

【Translation】

Stock Code: 5530

Lungyen Life Service
Handbook for the 2018 Annual Meeting of
Shareholders

June 20, 2018

Time: 9:00 am, June 20, 2018 (Wed)

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

Table of Contents

I.	Meeting Procedure	3
II.	Meeting Agenda	4
	1. Matters to Report	5
	(1) Report on the apportionment of Directors' and employees' compensation of the year 2017	
	(2) Report on the operation result of the year 2017	
	(3) Report on the 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"	
	2. Matters for Ratification	6
	(1) Ratification for business report and financial statements of the year 2017	
	(2) Ratification for profit apportionment of the year 2017	
	3. Matters for Discussion (I)	7
	(1) Discussion of the revision of the Company's Articles of Incorporation	
	4. Election	8
	(1) Election for 7 seats of the Company's 13 th Board of Directors (including 3 seats of Independent Directors)	
	5. Matters for Discussion (II)	9
	(1) Proposal for removal of non-compete clause for Directors	
	6. Extempore motions	10
III.	Appendices	11
	1. 2017 Business Report	12
	2. 2017 Audit Committee's Review Report	16
	3. Comparison Table for the 'Rules and Procedures of Board of Directors Meetings' before and after Revision	17
	4. 2017 Independent Auditor's Audit Report and consolidated financial statements	20
	5. 2017 Independent Auditor's Audit Report and individual financial statements	30
	6. 2017 Appropriation of Earnings	40
	7. Comparison table for the 'Articles of Incorporation' before and after revision	41
	8. Director Candidates List (including Independent Directors)	43
IV.	Annex	45
	1. Rules and Procedures of Board of Director meeting (pre-revision)	46
	2. Articles of Incorporation (pre-revision)	53
	3. Rules of Procedure for Shareholder Meetings	60
	4. Procedures for Election of Directors	63
	5. Current Shareholdings of Directors	65
	6. Other supplementary explanation	66

Lungyen Life Service Corp.
Procedure for
2018 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 (I)
- VI. Election
- VII. Matters for Discussion (II)
- VIII. Extempore motions
- IX. Adjournment

Lungyen Life Service Corp.

Agenda for 2018 Annual Meeting of Shareholders

Time: 9:00 a.m., Wednesday, June 20, 2017

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

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 2017
 - (2) Report on the operation result of the year 2017
 - (3) Report on the 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"
4. Matters for Ratification
 - (1) Ratification for business report and financial statements of the year 2017
 - (2) Ratification for profit apportionment of the year 2017
5. Matters for Discussion (I)
 - (1) Discussion of the revision of the Company's "Articles of Incorporation"
6. Election
 - (1) Election for 7 seats of the Company's 13th Board of Directors (including 3 seats of Independent Directors)
7. Matters for Discussion (II)
 - (1) Proposal for removal of non-compete clause for Directors
8. Extempore motions

Matters to Report

Case 1

Summary: Report on the apportionment of Directors' and employees' compensation of the year 2017 is presented for approval

Remarks: 1. The Company's income before tax with deductions from Directors' and employees' compensation for 2017 was NT\$2,114,858,159. It is proposed to apportion NT\$21,148,582 as employees' compensation and NT\$42,297,163 as Directors' compensation. All payment will be made in cash.

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

Case 2

Summary: Report on the operation result of the year 2017 is presented for approval

Remarks: For the business report for the year of 2017, please refer to Appendix 1 (Page 12~15) of the Handbook

Case 3

Summary: Report on the business report and financial statements audited by the Audit Committee for the year of 2017 is presented for approval

Remarks: For the business report and financial statements audited by the Audit Committee for the year of 2017, please refer to Appendix 2 (Page 16) 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: To enhance the Company's corporate governance and comply with Amendments announced by Financial Supervisory Commission, 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 17~19) of the Handbook.

Matters for Ratification

Case 1

(Proposed by the Board of Directors)

Summary: Ratification for business report and financial statements of the year 2017 is proposed for approval

Remarks: 1. For the Company's 2017 business report and financial report (including balance sheet, comprehensive income statement, changes in equity and cash flow statement), please refer to Appendix 4 (page 20~29) and Appendix 5 (page 30~39) 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 profit apportionment of the year 2017 is proposed for approval

Remarks: 1. The Company's net income for 2017 was NT\$1,843,999,285. After setting aside the legal reserve and other equity adjustments, the profit available for appropriation was NT\$1,658,930,518. With addition of beginning retained earnings, the unappropriated retained earnings as of December 31, 2017 were NT\$4,069,493,257. Considering the Company's future investment plan, it is proposed to distribute cash dividends of NT\$ 1,050,210,498 from current profit available for appropriation, which equals NT\$2.5 per share. For the Company's profit distribution table, please refer to Appendix 6 (Page 40) 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 and cash capitalization before the Ex-dividend date, the board of directors is authorized in the shareholders' meeting to deal with the correction needed.

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

5. Hereby apply for approval.

Resolutions:

Matters for Discussion (I)

Case 1

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

Remarks:

1. In order to implement the corporate governance policy and enhance competence and diversity of the Board of Directors, 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 7 (page 41~42) of the Handbook.
2. Hereby apply for discussion.

Resolutions:

Election

Case 1

Summary: Election for 7 seats of the Company's 13th Board of Directors (including 3 seats of Independent Directors)

- Remarks:
1. The Company's Articles of Incorporation provides that the number of total Directors (including Independent Directors) shall be 5~9. Tenure of the 12th Board of Director ended on June 19, 2018, thus it is proposed to elect 7 seats of the Company's 13th Board of Directors (including 3 seats of Independent Directors) in the Annual Meeting of Shareholders. Tenure for the Director-elect will be 3 year, which is from June 20, 2018 to June 19, 2021. Current Directors (including Independent Directors) will end their duty at the end of the Annual Meeting of Shareholders.
 2. The candidate nomination system is adopted for the Company's Director Election in accordance with Article 192-1 of the Company Act. Shareholders shall elect Directors from the candidate list, which has been approved in the Company's 29th Board Meeting of the 12th Board of Directors on May 7, 2018. For candidates' biography and other information, please refer to Appendix 8 (page 43) of the Handbook.
 3. Hereby apply for election.

Election Results:

Matters for Discussion (II)

Case 1

Summary: Proposal for removal of non-compete clause for Directors

- Remarks:
1. Article 209 of the Company Act provides that a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
 2. The Company's Director-elect may invest or operate other company of same or similar business scope and act as Director, thus it is proposed to remove non-compete clause for the candidate list of the 13th Directors in the Annual Meeting of Shareholders. Details of the removal of non-compete clause are listed below.

Type of Candidate	Candidate	Company Name and Position the Candidate Concurrently Serves at
Director	WISH GIVER LIMITED Representative: Liu, Wei-;Lung	Director, Jin Huang Construction Co., Ltd.
Director	WISH GIVER LIMITED Representative: Anthony Lee	Knowtions Research Inc, Board of Directors
Director	WISH GIVER LIMITED Representative: Fujibayashi Ichiro	CEO, Fuji Kogyo Co. Ltd, Japan Director, Lung Life Sciences Ltd. CEO, Tur Bao Si Co. Ltd., Japan Chairman, Tur Bao Si Co. Ltd., Malaysia Chairman & President, Tur Bao Si Co. Ltd., China Managing Supervisor, Fuji Optical Corp., South Korea Supervisor, Hi-Mecha Corp., JP
Independent Director	Yeh, Su	Independent Director, AP Memory Technology Corp. Independent Director, Nova Technology Corp.
Independent Director	Wang, Frank Chun-Chung	Director, Advancedtek International Inc.

3. Hereby apply for resolution.

Resolution:

Extempore Motions

Adjournment

APPENDIX

Appendix 1: 2017 Business Report

Appendix 2: 2017 Audit Committee's Review Report

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

Appendix 4: 2017 Independent Auditor's Audit Report and consolidated financial statements

Appendix 5: 2017 Independent Auditor's Audit Report and individual financial statements

Appendix 6: 2017 Appropriation of Earnings

Appendix 7: Comparison table for the 'Articles of Incorporation' before and after revision

Appendix 8: Director Candidates List (including Independent Directors)

2017 Business Report

The global economy has been rebounding since the second half of 2016 and kept expanding in 2017, implicating the business cycle has entered into the expansion period. Economic recovery of advanced countries boosted global investment, trading and industrial manufacture. Meanwhile, financial markets were getting hot as businesses and consumers regained confidence. Signs of recovery can be seen in many aspects: economic growth performed better than expected, GDP set a new high for recent years, Central Banks like FED and ECB were heading toward a dovish exit, uncertainty was largely reduced and risk preference in the market grew substantially.

US Economy performed very well in 2017 as private investment contributed most of the growth momentum. US dollar has been weak since the second quarter of 2017, which directly stepped up US exports. According to IHS Global Insight's recent forecast, US GDP growth rate for 2018 could achieve 2.7%, 0.5% higher than the previous year, which implicated the optimistic outlook would last for long. On the other hand, EU Economy showed a growing trend for the first three quarters of 2017, indicating the recovery continued. Benefiting from strong overseas demand for IC and machinery products, imports and exports increase 13.22% and 12.55% for 2017 in Taiwan, ending the negative growth trend for two consecutive years. As for the overall economic environment, GDP growth rate for 2017 was 2.86%, which increased 1.5% from the previous year. Forecast for the GDP growth rate for 2018 by Directorate General of Budget, Accounting and Statistics is 2.42%. The overall economy is thought to keep the recovery momentum.

Business performance for the year 2017 and the business plan for 2018 are hereby presented to the Company's shareholders as of follows:

1. Operating results for 2017

Both quantity and quality of the operating results for 2017 were improved remarkably. Revenue quality was enhanced by the policy of cutting expenses and increasing sales in chorus, which raised the gross margin and net margin from 61% and 30% of the previous year to 75% and 43% of 2017. For the revenue amount, total revenues set a new high for recent years thanks to the revenues recognition from construction completion of columbarium and cemetery products. The annual revenues for 2017 reached NT\$5.10 billion, which increased 47.7% from the previous year; net income attributed to owners of parents for 2017 was NT\$1.84 billion, which rose 88.6% from 2016.

As of December 31, 2017, the total consolidated asset was NT\$53.64 billion, increased by 5.2% compared to the previous year; the total liability was NT\$39.73 billion and debt ratio was 74.1%. The proceeds collected for the sales of funeral service, columbarium, and cemetery are booked as advance receipts for the amount of NT\$31.38 billion, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium and cemetery is transferred to the client upon completion. The debt ratio was 37.5% if the company deducted the advance receipts and relative asset amounts.

2. Summary of business plan for 2018

(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 liturgical service provided to effectively increase product penetration rate, to fulfill the primary goal of increasing market share, and to actively explore the Chinese market.

2. Optimize capital allocation to improve financial performance

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

3. Strengthen risk management to solidify business fundamentals

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

4. Improve operational management to enhance corporate value

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

5. Fulfill corporate social responsibility and optimize corporate image

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

(3) Estimated production and sales in 2018 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	7,153
Cemetery	152
Preneed Funeral	13,878
Total	21,183

3. The Company's development strategy

In 2018, we shall focus on planning new columbarium and cemetery products, actively launching various products in terms of different areas and different prices, bundling with columbarium and preneed funeral contract, so as to satisfy various demands from consumer segments. Under the philosophy of integrated funeral services of the entire country, we shall further effectively augment the benefits of Lungyen brand logo and further expand market shares in the funeral service industry.

Penetration of pre-need funeral products still remains at a very low level in Taiwan, leaving much room in the market to expand. Also, population ageing and low fertility continuously encourage the whole funeral market to grow up. We shall continually promote funeral industry reform and create market segmentation, so as to achieve sales continual growth by providing new demands. Meanwhile, we shall be continually strengthen internal control and demand in upgrade quality of services so that the hardware commodities and software services will be continually upgraded.

Other than our efforts on the already well developed business lines and markets in Taiwan, we shall, under the well-designed programs, expand our services toward China. With Long Young Life, the joint-venture platform with Sino-Ocean Group, we started transplanting experience and professionalism of the funeral services into the China market. In addition the Wenzou project, of which land and permit for cemetery development and operation have already been obtained, Long Young will continue developing other desirable projects to expand our business territory.

As always, Lungyen shall render high quality and elaborate thoughtful services. In the efforts of marketing pre-need contracts and tower units, we shall spearhead the entire markets as the leading brand name toward more brilliant tomorrow.

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

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

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

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

Chairman: Liu, Wei-Lung

President: Liu, Wei-Lung

Chief Accountant: Chan, Shu-Juan

2017 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 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. 2018 Annual Meeting of Shareholders

Independent Director: Yeh, Shu

Independent Director: Chang, Show-Lian

Independent Director: Hong, Guo-Chao

March 27, 2018

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 <u>Board Secretary</u>.</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>	<p>The designated unit responsible for the Board Meetings of the Company shall be the <u>Finance Section</u>.</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 the Company’s organization change
12	<p>The matters listed below as they relate to the Company shall be raised for discussion at a Board Meeting:</p> <ol style="list-style-type: none"> 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 <u>and assessment of the validity of the internal control system</u>; 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, 	<p>The matters listed below as they relate to the Company shall be raised for discussion at a Board Meeting:</p> <ol style="list-style-type: none"> 9. The Company’s business plan; 10. 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); 11. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act; 12. 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 	Revised in accordance with current laws and regulations

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

<p>derivatives trading, loans of funds to others, and endorsements or guarantees for others;</p> <ol style="list-style-type: none"> 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. <p>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).</p> <p>The term “within a 1-year period” in the preceding paragraph means a period of 1</p>	<p>others, and endorsements or guarantees for others;</p> <ol style="list-style-type: none"> 13. The offering, issuance, or private placement of equity-type securities; 14. The appointment or discharge of a financial, accounting, or internal audit officer; 15. 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; 16. 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. <p>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).</p> <p>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</p>
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Appendix 3: Comparison Table for the ‘Rules and Procedures of Board of Directors Meetings’ before and after Revision

	<p>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.</p> <p>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.</p>	<p>Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.</p> <p>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.</p>	
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 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</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 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</p>	<p>Added new amendment records</p>

**2017 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, 2017 and 2016, 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, 2017 and 2016, 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.

Key Audit Matters

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, 2017. 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, 2017 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 (18) 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 (1); explanation of goodwill and goodwill impairment can be found in Notes 6 (8) 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, 2017 and 2016 on which we have issued an unmodified opinion.

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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, 2017 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
March 27, 2018

Lungyen Life Service Corp. and Subsidiaries Consolidated Balance Sheets

December 31, 2017 and 2016

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

Assets	12.31.2017		12.31.2016		Liabilities and Equity	12.31.2017		12.31.2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6 (1))	\$ 169,781	-	199,621	-	2100 Short-term loan (Note 6(10) & (22))	\$ 2,824,000	5	7,174,900	14
1110 Financial assets at fair value through profit or loss – current (Note 6 (2), (22) & 8)	1,457,535	3	907,233	2	2170 Payable accounts (Note 6(22) & 7)	464,114	1	444,138	1
1150 Notes receivable, net	16,577	-	9,712	-	2200 Other payable accounts (Note 6(22) & 7)	709,194	1	404,691	1
1170 Accounts receivable, net (Note 7)	1,009,425	2	531,124	1	2230 Current income tax liabilities	249,060	-	88,654	-
1320 Inventories (Note 6 (3), 8 & 9)	14,768,349	28	14,425,211	28	2310 Advance receipts (Note 9)	32,222,626	60	31,668,990	62
1410 Prepayments (Note 7 & 9)	9,548,767	18	8,670,520	17	2399 Other current liabilities - others	<u>8,562</u>	-	<u>11,951</u>	-
1476 Other financial assets – current (Note 6 (9), 7, 8 & 9)	2,374,528	4	2,070,622	4		<u>36,477,556</u>	<u>67</u>	<u>39,793,324</u>	<u>78</u>
1479 Other current assets (Note 7 & 9)	<u>3,497</u>	-	<u>5,055</u>	-	Non-current liabilities:				
	<u>29,348,459</u>	<u>55</u>	<u>26,819,098</u>	<u>52</u>	2530 Corporate bond payable (Note 6(11) & (22))	3,139,651	6	-	-
Non-current assets:					2570 Deferred income tax liabilities	18,994	-	24,287	-
1524 Available-for-sale financial assets – non-current (Note 6 (2), (22) & 8)	8,585,120	16	8,679,735	17	2640 Net defined benefit liability – non-current	31,263	-	30,058	-
1527 Held to maturity financial assets – non-current (Note 6 (2) & (22))	614,832	1	307,915	-	2645 Deposit received (Note 6 (22))	60,931	-	52,802	-
1542 Financial assets carried at cost – non-current (Note 6 (2))	18,992	-	18,992	-	2670 Other non-current liabilities - others	<u>2,981</u>	-	<u>2,981</u>	-
1550 Investment under equity method (Note 6 (4) & (5))	425,480	1	450,296	1		<u>3,253,820</u>	<u>6</u>	<u>110,128</u>	-
1600 Property, plant and equipment (Note 6 (6), 7& 8)	5,844,965	11	5,866,648	12	Total liabilities	<u>39,731,376</u>	<u>73</u>	<u>39,903,452</u>	<u>78</u>
1760 Investment property, net (Note 6 (7) & 8)	6,486,105	12	6,534,031	13	Equity attributable to owners of parent (Note 6(15) & (16)):				
1780 Intangible assets (Note 6 (8) & 7)	764,631	1	775,226	2	3100 Capital stock – common stock	4,200,841	8	3,990,842	8
1840 Deferred income tax assets (Note 6 (15))	805,900	2	801,963	2	3200 Capital surplus	2,519,954	5	1,420,112	3
1980 Other financial assets – non-current	45,761	-	25,159	-	Retained earnings:				
1990 Other non-current assets - others	<u>697,334</u>	<u>1</u>	<u>697,365</u>	<u>1</u>	3310 Legal reserve	1,095,604	2	997,817	2
	24,289,120	45	24,157,330	48	3320 Special reserve	-	-	401,665	1
					3350 Unappropriated retained earnings	4,253,894	8	2,610,784	5
					3400 Other equity interest	<u>458,615</u>	<u>1</u>	<u>397,357</u>	<u>1</u>
					Total equity attributable to owners of parent	12,528,906	24	9,818,577	20
					36xx Non-controlling interest (Note 6(5) & (16))	<u>1,377,297</u>	<u>3</u>	<u>1,254,399</u>	<u>2</u>
					Total equity	<u>13,906,203</u>	<u>27</u>	<u>11,072,976</u>	<u>22</u>
Total Assets	\$ <u>53,637,579</u>	<u>100</u>	<u>50,976,428</u>	<u>100</u>	Total liabilities and equity	\$ <u>53,637,579</u>	<u>100</u>	<u>50,976,428</u>	<u>100</u>

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

January 1 to December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note 6 (13), (18) & 7)	\$ 5,104,378	100	3,463,382	100
5000	Operating cost (Note 6 (13) & 7)	<u>1,293,599</u>	<u>25</u>	<u>1,362,123</u>	<u>39</u>
5900	Operating gross profit (loss)	<u>3,810,779</u>	<u>75</u>	<u>2,101,259</u>	<u>61</u>
	Operating expenses (Note 6 (14) & 7):				
6100	Selling expenses	965,280	19	652,664	19
6200	Administration expenses	<u>620,414</u>	<u>12</u>	<u>599,121</u>	<u>17</u>
6000	Total operating expenses	<u>1,585,694</u>	<u>31</u>	<u>1,251,785</u>	<u>36</u>
6500	Other income and expenses (Note 6(20))	<u>-</u>	<u>-</u>	<u>82,751</u>	<u>2</u>
6900	Operating income (loss)	<u>2,225,085</u>	<u>44</u>	<u>932,225</u>	<u>27</u>
	Non-operating income and expenses (Note 6 (21)):				
7010	Other income	398,736	8	351,579	10
7020	Other gains and losses	(85,410)	(2)	6,694	-
7050	Financial costs (Note 6 (3))	(81,040)	(2)	(87,778)	(3)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (4))	<u>(11,190)</u>	<u>-</u>	<u>803</u>	<u>-</u>
		<u>221,096</u>	<u>4</u>	<u>271,298</u>	<u>7</u>
7900	Operating income before tax	2,446,181	48	1,203,523	34
7950	Less: Income tax expense (Note 6 (15))	<u>264,148</u>	<u>5</u>	<u>135,613</u>	<u>4</u>
8200	Net income	<u>2,182,033</u>	<u>43</u>	<u>1,067,910</u>	<u>30</u>
8300	Other comprehensive income:				
8310	Items that may not be subsequently reclassified to profit or loss:				
8311	Revaluation of defined benefit plans	(669)	-	(971)	-
836	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of foreign statements	(2,157)	-	(5,365)	-
8362	Unrealized losses on available-for-sale financial assets	60,431	1	806,638	23
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>(368)</u>	<u>-</u>	<u>(1,168)</u>	<u>-</u>
	Total items that may be subsequently reclassified to profit or loss	<u>57,906</u>	<u>1</u>	<u>800,105</u>	<u>23</u>
	Other comprehensive income, net	<u>57,237</u>	<u>1</u>	<u>799,134</u>	<u>23</u>
8500	Total comprehensive income	<u>\$ 2,239,270</u>	<u>44</u>	<u>1,867,044</u>	<u>53</u>
	Net income, attributable to:				
8610	Owners of parent	\$ 1,843,999	36	977,840	27
8620	Non-controlling interest	<u>338,034</u>	<u>7</u>	<u>90,070</u>	<u>3</u>
		<u>\$ 2,182,033</u>	<u>43</u>	<u>1,067,910</u>	<u>30</u>
	Total comprehensive income, attributable to:				
8710	Owners of parent	\$ 1,904,588	37	1,775,891	51
8720	Non-controlling interest	<u>334,682</u>	<u>7</u>	<u>91,153</u>	<u>2</u>
		<u>\$ 2,239,270</u>	<u>44</u>	<u>1,867,044</u>	<u>53</u>
	Earnings per share (Note 6(17))				
9710	Basic earnings per share (NTD)	<u>\$ 4.44</u>		<u>2.45</u>	
9810	Diluted earnings per share (NTD)	<u>\$ 4.15</u>		<u>2.45</u>	

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Retained Earnings						Other equity interest			Total equity attributable to owners of parent	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total			
Balance – January 1, 2016	\$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559
Net profit	-	-	-	-	977,840	977,840	-	-	-	977,840	90,070	1,067,910
Other comprehensive income	-	-	-	-	(971)	(971)	(6,533)	805,555	799,022	798,051	1,083	799,134
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	799,022	1,775,891	91,153	1,867,044
Legal reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-	-
Special reserve	-	-	-	387,207	(387,207)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$0.5 per share	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)	-	(199,542)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	7,068	-	-	-	-	-	-	-	7,068	(267,127)	(260,059)
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	345,974	345,974
Balance – September 30, 2016	3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577	1,254,399	11,072,976
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
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-
Cash dividends – NT\$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 increasing	210,000	1,094,100	-	-	-	-	-	-	-	1,304,100	-	1,304,100
Changes in subsidiaries' equity	-	(4,219)	-	-	-	-	-	-	-	(4,219)	4,219	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(216,003)	(216,003)
Balance – September 30, 2017	<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>472,440</u>	<u>458,615</u>	<u>12,528,906</u>	<u>1,377,297</u>	<u>13,906,203</u>

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit (loss) before tax	\$ 2,446,181	1,203,523
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	144,589	172,813
Amortization expense	16,039	16,446
Allowance for doubtful accounts	19,643	11,664
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(25,910)	(58,116)
Interest expense	81,040	87,778
Interest income	(115,984)	(106,690)
Dividend income	(184,701)	(136,969)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	11,190	(803)
Loss (gain) on disposal and scrap of property, plant and equipment	(179)	199
Property, plant and equipment expenses	-	342
Impairment loss on financial assets carried at costs	-	5,140
Disposal of investment gains (losses)	(27,814)	(47,903)
Exchange loss on disposal of financial assets	88,602	69,553
Total adjustments to reconcile profit (loss)	6,515	13,454
Changes in operating assets and liabilities:		
Net changes in operating assets		
Financial assets held for trading	(524,392)	286,984
Financial assets held for trading	(6,865)	13,301
Notes receivable and account receivable, net	(497,884)	(49,688)
Inventories	(343,138)	(885,709)
Biological assets	-	16,421
Prepayments	(759,634)	(225,259)
Other financial assets - current	13,044	65,544
Other current assets	1,507	(698)
Total net changes in operating assets	(2,117,362)	(779,104)
Net changes in operating liabilities:		
Accounts payable	19,978	1,554
Other payable	189,663	(37,086)
Advance receipts	553,636	2,119,119
Other current liabilities	(3,379)	2,645
Net defined benefit liabilities	536	526
Total net changes in operating liabilities	760,434	2,086,758
Total net changes in operating assets and liabilities	(1,356,928)	1,307,654
Total adjustments	(1,350,413)	1,321,108
Cash inflow (outflow) generated from operations	1,095,768	2,524,631
Interest received	109,852	99,347
Dividend received	187,000	136,793
Interest paid	(37,899)	(84,932)
Income taxes refund	-	49,398
Income taxes (paid)	(112,891)	(306,097)
Net cash flows from (used in) operating activities	1,241,830	2,419,140

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	\$ (1,124,127)	(2,804,968)
Proceeds from disposal of available-for-sale financial assets	1,218,123	1,226,136
Acquisition of hold to maturity financial assets	(309,640)	(308,491)
Acquisition of financial assets carried at costs	-	(9,900)
Payment from capital reduction of the financial assets carried at costs	-	2,856
Acquisition of investment using equity method	-	(13,008)
Payment from capital reduction of investee under equity method	11,135	-
Acquisition of property, plant and equipment	(75,765)	(250,233)
Disposal of property, plant and equipment	997,256	
Acquisition of intangible assets	(5,444)	(26,991)
Acquisition of investing real estate	-	(480)
Decrease (increase) in other financial assets - current	(317,515)	33,950
Decrease (increase) in other financial assets - non current	(20,612)	2,127
Cash outflow due loss of control of subsidiaries	-	(134,867)
Decrease (increase) in other non-current assets	15	(39,473)
Net cash flows from (used in) investing activities	(622,833)	(2,323,086)
Cash flow from (used in) financing activities:		
Increase in short-term loans	8,804,100	7,663,400
Decrease in short-term loans	(13,155,000)	(7,729,000)
Issuance of corporate bond	3,113,000	-
Payback of long-term debt	-	(172,700)
Increase (decrease) in guarantee deposits received	8,129	(14,804)
Payment for cash dividends	(504,101)	(199,542)
Capital Increase	1,304,100	-
Change in non-controlling interests	(216,003)	345,974
Net cash flows from (used in) financing activities	(645,775)	106,672)
Effects of foreign exchange rates changes on cash and cash equivalents	(3,062)	(2,480)
Net increase (decrease) in cash and cash equivalents	(29,840)	(13,098)
Cash and cash equivalents at beginning of period	199,621	212,719
Cash and cash equivalents at end of period	\$ 169,781	199,621

**2017 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, 2017 and 2016, 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, 2017 and 2016, 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.

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, 2017. 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, 2017 are stated as follows:

3. Revenues Recognition

Accounting policies regarding revenues recognition can be found Notes 4 (16) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (15) 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 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.

4. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (13) 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 (7) 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 (eg. sales growth rate); and examine weighted average cost of capital and parameters 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.

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 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:

7. 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.
8. 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.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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 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.

11. 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.
12. 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 consolidated financial statements for the year ended December 31, 2017 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
March 27, 2018

Lungyen Life Service Corp. and Subsidiaries
Individual Balance Sheets

December 31, 2017 and 2016

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

Assets	12.31.2017		12.31.2016		Liabilities and Equity	12.31.2017		12.31.2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6 (1) & (18))	\$ 60,066	-	92,129	-	2100 Short-term loan (Note 6 (8) & (18))	\$ 2,792,000	5	7,135,000	14
1110 Financial assets at fair value through profit or loss – current (Note 6 (2), (18) & 8)	1,178,602	2	861,972	2	2170 Payable accounts (Note 6 (18))	350,135	1	308,595	1
1150 Notes receivable, net (Note 6 (18))	16,077	-	9,712	-	2180 Payable accounts – related parties (Note 6 (18) & 7)	38,223	-	39,223	-
1170 Accounts receivable, net (Note 6 (18))	555,505	1	488,491	1	2200 Other payable accounts (Note 6 (18) & 7)	537,363	1	403,764	1
1320 Inventories (Note 6 (3), 8)	11,776,407	23	11,520,116	23	2230 Current income tax liabilities (Note 6 (12))	177,515	-	75,227	-
1410 Prepayments (Note 7 & 9)	8,839,371	17	8,610,171	17	2310 Advance receipts (Note 9)	32,181,387	63	31,386,209	64
1476 Other financial assets – current (Note 6 (18), 7 & 9)	2,255,362	5	1,749,562	4	2399 Other current liabilities - others	<u>31,786</u>	-	<u>30,800</u>	-
1479 Other current assets	<u>1,877</u>	-	<u>3,080</u>	-		<u>36,108,409</u>	<u>70</u>	<u>39,378,818</u>	<u>80</u>
	<u>24,683,267</u>	<u>48</u>	<u>23,335,233</u>	<u>47</u>	Non-current liabilities:				
Non-current assets:					2530 Corporate bond payable (Note 6 (9) & (18) & 7)	3,139,651	6	-	-
1524 Available-for-sale financial assets – non-current (Note 6 (2), (18) & 8)	8,508,339	17	8,576,790	17	2570 Deferred income tax liabilities (Note 6 (12))	18,994	-	24,287	-
1527 Held to maturity financial assets – non-current (Note 6 (2) & (18))	614,832	1	307,915	1	2640 Net defined benefit liability – non-current (Note 6 (11))	31,263	-	30,058	-
1543 Financial assets carried at cost – non-current (Note 6 (2))	17,207	-	17,207	-	2670 Other non-current liabilities - others	<u>60,931</u>	-	<u>52,802</u>	-
1550 Investment under equity method (Note 6 (4))	3,590,587	7	2,509,383	5		<u>3,250,839</u>	<u>6</u>	<u>107,147</u>	-
1600 Property, plant and equipment (Note 6 (5) & 8)	5,711,010	12	5,736,127	12	Total liabilities	<u>39,359,248</u>	<u>76</u>	<u>39,485,965</u>	<u>80</u>
1760 Investment property, net (Note 6 (6) & 8)	6,479,270	12	6,527,196	13	Equity				
1780 Intangible assets (Note 6 (8) & 7)	764,631	1	775,079	2	3100 Capital stock – common stock (Note 6 (13))	4,200,842	8	3,990,842	8
1840 Deferred income tax assets (Note 6 (12))	777,751	1	799,686	2	3200 Capital surplus (Note 6 (13))	2,519,954	5	1,420,112	3
1980 Other financial assets – non-current	44,298	-	22,964	-	Retained earnings:				
1990 Other non-current assets - others	<u>696,962</u>	<u>1</u>	<u>696,962</u>	<u>1</u>	3310 Legal reserve (Note 6 (13))	1,095,601	2	997,817	2
	27,204,887	52	25,969,309	53	3320 Special reserve (Note 6 (13))	-	-	401,665	1
					3350 Unappropriated retained earnings (Note 6 (13))	<u>4,253,894</u>	<u>8</u>	<u>2,610,784</u>	<u>5</u>
						<u>5,349,495</u>	<u>10</u>	<u>4,010,266</u>	<u>8</u>
					3410 Other equity interest:				
					3625 Exchange differences from the translation of foreign institution's financial statements (Note 6(13))	(13,825)	-	(11,300)	-
					Unrealized gain or loss of the available-for-sale financial assets (Note 6(13))				
					Total equity	<u>13,906,203</u>	<u>27</u>	<u>11,072,976</u>	<u>22</u>
Total Assets	<u>\$ 51,888,154</u>	<u>100</u>	<u>49,304,542</u>	<u>100</u>	Total liabilities and equity	<u>\$ 51,888,154</u>	<u>100</u>	<u>49,304,542</u>	<u>100</u>

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

January 1 to December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note 6 (13), (18) & 7)	\$ 3,831,552	100	3,033,180	100
5000	Operating cost (Note 6 (13) & 7)	<u>1,176,602</u>	<u>31</u>	<u>1,175,112</u>	<u>39</u>
5900	Operating gross profit (loss)	<u>2,654,950</u>	<u>69</u>	<u>1,858,068</u>	<u>61</u>
	Operating expenses (Note 6 (14) & 7):				
6100	Selling expenses	721,424	19	584,543	19
6200	Administration expenses	<u>483,881</u>	<u>13</u>	<u>483,894</u>	<u>16</u>
6000	Total operating expenses	<u>1,205,305</u>	<u>32</u>	<u>1,068,437</u>	<u>35</u>
6500	Other income and expenses (Note 6(20))	<u>1,449,645</u>	<u>37</u>	<u>789,631</u>	<u>26</u>
6900	Operating income (loss)				
	Non-operating income and expenses (Note 6 (21)):	414,058	11	381,875	13
7010	Other income	(90,582)	(2)	3,927	-
7020	Other gains and losses	(80,703)	(2)	(84,910)	(3)
7050	Financial costs (Note 6 (3))	<u>358,995</u>	<u>9</u>	<u>9,449</u>	<u>-</u>
7070	Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (4))	<u>601,768</u>	<u>16</u>	<u>310,341</u>	<u>10</u>
		2,051,413	53	1,099,972	36
7900	Operating income before tax	<u>207,414</u>	<u>5</u>	<u>122,132</u>	<u>4</u>
7950	Less: Income tax expense (Note 6 (15))	<u>1,843,999</u>	<u>48</u>	<u>977,840</u>	<u>32</u>
	Net income	\$ 3,831,552	100	3,033,180	100
8300	Other comprehensive income:				
8310	Items that may not be subsequently reclassified to profit or loss:				
8311	Revaluation of defined benefit plans	(669)	-	(971)	-
8360	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of foreign statements	(4,848)	-	(4,097)	-
8362	Unrealized losses on available-for-sale financial assets	67,783	2	804,262	27
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>(1,677)</u>	<u>-</u>	<u>(1,143)</u>	<u>-</u>
	Total items that may be subsequently reclassified to profit or loss	<u>61,258</u>	<u>2</u>	<u>799,022</u>	<u>27</u>
	Other comprehensive income, net	<u>60,589</u>	<u>2</u>	<u>798,051</u>	<u>27</u>
8300	Total comprehensive income	<u>\$ 1,904,588</u>	<u>50</u>	<u>1,775,891</u>	<u>59</u>
	Net income, attributable to:				
	Earnings per share (Note 6(17))				
9750	Basic earnings per share (NTD)	<u>\$ 4.44</u>		<u>2.45</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 4.15</u>		<u>2.45</u>	

Lungyen Life Service Corp. and Subsidiaries
Individual Statements of Changes in Equity
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings						Other equity interest			Non-controlling interest	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total			Total equity attributable to owners of parent
Balance – January 1, 2016	\$3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	\$ 3,990,842	1,413,044
Net profit	-	-	-	-	977,840	977,840	-	-	-	977,840	-	-
Other comprehensive income	-	-	-	-	(971)	(971)	(6,533)	805,555	799,022	798,051	-	-
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	799,022	1,775,891	-	-
Earnings appropriation:												
Legal reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-	-
Special reserve	-	-	-	387,207	(387,207)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$0.5 per share	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)	-	-
Changes in subsidiaries' equity	-	7,068	-	-	-	-	-	-	-	7,068	-	7,068
Balance – September 30, 2016	3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577	3,990,842	1,420,112
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	-	-
Earnings appropriation:												
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-
Cash dividends – NT\$1.2 per share	-	-	-	-	(504,101)	(504,101)	-	-	-	(504,101)	-	-
Other changes in capital reserve												
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	9,961	-	9,961
Capital increasing	210,000	1,094,100	-	-	-	-	-	-	-	1,304,100	210,000	1,094,100
Changes in subsidiaries' equity	-	(4,219)	-	-	-	-	-	-	-	(4,219)	-	(4,219)
Balance – September 30, 2017	\$4,200,842	2,519,954	1,095,601	-	4,253,894	5,349,495	(13,825)	472,440	458,615	12,528,906	\$ 4,200,842	2,519,954

Lungyen Life Service Corp. and Subsidiaries
Individual Statements of Cash Flows
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit (loss) before tax	\$ 2,051,413	1,099,972
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	137,508	141,200
Amortization expense	15,892	15,418
Allowance for doubtful accounts	3,898	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(25,329)	(57,759)
Interest expense	80,703	84,910
Interest income	(103,315)	(102,931)
Dividend income	(179,472)	(136,612)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	(358,995)	(9,449)
Loss (gain) on disposal and scrap of property, plant and equipment	(179)	181
Property, plant and equipment expenses	-	342
Impairment loss on financial assets carried at costs	-	5,140
Disposal of investment gains (losses)	(21,031)	(47,903)
Exchange loss on disposal of financial assets	88,603	69,553
Total adjustments to reconcile profit (loss)	(361,717)	(37,910)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets held for trading	(291,301)	250,540
Notes receivable and account receivable, net	(77,217)	(45,937)
Inventories	(256,291)	(544,681)
Prepayments	(115,005)	(155,605)
Other financial assets - current	(14,180)	41,971
Other current assets	1,203	(738)
Total net changes in operating assets	(752,791)	(454,450)
Net changes in operating liabilities:		
Accounts payable	41,540	(25,348)
Accounts payable – related parties	(1,000)	(34,444)
Other payable	18,640	13,946
Advance receipts	795,178	1,852,258
Other current liabilities	986	17,221
Net defined benefit liabilities	536	526
Total net changes in operating liabilities	855,880	1,824,159
Total net changes in operating assets and liabilities	103,089	1,369,709
Total adjustments	(258,628)	1,331,799
Cash inflow (outflow) generated from operations	1,792,785	2,431,771
Interest received	97,183	95,588
Dividend received	179,648	269,501
Interest paid	(37,562)	(82,063)
Income taxes refund	-	49,398
Income taxes (paid)	(88,484)	(295,440)
Net cash flows from (used in) operating activities	1,943,570	2,468,755

Lungyen Life Service Corp. and Subsidiaries
Individual Statements of Cash Flows
For Year of 2017 and 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(1,115,574)	(2,704,400)
Proceeds from disposal of available-for-sale financial assets	1,183,975	1,226,136
Acquisition of hold to maturity financial assets	(309,640)	(308,491)
Acquisition of financial assets carried at costs	-	(9,900)
Payment from capital reduction of the financial assets carried at costs	-	2,856
Acquisition of investment using equity method	(732,955)	(450,629)
Acquisition of property, plant and equipment	(65,283)	(199,409)
Disposal of property, plant and equipment	997	249
Acquisition of intangible assets	(5,444)	(22,975)
Acquisition of investing real estate	-	(480)
Decrease (increase) in other financial assets - current	(488,503)	358,575
Decrease (increase) in other financial assets - non current	(21,334)	839
Decrease (increase) in other non-current assets	-	(39,071)
Net cash flows from (used in) investing activities	(1,553,761)	(2,146,700)
Cash flow from (used in) financing activities:		
Increase in short-term loans	8,794,000	7,577,000
Decrease in short-term loans	(13,137,000)	(7,669,000)
Issuance of corporate bond	3,113,000	-
Increase (decrease) in guarantee deposits received	8,129	(14,804)
Payment for cash dividends	(504,101)	(199,542)
Capital Increase	1,304,100	-
Net cash flows from (used in) financing activities	(421,872)	(306,346)
Net increase (decrease) in cash and cash equivalents	(32,063)	15,709
Cash and cash equivalents at beginning of period	92,129	76,420
Cash and cash equivalents at end of period	\$ 60,066	92,129

Lungyen Life Service Corp.
2017 Appropriation of Earnings

In NT\$

Item	Amount
Balance – January 1, 2017	2,410,562,739
Add(deduct) :	
Current net income	1,843,999,285
Current change of defined benefit plan actuarial gains and losses	(668,838)
Legal reserve (10% of total earnings)	(184,399,929)
Earnings available for appropriation for 2017	4,069,493,257
Appropriation:	
Cash dividends - 100% (estimate to be NT\$2.5 per share)	(1,050,210,498)
Balance – December 31, 2017	3,019,282,759

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
16	The Company shall have <u>11</u> 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.”	The Company shall have <u>5 to 9</u> 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.”	Revised in view of the Company’s business scale and the diversity of the Directors
16-1	For the number of Directors of the Company referred to above, the <u>3 to 5</u> 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.	For the number of Directors of the Company referred to above, the <u>3</u> 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.	Revised to enhance the Company’s corporate governance
31	These Articles of Incorporation were made on February 27, 1987 and amended on: The 1 st amendment: March 20, 1987. The 2 nd amendment: January 18, 1991. The 3 rd amendment: September 2, 1992. The 4 th amendment: December 31, 1993. The 5 th amendment: March 1, 1995. The 6 th amendment: July 15, 1996. The 7 th amendment: March 19, 1997. The 8 th amendment: April 26, 1997. The 9 th amendment: October 24, 1997. The 10 th amendment: May 18, 1998.	These Articles of Incorporation were made on February 27, 1987 and amended on: The 1 st amendment: March 20, 1987. The 2 nd amendment: January 18, 1991. The 3 rd amendment: September 2, 1992. The 4 th amendment: December 31, 1993. The 5 th amendment: March 1, 1995. The 6 th amendment: July 15, 1996. The 7 th amendment: March 19, 1997. The 8 th amendment: April 26, 1997. The 9 th amendment: October 24, 1997. The 10 th amendment: May 18, 1998.	New amendment records added

Appendix 7: Comparison Table for the “Article of Incorporation” Before and After Revision

<p>The 11th amendment: December 4, 1998. The 12th amendment: May 6, 1999. The 13th amendment: June 22, 2001. The 14th amendment: June 30, 2002. The 15th amendment: February 8, 2006. The 16th amendment: February 8, 2006. The 17th amendment: June 15, 2007. The 18th amendment: August 1, 2008. The 19th amendment: June 10, 2009. The 20th amendment: October 29, 2009. The 21st amendment: October 12, 2010. The 22nd amendment: June 28, 2011. The 23rd amendment: June 6, 2012. The 24th amendment: June 17, 2014. The 25th amendment: June 18, 2016. The 26th amendment: June 17, 2016 <u>The 27th amendment: June 20, 2018</u></p>	<p>The 11th amendment: December 4, 1998. The 12th amendment: May 6, 1999. The 13th amendment: June 22, 2001. The 14th amendment: June 30, 2002. The 15th amendment: February 8, 2006. The 16th amendment: February 8, 2006. The 17th amendment: June 15, 2007. The 18th amendment: August 1, 2008. The 19th amendment: June 10, 2009. The 20th amendment: October 29, 2009. The 21st amendment: October 12, 2010. The 22nd amendment: June 28, 2011. The 23rd amendment: June 6, 2012. The 24th amendment: June 17, 2014. The 25th amendment: June 18, 2016. The 26th amendment: June 17, 2016.</p>	
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Director Candidates List (Including Independent Directors)

Candidates of Director:

Candidate Type	Name	Shares Owned	Education and Work Experience	Institution the Candidate Represents For
Director	Liu, Wei-Lung	63,000	<p>Educational Background: Department of Law, National Taiwan University</p> <p>Work Experience: VP, Kuan Yuan Media VP, Sales and Marketing Division, Lungyen Life Service Co. Ltd. President, Lungyen Life Service Co. Ltd.</p> <p>Current Position: Chairman, Lungyen Life Service Co. Ltd. Director, Jin Huang Construction Co., Ltd.</p>	WISH GIVER LIMITED
Director	Anthony Lee	63,000	<p>Educational Background: BA, University of Toronto, Canada</p> <p>Work Experience: Co-Founder, Knowtions Research Inc,</p> <p>Current Position: CEO, Knowtions Research Inc. Director, Knowtions Research Inc,</p>	WISH GIVER LIMITED
Director	Fujibayashi Ichiro	63,000	<p>Educational Background: Program in Mechanical Engineering, Meisei University, Japan</p> <p>Current Position: CEO, Fuji Kogyo Co. Ltd, Japan Supervisor, Fujiflower Co. Ltd. Dorectpr, Lungding Co. CEO, Tur Bao Si Co. Ltd., Japan Chairman, Tur Bao Si Co. Ltd., Malaysia Chairman & President, Tur Bao Si Co. Ltd., China Managing Supervisor, Fuji Optical Corp., South Korea Supervisor, Hi-Mecha Corp., Japan</p>	WISH GIVER LIMITED
Director	ORIX Asia Capital Limited	21,000,00	Not applicable	ORIX Asia Capital Limited

Appendix 7: Comparison Table for the “Article of Incorporation” Before and After Revision

Candidate of Independent Director:

Candidate Type	Name	Shares Owned	Education and Work Experience	Institution the Candidate Represents For
Independent Director	Yeh, Su	0	<p>Educational Background: PhD in Accounting, UCLA MS in Accounting, University of Texas BA in Economics, National Taiwan University</p> <p>Work Experience: VP and CFO, Chunghwa Telecom Supervisor, Taiwan Cogeneration Supervisor, HannStar Display Independent Director, Phecda Technology Supervisor, Elite Advanced Laser</p> <p>Current Position: Professor, Accounting Department, National Taiwan University Independent Director, AP Memory Technology Independent Director, Nova Technology</p>	None
Independent Director	Wang, Huai	0	<p>Educational Background: Master of Business Administration, NCCU</p> <p>Work Experience: Vice President, Champion Venture Vice President & Partner, KPMG Management Consulting Co. Ltd. Chairman, New Century Technology Co. Board Supervisor, CHC Healthcare Holding</p> <p>Current Position: Secretary General, Taiwan Corporate Governance Association Board Supervisor, Supreme Technology Co. Board Supervisor, CDIB Bio Science Ventures</p>	None
Independent Director	Wang, Frank Chun-Chung	0	<p>Educational Background: BA in Accounting and Mechanical Engineering, The Ohio State University</p> <p>Work Experience: Information Designer, Ohio Department of Development CFO, GM International COO, Titan Corporation Advisor, CIBC Supervisor and member of Remuneration Committee, Headway Technology Co. CPA of Indiana, USA</p> <p>Current Position: CEO and Director Advancedtek International Inc.</p>	None

ANNEX

Annex 1: Rules and Procedures of Board of Director meeting (pre-revision)

Annex 2: Articles of Incorporation (pre-revision)

Annex 3: Rules of Procedure for Shareholder Meetings

Annex 4: Procedures for Election of Directors

Annex 5: Current Shareholding of Directors and Supervisors

Lungyen Life Service Corp.

Rules and Procedures of Board of Directors Meetings

Last amended on March 14, 2013

- 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 Finance Section.
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:

17. The Company's business plan;
18. 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);
19. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act;
20. 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;
21. The offering, issuance, or private placement of equity-type securities;
22. The appointment or discharge of a financial, accounting, or internal audit officer;
23. 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;
24. 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 vote 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 known 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 important 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

Lungyen Life Service Corp.

Articles of Incorporation

Last amended on June 17, 2016.

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 5 to 9 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 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 1st amendment: March 20, 1987.
 - The 2nd amendment: January 18, 1991.
 - The 3rd amendment: September 2, 1992.
 - The 4th amendment: December 31, 1993.
 - The 5th amendment: March 1, 1995.
 - The 6th amendment: July 15, 1996.
 - The 7th amendment: March 19, 1997.
 - The 8th amendment: April 26, 1997.
 - The 9th amendment: October 24, 1997.
 - The 10th amendment: May 18, 1998.
 - The 11th amendment: December 4, 1998.
 - The 12th amendment: May 6, 1999.
 - The 13th amendment: June 22, 2001.
 - The 14th amendment: June 30, 2002.
 - The 15th amendment: February 8, 2006.

The 16th amendment: February 8, 2006.

The 17th amendment: June 15, 2007.

The 18th amendment: August 1, 2008.

The 19th amendment: June 10, 2009.

The 20th amendment: October 29, 2009.

The 21st amendment: October 12, 2010.

The 22nd amendment: June 28, 2011.

The 23rd amendment: June 6, 2012.

The 24th amendment: June 17, 2014.

The 25th amendment: June 18, 2016.

The 26th amendment: June 17, 2016.

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."

Lungyen Life Service Corp.

Procedure for Election of Directors

- Article 1 The Company’s director elections shall be handled in accordance with the “Procedure for Election of Directors.”
- Article 2 The Company’s director elections is handled at the stockholders’ meeting.
- Article 3 The competent individuals of the Company can be elected as directors in accordance with the “Procedure for Election of Directors.” If the government or legal person is the Company’s shareholder, its representatives can be elected as board directors. The letter of appointment should be issued to the designated representatives at the time of applying for registration.
- Article 4 The Company’s Independent Directors shall be elected by nomination in accordance with Article 192-1 of the Company Act.
- Article 5 Adopt a cumulative voting system for electing the Company’s directors. Each stock share is entitled to the number of vote equivalent to the number of directors to be elected. The entire voting rights can be cast for one or more candidates. Independent directors and directors are elected at the same time but with the elected seats counted separately.
- Article 6 The Company’s director election is based on the votes received from highest to lowest. If two or more candidates received the same number of votes, exceeding the seats to be filled, this shall be determined by holding a draw and the Chairman is to make a draw on behalf of the absent candidates.
- Article 7 The Chairman is to appoint the controllers of the ballot and tally clerks before the elections commence to handle election matters.
- Article 8 The Company is to have the ballots prepared and issued; also, coded in accordance with the serial numbers of the attendance cards and with the number of votes detailed.
- Article 9 If the candidate is a shareholder, the elector is to state the candidate name and shareholder account number in the candidate column on the ballot. If the candidate is not a shareholder, the name and identity document number of the candidate should be detailed. If the candidate is a government or institutional shareholder, the name/title of the government or institutional shareholder should be filled in the candidate

column on the ballot, including the name of the representative(s) of the government or institutional shareholder in detail.

- Article 10 Ballots that are found with any of the following are invalid:
- (1) Ballots as defined in accordance with the “Procedure for Election of Directors” are not used.
 - (2) Blank ballots are cast into the ballot box.
 - (3) Ballots are illegible or altered.
 - (4) If the candidate is a shareholder, the account name and shareholder account number are inconsistent with the Register of Shareholders. If the candidate is not a shareholder, the name and identity document number are found to be inconsistent.
 - (5) Ballots, in addition to the candidate account name (name) or shareholder account number (identity document number) and assigned number of suffrage, are found with other texts written.
 - (6) The candidate name filled in the ballots is same as other shareholders and without the shareholder account number or identity document available for identification.
- Article 11 When the total number of votes allocated to the ballots is less than the number of votes held by the electors, the reduced number of votes is deemed as a waiver.
- Article 12 The balloting result should be announced by the chairman immediately at the end of the voting period.
- Article 13 The matters that are not specified in the “Procedure for Election of Directors” should be handled in accordance with the Company Act, the Articles of Incorporation, and the relevant laws and regulations.
- Article 14 The “Procedure for Election of Directors” shall come into force with the resolutions reached at the shareholders’ meeting, same as for the amendments.

Current Shareholdings of Directors

1. Shareholdings of all Directors recorded in the Register of Shareholders on the book closure date (April 22, 2018) 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	Liu, Wei-Lung	0	0.00%
Director	Lee, Shig-Tsung	26,356,332	6.27%
Director	Fujibayashi Ichiro		
Director	Chan, Pai-Lien		
Director	Lin, Chian-Ju		
Director	ORIX Asia Capital Limited	21,000,000	5.00%
Independent Director	Yeh, Shu	0	0.00%
Independent Director	Chang, Show-Lian	0	0.00%
Independent Director	Hung, Huo-Cha	0	0.00%
Total		47,356,332	11.27%

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".

Other Supplementary Explanation

1. Register of shareholders' proposal and candidate of Directors for 2018 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) In accordance with Article 192-1 of Company Act, in case a candidates nomination system is adopted, any shareholder holding 1% or more of the total number of outstanding shares issues by the Company may submit in writing a roster of Director candidate, provided that the total number of Director candidates so nominated shall not exceed the Company's quota of the Directors (including Independent Directors) to be elected.
 - (3) The period the Company accepted shareholders' proposal for the 2018 Annual Meeting of Shareholders was from April 13 to April 23, 2018, which was also announced in the Market Observation Post System web site in accordance to relevant laws and regulations.
 - (4) During the above mentioned period, the Company received no proposal from shareholders expect the nomination for candidate of Directors. The 7 candidates of Directors and Independent Directors nominated have been approve to be qualified by the Board meeting and were entered into the candidate list for the current election.
2. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate:

The Company did not distribute stock dividend for year 2017, so does not applicable.