time period or the current Board of Directors may be dismissed automatically on the expiration of the term of office.

Article 18 The Board of Directors shall be organized by the Directors. The Chairperson of the Board of Directors shall be elected among Directors by a majority of the Directors present at a meeting attended by two-thirds of all Directors. The Chairperson of the Board of Directors shall be the authorized representative of the Company externally and execute all matters of the Company in accordance with relevant laws, regulations and resolutions of the Board meeting and Shareholders' internally.

Article 19 The Company's business policies and other important matters shall be resolved by the Board of Directors. Except for the first board meeting, each term shall be convened by the Board of Directors in accordance with Article 203 of the Company Act, the Chairperson of the Board of Directors shall convene and chair Board meetings thereafter. In the event that the Chairperson of the Board of Directors is unable to perform his/her duties, the Chairperson of the Board of Directors shall designate a representative to act on his/her behalf; however, in the absence of such a designation, a representative shall be elected from among the Directors.

Article 20 Except where otherwise provided by the Securities and Exchange Act and the

Company Act, the passage of a proposal at a Board meeting shall require the approval of a majority of the Directors in attendance at a Board of Directors meeting attended by a majority of all Directors. A Director unable to attend in person may issue a proxy stating the scope of authorization with respect to the reasons for convening the meeting to appoint another Director to attend the meeting. Any proxy may be appointed by one person only.

Directors attending the Board meeting through a video conference will be deemed attendance in person.

Article 21 The resolutions of the Board meeting shall be documented in the meeting minutes and signed or sealed by the Chairperson, and distributed to Directors within 20 days after the meeting. The minutes shall record the essentials and results of the proceedings and preserved with the attendance book and proxy in the Company.

Article 22 Deleted

Article 23 The remuneration payable to the Chairperson of the Board of Directors, Directors and Independent Directors shall be decided at the Board meeting according to their contributions to the Company and also with reference to the industry payout standard. The Board of Directors may, depending on the actual needs, acquire liability insurance for all the Directors throughout the service term with the attendance of a majority of the directors and the consent of a majority of the directors present.

#### **Section V – Management and Employees**

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

Article 25 Deleted

#### **Section VI – Accounting**

Article 26 The fiscal year for the Company shall be from January 1 of each year to December 31 of the same year.

Article 27 After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the ordinary shareholders meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning Appropriation of Earning or Covering of Losses

Article 28 The Company shall set aside not less than 1% of its annual profit, if any, as employee bonus and not more than 2% as compensation to Directors; provided,

however, that the Company shall have reserved a sufficient amount to offset its accumulated losses, if any.

Employ bonus may be distributed in the form of stocks or cash. The employees qualifying for such distribution may include qualified employees of subsidiaries of the Company.

- Article 28-1 The Company shall not pay dividends when there are no earning for a certain fiscal year. Before paying dividends, the Company shall first pay out taxes, offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Company; and then set aside special capital reserve or reverse special capital reserve for the decrease in shareholders' equity of the year. The remainder earning after paying dividends shall be distributed according to an appropriation plan proposed by the Board of Directors and approved in the shareholders' meeting.
- The Company's dividend policy was set up to protect shareholders' rights and fulfill the capital demand according to future capital plan. Dividends may be distributed in the form of stocks or cash, of which the cash dividends shall be considered first and not less than 10% of the total shareholders' bonus.

## **Section VII – Supplementary Provisions**

- Article 29 The organizational rules and by-laws of the Company shall be prescribed by the Board of the Directors.
- Article 30 Any matters not provided for in these Articles of Incorporation shall be governed by the Company Act and other relevant laws and regulations.
- Article 31 These Articles of Incorporation were made on February 27, 1987 and amended on:  
The 1<sup>st</sup> amendment: March 20, 1987.  
The 2<sup>nd</sup> amendment: January 18, 1991.  
The 3<sup>rd</sup> amendment: September 2, 1992.  
The 4<sup>th</sup> amendment: December 31, 1993.  
The 5<sup>th</sup> amendment: March 1, 1995.  
The 6<sup>th</sup> amendment: July 15, 1996.  
The 7<sup>th</sup> amendment: March 19, 1997.  
The 8<sup>th</sup> amendment: April 26, 1997.  
The 9<sup>th</sup> amendment: October 24, 1997.  
The 10<sup>th</sup> amendment: May 18, 1998.  
The 11<sup>th</sup> amendment: December 4, 1998.  
The 12<sup>th</sup> amendment: May 6, 1999.  
The 13<sup>th</sup> amendment: June 22, 2001.

The 14<sup>th</sup> amendment: June 30, 2002.  
The 15<sup>th</sup> amendment: February 8, 2006.  
The 16<sup>th</sup> amendment: February 8, 2006.  
The 17<sup>th</sup> amendment: June 15, 2007.  
The 18<sup>th</sup> amendment: August 1, 2008.  
The 19<sup>th</sup> amendment: June 10, 2009.  
The 20<sup>th</sup> amendment: October 29, 2009.  
The 21<sup>st</sup> amendment: October 12, 2010.  
The 22<sup>nd</sup> amendment: June 28, 2011.  
The 23<sup>rd</sup> amendment: June 6, 2012.  
The 24<sup>th</sup> amendment: June 17, 2014.  
The 25<sup>th</sup> amendment: June 18, 2016.  
The 26<sup>th</sup> amendment: June 17, 2016.  
The 27<sup>th</sup> amendment: June 20, 2018.

## **Lungyen Life Service Corp.**

### **Procedure for the Acquisition and Disposition of Assets**

Last amended on June 21, 2017

- 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 buy back the money market fund issued by domestic securities investment trust 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 amount reaches the following standards:
  - (1) The Company's paid in capitals does not reach 10 billion, and the trade amount

reaches 500 million.

(2) The Company's paid in capitals reaches 10 billion, and the trade amount reaches 100 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. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.
7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of government bonds.
  - (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

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 shall not be a related party of the Company.

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 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:

- (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:
  - i. The spread between the appraisal results and the transaction amount exceeds 20%.
  - ii. 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.
  1. 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.
  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, or buy back the money market fund issued by domestic securities investment trust, 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.

The 10th amendment was on June 21, 2017

# **Lungyen Life Service Corp.**

## **Procedure for Loaning of Funds**

Last amended on June 21, 2017

### 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 40% 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 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.

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 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. 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.

Where the Company has established the position of independent director, when submitting this procedure to the board of directors for discussion in accordance with the

provisions of the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

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.

The 8th amendment was on June 21, 2017.

# **Lungyen Life Service Corp.**

## **Endorsement and Guarantee Procedures**

Last amended on June 18, 2015

### 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 Procedures set forth below are the guidelines for the Company to provide endorsement and/or guarantee to outside parties.

### Article 3: Scope

The words "endorsement and/or guarantee" used herein are defined as:

1. Financing endorsement and/or guarantee, including:
  - (1) Endorsement/guarantee to customers' notes for cash financing with a discount;
  - (2) Endorsement/guarantee for another company for its financing needs;
  - (3) Endorsement/guarantee to the notes issued by the Company to non-financial institutions and entities for the Company's own financing needs.
2. Endorsement/guarantee of customs duties due from the Company.
3. Other endorsements/guarantees which are not included under paragraphs 1 and 2.

The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan should also follow the policies and procedures set forth herein.

### Article 4: Underlying subject

The party to whom the Company may provide endorsement and/or guarantee include the following:

1. Any company who has business relationship with the Company.
2. Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company.
3. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares.

Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, and the total amount of such endorsement/guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company.

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for

purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be provided.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

#### Article 5: Assessment standards and limitations

1. The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries shall not exceed fifty percent (50%) of the Company's net worth in its latest financial statement.
2. The total amount of the endorsement/guarantee provided by the Company or by the Company and its subsidiaries to any individual entity shall not exceed thirty percent (30%) of the Company's net worth in its latest financial statement.
3. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed 20 times of the total business amount between such party and the Company for the twelve-month period, and shall not exceed thirty percent (20%) of the Company's net worth in its latest financial statements.
4. Endorsement/guarantee provided by the Company to companies held 100% directly or indirectly by the Company, or endorsement/guarantee between companies in which the Company holds 100% of the voting shares, was not restricted by the preceding paragraphs 1 to 3 restrictions.
5. Endorsement/guarantee based on the requirements of the contractual obligations for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such Endorsement/guarantee was not restricted by the preceding paragraphs 1 to 3 restrictions.

#### Article 6: Processing and audit procedures

1. Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors' Meeting for ratification.

2. In case the Company or its subsidiary desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, Finance and related Departments shall evaluate the relevant risks, establish risk control measures and exercise implementation review, as well as regularly report the same to the Audit Committee. For purposes of determining the paid-in capital of the above-mentioned subsidiary receiving any TSMC or TSMC subsidiaries endorsement/guarantee who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be deemed as its paid-in capital.
3. Notes used for issuing endorsement/guarantee and seals of the Company shall be kept separately by persons appointed and authorized by the Chairman. Internal procedures must be followed for sealing and note issuance purposes. The seals for endorsement/guarantee should be the official corporate seals registered with the Ministry of Economic Affairs. When providing endorsement/guarantee to a foreign company, the endorsement/guarantee letter should be executed and signed by the Chairman or the person delegated by the Chairman.

Article 7: Announcement and reporting:

1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
  - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
  - (4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.
4. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Article 8: Control measures:

1. For the Company's endorsements/guarantees matters, the finance and accounting units should establish a Log for the records of the endorsements/guarantees object, amount, the date of the resolutions reached by the Board of Directors, the endorsements/guarantees date and the matters to be carefully assessed.
2. Internal auditors shall perform auditing on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee and continuously track the improvement of the situation.
3. In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion. Where the Company has established the position of independent director, when aforementioned discussion in the Board of Directors, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
4. If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer satisfies the criteria set forth in these procedures, or the amount of endorsement and/or guarantee exceeded the limits, a corrective plan shall be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in the plan.

Article 9: The control procedures for endorsements/guarantees processed by the subsidiaries

1. The Company's subsidiaries may not provide endorsements/guarantees to others without the consent of the Company.
2. The Company's subsidiaries that intend to provide endorsements/guarantees for others should have the Procedures for endorsement and guarantee stipulated for compliance in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ."
3. Subsidiaries that have endorsements/guarantees made for others should have the statement of endorsements/guarantees of the prior months prepared and presented to the Company before the 10th day of each month.
4. The Company's internal auditors shall at least quarterly audit the Procedures for endorsements/guarantees and their implementation with a written record kept for the subsidiaries that make endorsements/guarantees 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

Should there be any violation of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or these procedures that are detrimental to the Company’s interests, the Company’s management and the clerk-in-charge 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 supervisor and then proposed to shareholders’ meeting for discussion, same as for the amendments.

Where the Company has established the position of independent director, when submitting this procedure to the board of directors for discussion in accordance with the provisions of the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 12: If there is any problem in the operation of this procedure, please follow the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" 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 of Procedure for Shareholders Meetings**

- Article 1     The Company's Shareholders' Meeting, unless otherwise provided by law, shall be handled in accordance with the Rules of Procedure for Shareholders' Meetings.
- Article 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.
- Article 3     The attendance and votes of the Shareholders' Meeting are counted by the number of shares.
- Article 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
- Article 5     If the Shareholders' Meeting is convened by the Board of Directors, the Chairperson is to chair the meeting. The Chairperson who is on leave of absence or is unable to perform his/her duty is to be represented by the Vice Chairperson. If there is no Vice Chairperson or if the Vice Chairperson is also on leave of absence or is unable to perform his/her duty, the Chairperson is to appoint one general director to perform this duty. If there is no general director, the Chairperson is to appoint one director to perform this duty. If the Chairperson 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 chairperson to chair the meeting.
- Article 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.
- Article 7     The shareholders' meeting in session should be recorded or filmed and kept for at least one year.
- Article 8     The Chairperson shall declare the board meeting in session. However, the

Chairperson 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 Act if there are insufficient attendees to attend the meeting after two meeting postponements that represent more than one thirds of shareholders.

The Chairperson 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 Act.

Article 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 Chairperson 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 chairperson to continue the meeting at the original meeting place or in a new location after the meeting is adjourned. If the Chairperson has announced the meeting adjourned in violation of the procedures, the shareholders present with a majority of voting rights may elect a chairperson to continue the meeting.

Article 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 Chairperson 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 chairperson and the speaking shareholder. The chairperson must stop the offender from speaking.

Article 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 Chairperson. However, the Chairperson 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.

Article 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.

- Article 13 The Chairperson may have the speech of the shareholder represented in person or by the designated personnel.
- Article 14 The Chairperson of the board meeting is to have the motion in discussion that is ready for balloting put to the vote.
- Article 15 The Chairperson 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.
- Article 16 The Chairperson at his/her discretion may announce the meeting in recess.
- Article 17 Unless otherwise provided in the Company Act 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 Chairperson 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.
- Article 18 For the motion with an amendment or alternative put to vote, the Chairperson 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.
- Article 19 The Chairperson 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."

## Current Shareholdings of Directors

1. Shareholdings of all Directors recorded in the Register of Shareholders on the book closure date (April 2, 2019) of the Annual Meeting of Shareholders all listed below.

Position	Name	Shareholdings Recorded in the Register of Shareholders on the Book Closure Date	
		Shares	%
Chairman	Wish Giver Limited	63,000	0.01%
	Representative: Liu, Wei-Lung		
Director	Wish Giver Limited		
	Representative: Anthony Lee		
Director	Wish Giver Limited		
	Representative: Fujibayashi Ichiro		
Director	ORIX Asia Capital Limited	21,000,000	5.00%
Independent Director	Yeh, Shu	0	0.00%
Independent Director	Wang, Huai	0	0.00%
Independent Director	Wang, Chun-Chung	0	0.00%
<b>Total</b>		<b>21,063,000</b>	<b>5.01%</b>

2. The Company's paid-in capital is NT\$4,200,841,990 with issued outstanding shares totaling 420,084,199 shares. Minimum shareholding requirement for all Directors as a whole shall be 16,803,368 shares.
3. The Company established the Audit Committee thus no requirement on shareholding of Supervisor is applicable.
4. Shareholdings of the Company's Directors all conform to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".
5. Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it also holds the shares of the Company through a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI investment account "). As of April 2, 2019, Wish Giver Limited held 139,855,000 shares of the Company's common stock (including 139,792,000 shares directly held and 63,000 shares held through FINI investment account), accounting for 33.29% of the issued shares of the Company.

## Other Supplementary Explanation

1. Register of shareholders' proposal and candidate of Directors for 2019 Annual Meeting of Shareholders are listed below:
  - (1) In accordance with Article 172-1 of Company Act, shareholders holding 1% or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words.
  - (2) The period the Company accepted shareholders' proposal for the 2019 Annual Meeting of Shareholders was from March 22 to April 2, 2019, which was also announced in the Market Observation Post System web site in accordance to relevant laws and regulations.
  - (3) During the above mentioned period, the Company received no proposal from shareholders.
2. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate:

The Company did not distribute stock dividend for year 2018, so does not applicable.