

# **Lungyen Life Service**

## **Handbook for the 2022 Annual Meeting of Shareholders**

June 24, 2022

**Time:** 10:30 am, June 24, 2022 (Friday)

**Method:** physical shareholders' meeting

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

Note to Readers: If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

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**Lungyen Life Service Corp.**  
**Procedure for**  
**2022 Annual Meeting of Shareholders**

- I. Commencement of the Meeting (Reporting the quorum present)
- II. Message from the Chairman
- III. Matters to Report
- IV. Matters for Ratification
- V. Matters for Discussion
- VI. Extempore motions
- VII. Adjournment

# **Lungyen Life Service Corp.**

## **Agenda for 2022 Annual Meeting of Shareholders**

Time: 10:30 a.m., Friday, June 24, 2022

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 2021 operation results
  - (2) Report on the 2021 business report, financial statements and profit apportionment audited by the Audit Committee is presented for approval
  - (3) Report on the apportionment of Directors' and employees' compensation of the year 2021
4. Matters for Ratification
  - (1) Ratification for the 2021 business report and financial statements
  - (2) Ratification for the 2021 profit apportionment
5. Matters for Discussion
  - (1) Discussion of the revision of the Company's "Articles of Incorporation"
  - (2) Discussion of the revision of the Company's "Procedures for Acquisition or Disposal of Assets"
6. Extempore motions
7. Adjournment

# Matters to Report

## Case 1

Summary: Report on the 2021 operation results is presented for approval

Remarks: For the business report for the year of 2021, please refer to Appendix 1 (Page 10~14) of the Handbook

## Case 2

Summary: Report on the 2021 business report, financial statements and profit apportionment audited by the Audit Committee is presented for approval

Remarks: For the business report, financial statements and profit apportionment audited by the Audit Committee for the year of 2021, please refer to Appendix 2 (Page 15~16) of the Handbook

## Case 3

Summary: Report on the apportionment of directors' and employees' compensation of the year 2021 is presented for approval

Remarks:

1. The Company's income before tax with deductions from directors' and employees' compensation for 2021 was NT\$1,689,319,275. It is proposed to apportion NT\$16,893,193 as employees' compensation and NT\$33,786,385 as directors' compensation. All payment will be made in cash.
2. There is no difference between the above-mentioned compensation to employees and directors to be allotted and the amount listed in the financial report of 2021.

# Matters for Ratification

## Case 1

(Proposed by the Board of Directors)

Summary: Ratification for the 2021 business report and financial statements is proposed for approval

Remarks: 1. For the Company's 2021 business report and financial report (including balance sheet, comprehensive income statement, changes in equity and cash flow statement), please refer to Appendix 3 (page 17~27) and Appendix 4 (page 28~38) of the Handbook.

2. Above mentioned financial reports have been audited by KPMG's accountants, Mr. Chih, Shih-Chin 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 2021 profit apportionment is proposed for approval

Remarks: 1. The Company's net income for 2021 was NT\$ 1,413,028,432. After setting aside the legal reserve and adding other equity adjustments, distributable surplus was NT\$1,277,714,263, with addition of beginning retained earnings, the unappropriated retained earnings as of December 31, 2021 were NT\$10,494,994,024. Considering the Company's future investment plan, it is proposed to distribute cash dividends of NT\$ 504,101,039 from current profit available for appropriation, which equals NT\$1.2 per share. For the Company's profit distribution table, please refer to Appendix 5 (Page 39) 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:

# Matters for Discussion

## Case 1

Summary: Discussion of the revision of the Company's "Articles of Incorporation".

Remarks: 1. In accordance with the revision of the "Company Law" and the Company's practical needs, it is proposed to amend part of the provisions of the Company's "Procedure for Election of Directors". For the Comparison table for the "Procedure for Election of Directors" before and after revision, please refer to Appendix 6 (page 40~42) of the Handbook.

2. Hereby apply for discussion.

Resolutions:

## Case 2

Summary: Discussion of the revision of the Company's "Procedures for Acquisition or Disposal of Assets".

Remarks: 1. In accordance with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended by Financial Supervisory Commission, it is proposed to amend part of the provisions of the Company's "Procedures for Acquisition or Disposal of Assets". For the Comparison table for the "Procedures for Acquisition or Disposal of Assets" before and after revision, please refer to Appendix 7 (page 43~51) of the Handbook.

2. Hereby apply for discussion.

Resolutions:

## **Extemporany Motions**

## **Adjournment**



# **APPENDIX**

## 2021 Business Report

In May 2011, Taiwan implemented the third-level epidemic alert and extended it several times, which had a huge impact on all walks of life, especially the service industry, including retail, catering, and tourism. In the second half of the year, with the issuance of government stimulus vouchers to drive private consumption, and compared with some countries, Taiwan has managed the epidemic well, and has achieved outstanding results in terms of economic growth rate, foreign trade, investment, and consumption, such as the economic growth rate of 6.28. %, a new high in 11 years; the gross domestic product (GDP) per capita exceeded US\$30,000 for the first time, showing that the country's economic structural transformation has achieved initial results, and it is more resilient under the impact of the epidemic.

Looking forward to 2022, the problems of labor shortages and unstable supply chains in 2021 will still exist, and the resulting inflationary pressure will continue to affect the performance of the global economy. However, with the increased coverage of vaccines, governments of various countries will not easily restart strict blockades and manufacturers gradually adapt to the operation mode of coexisting with the epidemic, so the global economy is still expected to maintain a recovery trend. Even under the high standard of the previous period, due to that Taiwan has benefited from the recovery of domestic demand and consumption momentum, the continuous investment of domestic and foreign manufacturers in Taiwan, and the continuing global digital transformation trend, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan still predicts that the annual economic growth rate is expected to exceed 4%.

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. Here is the report on the business results for 2021 and the business plan for 2022 as follows:

### 1. Operating results for 2021

Looking back on the Company's 2021 operating results, it maintained stable operations in Taiwan, and continued to develop its Chinese projects. In March 2021, the construction of the "Palace of Light Life Memorial Hall" in Sanzhi District, New Taipei City officially started, gradually realizing the goal of making Taiwan a global model for cross-border cooperation in the life service industry. The two projects in Kaohsiung: the "Light of Hill Life Memorial Hall" in Neimen District, and the "Light of Gate" Funeral Hall are also progressing as scheduled. In addition to a number of major construction projects, various life technology funeral services have also been launched, such as digital halls, electronic obituaries, and online live broadcasts of ceremonies, etc., to provide customers with more refined and convenient services, and to convey the desire for sustainable environmental protection. Besides, the online Cemetery Shopping Mall and the online signing system have been introduced. In addition to achieving the advantages of paperless, energy saving, carbon reduction, and price transparency, it can also reduce people's contact under the epidemic, and the

signing of contracts is not limited by time and space, which further improves the differentiation of service quality and continues to pursue growth and drive industrial innovation.

The net profit attributable to owners of the parent company for the current period was NT\$1.413 billion, the net profit after tax was 41.2%, an increase of 6% over the previous year, and the earnings per share reached NT\$3.36.

As of December 31, 2021, the total consolidated asset was NT\$67.09 billion, increased by 4.7% compared to the previous year; the total liability was NT\$44.72 billion and debt ratio was 66.6%. It includes contract liabilities of NT\$41.81 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 11.5% if the company deducted the contract liabilities and relative asset amounts.

## **2. Summary of business plan for 2022**

### **(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 pursue sustainable operation

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 2022 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	5,513
Cemetery	219
Preneed Funeral	11,776
<b>Total</b>	<b>17,508</b>

### 3. The Company's development strategy

With the change of society's cognition of life service industry and the change of consumers' concept, it is an inevitable trend to integrate demand and diversify commodity planning. 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. The Company is 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.

The Company has always put great emphasis on the sustainable development of the enterprise, incorporating the implementation of ESG into the Company's strategy and linking it with the core business. In addition to continuously promoting life service education, conveying the correct concept of life and death, worship, and caring for the disadvantaged groups in society, in terms of environmental protection, in the development and maintenance of the cemetery park, the Company

has introduced environmentally sustainable and green strategies and measures, striving to reduce the generation of waste, and advocates the industry jointly promote the issue of environmental sustainability, hoping to make concrete contributions to reducing the risk of global climate change. In addition, in order to improve the operational efficiency of the Company and strengthen corporate governance, the Company started to formulate plans for corporate upgrading and succession several years ago. In 2020, the new chairman replaced, with a new generation of thinking and international outlook combined with the general manager's information technology talents, jointly led the management team to accelerate digital transformation and industrial upgrading, widening the gap with peers.

Our 2022 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. In addition, we will continue to strengthen service quality improvement, actively promote digital transformation to provide customers with more technological life services, implement energy saving and carbon reduction, and drive the industrial chain to jointly pursue sustainable development. At the same time, we will also improve the implementation of corporate governance, deepen brand value, and then penetrate into a wider consumer base. Therefore, the Company can effectively affect consumers by its brand value and continue to expand the market share of the funeral industry, to achieve the economies of scale and increase its profitability.

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious (According to 2021 US CIA statistics, Taiwan is ranked as “the last” of the 227 countries in the world), the importance of being “prepared” for the last journey of life becomes 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 reform 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 seven consecutive years in corporate governance assessment. In 2021, the Company won the "

Sustainable Citizenship Award Little Giant Award" again held by Common Wealth Magazine. The Board 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 in 2018 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 re-elected the 14th board of directors at the 2021 annual general meeting of shareholders to meet the Company's future development needs. The background of the board members covers different professional fields such as financial accounting, operation management and investment, corporate governance, talent cultivation, etc. The nationality and age distribution of directors are also diversified. All of the above are to inject a more comprehensive thinking into the operation of the board of directors and improve the performance of the management team. The board of directors also supervises the implementation of legal compliance, internal control and the strategies. The Company also listed the effectiveness evaluation of the board of directors as an annual target. In addition to self-assessment of the performance of the board of directors and functional committees, an external professional organization was regularly appointed to conduct performance evaluations. Through the impartial and objective perspective of an external third party, the Company has a more in-depth review of the advantages and disadvantages of the company's board of directors, and continues to improve the effectiveness of the board. We hope that the board of directors and various functional committees can play the four roles as leadership, supervision, partners, and mentors, and take international best practices as a benchmark to supervise the management team to achieve the goal of equal excellence in governance and operating 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 past year and we do look forward to the continuing to give us guidance and encouragement in the future. Thank you!

## **2021 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2021 Business Report, individual and consolidated financial reports, of which the individual and consolidated financial reports have been audited by CPA Chih, Shih-Chin and CPA Lai, Li-Zen of KPMG. An audit report for above financial reports has been issued as well.

The business report, individual and consolidated financial reports 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. 2022 Annual Meeting of Shareholders

Convener of the Audit Committee: Chen, Ming-Te

March 29, 2022

## **2021 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2021 proposal for profit apportionment, which has been audited and concluded being complied 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. 2022 Annual Meeting of Shareholders

Convener of the Audit Committee: Chen, Ming-Te

May 11, 2022



**2021 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, 2021 and 2020, 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, based on our audit results and the audit reports of other accountants (please refer to the other matters paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, 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 2021 and 2020 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, 2021. 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, 2020 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 (19) 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 (14) 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**

Included in the investment of Lungyen Life Service Corp. under equity method, the financial report of the relevant part of the invested company has not been audited by us, but has been audited by other accountants. Therefore, in the accountant's opinion on the above-mentioned consolidated financial report, the amount listed in the financial report of the relevant part of the investee company is based on the audit report of other accountants. On December 31, 2021 and 2020, the amount of investment recognized under the equity method in relevant part of the investee companies accounted for 1.23% and 2.07%, respectively, of the total consolidated assets, and from January 1 to December 31, 2021 and 2020 the relevant part of recognized investment gains and losses under the equity method accounts for (1.00)% and 2.73%, respectively, of the net profit before tax.

We also audited the individual financial report of Lungyen Life Service Corp. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion plus other matters paragraph.

### **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 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 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, 2021 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: *Chih, Shih-Chin*

*Lai. Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 1020000737

March 29, 2022

**Lungyen Life Service Corp. and Subsidiaries**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

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

		<b>12.31.2021</b>		<b>12.31.2020</b>				<b>12.31.2021</b>		<b>12.31.2020</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6 (1))	\$ 120,716	-	88,734	-	2130	Contract Liability—current(Note 6 (19) & 9)	\$ 41,811,724	64	40,529,122	63
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) & 9)	4,337,943	6	5,270,963	8	2150	Notes payable	9,010	-	6,856	-
1150	Notes receivable, net (Note 6 (3) & (19))	157	-	4,198	-	2170	Payable accounts	699,682	1	626,649	1
1170	Accounts receivable, net (Note 6 (3) & (19))	9,813,491	15	9,323,456	15	2200	Other payable accounts	934,206	1	856,429	1
1320	Inventory (Note 6(4) & 8)	16,683,713	25	16,044,615	25	2230	Current income tax liabilities	198,211	-	509,308	1
1410	Prepayments	226,065	-	226,660	-	2280	Lease liability-current (Note 7)	13,139	-	24,820	-
1460	Non-current assets for sale (net) (Note 6 (5) & (6))	595,897	1	105,239	-	2310	Advance receipts	958,773	1	914,950	1
1476	Other financial assets – current (Note 6 (12), 8 & 9)	1,786,593	3	1,674,228	3	2399	Other current liabilities - others	7,990	-	8,307	-
1479	Other current assets	27,015	-	16,794	-			<u>44,632,735</u>	<u>67</u>	<u>43,476,441</u>	<u>67</u>
1480	Incremental cost of contract acquisition – current (Note 9)	<u>8,279,824</u>	<u>12</u>	<u>8,259,038</u>	<u>13</u>		<b>Non-current liabilities:</b>				
		<u>41,871,414</u>	<u>62</u>	<u>41,013,925</u>	<u>64</u>	2570	Deferred income tax liabilities (Note 6 (16))	8,588	-	3,665	-
<b>Non-current assets:</b>						2640	Net defined benefit liability – non-current (Note 6 (15))	23,604	-	21,018	-
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), 7 & 9)	9,357,486	14	7,221,855	11	2580	Lease liabilities - non-current (Note 7)	13,176	-	-	-
1535	Financial assets at amortized cost—non-current (Note 6(2) & 9)	1,220,819	2	1,228,727	2	2645	Deposit received	43,751	-	44,584	-
1550	Investment under equity method (Note 6 (6) & (6))	971,918	1	1,492,433	2	2670	Other non-current liabilities - others	<u>2,981</u>	<u>-</u>	<u>2,981</u>	<u>-</u>
1600	Property, plant and equipment (Note 6 (8), 8, & 9)	6,761,908	10	6,157,408	10			<u>92,100</u>	<u>-</u>	<u>72,248</u>	<u>-</u>
1755	Right-of-use assets (Note 6 (9) & 7)	26,315	-	24,820	-		<b>Total liabilities</b>	<u>44,724,835</u>	<u>67</u>	<u>43,548,689</u>	<u>67</u>
1760	Investment property, net (Note 6 (10), 8, & 9)	4,018,460	7	4,052,472	7	<b>Equity attributable to owners of parent (Note 6(17))</b>					
1780	Intangible assets (Note 6 (11))	764,107	1	748,121	1	3100	Capital stock – common stock	4,200,842	6	4,200,842	7
1840	Deferred income tax assets (Note 6 (16))	792,245	1	814,838	1	3200	Capital surplus	2,519,954	4	2,519,954	4
1980	Other financial assets – non-current (Note 7)	233,926	-	278,127	-		Retained earnings:				
1990	Other non-current assets - others	<u>1,073,849</u>	<u>2</u>	<u>1,073,336</u>	<u>2</u>	3310	Legal reserve	2,183,257	3	2,053,954	3
		25,221,033	38	23,092,137	36	3320	Special reserve	-	-	156,696	-
						3350	Unappropriated retained earnings	10,636,961	16	9,693,988	16
						3400	Other equity interest	<u>1,156,640</u>	<u>2</u>	<u>298,625</u>	<u>-</u>
							<b>Total equity attributable to owners of parent</b>	20,697,654	31	18,924,059	30
						36xx	Non-controlling interest (Note 6 (7) & (17))	<u>1,669,958</u>	<u>2</u>	<u>1,633,314</u>	<u>3</u>
							<b>Total Equity</b>	<u>22,367,612</u>	<u>33</u>	<u>20,557,373</u>	<u>33</u>
<b>Total Assets</b>		<u><b>\$ 67,092,447</b></u>	<u><b>100</b></u>	<u><b>64,106,062</b></u>	<u><b>100</b></u>		<b>Total liabilities and equity</b>	<u><b>\$ 67,092,447</b></u>	<u><b>100</b></u>	<u><b>64,106,062</b></u>	<u><b>100</b></u>

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

For Year Ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6 (5), (14) &amp; (19))</b>	\$ 3,550,642	100	3,663,507	100
5000	<b>Operating cost(Note 6 (14) &amp; 7)</b>	<u>1,212,337</u>	<u>34</u>	<u>1,190,830</u>	<u>33</u>
5900	<b>Operating gross profit (loss)</b>	<u>2,338,305</u>	<u>66</u>	<u>2,472,677</u>	<u>67</u>
	<b>Operating expenses (Note 6 (16),(21) &amp; 7) :</b>				
6100	Selling expenses	640,654	18	631,187	17
6200	Administration expenses	608,165	17	522,149	14
6450	Expected credit losses (Note 6 (3))	<u>37,022</u>	<u>1</u>	<u>13,657</u>	<u>-</u>
6000		<u>1,285,841</u>	<u>36</u>	<u>1,166,993</u>	<u>31</u>
6500	<b>Other income and expenses (Note 6 (21))</b>	<u>108,180</u>	<u>3</u>	<u>131,392</u>	<u>5</u>
6900	<b>Operating income</b>	<u>1,160,644</u>	<u>33</u>	<u>1,437,076</u>	<u>41</u>
	<b>Non-operating income and expenses (Note 6(6), (22) &amp; 7) :</b>				
7100	Interest income	82,007	2	98,849	3
7010	Other income	266,759	8	210,850	6
7020	Other gains and losses	145,054	4	(18,906)	(1)
7050	Financial costs	(31,846)	(1)	(27,973)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>82,353</u>	<u>2</u>	<u>33,420</u>	<u>1</u>
		<u>544,327</u>	<u>15</u>	<u>296,240</u>	<u>8</u>
7900	<b>Operating income before tax</b>	1,704,971	48	1,733,316	49
7950	<b>Less: Income tax expense (Note 6 (16))</b>	<u>242,617</u>	<u>7</u>	<u>353,590</u>	<u>10</u>
	<b>Net income</b>	<u>1,462,354</u>	<u>41</u>	<u>1,379,726</u>	<u>39</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(15))	(2,917)	-	98	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	890,356	25	450,188	12
8320	Share of other comprehensive profit or loss of related companies and joint ventures recognized using the equity method - items not reclassified to profit or loss	(2)	-	-	-
8349	Less: Income tax related to non-reclassified items (Note 6 (17))	<u>-</u>	<u>-</u>	<u>41,945</u>	<u>1</u>
	<b>Total items that may not be subsequently reclassified to profit or loss</b>	<u>887,437</u>	<u>25</u>	<u>492,231</u>	<u>13</u>
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign statements	(30,358)	(1)	(54,477)	(1)
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income (Note 6 (26))	(27,799)	(1)	9,165	-
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	22,728	1	57,213	2
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>(35,429)</u>	<u>(1)</u>	<u>11,901</u>	<u>1</u>
8300	<b>Other comprehensive income, net</b>	<u>852,008</u>	<u>24</u>	<u>504,132</u>	<u>14</u>
	<b>Total comprehensive income</b>	<u><u>\$ 2,314,362</u></u>	<u><u>65</u></u>	<u><u>1,883,858</u></u>	<u><u>53</u></u>
	<b>Net income, attributable to:</b>				
8610	Owners of parent	\$ 1,413,028	40	1,244,562	35
8620	Non-controlling interest	<u>49,326</u>	<u>1</u>	<u>135,164</u>	<u>4</u>
		<u><u>\$ 1,462,354</u></u>	<u><u>41</u></u>	<u><u>1,379,726</u></u>	<u><u>39</u></u>
	<b>Total comprehensive income, attributable to:</b>				
8710	Owners of parent	\$ 2,277,696	64	1,748,351	49
8720	Non-controlling interest	<u>36,666</u>	<u>1</u>	<u>135,507</u>	<u>4</u>
		<u><u>\$ 2,314,362</u></u>	<u><u>65</u></u>	<u><u>1,883,858</u></u>	<u><u>53</u></u>
	<b>Earnings per share (Note 6 (18))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<u><u>\$ 3.36</u></u>		<u><u>2.96</u></u>	
9850	<b>Diluted earnings per share (NTD)</b>	<u><u>\$ 3.36</u></u>		<u><u>2.88</u></u>	



**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For Year of 2021 and 2020**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Capital Stock		Retained Earnings				Exchange diffeerences	Others		Total equity attributable to owners of parent	Non- controlling interests	Total equity
								Unrealized gain(loss) on financial	Total			
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropri- ated Earnings	Total	on foreign translation	assets at fair value through other comprehensive income				
Balance – January 1, 2020	\$ 4,200,842	2,519,954	1,498,055	-	10,373,806	11,871,861	(54,543)	(102,153)	(156,696)	18,435,961	1,497,890	19,933,851
Net income	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562	135,164	1,379,726
Other comprehensive income	-	-	-	-	98	98	2,736	500,955	503,691	503,789	343	504,132
Total comprehensive income	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351	135,507	1,883,858
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)	(83)	(1,260,336)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	48,370	48,370	-	(48,370)	(48,370)	-	-	-
Balance –December 31, 2020	4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059	1,633,314	20,557,373
Net income	-	-	-	-	1,413,028	1,413,028	-	-	-	1,413,028	49,326	1,462,354
Other comprehensive income	-	-	-	-	(2,917)	(2,917)	(7,630)	875,215	867,585	864,668	(12,660)	852,008
Total comprehensive income	-	-	-	-	1,410,111	1,410,111	(7,630)	875,215	867,585	2,277,696	36,666	2,314,362
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	129,303	-	(129,303)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(156,696)	156,696	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(504,101)	(504,101)	-	-	-	(504,101)	(22)	(504,123)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	9,570	9,570	-	(9,570)	(9,570)	-	-	-
Balance –December 31, 2021	\$ 4,200,842	2,519,954	2,183,257	-	10,636,961	12,820,218	(59,437)	1,216,077	1,156,640	20,697,654	1,669,958	22,367,612

Appendix 3: 2021 Independent Auditors' Report  
and consolidated financial statements

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Year Ended December 31, 2021 and 2020**  
(expressed in thousands of New Taiwan dollars)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities</b>		
<b>Profit (loss) before tax</b>	\$ 1,704,971	1,733,316
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	151,552	146,450
Amortization expense	12,768	12,637
Allowance for bad debt	37,022	13,657
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(181,551)	(55,747)
Interest expense	31,846	27,973
Interest revenue	(221,423)	(264,476)
Dividend income	(176,665)	(130,169)
Loss (gain) on affiliates under equity method	(82,353)	(33,420)
Loss (gain) on disposal and scrap of property, plant and equipment	(14)	(160)
Gain on disposal of non-current assets for sale (investment property)	(39,573)	(22,486)
Exchange loss (profit) on financial assets at fair value through other comprehensive income	28,243	56,543
Loss on disposal of financial assets at fair value through other comprehensive income	354	(24,064)
Total adjustments to reconcile profit (loss)	<u>(439,794)</u>	<u>(273,262)</u>
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through income	1,114,555	2,041,374
Decrease (Increase) in notes receivable	4,041	(3,420)
Increase in account receivable	(538,067)	(608,287)
Increase in inventories	(639,098)	(340,733)
Decrease (Increase) in prepayments	595	(11,489)
Disposal of non-current assets for sale (investment property)	160,438	56,488
Increase in other financial assets	(12,878)	(30,633)
Increase in other current assets	(10,222)	(2,746)
Increase in incremental cost of contract acquisition	(42,602)	(137,934)
Increase in contract liabilities	1,282,602	1,529,377
Increase (Decrease) in notes payable and accounts payable	75,187	(36,722)
Increase in other payable	99,795	28,759
Increase in advance receipts	43,823	22,041
Increase (Decrease) in other current liabilities	(317)	1,428
Decrease in defined benefits liabilities	(331)	(11,485)
Total net change in assets and liabilities related to operations	<u>1,537,521</u>	<u>2,496,018</u>
Total Adjustments	<u>1,097,727</u>	<u>2,222,756</u>
Cash inflow generated from operations	2,802,698	3,956,072
Interest received	235,699	270,355
Dividend received	180,222	126,612
Interest paid	(22,153)	(147,569)
Income taxes (paid)	<u>(526,198)</u>	<u>(12,455)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>2,670,268</u>	<u>4,193,015</u>

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

**Year Ended December 31, 2021 and 2020**

**(expressed in thousands of New Taiwan dollars)**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from (used in) investment activities</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,477,587)	(6,137,341)
Disposal of financial assets at fair value through other comprehensive income	1,174,187	3,883,617
Repayment of financial assets at maturity measured at amortized cost	-	225,000
Disposal of financial assets measured at fair value through profit and loss	-	2,462,273
Acquisition of investment under equity method	-	(505,950)
Acquisition of property, plant and equipment	(730,313)	(537,738)
Disposal of property, plant and equipment	171	325
Acquisition of intangible assets	(19,699)	(4,821)
Acquisition of investment property	(4,755)	(5,762)
Decrease in other financial assets - current	(104,497)	1,039,722
Decrease in other financial assets - non current	44,201	72,874
Increase of other non-current assets	(523)	(283,247)
<b>Net cash flows from (used in) investing activities</b>	<b>(2,118,815)</b>	<b>208,952</b>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	-	31,500
Decrease in short-term loans	-	(185,800)
Repayment of corporate debt	-	(3,113,000)
Increase (Decrease) in guarantee deposits	(833)	449
Repayment of lease principal	(13,862)	(13,697)
Cash dividends	(504,101)	(1,260,253)
Change in non-controlling interests	(22)	(83)
<b>Net cash flows from (used in) financing activities</b>	<b>(518,818)</b>	<b>(4,540,884)</b>
Effects of foreign exchange rates changes on cash and cash equivalents	(653)	(4,313)
Net (decrease) increase in cash and cash equivalents	31,982	(143,230)
Cash and cash equivalents at beginning of period	88,734	231,964
Cash and cash equivalents at end of period	<b>\$ 120,716</b>	<b>88,734</b>

**2021 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 are stated as follows:

#### **1. Revenues Recognition**

Accounting policies regarding revenues recognition can be found Notes 4 (16) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (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 (14) 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.

## Other Matter

Included in the investment of Lungyen Life Service Corp. under equity method, the financial report of the relevant part of the invested company has not been audited by us, but has been

audited by other accountants. Therefore, in the accountant's opinion on the above-mentioned consolidated financial report, the amount listed in the financial report of the relevant part of the investee company is based on the audit report of other accountants. On December 31, 2021 and 2020, the amount of investment recognized under the equity method in relevant part of the investee companies accounted for 1.28% and 2.15%, respectively, of the total consolidated assets, and from January 1 to December 31, 2021 and 2020 the relevant part of recognized investment gains and losses under the equity method accounts for (1.04)% and 3.02%, respectively, of the net profit before tax.

### **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, 2021 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.



Appendix 4: 2021 Independent Auditor's Audit Report  
and individual financial statements

KPMG

CPA: *Chih, Shih-Chin*

*Lai, Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 1020000737

March 29, 2022

Lungyen Life Service Corp. and Subsidiaries  
Individual Balance Sheets

December 31, 2021 and 2020

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

		12.31.2021		12.31.2020				12.31.2021		12.31.2020	
		Amonut	%	Amount	%			Amonut	%	Amount	%
Assets						Liabilities and Equity					
Current Assets :						Current liabilities:					
1100	Cash and cash equivalents (Note 6 (1) & (22))	\$ 92,160	-	45,220	-	2130	Contract Liability — current ( Note 6 (18) & 9)	\$ 41,402,639	64	39,946,992	65
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) 、(22) and 9)	4,198,231	6	5,096,909	8	2150	Notes Payable ( Note 6 (22))	8,922	-	6,771	-
1150	Notes receivable, net (Note 6 (3) ,(18) & (22))	157	-	4,198	-	2170	Accounts Payable ( Note 6 (22))	629,749	1	546,310	1
1170	Accounts receivable, net (Note 6 (3), (18) & (22))	8,995,587	14	8,521,121	14	2200	Other payable accounts ( Note 6 (22) &7)	671,246	1	641,954	1
1320	Inventory (Note 6 (4) , 7 & 8)	13,841,066	21	13,219,482	21	2230	Current income tax liabilities	174,216	-	464,655	1
1410	Prepayments (Note 7)	225,195	-	226,365	-	2280	Lease liabilities-current-current ( Note 6 (22) &7)	13,139	-	24,820	-
1460	Non-current assets for sale (net) (Note 6 (5) & (6))	595,897	1	105,239	-	2310	Advance receipts ( Note 9)	901,430	1	873,331	1
1476	Other financial assets – current (Note 6 (11), (22), 7, 8 & 9)	1,703,060	3	1,600,200	3	2399	Other current liabilities - others( Note 7)	37,324	-	27,694	-
1479	Other current assets-other	25,713	-	16,693	-			43,838,665	67	42,532,527	69
1480	Incremental cost of contract acquisition - current	8,198,570	13	8,144,643	13		Non-current liabilities:				
		37,875,636	58	36,980,070	59	2570	Deferred income tax liabilities (Note 6 (15))	8,588	-	3,665	-
Non-current assets :						2580	Lease liabilities - non-current (Notes 6 (22) & 7)	13,176	-	-	-
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), (22), 7, 8 & 9)	9,248,134	15	7,115,528	12	2640	Net defined benefit liability – non-current (Note 6 (14))	23,604	-	21,018	-
1535	Financial assets at amortized cost — non-current (Note 6 (2), (22) & 9)	1,220,819	2	1,228,727	2	2645	Deposit received (Note 6 (22))	43,751	-	44,584	-
1550	Investment under equity method (Note 6 (5) & (6))	2,981,212	5	3,460,257	6			89,119	-	69,267	-
1600	Property, plant and equipment (Note 6 (7), 7, 8 & 9)	6,642,498	10	6,039,169	10		Total liabilities	43,927,784	67	42,601,794	69
1755	Right-of-use assets (Note 6 (8))	26,315	-	24,820	-		Equity: (Note 6 (16))				
1760	Investment property, net (Note 6 (9), 8 & 9)	4,011,626	6	4,045,638	7	3100	Capital stock	4,200,842	8	4,200,842	7
1780	Intangible assets (Note 6 (10) & 9)	764,107	1	748,121	1	3200	Capital surplus	2,519,954	4	2,519,954	4
1840	Deferred income tax assets (Note 6 (15))	738,664	1	767,203	1	3310	Retained earnings:				
1980	Other financial assets – non-current (Note 6 (22) & 7)	42,924	-	43,339	-	3320	Legal reserve	2,183,257	3	2,053,954	3
1990	Other non-current assets - others	1,073,503	2	1,072,981	2	3350	Special reserve	-	-	156,696	-
		26,749,802	42	24,545,783	41		Unappropriated retained earnings	10,636,961	16	9,693,988	16
Total Assets		\$ 64,625,438	100	61,525,853	100		Other equity interest:	12,820,218	19	11,904,638	19
						3410	Exchange difference for conversion of financial statements of foreign operating institutions	(59,437)	-	(51,807)	-
						3420	Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	1,216,077	2	350,432	1
								1,156,640	2	298,625	1
							Total Equity	20,697,654	33	18,924,059	31
							Total liabilities and equity	\$ 64,625,438	100	61,525,853	100

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

January 1 to December 31, 2021 and 2020

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

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Note 6 (13) &amp; (18))</b>	\$ 3,104,473	100	3,126,233	100
5000	<b>Operating cost (Note 6 (13) &amp; 7)</b>	<u>1,155,198</u>	<u>37</u>	<u>1,159,092</u>	<u>37</u>
5900	<b>Operating gross profit (loss)</b>	<u>1,949,275</u>	<u>63</u>	<u>1,967,141</u>	<u>63</u>
	<b>Operating expenses:</b>				
6100	Selling expenses	490,408	16	521,737	17
6200	Administration expenses (Note 6 (19) & 7)	567,542	18	494,470	16
6450	Expected credit impairment loss (gain) (Note 6 (3))	<u>18,850</u>	<u>1</u>	<u>4,451</u>	<u>-</u>
6000	<b>Total operating expenses</b>	<u>1,076,800</u>	<u>35</u>	<u>1,020,658</u>	<u>33</u>
6500	<b>Other income and expenses (Note 6(20))</b>	<u>110,047</u>	<u>4</u>	<u>120,365</u>	<u>4</u>
6900	<b>Operating income (loss)</b>	<u>982,522</u>	<u>32</u>	<u>1,066,848</u>	<u>34</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6 (21))	73,570	2	88,579	3
7010	Other income (Note 6 (21) & 7)	307,287	10	256,531	8
7020	Other gains and losses (Note 6(2) & (21))	144,648	5	(19,125)	-
7050	Financial costs (Note 6 (21) & 7)	(10,200)	-	(22,486)	(1)
7070	Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (6))	<u>140,813</u>	<u>4</u>	<u>196,193</u>	<u>6</u>
		<u>656,118</u>	<u>21</u>	<u>499,692</u>	<u>16</u>
7900	<b>Operating income before tax</b>	1,638,640	53	1,566,540	50
7950	<b>Less: Income tax expense (Note 6 (15))</b>	<u>225,612</u>	<u>7</u>	<u>321,978</u>	<u>10</u>
	<b>Net income</b>	<u>1,413,028</u>	<u>46</u>	<u>1,244,562</u>	<u>40</u>
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 (14))	(2,917)	-	98	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	918,131	30	449,438	15
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	(15,117)	(1)	407	-
8349	Less: Income tax related to non-reclassified items (Note 6 (15))	<u>-</u>	<u>-</u>	<u>41,945</u>	<u>1</u>
	<b>Total items that may not be subsequently reclassified to profit or loss</b>	<u>900,097</u>	<u>29</u>	<u>491,888</u>	<u>16</u>
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
8361	Exchange differences on translation of foreign statements	(30,358)	(1)	(54,477)	(2)
8367	Unrealized loss on investments in liability instruments at fair value through other comprehensive income	(27,799)	(1)	9,165	-
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	22,728	1	57,213	2
8399	Less: Income tax related 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>(35,429)</u>	<u>(1)</u>	<u>11,901</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>864,668</u>	<u>28</u>	<u>503,789</u>	<u>16</u>
	<b>Total comprehensive income</b>	<u>\$ 2,277,696</u>	<u>74</u>	<u>1,748,351</u>	<u>56</u>
	<b>Earnings per share (Note 6(17))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<u>\$ 3.36</u>		<u>2.96</u>	
9850	<b>Diluted earnings per share (NTD)</b>	<u>\$ 3.36</u>		<u>2.88</u>	

**Lungyen Life Service Corp. and Subsidiaries**  
**Individual Statements of Changes in Equity**  
**For Year of 2021 and 2020**

(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	Special reserve	Unappropriated Earnings			Unrealized gain (loss) on financial assets at fair value through other comprehensive income		
<b>Balance – January 1, 2020</b>	\$ 4,200,842	2,519,954	1,498,055	-	10,373,806	11,871,861	(54,543)	(102,153)	(156,696)	18,435,961
Net income	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562
Other comprehensive income	-	-	-	-	98	98	2,736	500,955	503,691	503,789
Total comprehensive income	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$3.0 per share)	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	47,164	47,164	-	(47,164)	(47,164)	-
Disposal of equity instruments at fair value through other comprehensive income of subsidiaries	-	-	-	-	1,206	1,206	-	(1,206)	(1,206)	-
<b>Balance – December 31, 2020</b>	4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059
Net income	-	-	-	-	1,413,028	1,413,028	-	-	-	1,413,028
Other comprehensive income	-	-	-	-	(2,917)	(2,917)	(7,630)	875,215	867,585	864,668
Total comprehensive income	-	-	-	-	1,410,111	1,410,111	(7,630)	875,215	867,585	2,277,696
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	129,303	-	(129,303)	-	-	-	-	-
Reversal of Special reserve	-	-	-	(156,696)	156,696	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$1.2 per share)	-	-	-	-	(504,101)	(504,101)	-	-	-	(504,101)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	9,570	9,570	-	(9,570)	(9,570)	-
<b>Balance – December 31, 2021</b>	<u>\$ 4,200,842</u>	<u>2,519,954</u>	<u>2,183,257</u>	<u>-</u>	<u>10,636,961</u>	<u>12,820,218</u>	<u>(59,437)</u>	<u>1,216,077</u>	<u>1,156,640</u>	<u>20,697,654</u>

## Lungyen Life Service Corp.

### Statements of Cash Flows

#### For The Twelve Months Ended December 31, 2021 and 2020

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

	2021	2020
<b>Cash flows from operating activities:</b>		
Profit (loss) before tax	\$ 1,638,640	1,566,540
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	140,827	136,532
Amortization expense	12,768	12,637
Allowance for doubtful accounts	18,850	4,451
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(181,193)	(55,380)
Interest expense	10,200	22,486
Interest income	(214,853)	(243,180)
Dividend income	(172,639)	(125,975)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(140,813)	(196,193)
Loss (gain) on disposal and scrap of property, plant and equipment	37	(83)
Loss (gain) on disposal of non-current assets for sale (investment property)	(39,573)	(22,486)
Exchange loss on financial assets at fair value through other comprehensive income	28,243	56,543
Gain (loss) on disposal of financial assets at fair value through other comprehensive income	354	(24,064)
Total adjustments to reconcile profit (loss)	(537,792)	(434,712)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through income	1,079,856	2,183,781
Notes receivable and account receivable, net	(489,030)	(422,965)
Inventories	(621,584)	(228,260)
Prepayments	1,170	(3,992)
Other financial assets - current	(1,630)	(35,918)
Other current assets	(9,020)	(5,004)
Incremental cost of contract acquisition	(75,742)	(116,098)
Disposal of non-current assets for sale (investment property)	160,438	56,488
Total net changes in operating assets	44,458	1,428,032
Net changes in operating liabilities:		
Contract liability	1,455,647	1,338,786
Notes payable and accounts payable (including related parties)	85,590	(49,174)
Other payable	51,304	5,716
Advance receipts	28,099	1,788
Other current liabilities	9,631	(600)
Net defined benefit liabilities	(331)	(11,485)
Total net changes in operating liabilities	1,629,940	1,285,031
Total net changes in operating assets and liabilities	1,674,398	2,713,063
Total adjustments	1,136,606	2,278,351
Cash inflow (outflow) generated from operations	2,775,246	3,844,891
Interest received	217,884	249,060

## Lungyen Life Service Corp.

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

#### For The Twelve Months Ended December 31, 2021 and 2020

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

	2021	2020
Dividend received	177,410	126,969
Interest paid	(506)	(140,701)
Income taxes paid	(482,589)	(11,523)
<b>Net cash flows from (used in) operating activities</b>	<u>2,687,445</u>	<u>4,068,696</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,446,787)	(6,038,082)
Disposal of financial assets at fair value through other comprehensive income	1,174,187	3,800,084
Repayment of financial assets at maturity measured at amortized cost	-	225,000
Disposal of financial assets measured at fair value through profit or loss	-	2,462,273
Acquisition of investment under equity method	-	(457,897)
Acquisition of property, plant and equipment	(718,297)	(533,882)
Disposal of property, plant and equipment	-	95
Acquisition of intangible assets	(19,699)	(4,821)
Acquisition of investment real estate	(4,755)	(5,762)
Decrease (increase) in other financial assets - current	(106,251)	1,047,216
Decrease (increase) in other financial assets - non current	415	4,696
Acquisition of other non-current assets	(522)	(283,247)
<b>Net cash flows from (used in) investing activities</b>	<u>(2,121,709)</u>	<u>215,673</u>
<b>Cash flow from (used in) financing activities:</b>		
Repayment of corporate debt	-	(3,113,000)
Increase (decrease) in guarantee deposits received	(833)	449
Payment of lease principal	(13,862)	(13,697)
Payment for cash dividends	(504,101)	(1,260,253)
<b>Net cash flows from (used in) financing activities</b>	<u>(518,796)</u>	<u>(4,386,501)</u>
Net increase (decrease) in cash and cash equivalents	46,940	(102,132)
<b>Cash and cash equivalents at beginning of period</b>	<u>45,220</u>	<u>147,352</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 92,160</b></u>	<u><b>45,220</b></u>

## Lungyen Life Service Corp.

### 2021 Appropriation of Earnings

In NT\$

Item	Amount
Balance – January 1, 2020	9,217,279,761
Add(deduct) :	
Current net income	1,413,028,432
Current change of defined benefit plan actuarial gains and losses	(2,916,429)
Disposal of equity instrument investments measured at fair value through other comprehensive income, cumulative gains and losses transferred directly to retained earnings	9,570,512
Legal reserve (10% of total earnings)	(141,968,252)
Special reserve	0
Earnings available for appropriation for 2021	10,494,994,024
Appropriation:	
Cash dividends (estimate to be NT\$1.2 per share)	(504,101,039)
Balance – December 31, 2021	9,990,892,985

Chairman: KELLY LEE      President: Wang Frank Chun Chung      Chief Accountant: Wu, Hung-En

## Comparison Table for the “Articles of Incorporation” Before and After Revision

Article	After the Revision	Before the Revision	Remarks
10-1	<b><u>The Company’s shareholders’ meeting can be held by means of visual communication network or other methods promulgated by the central competent authority. The Company shall be subject to prescriptions provided for by the competent authority in charge of securities affairs, including the prerequisites, procedures, and other compliance matters for the method of meeting in the preceding paragraph.</u></b>	(new added)	In accordance with the provisions of Article 172-2 of the Company Law, the Company's shareholders’ meeting may be held by means of visual communication network.
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. <b><u>When dividends are distributed by way of issuing new shares, a resolution shall be submitted to the shareholders' meeting for distribution; when dividends are distributed by way of cash distribution, the distribution of dividends may be approved by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors;</u></b>	<p>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 <b><u>approved in the shareholders’ meeting.</u></b></p> <p>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.</p>	In accordance with the provisions of Article 240 of the Company Law and the practical needs of the Company, some provisions have been added.



Appendix 6: Comparison Table for the “Articles of Incorporation” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p><b><u>and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.</u></b></p> <p>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.</p>		
28-2	<p><b><u>The Company may, in accordance with Article 241 of the Company Act, issue all or part of its legal reserve and capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. In the case of cash distribution, it may be approved by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.</u></b></p>	(new added)	In accordance with the provisions of Article 241 of the Company Law and the Company’s practical needs to add this new article.
31	<p>These Articles of Incorporation were made on February 27, 1987 and amended on:</p> <p>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.</p>	<p>These Articles of Incorporation were made on February 27, 1987 and amended on:</p> <p>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.</p>	New amendment records added.

Appendix 6: Comparison Table for the “Articles of  
Incorporation” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	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 The 28 <sup>th</sup> amendment: May 31, 2019 <b><u>The 29<sup>th</sup> amendment: June 24, 2022</u></b>	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 The 28 <sup>th</sup> amendment: May 31, 2019	

## Comparison Table for the “Procedure for Acquisition or Disposal of Assets”

### Before and After Revision

Article	After the Revision	Before the Revision	Remarks
6	<p>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: :</p> <p>1. The acquisition or disposal of real estate or right-of-use assets from and to the related party or the acquisition or disposal of assets other than real estate or right-of-use assets 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 domestic 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.</p> <p>2. Process mergers, spin-offs, acquisitions or assignment of shares.</p> <p>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>4. The acquisition or disposal of equipment or right-of-use assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount reaches the following standards:</p> <p>(1) The Company’s paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.</p> <p>(2) The Company’s paid in capitals reaches 10 billion, and the trade amount reaches 100 million.</p>	<p>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: :</p> <p>1. The acquisition or disposal of real estate or right-of-use assets from and to the related party or the acquisition or disposal of assets other than real estate or right-of-use assets 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 domestic 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.</p> <p>2. Process mergers, spin-offs, acquisitions or assignment of shares.</p> <p>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>4. The acquisition or disposal of equipment or right-of-use assets that are operating machinery and equipment and the counterparty is not a related party; also, the trade amount reaches the following standards:</p> <p>(1) The Company’s paid in capitals does not reach 10 billion, and the trade amount reaches 500 million.</p> <p>(2) The Company’s paid in capitals reaches 10 billion, and the trade amount reaches 100 million.</p>	<p>In accordance with the revision of laws and regulations, the acquisition or disposal of foreign public bonds with a credit rating not lower than our country's sovereign rating are also exempted from public announcement and declaration.</p>

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds <b><u>or foreign public bonds with a credit rating not lower than our country's sovereign rating.</u></b></p> <p>(2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p>	<p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds.</p> <p>(2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p>	
8	<p>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 shall meet the following requirements:</p> <p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting</p>	<p>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 shall meet the following requirements:</p> <p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting</p>	Revised part of provisions in accordance with current laws and regulations.

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p>Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <b><u>the self-discipline of each trade association to which he/she belongs</u></b> and the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When <b><u>executing</u></b> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <b><u>appropriateness</u></b> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who</p>	<p>Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When <b><u>examining</u></b> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <b><u>comprehensiveness, accuracy</u></b>, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the</p>	

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	prepared the report or opinion, and that they have evaluated and found that the information used is <b>appropriateness</b> and reasonable, and that they have complied with applicable laws and regulations.	information used is reasonable and <b>accurate</b> , and that they have complied with applicable laws and regulations.	
9	<p>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:</p> <p>1. The Company’s acquisition or disposal of real estate, other Property, plant and equipment, or right-of-use assets except for the transactions conducted with domestic government institution, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment or right-of-use assets 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:</p> <p>(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.</p> <p>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3) For the professional appraiser’s appraisal results</p>	<p>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:</p> <p>1. The Company’s acquisition or disposal of real estate, other Property, plant and equipment, or right-of-use assets except for the transactions conducted with domestic government institution, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment or right-of-use assets 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:</p> <p>(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.</p> <p>(2) A transaction amounting to NT1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3) For the professional appraiser’s appraisal results</p>	Revised part of provisions in accordance with current laws and regulations.

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p>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, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>i. The spread between the appraisal results and the transaction amount exceeds 20%.</p> <p>ii. The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.</p> <p>(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.</p> <p>(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</p>	<p>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, a certified public accountant shall be engaged to perform the appraisal <b><u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u></b> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>i. The spread between the appraisal results and the transaction amount exceeds 20%.</p> <p>ii. The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount.</p> <p>(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.</p> <p>(5) In addition to having the transaction price determined by referring to an attributive price, a specific price or a</p>	

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p>occurrence and obtain the opinion of the CPAs referred to in paragraph 3 <b><u>within two weeks from the date of obtaining the appraisal report.</u></b></p> <p>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. 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.</p> <p>3. For the acquisition or disposal of membership cards or intangible assets or right-of-use assets with the transactions amount over 20% of the paid-in capital or NT300 million except for the transactions conducted with domestic government institution, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence.</p> <p>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.</p>	<p>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.</p> <p>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. <b><u>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.</u></b> 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.</p> <p>3. For the acquisition or disposal of membership cards or intangible assets or right-of-use assets with the transactions amount over 20% of the paid-in capital or NT300 million except for the transactions conducted with domestic government institution, the</p>	



Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
		<p>commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence <b><u>in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</u></b></p> <p>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.</p>	
10	<p>For the acquisition or disposal of real estate or the right-of-use assets of the Company with the related party or the acquisition or disposal of assets other than the real estate or the right-of-use assets traded with the related party for an amount over 20% of the paid in capital, 10% of the total assets, or NT300 million, except for domestic government bond, 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:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</li> <li>2. The reasons for selecting the related party as the counterparty.</li> <li>3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition of real estate or right-of-use assets from the related party in accordance with Article 16 and Article 17 of the “Guidelines for Handling Acquisition and Disposal of</li> </ol>	<p>For the acquisition or disposal of real estate or the right-of-use assets of the Company with the related party or the acquisition or disposal of assets other than the real estate or the right-of-use assets traded with the related party for an amount over 20% of the paid in capital, 10% of the total assets, or NT300 million, except for domestic government bond, 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:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</li> <li>2. The reasons for selecting the related party as the counterparty.</li> <li>3. The related information applied to assess the reasonableness of the trade terms and conditions for the acquisition of real estate or right-of-use assets from the related party in accordance with Article 16 and Article 17 of the “Guidelines for Handling Acquisition and Disposal of</li> </ol>	<p>In accordance with current laws and regulations, the requirement that transactions with significant related parties should be approved in advance by the shareholders' meeting was added, and the order of the articles was revised.</p>

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p>Assets by Public Companies”.</p> <p>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</p> <p>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.</p> <p>6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, 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.</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>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.</p>	<p>Assets by Public Companies”.</p> <p>4. The matters of the related party’s original acquisition date and price, counterparty and the relationship between the Company and the related party.</p> <p>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.</p> <p>6. Acquire the appraisal report from the professional appraisal company or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction.</p> <p>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 31 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 Audit Committee.</p> <p>With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, 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.</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p>	

Appendix 7: Comparison Table for the “Procedure for Acquisition or Disposal of Assets” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	<p><b><u>If the Company or the Company's subsidiary that is not a domestic public company has transactions mentioned in the first paragraph, and the transaction amount is more than 10% of the Company's total assets, the Company shall submit the information listed in the first paragraph to the shareholders' meeting for approval before signing a transaction contract and making payment. However, the transaction between the Company and its parent company, subsidiaries, or transaction among subsidiaries is not subject to this requirement.</u></b></p> <p>The transactions amount referred <b><u>to the first paragraph</u></b> and the above shall be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article 31 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 <b><u>shareholders’ meeting</u></b> and the board meeting and accepted by the Audit Committee.</p>	<p>2. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>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.</p>	

## **ANNEX**

# **Lungyen Life Service Corp.**

## **Articles of Incorporation**

### **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 CORPORATION” 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 7-1 The Company's shares purchased in accordance with the Company Act, employee stock option certificates, new shares of restricted employees' rights, and new shares reserved for employees to subscribe for cash capital increase may include employees of affiliated companies who meet certain conditions; certain conditions are set by the board of directors.

Article 8 All shares certificates of the Company shall be issued in registered form and issued in accordance with the Company Act of the Republic of China and other relevant laws and regulations.

Article 8-1 The Company may issue 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     Various functional committees may be set up under the board of directors of the Company, and these committees shall formulate rules for exercising their functions and powers, which shall be implemented after approval by the board of directors.

Article 16-4     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; the certain conditions are set by the board of directors.

The distribution of employee remuneration and directors' remuneration shall be made by the board of directors with more than two-thirds of the directors present and a resolution approved by more than half of the directors present, and reported to the shareholders' meeting.

The above-mentioned resolution of the board of directors for the payment of remuneration to employees in the form of stocks may make the resolution in the same meeting to issue new shares or purchase the Company's own shares.

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.

The 28<sup>th</sup> amendment: May 31, 2019.

## **Lungyen Life Service Corp.**

### **Procedure for Acquisition or Disposal 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. Right-of-use assets;
6. Financial institutions’ claims (including receivables, foreign exchange discount and loans and nonperforming loans);
7. Directives;
8. The acquisition or disposal of assets by law full merger, spins-off, acquisition or assignment of shares;
9. 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 handling 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 or right-of-use assets from and to the related party or the acquisition or disposal of assets other than real estate or right-of-use assets 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 domestic 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 acquisition or disposal of equipment or right-of-use 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. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

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 shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since

completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

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, or right-of-use assets except for the transactions conducted with domestic government institution, commissioned to build by land owner, commissioned to build by lessee, and machinery equipment or right-of-use assets 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:

- i. The spread between the appraisal results and the transaction amount exceeds 20%.
- ii. 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 or right-of-use assets with the transactions amount over 20% of the paid-in capital or NT300 million except for the transactions conducted with domestic government institution, 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 article, paragraph 1 to 3, should be calculated in accordance with “The Public Offering Company of Procedures for Acquisition or Disposal of assets” Article 31 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 or the right-of-use assets of the Company with the related party or the acquisition or disposal of assets other than the real estate or the right-of-use assets traded with the related party for an amount over 20% of the paid in capital, 10% of the total assets, or NT300 million, except for domestic government bond, 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 or right-of-use assets from the related party in accordance with Article 16 and Article 17 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 31 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 Audit Committee.

With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, 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.

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

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 or right-of-use assets 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 or lease 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 or right-of-use assets acquired by the Company from the related party should be assessed in accordance with the preceding two Section above; also, a CPA should be commissioned to review and express an opinion.

The acquisition of real estate or right-of-use assets by the Company from the related parties that fall under one of the following situations should be handled in accordance with previous article instead of the provisions referred to in the last three sections:

1. The acquisition of real estate or right-of-use assets by a related party is by inheritance or gift.
2. A related party's contracting for the acquisition of real estate or right-of-use assets is more than five years from the date of the trade contract signing.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or

indirectly holds 100 percent of the issued shares or authorized capital.

Article 11.1: If the assessment results 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 transactions of other floors of the same underlying house and land or the transactions 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 or lease.
2. The Company evidences that the terms of acquiring the real estate or right-of-use assets through lease from the related parties are similar to the transactions by the unrelated party in the neighborhood within one year with the similar floor area.

The alleged "transactions" 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 transactions 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 or right-of-use assets.

Article 11.2: If the assessment results of the acquisition or disposal of real estate or right-of-use assets 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 or right-of-use assets 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 in the preceding two paragraphs 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 or leased are with the devaluation recognized, are disposed of, or termination of lease contract, are appropriately compensated or restored, or are evidenced otherwise without any unreasonableness. The acquisition of real estate or right-of-use assets 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 right-of-use assets ,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 or right-of-use assets may not exceed 90% of the total assets in 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's "Procedures on Supervision on subsidiaries" Article 2 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: (Deleted)

## **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 (April 26, 2022) 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: KELLY LEE		
Director	Wish Giver Limited		
	Representative: Lin, Su-Chien		
Director	Wish Giver Limited		
	Representative: Liu, Chiang-Pao		
Director	ORIX Asia Capital Limited	21,000,000	5.00%
Independent Director	Wang, Huai	0	0.00%
Independent Director	Yu, Ying-Chi	0	0.00%
Independent Director	Chen, Ming-Te	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 April 26, 2022, 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 2022 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 2022 Annual Meeting of Shareholders was from April 15 to April 26, 2022, 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 2022, so does not applicable.