

# **Lungyen Life Service Corp.**

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

Article 1: The “Guidelines for Handling the Acquisition and Disposal of Assets” is stipulated in accordance with Article 36.1 of the Securities and Exchange Act and the Guidelines for Handling the Acquisition and Disposal of Assets by Public Companies.”

Article 2: The applicability of “assets” defined in the Guidelines is as follows:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities;
2. Real estate (excluding the inventory of the construction industry) and other Property, plant and equipment;
3. Membership card;
4. Intangible assets including patents, copyrights, trademarks and charter;
5. Financial institutions’ claims (including receivables, foreign exchange discount and loans and nonperforming loans);
6. Directives;
7. The acquisition or disposal of assets by law full merger, spins-off, acquisition or assignment of shares;
8. Other important assets;

Article 3: The assessment process of the Company’s acquisition or disposal of assets is as follows:

1. The Company’s acquisition or disposal of real estate and other Property, plant and equipment is handled in accordance with the Company’s Internal Control System Property, plant and equipment Circulatory Procedure.
2. The factors of feasibility, necessity and reasonableness of pricing must be included in assessing the Company’s acquisition or disposal of assets.
3. The price determination method and reference for the Company’s acquisition or disposal of assets:
  - (1) The acquisition or disposal of marketable securities that were traded in the listed market or GreTai Securities Market (GTSM) shall be determined in accordance with the stock price or bond price.
  - (2) The acquisition or disposal price of the marketable securities that were not traded in the listed market or GreTai Securities Market (GTSM) shall be determined with the references to the net worth per share, profitability, potential for development, market interest rates, bond coupon rate, and debtor’s credit, including the prevailing trade price or the opinions on the reasonableness of the transaction amount issued by securities analysts.
  - (3) The acquisition or disposal price of assets other than the ones referred to above should be determined by parity, negotiation or tender, with reference to the announced present value, appraised value, and the actual transaction price of the nearby real estate. Please refer to the appraisal report issued by a professional appraisal agency for assets that must be announced and reported in accordance with the Guidelines.

Article 4: The Company's decision-making process for the acquisition or disposal of assets:

1. For the Company's acquisition or disposal of assets, the undertaking unit should have the reasons, underlying subject, counterparties, transfer price, payment terms and price reference presented to the competent authorities for decision-making. If the acquisition or disposal of assets are in accordance with the Guidelines, it should be resolved by the limitation of authority act; if it belongs to Article 185 of the Company Law, it should be resolved in advance at the shareholders' meeting.

2. The Company's acquisition or disposal of assets that must be reported to the board of directors for discussion in accordance with the Guidelines or other governing laws. The opinions of each independent director should be considered sufficiently and have their supporting or opposing opinions and reasons documented in the minutes of meeting.

In addition, if the Company has independent directors appointed, for the acquisition or disposal of assets presented to the board of directors for discussion as referred to above, the opinions of each independent director should be considered sufficiently and have their supporting or opposing opinions and reasons documented in the minutes of meeting.

Article 5: The unit that is responsible for the Company's acquisition or disposal of assets should have them presented for approval in accordance with the Company's authorization hierarchy and then the competent unit will have them implemented accordingly.

Article 6: The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:

1. The acquisition or disposal of real estate from and to the related party or the acquisition or disposal of assets other than real estate from and to the related party exceeds an amount of 20% of the paid-in capital, 10% of the total assets, or NT300 million. But the trading of bonds or bonds with repurchase or resale agreements, and purchase or buy back the money market fund issued by domestic securities investment trust are not subject to this restriction.

2. Process mergers, spin-offs, acquisitions or assignment of shares.

3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.

4. The amount of the assets traded other than the ones in the three Sections referred to above, the disposal of credit by the financial institutions or the investments in Mainland China exceeds 20% of the paid-in capital or NT300 million, except for the following circumstances:

1. Bond trade

2. Investing in securities at the securities exchange or securities business premises at home or abroad, or by securities firms in the primary market and in accordance with the provisions of the subscription of securities.

3. Bond trade with repurchase and resale agreements and purchase or redeem fund in domestic market.

4. The acquisition or disposal of assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount reaches the following standards:

(1) The Company's paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.

(2) The Company's paid in capitals reaches 10 billion, and the trade amount reaches 100 million.

5. Public companies that are for construction acquires or disposed of assets and the counterparty is not a related party; also, the trade amount does not exceed NT500 million

6. The Company expects to invest less than NT500 million for the acquisition of real estate with the methods of commissioned to build by the land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage and jointly built by separate sales.

Article 7: The Company should have the acquisition or disposal of assets fall under one of the following circumstances reported on-line at the information network designated by the Financial Supervisory Commission, Executive Yuan within 2 days from the date of occurrence:

1. The original transaction contract is modified, terminated, or revoked.

2. Mergers, spin-offs, acquisitions or assignment of shares are not completed in accordance with the deadline stated in the contract signed.

3. Changes made to the original announcement and report.

Article 8: For the appraisal report or the opinions obtained from the CPAs, attorney or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters and the trade parties must be not related.

Article 9: The Company should commission objective, impartial and independent specialists in accordance with the general category of assets to issue a report on the Company's acquisition or disposal of assets:

1. The Company's acquisition or disposal of real estate or other Property, plant and equipment, except for the transactions conducted with government institution, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment for business operations, the transaction amount exceeding 20% of the paid-in capital or NT300 million should be accompanied by the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:

(1) If the transaction price is determined by referral to an attributive price, a specific price or a special price for a good cause, the transaction should be presented to the board of directors for resolution. The changes in trading conditions should be processed in the same manner.

(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.

(3) For the professional appraiser's appraisal results with one of the following circumstances, unless the appraisal results of the assets acquired are higher than the transaction amount or the appraisal results of the assets disposed are lower than the transaction amount, they should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation; also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:

(1) The spread between the appraisal results and the transaction amount exceeds 20%.

(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.

(4) The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months old, the original

professional appraiser may have an opinion issued.

(5) In addition to having the transaction price determined by referring to an attributive price, a specific price or a special price, if an appraisal report cannot be received in time for a good reason, the Company must have an appraisal report received in 2 weeks from the date of occurrence and the opinion of the CPAs referred to in paragraph 3.

2. For the acquisition or disposal of securities, the Company should receive the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amounting over 20% of the paid-in capital or NT300 million, the commissioned CPA should be contacted before the date of occurrence to comment on the reasonableness of the transaction prices.

If a professional report is needed by the CPAs, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, if the securities are offered publicly with a quote available in the market or otherwise authorized by the competent authorities; it is not subject to this restriction.

3. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.

4. For the Company's acquisition or disposal of assets through the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.

Article 9.1: The transactions amount referred to above should be calculated in accordance with "The Public Offering Company of Procedures for Acquisition or Disposal of assets" Article 30 Section 2. Also, the alleged "within one year" means for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions rendered in accordance with the guidelines.

Article 10: For the acquisition or disposal of real estate of the Company with the related party or the acquisition or disposal of assets other than the real estate traded with the related party for an amount over 20% of the paid-in capital, 10% of the total assets, or NT300 million, except bond trade with repurchase and resale agreements, or buy back the money market fund issued by domestic securities investment trust, the following information should be submitted to the Audit Committee for approval and the Board of Directors for resolution before having the Trade Contract signed and the payments paid:

1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
2. The reasons for selecting the related party as the counterparty.
3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition of real estate from the related party in accordance with Article 15 and Article 16 of the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies".
4. The matters of the related party's original acquisition date and price, counterparty and the relationship between the Company and the related party.
5. The monthly cash income and expense forecast within the year from the month of the contract

signing; also, assess the necessity of the trade and the reasonableness of the use of funds.

6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.

7. The restrictions and other important stipulations of the transaction. The transactions amount referred to above shall be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article 30 Section 2. Also, the alleged “within one year” means for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the supervisors.

For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within an amount of NT\$500 million and then reported to the most recent board meeting for ratification. In addition, after the Company has independent directors appointed lawfully and presented to the board of directors for discussion accordingly, the opinions of each independent director should be considered sufficiently and have their opposing opinions and qualified opinions documented in the minutes of meeting.

Article 11: The Company should assess the reasonableness of the transaction costs for the acquisition or disposal of real estate from or to the related party in accordance with the following methods:

1. Based on the transaction prices of the related party plus the necessary funds interest and buyer's cost by law. The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased were provided and it should not be higher than the non-financial industry's highest loan interest rate announced by the Ministry of Finance.
2. If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual cumulative lending value of the subject matter granted by the financial institutions should be over 70% of the assessed gross lending value for a lending period over a period of one year. However, this is not applicable if the financial institution and counterparty are related. For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above. The cost of the real estate acquired by the Company from the related party should be assessed in accordance with Section 1 and Section 2 referred to above; also, a CPA should be commissioned to review and express an opinion. The acquisition of real estate by the Company from the related parties that fall under one of the following situations should be handled in accordance with Article 10 instead of the provisions referred to in the last three sections: 1. The acquisition of real estate by a related party is by inheritance or gift. 2. A related party's contracting for the acquisition of real estate is more than five years from the date of the trade contract signing. 3. The acquisition of real estate is by signing a construction contract with the related party.

Article 11.1: If the assessment results of the Company's acquisition or disposal of real estate from or to the related party is lower than the trade price in accordance with Section 1 and Section 2 referred to above, it must be processed in accordance with Article 11.2. However, as a result of the

following circumstances, it is not subject to the limitations with the objective evidence presented and an appraisal report received from the professional real estate appraiser and the solid and reasonable opinion of the CPAs: 1. A related party that has obtained prime land or rental land for construction has submitted the proof of complying with one of the following conditions: 1. The prime land is assessed in accordance with the methods referred to above. The house is assessed in accordance with the sum of the related party's construction costs and a reasonable profit that exceeds the actual transaction price. The term "reasonable construction profit" is based on the average gross profit rate in the last three years of the related party's construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance, whichever is lower. 2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with a similar floor area; also, the trading conditions are assessed to be equivalent with the reasonable price spread of the same floors or area in a general real estate trade. 3. For the lease of other floors of the same underlying house and land by the unrelated party within one year, the trading conditions are assessed to be equivalent with the reasonable price spread of the same floors in a general real estate lease. 2. The Company evidences that the terms of acquiring the real estate from the related parties are similar to the successful trade by the unrelated party in the neighborhood within one year with the similar floor area. The alleged "successful trade" in the neighborhood referred to above means for the underlying subject on the same street or an adjacent street/block within the 500m-radius of the subject matter or with the similarly announced present value. The alleged "similar floor area" means for the successful trade of the subject matter by the other unrelated party is not less than 50% of the floor area of the subject matter. The alleged "within one year" means for the one year prior to the date of occurrence for the acquisition of the real estate.

Article 11.2: If the assessment results of the acquisition or disposal of real estate from and to the related party is lower than the trade price in accordance with Article 11.1, the Company is to have the following matters processed: 1. A special reserve is to be appropriated with respect to the spread between the transaction price and the assessment costs of the real estate in accordance with Article 41 Section 1 of the Securities and Exchange Act. Also, the special reserve may not be distributed or capitalized for stock dividends. If the public company has its investments in the Company valued under the equity method, a special reserve should be appropriated proportionately to the shareholding ratio with respect to the appropriated amount in accordance with Article 41 Section 1 of the Securities and Exchange Act. 2. Audit Committee shall apply *mutatis mutandis* with Article 218 of the Company Law. 3. The process referred to in Paragraph 1 and Paragraph 2 should be presented at the shareholders' meeting. Also, the transaction details should be disclosed in the annual report and prospectus. If the Company has a special reserve appropriated in accordance with the provisions referred to above, the special reserve can be used with the approval of the Financial Supervisory Commission, Executive Yuan as soon as the high-price assets acquired are with the devaluation recognized, are disposed of, are appropriately compensated or restored, or are evidenced otherwise without any unreasonableness. The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance

with the two sections referred to above.

Article 12: If the Company's acquisition or disposal of credit is acquired from financial institutions, it is classified as "financial institution claims" in accordance with Article 2 Section 1 Paragraph 5 of the Guidelines. However, if it is not acquired from financial institutions, it is classified as "other material assets" in accordance with Article 2 Section 1 Paragraph 8 of the Guidelines.

Article 13: The Company before engaging in derivative transactions must have the "Guidelines Governing Derivatives Transactions" stipulated in accordance with the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" announced by the Financial Supervisory Commission of the Executive Yuan.

Article 14: The Company prior to the mergers, spin-offs, acquisitions or assignment of shares shall have the "Guidelines for Handling Merger, Spins-off, Acquisition, or Assignment of Shares" stipulated in accordance with the Company Law, the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" published by the Financial Supervisory Commission, Executive Yuan and the related laws and regulations.

Article 15: The total amount of the non-operating real estate or securities acquired by the Company; also, the limits of each security acquired are as follows:

1. The total amount of the non-operating real estate may not exceed 90% of the total assets on the Company's most recent financial statements.
2. The total investment amount of the securities, except for long-term equity investments, may not exceed 90% of the total assets on the Company's most recent financial statements.
3. Except for long-term equity investments, the investments in each marketable security may not exceed 80% of the total assets on the Company's most recent financial statements.

Article 16: (Deleted)

Article 17: The acquisition or disposal of assets by the Company's subsidiary is processed in accordance with the governing regulations.

1. The subsidiary's acquisition or disposal of assets shall be processed in accordance with the relevant requirements of the Company and the Financial Supervisory Commission.
2. If the subsidiary is not a public company in Taiwan, the Company is to have the subsidiary's acquisition or disposal of assets announced and reported in accordance with Article 6 and Article 7 of the Guidelines.
3. The "amount equivalent to 20% of the company's paid-in capital or 10% of the total assets" as defined in the subsidiary's announcement and reporting standard is based on the Company's actual capital stock collected or the total assets.

Article 18: The Company's management and clerk in charge of violations in the Guidelines that are detrimental to the Company's interests will be punished in accordance with the Company's Personnel Management Rules.

Article 19: The matters that are not properly addressed in the Guidelines shall be processed in accordance with the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies."

Article 20: The "Guidelines" is with the consent of the Audit Committee, the approval of the board of directors and the resolutions reached in the shareholders' meeting before implementation, same as the amendments.

The stipulations or amendments in the Guidelines for Handling Acquisition or Disposal of Assets

should be with the consent of a majority of the Audit Committee members and resolved by the Board of Directors.

The matters referred to above without the consent of a majority of the Audit Committee must be with the consent of more than two thirds of the board directors; also, the resolutions of the Audit Committee should be clearly stated in the minutes of the board meeting. The Audit Committee body referred to above is meant for the incumbents. For the acquisition or disposal of assets that must be resolved by the board of directors in accordance with the Guidelines or other governing law, the opinions of each independent director should be considered sufficiently; also, their supporting or opposing opinions and reasons should be documented in the minutes of the meeting.

Article 21:

The 1st amendment was on May 27, 2003.

The 2nd amendment was on June 10, 2007.

The 3rd amendment was on October 29, 2009.

The 4th amendment was on October 12, 2010.

The 5th amendment was on June 28, 2011.

The 6th amendment was on June 6, 2012.

The 7th amendment was on June 4, 2013.

The 8th amendment was on June 17, 2014.

The 9th amendment was on June 18, 2015.

The 10th amendment was on June 21, 2017