

The status of the Company's implementation of corporate governance, any deviation from such implementation of the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
I. Does the Company establish and disclose own corporate practice principles with reference to the Corporate Governance Best Practice Principles (BPP) for TWSE/GTSM Listed Companies?	✓		The Company has established the Code of Corporate Governance Practice. Please refer to 4. Status of Corporate Governance of the Annual Report and our company website (https://www.lungyengroup.com.tw/Page/corporate-governance) for details. No difference from the Corporate Governance BPP has been reported so far.	None
II. Equity structure and shareholders' equity (1) Does the Company establish and implement the internal operation procedures to handle shareholders' suggestions, concern, disputes and litigation matters? (2) Does the Company hold the list of its major shareholders and their ultimate owners?		✓	(1) Although relevant operating procedures have not been established, this Company has established a spokesperson, deputy spokesperson, stock affairs units, investor relations department and legal affairs units to handle relevant shareholder suggestions or disputes. (2) The Company's stock affairs unit was responsible for controlling the relevant information, and keeping in touch with the major	None

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(3) Does the Company establish and execute risk control mechanisms and firewalls between the Company and its affiliates	✓		<p>shareholders. The Company also disclosed the major shareholders and shareholdings of the ultimate controllers of the major shareholders.</p> <p>(3) This Company has established relevant controls in our internal control system and the “Regulations Government Trading Activities with Interested Parties, Specific Parties, and Affiliates of the Group” with reference to applicable laws and regulations.</p>	
(4) Has the company established internal rules prohibiting insider trading on undisclosed information?	✓		<p>(4) This Company has established its own “Procedures for Handling Material Inside Information”. According to Article 6, Confidentiality firewall operations—Personnel, no director, supervisor, managerial officer, or employee with knowledge of material inside information of this Company may disclose such information to others.</p> <p>In addition, referring to the “Procedures for Preventing Insider Trading”, prior to material information announcement, no information of any nature should be announced externally and no unauthorized behavior should be conducted to ensure accuracy and concurrency of information.</p>	

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<p>III. Composition and responsibilities of Board of Directors</p> <p>(1) Does the board of directors establish and implement diversified policies with reference to board formation?</p> <p>(2) After establishing a compensation committee and audit committee by the law, does the company voluntarily establish other functional committees?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has established the “Code of Corporate Governance Practice” on December 26, 2014, and specified that board members should be aware of gender equality and equipped with the knowledge, skills, and competencies required for carrying out their duties. The Company has disclosed the diversity of individual directors on our website: https://www.lungyengroup.com.tw/Page/corporate-governance.</p> <p>(2) Please also refer to the "Operation of the Board of Directors" in the annual report.</p> <p>(3) The Company has set up the audit committee and the remuneration committee before the requirements of the laws and regulations, and voluntarily set up the corporate governance and nomination committee on June 20, 2018. The independent directors acted as convener and the members included the chairman of the company, and corporate governance and CSR experts, total of 3 members. The functional committee members of the board of directors of the Company are as follows.</p>	<p>none</p>

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			<table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Audit Committee</th> <th>Remuneration Committee</th> <th>Corporate Governance and Nomination Committee</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>KELLY LEE</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Yeh, Su</td> <td>✓ (convener)</td> <td>✓</td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Wang, Huai</td> <td>✓</td> <td>✓ (convener)</td> <td>✓ (convener)</td> </tr> <tr> <td>Member</td> <td>Yu, Ying-Chi</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Member</td> <td>Chu, Chu-Yuan</td> <td></td> <td></td> <td>✓</td> </tr> </tbody> </table>	Title	Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee	Chairman	KELLY LEE			✓	Independent Director	Yeh, Su	✓ (convener)	✓		Independent Director	Wang, Huai	✓	✓ (convener)	✓ (convener)	Member	Yu, Ying-Chi		✓		Member	Chu, Chu-Yuan			✓	
Title	Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee																														
Chairman	KELLY LEE			✓																														
Independent Director	Yeh, Su	✓ (convener)	✓																															
Independent Director	Wang, Huai	✓	✓ (convener)	✓ (convener)																														
Member	Yu, Ying-Chi		✓																															
Member	Chu, Chu-Yuan			✓																														
Note: Mr. Wang Chun-Chung, the former independent director of																																		

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(3) Does the company establish board performance evaluation regulations and methods to evaluate board performance every year, and report the results of the performance evaluation to the board of directors, and apply them to the remuneration of individual directors and the reference for nomination renewal?	✓		<p>the Company, resigned on September 15, 2020. The Company will re-elect directors in the 2021 regular shareholder meeting to make up for the number of independent directors.</p> <p>The Corporate Governance and Nominating Committee will meet at least twice a year to supervise the company's corporate governance operations and the nomination and succession of board members, functional committee members and senior managers. Relevant information has been disclosed in the company's official website "Corporate Governance" section. (https://www.lungyengroup.com.tw/Page/corporate-governance)</p> <p>(4) The Company has established the "Procedures for the Evaluation of Board of Directors and Functional Committees" on November 8, 2018. The Board of Directors shall implement at least one performance review each year for the Board of Directors, Directors, Remuneration Committee, Audit Committee and Corporate Governance and Nomination Committee. From 2018, a self-assessment questionnaire has been issued to all board members in</p>	

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			<p>December each year. The performance evaluation of the board of directors is carried out on a regular basis each year to improve the effectiveness of board operations.</p> <p>To measure the performance, the following five aspects are included:</p> <ul style="list-style-type: none"> i. Participation in company operations. ii. Improve the decision quality of the Board iii. Board composition and structure iv. Appointment of directors and continuing training v. Internal control <p>The measurement items of the performance evaluation of directors include the following aspects:</p> <ul style="list-style-type: none"> i. Self-goal achievement ii. Important achievements in the board of directors iii. Self-evaluation and suggestions <p>The measurement items of the performance evaluation of Audit Committee include the following aspects:</p>	

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			<ul style="list-style-type: none"> i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions <p>The measurement items of the performance evaluation of the compensation committee include the following aspects:</p> <ul style="list-style-type: none"> i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions <p>The measurement items of the performance evaluation of the Corporate Governance and Nominating Committee include the following aspects:</p> <ul style="list-style-type: none"> i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions <p>The results of the performance evaluation will be used as a reference for the appointment or nomination of directors in the future, and the results of the performance evaluation of the directors and functional</p>	

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			<p>committee members will be used as a reference for determining their individual salary remuneration. The results of the evaluation and the direction of continuous improvement in the year of 2020 was reported to the board of directors on January 21, 2021.</p> <p>Suggestions and improvements to the Board of Directors and the Functional Committee are as follows:</p> <ul style="list-style-type: none"> i. Strengthen the interaction between the board of directors and the management team, and provide timely guidance on operating performance. ii. Strengthen directors' participation in discussions related to core values, strategic goals, operating plans (annual budget), and overseas business development, and clearly determine the company's strategic goals. iii. Continue to implement E, S, G and integrity management. iv. Strengthen the understanding of internal control of directors and management team members, and the implementation method must keep pace with current regulations to control 	

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(4) Does the company assess the independency of its CPAs?	✓		<p>operating risks.</p> <p>v. Review the retention mechanism of key talents.</p> <p>vi. Improve overall board attendance.</p> <p>(5) The company annually lists the relevant independent evaluation items (Note 2) based on the “CPA’s Independence, Professionalism and Qualification Assessment Method”, and conducts a preliminary assessment of the independence and suitability of the CPA, and obtains the CPA’s “Accountant’s independence declaration (Note 3). The relevant assessment results were submitted to the Audit Committee and the Board of Directors at the 29th meeting of the 12th Board of Directors on May 12, 2020 for discussion as a reference for the appointment of a CPA by the Board of Directors. In summary, the company’s CPA has not violated the situation of detached independence.</p>	
4. Whether the TWSE/GTSM listed companies equipped with qualified and appropriate number of corporate governance personnel, and designated	✓		<p>The Company’s board of directors passed the resolution on May 7, 2018 to establish the board secretary.</p> <p>On the 26th of February, 2019, vice president Liang, Jian-Yun was</p>	None

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<p>corporate governance director to take charge of the affairs related to corporate governance, including but not limited to providing materials needed for the business execution of the directors, supervisors, handling the affairs related to the meetings of the Board of Directors and Shareholders' Meeting, producing the minutes of the meetings of the Board of Directors and Shareholders' Meeting?</p>			<p>appointed as the corporate governance director. Vice president Liang, Jian-Yun has been engaged in legal affairs for more than three years in public companies. The Secretary of the Board of Directors has set up a responsible unit of the Corporate Governance (including matters that promote the integrity of business operations). The main duties are to protect the interests of shareholders and strengthen the functions of the Board of Directors, and to provide the information and the latest regulatory developments related to the operation required by the directors to conduct business and to assisting directors in complying with laws. The related business operations and implementation in 2020 are as follows :</p> <p>(1) Proposing and planning on proper corporate systems and organizational structures to enhance the independence of the Board of Directors, the Company's transparency and the implementation of legal compliance, internal audit and internal control.</p> <p>(2) Consulting the opinions of all directors before the meeting of Board</p>	

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			<p>of Directors to plan on and draft the agendas, and giving notice 7 days prior to the meeting to all directors in order for them to attend the meeting and providing sufficient meeting materials for the directors to have knowledge of the contents of the relevant proposed items. In case of any circumstances where the contents of a proposed item concerns an interested party and such party shall be recused therefrom, prior reminder will be given to the counterpart.</p> <p>(3) For each year, registering the date of the Shareholders' Meeting, within the statutory period, producing and filing before the period the notice of meeting, handbook and agenda and conducting registration of changes after each amendment to the Articles of Incorporation or each election of directors and supervisors.</p> <p>(4) The Company is an enterprise having transparent information and ethical management, which discloses the information related to finance, operations, governance and ethical management according to the laws or in an active way and regularly discusses</p>	

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			<p>the reports on important matters such as implementation of the resolutions of the last meetings, internal audit, operating performance, ethical management and funds utilization at the meetings of the Board of Directors, Audit Committee and Remuneration Committee so that such directors and members of committees can particularly and immediately understand the Company's corporate goals, financial and operating situation to enable them to effectively master and supervise the achievement of corporate governance and operating goals.</p> <p>(5) For the board of directors to apply for at least 6 credits of the "Professional Courses", please refer to the " Important information that helps understand the company's corporate governance practice " in this annual report, and evaluate the purchase of "supervisors and important staff" Liability Insurance"</p>	

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V. Does the company establish mechanisms for communicating with stakeholders and a stakeholder site on the corporate website to appropriately respond to material CSR topics they are concerned about?	✓		<p>The Company has established a stakeholder site, so as to understand and reponse to CSR topics that stakeholders concern about.</p> <p>The Company has established a spokesperson policy and authorized the related department to execute it.</p> <p>The Company maintains good communication channels with financial institutions, shareholders, and employees and regularly releases important announcements and financial data through the Market Observation Post System in accordance with related information disclosure laws and regulations so as to ensure all parties have sufficient information to make judgments for self interest protection.</p> <p>In addition, the Company has established a suggestion box on the Chinese and English investor relations site of the corporate website to respond to topics concerned about by stakeholders.</p>	None
VI. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		<p>This Company has assigned Jih-Sun Securities to handle affairs relating to stock registration and shareholders' meetings of this Company.</p>	None
VII. Disclosure of information (1) Does the Company establish a corporate website				None

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to disclose information concerning financial affairs and corporate governance?	✓		(1) The Company has set up investor relationship websites in both Chinese and English (https://www.lungyengroup.com.tw/Page/investorrelations) and regularly releases financial data, important announcements and information regarding corporate governance through the Market Observation Post System.	
(2) Does the Company use other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesman system, and broadcasting of investor conferences via the company website)	✓		(2) The Company's spokesman system is well-founded, and the Company has assigned specific persons to collect and disclose important information and also set up Chinese and English investor relations web pages. Meanwhile, the Company also calls periodic investor conferences, and the process thereof is posted on the Company's website and disclosed on the M.O.P.S. for access by investors.	
(3) Whether the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as the prescribed period?		✓	(3) The Company's 2019 financial reports are announced and declared within two months after the end of the fiscal year. The first, second, and third quarter financial reports of 2020 and the operating	

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			conditions of each month are also announced before the stipulated period. Although the 2020 financial report was not announced and filed within two months after the end of the fiscal year, the Company voluntarily announced unaudited profits and losses, so that all stakeholders can obtain relevant information as soon as possible.	
VIII. Does the Company have other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchase of insurance for directors and supervisors)?	✓		<p>(1) Implementation of employee rights and employee care: Please refer to "Relationship between employer and employee" of this Annual Report.</p> <p>(2) Investor relations: The Company established a spokesperson policy and Investor Relations Department to handle related matters.</p> <p>(3) Supplier relations: The Company maintains benign interaction with all of its suppliers, customers, and financial institutions.</p> <p>(4) Stakeholders' rights and interests: The stakeholders may communicate with and provide suggestions to the Company, in order to maintain their legal interests and rights.</p> <p>(5) Continuing education of directors: Continuing education of the Company's directors is disclosed at "(8) Important information that helps understand the company's corporate governance practice."</p>	None

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			<p>of this Annual Report.”</p> <p>(6) The Company’s board of directors approved the formulation of "risk management policies and procedures" on November 10, 2020, to ensure the integrity of the Company’s risk management system, and conduct various risk management and assessments through relevant internal regulations. Please refer to “Risk management and evaluation” of this Annual Report.”</p> <p>(7) Customer relations policies: We have allocated a dedicated customer service staff to handle customer complaints.</p> <p>(8) Purchase of director and supervisor liability insurances: The Company has purchased liability insurance for all directors in accordance with Article 23 of the Articles of Incorporation, and reported the amount of insurance, coverage and insurance rate to the most recent board of directors (the 29h of the 13th session on November 10, 2020 Board of Directors). Please refer to the Market Observation Post System for the details.</p>	
IX. Please explain the improvement in terms of the corporate governance evaluation results released by the TWSE over the most recent years, and present the matters to be				

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			<p>enhanced with priority and the measures for further improvement.</p> <p>The Company's governance evaluation has resulted in the outstanding achievements of being honored as one of top 5% of the GTSM listed companies for seven consecutive years. The improvements matters are as follows:</p> <ol style="list-style-type: none"> 1. The 2019 Corporate Social Responsibility Report was finished on July 8, 2020, and the partial Assurance Report by PWC was obtained. 2. The performance evaluation of the board of directors was commissioned by the Taiwan Corporate Governance Association to conduct an external evaluation in 2020. 3. The chairman and general manager of the Company were originally held by the same person. In order to implement the division of powers, the board of directors passed a resolution on September 15, 2020 to appoint former independent director Mr. Wang Chun-Chung as the general manager of the Company, so that the chairman and general manager can exercise their powers separately and strengthen Risk control. Besides, the Company can rely on Mr. Wang Chun-Chung's professional background in accounting and information technology to improve operational efficiency. 	

Note 1: Regardless of picking "Yes" or "No" for the operating status, descriptions shall be provided in the column of brief explanations.