

**【Translation】**

Stock Code: 5530

**Lungyen Life Service**  
**Handbook for the 2020 Annual Meeting of**  
**Shareholders**

May 29, 2020

**Time:** 10:30 am, May 29, 2020 (Fri.)

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

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**Lungyen Life Service Corp.**  
**Procedure for**  
**2020 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. Extempore motions
- VI. Adjournment

# **Lungyen Life Service Corp.**

## **Agenda for 2020 Annual Meeting of Shareholders**

Time: 10:30 a.m., Friday, May 29, 2020

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

1. Commencement of the Meeting (Reporting the quorum present)
2. Message from the Chairman
3. Matters to Report
  - (1) Report on the apportionment of Directors' and employees' compensation of the year 2019
  - (2) Report on the 2019 operation results
  - (3) Report on the 2019 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 the 2019 business report and financial statements
  - (2) Ratification for the 2019 profit apportionment
5. Extempore motions
6. Adjournment

# Matters to Report

## Case 1

Summary: Report on the apportionment of Directors' and employees' compensation of the year 2019 is presented for approval

Remarks: 1. The Company's income before tax with deductions from Directors' and employees' compensation for 2019 was NT\$2,601,971,590. It is proposed to apportion NT\$26,019,716 as employees' compensation and NT\$52,039,432 as Directors' compensation. All payment will be made in cash.

2. Above compensation to employees and directors has already been reported as expense in 2019. There is no difference between reported amount and proposed distribution amount.

## Case 2

Summary: Report on the 2019 operation results is presented for approval

Remarks: For the business report for the year of 2019, please refer to Appendix 1 (Page 9~12) of the Handbook

## Case 3

Summary: Report on the 2019 business report and financial statements audited by the Audit Committee is presented for approval

Remarks: For the business report and financial statements audited by the Audit Committee for the year of 2019, please refer to Appendix 2 (Page 13~14) of the Handbook

## Case 4

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

Remarks: In conjunction with amendments of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" by Financial Supervisory Commission on January 15, 2020, 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 15~16) of the Handbook.

# Matters for Ratification

## Case 1

(Proposed by the Board of Directors)

Summary: Ratification for the 2019 business report and financial statements is proposed for approval

Remarks: 1. For the Company's 2019 business report and financial report (including balance sheet, comprehensive income statement, changes in equity and cash flow statement), please refer to Appendix 4 (page 17~27) and Appendix 5 (page 28~37) of the Handbook

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

Resolutions:

## Case 2

(Proposed by the Board of Directors)

Summary: Ratification for the 2019 profit apportionment is proposed for approval

Remarks: 1. The Company's net income for 2019 was NT\$2,302,870,983. After setting aside the legal reserve, special reserve and other equity adjustments, with addition of beginning retained earnings, the unappropriated retained earnings as of December 31, 2019 were NT\$9,661,210,584. Considering the Company's future investment plan, it is proposed to distribute cash dividends of NT\$ 1,260,252,597 from current profit available for appropriation, which equals NT\$3.0 per share. For the Company's profit distribution table, please refer to Appendix 6 (Page 38) of the Handbook.

2. Cash dividend is distributed prorated with the amount rounded up to the dollar. Also, it is adjusted by a decimal point from large to small and the account number from front to back in order to match up with the total cash dividends distributed.

3. If the outstanding stock shares are affected and that have caused changes to shareholder's dividend ratio due to the Company's repurchasing treasury shares before the Ex-dividend date, the Chairman is authorized in the shareholders' meeting to deal with the correction needed.

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

5. Hereby apply for approval.

Resolutions:

## **Extemporany Motions**

## **Adjournment**

# **APPENDIX**



## 2019 Business Report

The overall global economy continued to weaken in the first half of 2019. The main reason was still the dispute between China and the United States, which allowed manufacturers to retain fixed capital investment. Fortunately, consumption still supported the global economy to a certain extent. The central banks of major countries have adopted more proactive monetary policies, which has gradually brought the economy to the bottom. In the second half of the year, with the initial agreement of Sino-US trade policy was gradually reached, and the OECD leading indicators continued to rise in the last four months of 2019, it shows that the global economy was in the initial stage of recovery after deceleration, but it was still unstable.

Looking forward to Taiwan's economy in 2020, the deterioration of the COVID-19 during the Chinese New Year holidays has indeed suppressed the situation of economic recovery. Under the influence of various regulatory limitations such as the official closure of the city and delayed construction, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, which originally intended to increase the forecast of Taiwan's economic growth rate of 2020, not only decreased the original forecast by 0.35 percentage, from 2.72% of November, 2019 to 2.37%, also changed the view that this year's growth rate would be better than last year. Although the impact of COVID-19 still continues, various agencies believe that this COVID-19 should not cause a fatal impact to Taiwan's economic growth rate this year. Under the original economic growth trend of more than 2%, the growth affected by the COVID-19 has only slowed down, but not to decline.

Facing the uncertainty of economic and political situation, the Company's management team and all employees still adhere to the spirit of the Company, focusing on the improvement of product and service quality, deepening brand value, and continuously pursuing steady growth. Business performance for the year 2019 and the business plan for 2020 are hereby presented to the Company's shareholders as of follows:

### 1. Operating results for 2019

The Company's 2019 operating results maintained stable in Taiwan, and its projects in China continued to progress. In addition to the core business of funeral service and products, part of investment properties and financial assets were disposed of in 2019, and the disposal income will be invested in the development of the core businesses to strengthen the hardware and software facilities, improve the differentiation of service quality, and continue to pursue growth and industrial innovation. Disposal income also drove the profit growth. The net profit attributable to the parent company was NT\$2.30 billion, an increase of 5.6% over the previous year. The net profit after tax was 52.0%, which was 5.8 percentage points higher than the previous year. Earnings per share reached NT\$5.48, reaching a new high in the past five years.

As of December 31, 2019, the total consolidated asset was NT\$65.11 billion, increased by 2.9% compared to the previous year; the total liability was NT\$45.17 billion and debt ratio was 69.4%. It

includes contract liabilities of NT\$39.0 billion. These contract liabilities are the nature of advance receipts and booked as unrealized income, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium and cemetery is transferred to the client upon completion. The debt ratio was 23.6% if the company deducted the contract liabilities and relative asset amounts.

## 2. Summary of business plan for 2020

### (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

Utilizing the advantages of high-standard facilities in the North, Central and South Cemetery, combined with the unified good quality of the funeral service and cemetery team throughout Taiwan, we integrate customer needs, channels and product diversification, and strengthen sales momentum. Our primary goal is to increase market share. At the same time, we will replicate the successful experience of Taiwan and actively explore overseas markets to become the best funeral service provider in Greater China.

2. Optimize capital allocation to improve financial performance

Closely watch the capital market for appropriate opportunities to plan for suitable funding so as to elevate financial performance. Provide sound operational management procedures in accordance with the latest regulations so as to strengthen operational efficiency. And continuously review and adjust asset allocation, activate asset effectiveness to support the growth of the core business and increase investment income, and continue to create group's profits.

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

Communicate business philosophy through the combination of core business advantages and social care issues, to exercise the synergy of business operations, to continuously feedback to the society, to serve the citizens, and to fulfill the satisfaction of customers, employees, shareholders and other stakeholders.

(3) Estimated production and sales in 2020 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	4,340
Cemetery	258
Preneed Funeral	11,232
<b>Total</b>	<b>15,830</b>

### 3. The Company's development strategy

The society's perception of the life service industry and the concept of consumers are constantly changing. The demand for integration and diversified product planning is a certain trend. We are committed to the improvement of industrial quality, continues to reform the funeral industry and solidify the concept of pre-need funeral service contracts, through the diversification of sales methods and products, to achieve the goal of sustained growth.

Our 2020 development strategy will focus on the planning and design of the cemetery and columbarium in Taiwan and integrate the needs of the pre-need funeral service contract. With the combination of product sales, it is expected to bring integration to customers with one-stop service for funeral and burial across the country.

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious (According to the World Fertility Review latest announcement of fertility rates in countries around the world, Taiwan is ranked as "the last" of the 200 countries in the world), the importance of being "prepared" for the last journey of life will become increasingly apparent. In addition to the life service business as the foundation, the Company will gradually expand its operation into related businesses in the life service industry with a steady spirit. On the other hand, in addition to firmly operate Taiwan's existing market, it will replicate Taiwan's successful experience to actively expand the mainland China market, ally local superior teams to implement the Wenzhou project and continue to develop other high-quality projects to achieve the goal of becoming the best funeral service provider in Greater China.

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

Over the years, the Company has been committed to the reform of the funeral business, and to improve the overall industrial quality as a priority, to arouse the importance of consumer rights protection. The funeral business is being perfected under the relevant regulations by the domestic authorities, which will help improve the efficiency of industrial management, prevent unscrupulous operators from depriving consumers of their rights and interests, and further protect Lungyen's long-term philosophy of integrity management. The Company has been continuously committed to the implementation of corporate governance. It has been rated as the top 5% of OTC Trading companies for five consecutive years in corporate governance assessment. The Board of Directors of the Company has three functional committees, an Audit Committee, a Remuneration Committee, and a Corporate Governance and Nomination Committee, all of which are convened by independent directors. In order to improve the operation of the board of directors, and in accordance with the requirements of the competent authorities in advance, a dedicated corporate governance executive is set up to handle corporate governance related matters.

The function of the board of directors is not only to prevent fraud, but also to create benefits. The Company also listed the effectiveness evaluation of the board of directors as an annual target, and has completed the implementation in 2018 and 2019 and announced the evaluation results on the Company's website. We hope that the board of directors and various functional committees can play the four roles as leadership, supervision, partners, and mentors, and use international best practices as a benchmark to fully urge the management team to achieve the goal of equal excellence in governance and business performance.

Good corporate governance is the presentation of the value of an enterprise's intangible assets. And this asset value represents that the Company will continue to invest in the industry's innovation, provide customers with the highest specifications and the most intimate facilities and services, in an attempt to promote the life service industry to the world and become the world's leading brand in this industry.

The funeral business is a necessity for the people's livelihood; therefore, the sales performance is less affected by the economy. The aging population and the trend of declining birth rate are also the sales momentum of the funeral industry. In perspective, we will continue to uphold the business philosophy of professionalism, integrity and compassion to strengthen operating performance, solid operating foundation, generate outstanding business performance, create greater shareholders' equity, contribute to the prosperity of society and set the record again for national economic development.

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

Chairman: Liu, Wei-Lung

President: Liu, Wei-Lung

Chief Accountant: Chan, Shu-Juan

## **2019 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 Business Report and Financial Statements, of which the individual and consolidated financial reports 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 mentioned above have been audited and concluded to comply with related regulations 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. 2020 Annual Meeting of Shareholders

Convener of the Audit Committee: Yeh, Shu

February 25, 2020

## **2019 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 proposal for profit apportionment, which have been audited and concluded to comply with related regulations 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. 2020 Annual Meeting of Shareholders

Convener of the Audit Committee: Yeh, Shu

April 14, 2020

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

Article	After the Revision	Before the Revision	Remarks
7	<p>Board Meetings shall be chaired by the Chairperson of the Board <u><i>if the meeting is convened by the Chairperson.</i></u> 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.</p> <p><u><i>According to the Company Act Article 203, Item 4 or Article 203-1, Item 3, when Board Meetings are convened by more than half of the Directors, Directors shall select one person from among themselves to serve as Chair.</i></u></p> <p>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.</p>	<p>Board Meetings shall be <u><i>convened and</i></u> 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.</p> <p>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.</p>	<p>Revised in accordance with current laws and regulations.</p>

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

15	<p>If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the import aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on the item, and may not exercise voting rights as proxy for another Director.</p> <p><b><u>When a Director's spouse, second relatives, or a company that has a controlling affiliation with a Director has an interest in the matter at the previous mentioned meeting, the Director shall be deemed to have a stake in the matter.</u></b></p> <p>Where a Director is prohibited by the preceding <u>two</u> paragraphs 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 <u>4</u> of the same Act.</p>	<p>If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the import aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on the item, and may not exercise voting rights as proxy for another Director.</p> <p>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 <u>3</u> of the same Act.</p>	Revised in accordance with current laws and regulations.
18	<p>These Rules and Procedures shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting.</p> <p>The 1<sup>st</sup> amendment was on January 1, 2007</p> <p>The 2<sup>nd</sup> amendment was on March 31, 2011</p> <p>The 3<sup>rd</sup> amendment was on March 19, 2012</p> <p>The 4<sup>th</sup> amendment was on March 14, 2013</p> <p>The 5<sup>th</sup> amendment was on November 7, 2017</p> <p>The 6<sup>th</sup> amendment was on May 7, 2018</p> <p>The 7<sup>th</sup> amendment was on April 11, 2019</p> <p><b><u>The 8<sup>th</sup> amendment was on February 25, 2020</u></b></p>	<p>These Rules and Procedures shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders Meeting.</p> <p>The 1<sup>st</sup> amendment was on January 1, 2007</p> <p>The 2<sup>nd</sup> amendment was on March 31, 2011</p> <p>The 3<sup>rd</sup> amendment was on March 19, 2012</p> <p>The 4<sup>th</sup> amendment was on March 14, 2013</p> <p>The 5<sup>th</sup> amendment was on November 7, 2017</p> <p>The 6<sup>th</sup> amendment was on May 7, 2018</p> <p>The 7<sup>th</sup> amendment was on April 11, 2019</p>	Added new amendment records



**2019 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, 2019 and 2018, 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, 2019 and 2018, 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 of 2019 consolidated financial statements in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, No. 1090360805 announcement of Financial Supervisory Commission, and auditing standards generally accepted in the Republic of China, and 2018 consolidated financial statements 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

#### 1. Revenues Recognition

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

Explanation for key audit matters:

The Company sells columbarium and cemetery products and provides funeral services, prepayments for products and services are paid by cash or installments. Timing of revenues recognition is judged by management team. Besides, as being a listed company, the Company may be affected by external investors and debtors' expectation and internal performance pressure to inflate revenues, which may bring risks to revenues recognition. Therefore, examination on revenues recognition is one of our key audit matters when auditing the Company's consolidated financial reports.

Adaptive auditing processes:

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

#### 2. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (16) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (11) of the consolidated financial report.

Explanation of key auditing matters:

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

Adaptive auditing processes:

- Examine whether the cash generating unit and impairment test process recognized by managers were comprehensive and correct.
- Access the rationality of evaluation method adopted by managers to evaluate receivable amounts; access the accuracy of past forecast made by managers; examine calculating and accounting records of receivable amounts of cash unit evaluated by managers; access

parameters used to estimate cash flow forecast and receivable amounts (e.g. sales growth rate); and examine weighted average cost of capital and parameters (e.g. stock price) 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, 2019 and 2018 on which we have issued an unmodified opinion and an emphasis of matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

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

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

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA: *Zeng, Guo-Yang*

*Lai, Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 0940129108

February 25, 2020

**Lungyen Life Service Corp. and Subsidiaries**

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

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

Assets	12.31.2019		12.31.2018			Liabilities and Equity		12.31.2019		12.31.2018	
	Amount	%	Amount	%		Amount	%	Amount	%		
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100 Cash and cash equivalents (Note 6 (1))	\$ 231,964	-	\$ 194,002	-	2100	Short-term loan (Note 6 (12))	\$ 154,300	-	3,165,300	5	
1110 Financial assets at fair value through profit or loss – current (Note 6 (2) & 9)	9,717,723	15	1,527,182	2	2130	Contract Liability – current (Note 6 (20) & 9)	38,999,745	60	37,755,020	61	
1150 Notes receivable, net (Note 6 (3) & (20))	778	-	6,345	-	2150	Notes payable	7,023	-	7,105	-	
1170 Accounts receivable, net (Note 6 (3) & (20))	8,728,644	14	8,748,396	14	2170	Payable accounts (Note 7)	663,204	1	617,756	1	
1320 Inventory (Note 6(4), 7, & 8)	15,703,976	24	15,440,765	25	2200	Other payable accounts (Note 7)	832,177	2	830,485	1	
1410 Prepayments	215,171	-	251,030	-	2230	Current income tax liabilities (Note 6 (17))	252,002	-	290,179	-	
1460 Non-current assets for sale (net) (Note 6 (5) ,8 & 9)	-	-	2,565,683	4	2280	Lease liability-current (Note 7)	38,318	-	-	-	
1476 Other financial assets – current (Note 6 (12), 8 & 9)	2,686,952	4	2,113,425	3	2310	Advance receipts (Note 10)	892,909	1	834,391	1	
1479 Other current assets (Note 7)	14,048	-	7,600	-	2321	Corporate bonds payable within one year or one business cycle (Note 6 (14))	3,243,019	5	-	-	
1480 Incremental cost of contract acquisition – current (Note 9)	8,124,238	13	7,969,334	13	2399	Other current liabilities - others	6,878	-	7,835	-	
	<u>45,423,494</u>	<u>70</u>	<u>38,823,762</u>	<u>61</u>			<u>45,089,575</u>	<u>69</u>	<u>43,508,071</u>	<u>69</u>	
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1517 Financial assets at fair value through other comprehensive income (Note 6 (2), 8, & 9)	4,543,340	7	10,048,850	17	2530	Corporate bond payable (Note 6 (14))	-	-	3,190,916	5	
1535 Financial assets at amortized cost – non-current (Note 6(2) & 9)	1,463,240	2	1,017,051	2	2570	Deferred income tax liabilities (Note 6 (17))	3,665	-	16,119	-	
1550 Investment under equity method (Note 6 (6) & (7))	945,905	1	1,209,106	2	2640	Net defined benefit liability – non-current (Note 6 (16))	32,601	-	30,686	-	
1600 Property, plant and equipment (Note 6 (8), 7, 8, & 9)	6,078,158	10	5,812,305	9	2645	Deposit received	44,135	-	71,542	-	
1755 Right-of-use assets (Note 6 (9) & 7)	38,318	-	3,893,572	6	2670	Other non-current liabilities - others	2,981	-	2,981	-	
1760 Investment property, net (Note 6 (10), 8, & 9)	3,864,533	6					<u>83,382</u>	<u>-</u>	<u>3,312,244</u>	<u>5</u>	
1780 Intangible assets (Note 6 (11))	755,937	1	759,365	1		<b>Total liabilities</b>	<u>45,172,957</u>	<u>69</u>	<u>46,820,315</u>	<u>74</u>	
1840 Deferred income tax assets (Note 6 (17))	856,719	1	899,795	1	3100	<b>Equity attributable to owners of parent (Note 6(14) &amp; (18))</b>					
1980 Other financial assets – non-current (Note 7)	351,002	1	55,838	-	3200	Capital stock – common stock	4,200,842	7	4,200,842	7	
1990 Other non-current assets - others	786,162	1	773,664	1	3200	Capital surplus	2,519,954	4	2,519,954	4	
	<u>19,683,314</u>	<u>30</u>	<u>24,469,546</u>	<u>39</u>		Retained earnings:					
					3310	Legal reserve	1,498,055	2	1,280,001	2	
					3350	Unappropriated retained earnings	10,373,806	16	6,293,123	10	
					3400	Other equity interest	(156,696)	-	688,453	1	
<b>Total Assets</b>	<u>\$ 65,106,808</u>	<u>100</u>	<u>\$ 63,293,308</u>	<u>100</u>		<b>Total equity attributable to owners of parent</b>	18,435,961	29	14,982,373	24	
					36xx	Non-controlling interest (Note 6 (7) & (18))	1,497,890	2	1,490,620	2	
						<b>Total Equity</b>	<u>19,933,851</u>	<u>31</u>	<u>16,472,993</u>	<u>26</u>	
						<b>Total liabilities and equity</b>	<u>\$ 65,106,808</u>	<u>100</u>	<u>63,293,308</u>	<u>100</u>	

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

For Year Ended December 31, 2019 and 2018

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

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note 6 (5), (15), (20) &amp; 7)</b>	\$ 4,559,348	100	4,957,018	100
5000	<b>Operating cost (Note 6 (15) &amp; 7)</b>	<u>1,343,202</u>	<u>29</u>	<u>1,613,521</u>	<u>33</u>
5900	<b>Operating gross profit (loss)</b>	<u>3,216,146</u>	<u>71</u>	<u>3,343,497</u>	<u>67</u>
	<b>Operating expenses (Note 6 (16),(21) &amp; 7) :</b>				
6100	Selling expenses	617,805	14	981,072	20
6200	Administration expenses	612,176	13	547,579	11
6450	Expected credit losses	<u>16,491</u>	<u>-</u>	<u>7,763</u>	<u>-</u>
6000		<u>1,246,472</u>	<u>27</u>	<u>1,536,414</u>	<u>31</u>
6500	<b>Other income and expenses (Note 6 (22))</b>	<u>139,337</u>	<u>3</u>	<u>145,618</u>	<u>3</u>
6900	<b>Operating income</b>	<u>2,109,011</u>	<u>47</u>	<u>1,952,701</u>	<u>39</u>
	<b>Non-operating income and expenses (Note 6(6), (23) &amp; 7) :</b>				
7010	Other income	598,455	13	433,354	9
7020	Other gains and losses	41,450	1	338,277	7
7050	Financial costs	(72,122)	(2)	(83,273)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	<u>(52,289)</u>	<u>(1)</u>	<u>(42,241)</u>	<u>(1)</u>
		<u>515,494</u>	<u>11</u>	<u>646,117</u>	<u>13</u>
7900	<b>Operating income before tax</b>	2,624,505	58	2,598,818	52
7950	<b>Less: Income tax expense (Note 6 (17))</b>	<u>254,163</u>	<u>6</u>	<u>307,344</u>	<u>6</u>
	<b>Net income</b>	<u>2,370,342</u>	<u>52</u>	<u>2,291,474</u>	<u>46</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss:</b>				
8311	Defined benefit obligation (Note 6(16))	(1,528)	-	791	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	2,712,233	60	481,235	10
8349	Less: Income tax related to non-reclassified items (Note 6 (17))	<u>(164,770)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
	<b>Total items that may not be subsequently reclassified to profit or loss</b>	<u>2,545,935</u>	<u>56</u>	<u>482,026</u>	<u>10</u>
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign statements	(20,898)	-	34,825	1
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	66,432	1	(42,204)	(1)
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	(8,830)	-	(45,815)	(1)
8399	Less: Income tax related to items that may be reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that may be subsequently reclassified to profit or loss</b>	<u>36,704</u>	<u>1</u>	<u>(53,194)</u>	<u>(1)</u>
8300	<b>Other comprehensive income, net</b>	<u>2,582,639</u>	<u>57</u>	<u>428,832</u>	<u>9</u>
	<b>Total comprehensive income</b>	<u>\$ 4,952,981</u>	<u>109</u>	<u>2,720,306</u>	<u>55</u>
	<b>Net income, attributable to:</b>				
8610	Owners of parent	\$ 2,302,871	51	2,180,535	44
8620	Non-controlling interest	<u>67,471</u>	<u>1</u>	<u>110,939</u>	<u>2</u>
		<u>\$ 2,370,342</u>	<u>52</u>	<u>2,291,474</u>	<u>46</u>
	<b>Total comprehensive income, attributable to:</b>				
8710	Owners of parent	\$ 4,882,142	107	2,606,983	53
8720	Non-controlling interest	<u>70,839</u>	<u>2</u>	<u>113,323</u>	<u>2</u>
		<u>\$ 4,952,981</u>	<u>109</u>	<u>2,720,306</u>	<u>55</u>
	<b>Earnings per share (Note 6 (19))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<u>\$ 5.48</u>		<u>5.19</u>	
9850	<b>Diluted earnings per share (NTD)</b>	<u>\$ 4.93</u>		<u>4.70</u>	



**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For Year of 2019 and 2018**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Capital Stock		Retained Earnings			Others			Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Common Stock	Capital Surplus	Legal reserve	Unappropriated Earnings	Total	Exchange differences on foreign translation	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets				
<b>Balance – January 1, 2018</b>	\$ 4,200,842	2,519,954	1,095,601	4,253,894	5,349,495	(13,825)	-	472,440	458,615	12,528,906	1,377,297	13,906,203
Retrospective adjustment due to new accounting standard	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694	-	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600	1,377,297	14,802,897
Net income	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535	110,939	2,291,474
Other comprehensive income	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448	2,384	428,832
Total comprehensive income	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983	113,323	2,720,306
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	184,400	(184,400)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$2.5 per share)	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-	-	-
<b>Balance –December 31, 2018</b>	4,200,842	2,519,954	1,280,001	6,293,123	7,573,124	(24,815)	713,268	-	688,453	14,982,373	1,490,620	16,472,993
Net income	-	-	-	2,302,871	2,302,871	-	-	-	-	2,302,871	67,471	2,370,342
Other comprehensive income	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	-	2,580,799	2,579,271	3,368	2,582,639
Total comprehensive income	-	-	-	2,301,343	2,301,343	(29,728)	2,610,527	-	2,580,799	4,882,142	70,839	4,952,981
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	218,054	(218,054)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$3.0 per share)	-	-	-	(1,260,253)	(1,260,253)	-	-	-	-	(1,260,253)	-	(1,260,253)
Changes in ownership interest in subsidiaries	-	-	-	(3,531)	(3,531)	-	-	-	-	(3,531)	3,531	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	3,261,178	3,261,178	-	(3,425,948)	-	(3,425,948)	(164,770)	-	(164,770)
Obtaining subsidiary equity from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(67,100)	(67,100)
<b>Balance –December 31, 2019</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,498,055</b>	<b>10,373,806</b>	<b>11,871,861</b>	<b>(54,543)</b>	<b>(102,153)</b>	<b>-</b>	<b>(156,696)</b>	<b>18,435,961</b>	<b>1,497,890</b>	<b>19,933,851</b>

Appendix 4: 2019 Independent Auditors' Report  
and consolidated financial statements  
**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
Year Ended December 31, 2019 and 2018  
(expressed in thousands of New Taiwan dollars)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from (used in) operating activities</b>		
<b>Profit (loss) before tax</b>	\$ 2,624,505	2,598,818
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	142,174	127,920
Amortization expense	16,100	17,427
Allowance for bad debt	16,491	7,763
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(75,311)	12,347
Interest expense	72,122	83,273
Interest revenue	(287,052)	(277,761)
Dividend income	(332,984)	(232,871)
Loss (gain) on affiliates under equity method	52,289	42,241
Gain on disposal of non-current assets for sale	(834,167)	-
Loss (gain) on disposal and scrap of property, plant and equipment	(2,534)	1,780
Loss (gain) on disposal of investment property	-	(525)
Loss (gain) on disposal of other assets	-	(347,626)
Loss (gain) on disposal of investment under equity method	(2,331)	6,924
Impairment loss on financial assets	-	5,940
Exchange loss (profit) on financial assets at fair value through other comprehensive income	29,860	(51,860)
Loss on disposal of financial assets at fair value through other comprehensive income	<u>(1,318)</u>	<u>27,734</u>
Total adjustments to reconcile profit (loss)	<u>(1,206,661)</u>	<u>(577,294)</u>
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets at fair value through income	(4,035,230)	53,012
Decrease in notes receivable	5,567	10,232
(Increase) Decrease in account receivable	34,025	(28,893)
Increase in inventories	(263,212)	(672,416)
Decrease in prepayments	40,160	169,335
Disposal of non-current assets for sale	3,406,853	-
Increase in other financial assets	(59,305)	(99,759)
Increase in other current assets	(6,450)	(5,180)
Increase (Decrease) in incremental cost of contract acquisition	(153,341)	183,643
Increase (Decrease) in contract liabilities	1,244,725	(155,281)
Increase in notes payable and accounts payable	45,366	153,642
Increase in other payable	1,212	76,677
Increase in advance receipts	58,518	5,637
Decrease in other current liabilities	(954)	(729)
Increase in defined benefits liabilities	<u>387</u>	<u>214</u>
Total net change in assets and liabilities related to operations	<u>318,321</u>	<u>(309,866)</u>
Total Adjustments	<u>(888,340)</u>	<u>(887,160)</u>
Cash inflow generated from operations	1,736,165	1,711,658
Interest received	251,143	277,891
Dividend received	332,984	232,871
Interest paid	(9,185)	(25,874)
Income taxes (paid)	<u>(426,488)</u>	<u>(368,476)</u>

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

Year Ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

	2019	2018
<b>Net cash flows from (used in) operating activities</b>	<u>1,884,619</u>	<u>1,828,070</u>
<b>Cash flows from (used in) investment activities</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,484,960)	(1,857,471)
Disposal of financial assets at fair value through other comprehensive income	9,574,028	929,548
Return on capital reduction of financial assets at fair value through other comprehensive income	-	893
Distribution from liquidation of financial assets at fair value through other comprehensive income	-	2,551
Acquisition of financial assets at amortized cost	(530,342)	(607,084)
Repayment of financial assets at maturity measured at amortized cost	75,000	-
Acquisition of financial assets measured at fair value through profit and loss	(4,080,000)	-
Acquisition of investment under equity method	(46,563)	-
Disposal of investment under equity method	231,912	1,009
Acquisition of property, plant and equipment	(374,293)	(71,929)
Disposal of property, plant and equipment	2,657	814
Acquisition of intangible assets	(14,311)	(12,161)
Acquisition of investment property	(1,010)	(675)
Disposal of investment property	-	750
Decrease (Increase) in other financial assets - current	(509,730)	215,383
Decrease (Increase) in other financial assets - non current	(295,165)	(10,075)
Decrease (Increase) of other non-current assets	(12,502)	604,302
Acquisition of other non-current assets	-	(293,430)
Cash outflow from loss of control of subsidiaries	-	(17,621)
<b>Net cash flows from (used in) investing activities</b>	<u>2,534,721</u>	<u>(1,115,196)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	13,038,258	8,479,300
Decrease in short-term loans	(16,049,258)	(8,138,000)
Increase in guarantee deposits	(27,407)	10,611
Repayment of lease principal	(13,670)	-
Cash dividends	(1,260,253)	(1,050,210)
Change in non-controlling interests	(67,100)	-
<b>Net cash flows from (used in) financing activities</b>	<u>(4,379,430)</u>	<u>(698,299)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	(1,948)	9,646
Net (decrease) increase in cash and cash equivalents	37,962	24,221
Cash and cash equivalents at beginning of period	<u>194,002</u>	<u>169,781</u>
Cash and cash equivalents at end of period	<u>\$ 231,964</u>	<u>194,002</u>

**2019 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provided a separate opinion on these matter. Key audit matters for the Company's financial statements for the year ended December 31, 2018 are stated as follows:

#### 1. Revenues Recognition

Accounting policies regarding revenues recognition can be found Notes 4 (17) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (18) Revenues.

Explanation for key audit matters:

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

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

Adaptive auditing processes:

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

## 2. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (15) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (10) of the individual financial report.

Explanation of key auditing matters:

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

Adaptive auditing processes:

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

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by

Securities Issuers to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

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

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

Our objective are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors'

report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA: *Zeng, Guo-Yang*

*Lai. Li-Zeng*

Approval issued by the competent securities authority:  
FSC VI. Tzi No. 0940129108  
February 25, 2020



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

December 31, 2019 and 2018

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

	12.31.2019		12.31.2018			12.31.2019		12.31.2018			
	Amount	%	Amount	%		Amount	%	Amount	%		
<b>Assets</b>											
<b>Current Assets :</b>											
1100	Cash and cash equivalents (Note 6 (1) & (22))	\$ 147,352	-	107,666	-	2100	Short-term loan ( Note 6 (11), (22))	\$ -	-	3,089,000	5
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) 、(22) and 9)	9,686,443	16	1,227,298	2	2130	Contract Liability – current ( Note 6 (18) & 9)	38,608,206	62	37,522,150	63
1150	Notes receivable, net (Note 6 (3) ,(18) & (22))	777	-	6,345	-	2150	Notes Payable ( Note 6 (22))	6,941	-	7,027	-
1170	Accounts receivable, net (Note 6 (3), (18) & (22))	8,106,032	13	8,120,727	13	2170	Accounts Payable ( Note 6 (22))	554,219	1	460,468	1
1320	Inventory (Note 6 (4) & 8)	12,991,222	21	12,125,388	21	2180	Accounts Payable-related party ( Note 6 (22) &7)	41,095	-	41,104	-
1410	Prepayments (Note 7)	222,373	-	257,307	-	2200	Other payable accounts ( Note 6 (22) &7)	631,781	1	611,424	1
1460	Non-current assets for sale (net) (Note 6 (5) & 8)	-	-	2,565,683	4	2230	Current income tax liabilities	246,997	-	228,777	-
1476	Other financial assets – current (Note 6 (22), 7 &9)	2,614,956	4	2,146,927	4	2310	Advance receipts ( Note 9)	871,543	1	833,687	1
1479	Other current assets-other	11,578	-	7,567	-	2321	Corporate bonds payable within one year or one business cycle (Note 6 (12), (22) & 7)	3,243,019	5	-	-
1480	Incremental cost of contract acquisition - current	8,024,093	13	7,910,905	13	2355	Lease payables-current ( Note 6 (22))	38,318	-	-	-
						2399	Other current liabilities - others( Note 7)	28,295	-	23,262	-
		<u>41,804,826</u>	<u>67</u>	<u>34,475,813</u>	<u>57</u>			<u>44,270,414</u>	<u>70</u>	<u>42,816,899</u>	<u>71</u>
<b>Non-current assets :</b>											
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), (22), 8 & 9)	4,453,495	7	9,966,394	17	2530	Corporate bond payable (Note 6 (12), (22) & 7)	-	-	3,190,916	5
1535	Financial assets at amortized cost –non-current (Note 6 (2), (22) & 9)	1,463,240	2	1,017,051	2	2570	Deferred income tax liabilities (Note 6 (15))	3,665	-	16,119	-
1550	Investment under equity method (Note 6 (6))	2,807,576	5	3,652,194	6	2640	Net defined benefit liability – non-current (Note 6 (14))	32,601	-	30,686	-
1600	Property, plant and equipment (Note 6 (7), 7, 8 & 9)	5,953,704	10	5,679,403	9	2645	Deposit received (Note 6 (22))	44,135	-	71,542	-
1755	Right-of-use assets (Note 6 (8))	38,318	-	-	-			<u>80,401</u>	<u>-</u>	<u>3,309,263</u>	<u>5</u>
1760	Investment property, net (Note 6 (9), 8 & 9)	3,857,699	6	3,886,738	6			<u>44,350,815</u>	<u>70</u>	<u>46,126,162</u>	<u>76</u>
1780	Intangible assets (Note 6 (10))	755,937	1	759,365	1	<b>Total liabilities</b>					
1840	Deferred income tax assets (Note 6 (15))	818,165	1	854,014	1	<b>Equity:</b>					
1980	Other financial assets – non-current (Note 6 (22) & 7)	48,035	-	44,283	-	3100	Capital stock ( Note 6 (16))	4,200,842	7	4,200,842	7
1990	Other non-current assets - others	785,781	1	773,280	1	3200	Capital surplus ( Note 6 (12) & (16))	2,519,954	4	2,519,954	4
		<u>20,981,950</u>	<u>33</u>	<u>26,632,722</u>	<u>43</u>			Retained earnings:			
						3310	Legal reserve ( Note 6 (16))	1,498,055	2	1,280,001	2
						3350	Unappropriated retained earnings (Note 6 (16))	10,373,806	17	6,293,123	10
								<u>11,871,861</u>	<u>19</u>	<u>7,573,124</u>	<u>12</u>
								Other equity interest:			
						3410	Exchange difference for conversion of financial statements of foreign operating institutions ( Note 6 (16))	(54,543)	-	(24,815)	-
						3420	Unrealized gains and losses on financial assets measured at fair value through other comprehensive income ( Note 6 (16))	(102,153)	-	713,268	1
								<u>(156,696)</u>	<u>-</u>	<u>688,453</u>	<u>1</u>
								<u>18,435,961</u>	<u>30</u>	<u>14,982,373</u>	<u>24</u>
								<u>\$ 62,786,776</u>	<u>100</u>	<u>61,108,535</u>	<u>100</u>
								<b>Total Equity</b>			
								<u>\$ 62,786,776</u>	<u>100</u>	<u>61,108,535</u>	<u>100</u>
								<b>Total liabilities and equity</b>			

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

January 1 to December 31, 2019 and 2018

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

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6 (13), (18) &amp; 7)</b>	\$ 4,027,197	100	4,378,482	100
5000 <b>Operating cost (Note 6 (13))</b>	1,146,307	28	1,552,236	36
5900 <b>Operating gross profit (loss)</b>	2,880,890	72	2,826,246	64
<b>Operating expenses:</b>				
6100 Selling expenses	544,225	14	877,929	20
6200 Administration expenses (Note 6 (19) & 7)	539,521	13	485,396	11
6450 Expected credit impairment loss (gain) (Note 6 (3))	16,491	-	7,763	-
6000 <b>Total operating expenses</b>	1,100,237	27	1,371,088	31
6500 <b>Other income and expenses (Note 6(20))</b>	129,021	3	138,011	3
6900 <b>Operating income (loss)</b>	1,909,674	48	1,593,169	36
<b>Non-operating income and expenses:</b>				
7010 Other income (Note 6 (21) & 7)	592,935	15	463,243	11
7020 Other gains and losses (Note 6(2) & (21))	41,269	1	346,825	8
7050 Financial costs (Note 6 (21))	(69,663)	(2)	(79,419)	(2)
7070 Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (6))	49,761	1	69,751	2
	614,302	15	800,400	19
7900 <b>Operating income before tax</b>	2,523,976	63	2,393,569	55
7950 <b>Less: Income tax expense (Note 6 (15))</b>	221,105	5	213,034	5
<b>Net income</b>	2,302,871	58	2,180,535	50
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that may not be subsequently reclassified to profit or loss:</b>				
8311 Revaluation of defined benefit plans (Note 6 (13))	(1,528)	-	791	-
8316 Unrealized loss on investments in equity instruments at fair value through other comprehensive income	2,704,843	67	476,006	11
8330 Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may not be reclassified to profit or loss	4,022	-	2,845	-
8349 Less: Income tax related to non-reclassified items (Note 6 (15))	(164,770)	(4)	-	-
<b>Total items that may not be subsequently reclassified to profit or loss</b>	2,542,567	63	479,642	11
8360 <b>Items that may be subsequently reclassified to profit or loss:</b>				
8361 Exchange differences on translation of foreign statements	(20,898)	(1)	34,825	1
8367 Unrealized loss on investments in liability instruments at fair value through other comprehensive income	66,432	2	(42,204)	(1)
8380 Share of other comprehensive profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	(8,830)	-	(45,815)	(1)
8399 Less: Income tax related items that may be reclassified	-	-	-	-
<b>Total items that may be subsequently reclassified to profit or loss</b>	36,704	1	(53,194)	(1)
8300 <b>Other comprehensive income, net</b>	2,579,271	64	426,448	10
<b>Total comprehensive income</b>	\$ 4,882,142	122	2,606,983	60
<b>Net income, attributable to:</b>				
<b>Earnings per share (Note 6(17))</b>				
9750 <b>Basic earnings per share (NTD)</b>	\$	5.48		5.19
9850 <b>Diluted earnings per share (NTD)</b>	\$	4.93		4.70

**Lungyen Life Service Corp. and Subsidiaries**  
**Individual Statements of Changes in Equity**  
**For Year of 2019 and 2018**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings		Total	Exchange differences on foreign translation	Others		Total	Total equity
			Legal reserve	Unappropriated Earnings			Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for- sale financial assets		
<b>Balance – January 1, 2018</b>	\$ 4,200,842	2,519,954	1,095,601	4,253,894	5,349,495	(13,825)	-	472,440	458,615	12,528,906
Retrospective adjustment due to new accounting standard	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600
Net income	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535
Other comprehensive income	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448
Total comprehensive income	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	184,400	(184,400)	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$2.5 per share)	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-
<b>Balance – December 31, 2018</b>	4,200,842	2,519,954	1,280,001	6,293,123	7,573,124	(24,815)	713,268	-	688,453	14,982,373
Net income	-	-	-	2,302,871	2,302,871	-	-	-	-	2,302,871
Other comprehensive income	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	-	2,580,799	2,579,271
Total comprehensive income	-	-	-	2,301,343	2,301,343	(29,728)	2,610,527	-	2,580,799	4,882,142
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	218,054	(218,054)	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$3.0 per share)	-	-	-	(1,260,253)	(1,260,253)	-	-	-	-	(1,260,253)
Changes in ownership interest in subsidiaries	-	-	-	(3,531)	(3,531)	-	-	-	-	(3,531)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	3,261,178	3,261,178	-	(3,425,948)	-	(3,425,948)	(164,770)
<b>Balance – December 31, 2019</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,498,055</b>	<b>10,373,806</b>	<b>11,871,861</b>	<b>(54,543)</b>	<b>(102,153)</b>	<b>-</b>	<b>(156,696)</b>	<b>18,435,961</b>

## Lungyen Life Service Corp.

### Statements of Cash Flows

#### For The Twelve Months Ended December 31, 2019 and 2018

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

	2019	2018
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 2,523,976	2,393,569
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	130,332	120,228
Amortization expense	16,100	17,427
Allowance for doubtful accounts	16,491	7,763
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(75,080)	13,868
Interest expense	69,663	79,419
Interest income	(265,657)	(269,358)
Dividend income	(327,869)	(228,582)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(49,761)	(69,751)
Loss (gain) on disposal and scrap of property, plant and equipment	(2,534)	606
Loss (gain) on disposal of investment property	-	(525)
Loss (gain) on disposal of other assets	-	(347,626)
Gain on disposal of non-current assets for sale	(834,167)	-
Disposal of investment gains (losses)	(2,331)	-
Impairment loss on financial assets carried at costs	-	5,940
Exchange (profit) loss on financial assets at fair value through other comprehensive income	29,860	(51,860)
Loss on disposal of financial assets at fair value through other comprehensive income	(1,318)	27,734
Total adjustments to reconcile profit (loss)	(1,296,271)	(694,717)
<b>Changes in operating assets and liabilities:</b>		
Net changes in operating assets:		
Financial assets at fair value through income	(4,304,065)	72,442
Notes receivable and account receivable, net	34,577	154,589
Inventories	(133,831)	(348,981)
Prepayments	38,991	130,511
Other financial assets - current	27,200	39,733
Other current assets	(4,764)	(5,690)
Incremental cost of contract acquisition	(111,624)	215,682
Disposal of non-current assets for sale	3,406,853	-
Total net changes in operating assets	(1,046,663)	258,286
Net changes in operating liabilities:		
Contract liability	1,086,056	(347,397)
Notes payable and accounts payable (including related parties)	90,809	120,241
Other payable	17,636	54,696
Advance receipts	37,850	5,418
Other current liabilities	4,976	(8,524)
Net defined benefit liabilities	387	214
Total net changes in operating liabilities	1,237,714	(175,352)
Total net changes in operating assets and liabilities	191,051	82,934
Total adjustments	(1,105,220)	(611,783)
Cash inflow (outflow) generated from operations	1,418,756	1,781,786
Interest received	229,748	269,488

**Lungyen Life Service Corp.**

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

**For The Twelve Months Ended December 31, 2019 and 2018**

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

	<b>2019</b>	<b>2018</b>
Dividend received	327,869	228,582
Interest paid	(5,961)	(22,021)
Income taxes paid	(344,260)	(240,910)
<b>Net cash flows from (used in) operating activities</b>	<u>1,626,152</u>	<u>2,016,925</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,484,960)	(1,857,468)
Disposal of financial assets at fair value through other comprehensive income	9,574,028	929,099
Distribution from liquidation of financial assets at fair value through other comprehensive income	-	2,551
Acquisition of financial assets at amortized cost	(530,342)	(607,084)
Repayment of financial assets at maturity measured at amortized cost	75,000	-
Acquisition of financial assets mandatory measured at fair value through profit or loss	(4,080,000)	-
Acquisition of investment under equity method	(46,563)	-
Disposal of investment under equity method	231,912	-
Returned capital of liquidation of invested companies under equity method	127	-
Acquisition of property, plant and equipment	(364,341)	(62,245)
Disposal of property, plant and equipment	2,657	318
Acquisition of intangible assets	(12,930)	(12,161)
Cash inflows from mergers	1,456	-
Acquisition of investment real estate	(1,010)	(675)
Disposal of investment property	-	749
Decrease (increase) in other financial assets - current	(526,416)	69,303
Decrease (increase) in other financial assets - non current	(3,752)	15
Disposal of other non-current assets	-	604,302
Acquisition of other non-current assets	(12,502)	(293,430)
<b>Net cash flows from (used in) investing activities</b>	<u>2,822,364</u>	<u>(1,226,726)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	11,682,500	8,435,000
Decrease in short-term loans	(14,790,000)	(8,138,000)
Increase (decrease) in guarantee deposits received	(27,407)	10,611
Payment of lease principal	(13,670)	-
Payment for cash dividends	(1,260,253)	(1,050,210)
<b>Net cash flows from (used in) financing activities</b>	<u>(4,408,830)</u>	<u>(742,599)</u>
Net increase (decrease) in cash and cash equivalents	39,686	47,600
<b>Cash and cash equivalents at beginning of period</b>	<u>107,666</u>	<u>60,066</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 147,352</b></u>	<u><b>107,666</b></u>

## Lungyen Life Service Corp.

### 2019 Appropriation of Earnings

In NT\$

Item	Amount
Balance – January 1, 2019	4,814,815,491
Add(deduct) :	
Current net income	2,302,870,983
Current change of defined benefit plan actuarial gains and losses	(1,527,344)
Adjustment of retained earnings for changes in the ownership of subsidiaries	(3,530,857)
Disposal of equity instrument investments measured at fair value through other comprehensive income, cumulative gains and losses transferred directly to retained earnings	3,261,176,764
Legal reserve (10% of total earnings)	(555,898,955)
Special reserve	(156,695,498)
Earnings available for appropriation for 2019	9,661,210,584
Appropriation:	
Cash dividends (estimate to be NT\$3.0 per share)	(1,260,252,597)
Balance – December 31, 2019	8,400,957,987

Chairman: Liu, Wei-Lung

President: Liu, Wei-Lung

Chief Accountant: Chan, Shu-Juan

# **ANNEX**

# **Lungyen Life Service Corp.**

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

Last amended on April 11, 2019

- Article 1 In order to establish a solid governance system, enhance the supervision capability and strengthen the management function of the Board of Directors, hereby adopt these Rules and Procedures pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2 With respect to the Board of Directors Meetings (“Board Meeting”) of the Company, the main agenda items, working procedures required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provision of these Rules and Procedures.
- Article 3 The Board of Directors shall meet at least quarterly.  
A notice of the reasons for convening a Board Meeting shall be given to each Director before 7 days prior to the Meeting is convened via written notice, e-mail or fax. In emergency circumstances, however, a Board Meeting may be called whenever necessary.  
All matters set forth under Article 12, paragraph 1 of these Rules and Procedures shall be specified in the notice of the reasons for convening a Board Meeting. None of those matters may be raised by an extempore motion except in the case of an emergency or for other legitimate reason.
- Article 4 The designated unit responsible for the Board Meetings of the Company shall be the Board Secretary.  
The unit responsible for board meeting shall draft items and prepare sufficient meeting materials, and shall deliver them together with the notice of the Meeting. A Director who is of the opinion that the meeting material provided are insufficient may request their supplementation by the unit responsible for Board Meetings, and the designated unit shall provide the supplementary materials within 5 days. 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 4-1 All directors of the Company should be able to obtain the assistance of the head of corporate governance to ensure that the board procedures and all applicable laws



and regulations are followed, and that communication between board members, directors and management is good.

Article 4-2 The Company has set up the head of corporate governance, and the head of corporate governance (the Board secretary) is responsible for handling the requirements of the directors within 5 days in an effective and effective manner.

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 from a relevant department or a subsidiary may be notified to attend the Meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the Meeting as non-voting participants and to make explanatory statements, provided that they shall leave the Meeting when deliberation or noting takes place. The Chair shall call the Board Meeting to order at the appointed meeting time and when more than one-half of all the Directors are in attendance. If one-half of all the Directors are not in attendance at the appointed meeting time, the Chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. IF the quorum is still not met after two postponements, the Chair shall reconvene the Meeting in accordance with the procedures in Article 2, paragraph 2.

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

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

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

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

Article 11 A Board Meeting shall follow the agenda given in the meeting notice. However,

the agenda may be changed with the approval of a majority of Directors in attendance at the Board Meeting.

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

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

Article 12 The matters listed below as they relate to the Company shall be raised for discussion at a Board Meeting:

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

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital

as stated in the CPA-attested financial report of the most recent year (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph). The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current Board of Directors Meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

With respect to a matter that, under Article 14-3 of the Securities and Exchange Act, must be approved by resolution at a Board Meeting, any and all Independent Directors of the Company shall attend the Meeting in person or appoint another Independent Director to attend the Meeting as proxy. If an Independent Director objects to or expresses reservations about such a matter, it shall be recorded in the Board Meeting minutes; if an Independent Director intends to express an objection or reservation but is unable to attend the Meeting in person, then unless there is a legitimate reason to do otherwise, that Director shall issue a written opinion in advance, which shall be recorded in the Board Meeting minutes.

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

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

"Attending Directors", as used in the preceding two paragraphs, does not include Directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

One voting method for proposals at a Board Meeting shall be selected by the Chair from among those below, provided that when an attending Directors has an objection, the Chair shall seek the opinion of the majority to make a decision:

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

Article 14 Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a Board Meeting shall require the approval of a majority of the Directors in attendance at a Board of Directors Meeting attended by a majority of all Directors. When there is an amendment or

alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If anyone among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

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

Article 15 If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the import aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on the item, and may not exercise voting rights as proxy for another Director.

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

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

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

the name of any Director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspect of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements;

9. Other matters required to be recorded.

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

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

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

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

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

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

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

The 1st amendment was on January 1, 2007

The 2nd amendment was on March 31, 2011

The 3rd amendment was on March 19, 2012

The 4th amendment was on March 14, 2013

The 5th amendment was on November 7, 2017

The 6th amendment was on May 7, 2018

The 7th amendment was on April 11, 2019

# **Lungyen Life Service Corp.**

## **Articles of Incorporation**

Last amended on June 20, 2018

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

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

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

1. H701010 Residents and buildings development and rental business
2. H701040 Specific professional area development business
3. H701060 New towns and new community development business
4. F111090 Construction materials wholesale business
5. F205040 Furniture, beddings, kitchen utensils and appliances, and fixtures retail business
6. F211010 Construction materials retail business
7. I503010 Landscape and interior design business
8. H701050 Investments in the construction of public works business
9. H703090 Real estate trade business
10. H703100 Real estate rental business
11. H703110 Senior homes business
12. H701080 Urban renewal and reconstruction business
13. JZ99141 Funeral facilities operations business
14. JZ99151 Funeral and liturgical services business
15. J202010 Industrial incubation business
16. J901020 General hotel business
17. J701040 Recreational club business
18. J701070 Information and leisure business
19. JJ801030 Tournament and leisure stadium business
20. JZ99050 Agency services business
21. JZ99090 Festive general service business
22. F401010 International trade business
23. F206060 The ritual supplies retail business
24. F203010 Food, sundries and beverage retail business
25. F201070 Flower retail business



26. F201010 Agricultural products retail business
27. F399040 Non-store retail business
28. J101030 Waste collection business
29. J101040 Waste disposal business
30. JZ99990 Unclassified services business
31. H704031 Real estate brokerage business
32. H704041 Real estate marketing agency business
33. G801010 Warehousing
34. In addition to the chartered business, the business not prohibited or restricted by law

Article 3 The Company may provide endorsement and guarantee and act as a guarantor.

Article 4 The Company may invest in other companies as a shareholder with limited liability and the total investment amount is not limited to the threshold of 40% of the paid-in capital.

Article 5 The Company shall have its headquarters located in Taipei City and if necessary, branches can be established domestically or overseas with the approval of the Board of Directors.

Article 6 Deleted

## **Section II – Capital Stock**

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

Article 8 All shares certificates of the Company shall be issued in registered form after being signed by or affixed with the seal of at least 3 Directors, sequentially numbered and stamped with the corporate seal; also, the stock shares are issued after being certified by the certification agency designated by the competent authority.

Article 8-1 The Company may issue registered stock without printing share certificates, provided that, any shares shall be recorded by a centralized securities custodian.

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

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

- Article 10 Shareholders' meetings may be ordinary meetings and extraordinary shareholders' meetings. Ordinary meetings shall be convened annually within six months after the end of each fiscal year. Extraordinary meetings shall be convened when necessary in accordance with applicable laws. A notice with purpose(s) for convening the meeting shall be sent to all shareholders at least thirty (30) days in advance for an ordinary meeting and fifteen (15) days in advance for an extraordinary meeting.
- Article 11 The shareholders' meeting shall be chaired by Chairperson of the Board of Directors. In the event the Chairperson of the Board of Directors is absent, one director shall be designated to serve as Chair; in the absence of such a designation, the directors shall elect one among themselves to serve as Chair.
- Article 12 Each share shall be entitled to one vote, except those with restricted voting rights or no voting rights granted under Article 179 of the Company Act. Shareholders may execute their voting rights in writing or via an electronic voting system. The voting method shall be stated in the meeting notice for shareholders' meeting.
- Article 13 A shareholder who is unable to attend the shareholders' meeting in person may have a representative appointed to attend the meeting with a signed or sealed proxy letter issued in accordance with Article 177 of the Company Law and Article 25.1 of the Securities and Exchange Act.
- Article 14 The Company's resolution shall only be reached when the meeting is attended by shareholders representing more than one half of the total issued shares and the resolution is approved by the majority of valid vote present at the meeting, unless otherwise provided for in the Company Act.
- Article 15 The resolutions reached in the shareholders' meeting shall be documented in the minutes of the meeting in accordance with Article 183 of the Company Act

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

- Article 16 The Company shall have 11 Directors who are competent individuals elected in the shareholders' meeting. The term of office for Directors shall be three year, and all Directors shall be eligible for re-election. The registered shares held by Directors are processed in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies."
- Article 16-1 For the number of Directors of the Company referred to above, the 3 to 5 Independent Directors are elected from the nominees who are nominated by the shareholders from the list of candidates in accordance with Article 192.1 of the Company Act.

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

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

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

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

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

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

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

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

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

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

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

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

Article 22 Deleted

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

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

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

Article 25 Deleted

#### **Section VI – Accounting**

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

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

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

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

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

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

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

## **Section VII – Supplementary Provisions**

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

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

## **Lungyen Life Service Corp.**

### **Rules of Procedure for Shareholders Meetings**

- Article 1     The Company's Shareholders' Meeting, unless otherwise provided by law, shall be handled in accordance with the Rules of Procedure for Shareholders' Meetings.
- Article 2     The attendance register should be made available at the shareholders' meeting for the attending shareholders to sign or the attending shareholders may have attendance cards presented instead.  
The attendees' shareholding is calculated in accordance with the attendance register or the attendance cards collected.
- Article 3     The attendance and votes of the Shareholders' Meeting are counted by the number of shares.
- Article 4     The Shareholders' Meeting location must be at the Company's premises or where it is suitable and convenient for shareholders to attend. The shareholders' meeting time may not be earlier than 9:00am or later than 3:00pm
- Article 5     If the Shareholders' Meeting is convened by the Board of Directors, the Chairperson is to chair the meeting. The Chairperson who is on leave of absence or is unable to perform his/her duty is to be represented by the Vice Chairperson. If there is no Vice Chairperson or if the Vice Chairperson is also on leave of absence or is unable to perform his/her duty, the Chairperson is to appoint one general director to perform this duty. If there is no general director, the Chairperson is to appoint one director to perform this duty. If the Chairperson does not have a representative appointed to perform this duty, one of the general directors or directors is to be elected to perform this duty.  
If Shareholders' Meeting is convened by another authorized individual, the authorized individual is the chairperson to chair the meeting.
- Article 6     The Company's CPAs, lawyers or other related personnel may be invited to attend the board meeting.  
The service personnel for the shareholders' meeting shall wear identification badges or armbands.
- Article 7     The shareholders' meeting in session should be recorded or filmed and kept for at least one year.
- Article 8     The Chairperson shall declare the board meeting in session. However, the

Chairperson may declare a postponement of the meeting at the meeting time when the attending shareholders constitute less than a majority of shareholdings. The meeting is limited to two postponements for a total of less than 1 hour. A pseudo-resolution could be reached in accordance with Article 175 Section 1 of the Company Act if there are insufficient attendees to attend the meeting after two meeting postponements that represent more than one thirds of shareholders.

The Chairperson may have a pseudo-resolution reached if the attending shareholders constitute a majority of the shareholders before the end of the session and may have it presented again for resolution during the meeting in accordance with Article 174 of the Company Act.

Article 9 If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting. The provision referred to above is applicable even when the shareholders' meeting is convened by other than the board of directors.

The Chairperson may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above.

The shareholders may not elect another chairperson to continue the meeting at the original meeting place or in a new location after the meeting is adjourned. If the Chairperson has announced the meeting adjourned in violation of the procedures, the shareholders present with a majority of voting rights may elect a chairperson to continue the meeting.

Article 10 The attending shareholders must fill out and submit the statement slip stating the purpose of the speech, the shareholder account number (or attendance card number) and account name for the Chairperson to determine the order of speakers.

The attending shareholders who present a statement slip but do not speak shall be deemed as not speaking. The content of the speech shall prevail if it is inconsistent with the statement slip.

The speech of the attending shareholders may not be interrupted by other shareholders, unless otherwise with the consent of the chairperson and the speaking shareholder. The chairperson must stop the offender from speaking.

Article 11 Each shareholder may not speak on the same proposal more than twice and for not more than 5 minutes each time unless otherwise permitted by the Chairperson. However, the Chairperson may stop the shareholder from speaking if the speech is in violation of the regulations referred to above or outside the scope of the motion.

Article 12 The legal person entrusted to attend the shareholders' meeting is entitled to appoint only one person.



If there is more than one proxy appointed by the institutional shareholder to attend the shareholders' meeting, only one proxy can speak on the same motion.

- Article 13 The Chairperson may have the speech of the shareholder represented in person or by the designated personnel.
- Article 14 The Chairperson of the board meeting is to have the motion in discussion that is ready for balloting put to the vote.
- Article 15 The Chairperson is to appoint the controllers of ballot and tally clerks who are shareholders for the proposals to be put to vote, if any.  
The balloting results should be announced immediately at the meeting and it should be documented for record.
- Article 16 The Chairperson at his/her discretion may announce the meeting in recess.
- Article 17 Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the motion is passed in the meeting by the shareholders representing a majority of the balloting rights.  
The Chairperson is to consult the motion ready for balloting with the attendees at the meeting and it is deemed as having been passed if there are no objections raised.
- Article 18 For the motion with an amendment or alternative put to vote, the Chairperson is to have it prioritized for balloting with the original bill enclosed. If one of the motions is put on the ballot and passed, other motions shall be deemed as vetoed without the need for further balloting.
- Article 19 The Chairperson may command the marshals (or security guards) to assist with the maintenance of order. The marshals (or security guards) at the meeting venue assisting with maintenance of order shall wear armbands marked "Marshal."

## Current Shareholdings of Directors

1. Shareholdings of all Directors recorded in the Register of Shareholders on the book closure date (March 31, 2020) of the Annual Meeting of Shareholders all listed below.

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

2. The Company's paid-in capital is NT\$4,200,841,990 with issued outstanding shares totaling 420,084,199 shares. Minimum shareholding requirement for all Directors as a whole shall be 16,803,368 shares.
3. The Company established the Audit Committee thus no requirement on shareholding of Supervisor is applicable.
4. Shareholdings of the Company's Directors all conform to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".
5. Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it also holds the shares of the Company through a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI investment account "). As of March 31, 2020, Wish Giver Limited held 139,855,000 shares of the Company's common stock (including 139,792,000 shares directly held and 63,000 shares held through FINI investment account), accounting for 33.29% of the issued shares of the Company.

## **Other Supplementary Explanation**

1. Register of shareholders' proposal for 2020 Annual Meeting of Shareholders are listed below:
  - (1) In accordance with Article 172-1 of Company Act, shareholders holding 1% or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words.
  - (2) The period the Company accepted shareholders' proposal for the 2020 Annual Meeting of Shareholders was from March 20 to March 31, 2020, which was also announced in the Market Observation Post System web site in accordance to relevant laws and regulations.
  - (3) During the above mentioned period, the Company received no proposal from shareholders.
2. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate:

The Company did not distribute stock dividend for year 2019, so does not applicable.