

# **Lungyen Life Service Corp.**

## **Procedure for Loaning of Funds**

### Article 1: Reference

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

### Article 2: Purpose

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

### Article 3: Underlying subject

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

### Article 4: Assessment standards and limitations

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

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.