

**LUNGYEN LIFE SERVICE CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors  
Lungyen Life Service Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Lungyen Life Service Corp. and its subsidiaries (“the Group”) as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$ 812,121 thousand and NT\$ 703,868 thousand, constituting 1% of consolidated total assets as of June 30, 2021 and 2020, respectively, total liabilities amounting to NT\$ 214,471 thousand and NT\$ 248,055 thousand, Both constituting 1% of consolidated total liabilities as of June 30, 2021 and 2020, respectively, and total comprehensive income(loss) amounting to (NT\$ 704) thousand, (NT\$ 14,808) thousand, NT\$ 7,330 thousand and (NT\$ 23,425) thousand, constituting 0%, (2)%, 1% and (6)% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of Lungyen Life Service Corp. and its subsidiaries in its investee companies of NT\$ 1,522,353 thousand and NT\$ 911,070 thousand as of June 30, 2021 and 2020, respectively, and its equity in net earnings on these investee companies of NT\$ 10,493 thousand, (NT\$ 1,646) thousand, NT\$ 41,880 thousand and (NT\$ 11,244) thousand for the three months and six months ended June 30, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Lungyen Life Service Corp. and its subsidiaries as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shih-Chin Chih and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)  
August 12, 2021

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2021 and 2020**

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

	For the three months ended June 30				For the six months ended June 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (Note 6(e), (o) and (t))</b>	\$ 779,187	100	786,023	100	1,779,568	100	1,654,832	100
5000	<b>Operating costs (Note 6(o) and 7)</b>	291,703	37	278,089	35	634,043	36	602,001	36
5900	<b>Gross profit</b>	487,484	63	507,934	65	1,145,525	64	1,052,831	64
	<b>Operating expenses (Note 6(p), (u) and 7):</b>								
6100	Selling expenses	187,930	24	139,867	18	336,100	19	267,927	16
6200	Administrative expenses	135,563	17	133,534	17	294,914	17	288,140	17
6450	Impairment loss determined in accordance with IFRS 9 (Note 6(c))	21,673	3	4,670	1	21,673	1	4,670	-
		345,166	44	278,071	36	652,687	37	560,737	33
6500	<b>Net other income (expenses) (Note 6(v))</b>	27,208	3	32,977	4	58,556	3	65,915	4
6900	<b>Net operating income</b>	169,526	22	262,840	33	551,394	30	558,009	35
	<b>Non-operating income and expenses (Note 6(f), (w) and 7):</b>								
7100	Interest income	25,435	3	27,138	3	41,836	2	53,697	3
7010	Other income	40,877	4	45,422	6	65,580	4	88,400	5
7020	Other gains and losses, net	(18,806)	(2)	5,531	1	6,928	-	5,157	-
7050	Finance costs, net	(2,636)	-	(3,256)	-	(5,487)	-	(16,829)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	10,493	1	(1,646)	-	41,880	2	(11,244)	(1)
		55,363	6	73,189	10	150,737	8	119,181	6
	<b>Profit before tax from continuing operations</b>	224,889	28	336,029	43	702,131	38	677,190	41
7950	<b>Less: Income tax expenses (Note 6(q))</b>	34,852	4	214,440	27	70,707	4	249,423	15
8300	<b>Net income</b>	190,037	24	121,589	16	631,424	34	427,767	26
8310	<b>Other comprehensive income:</b>								
	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	199,709	26	575,989	73	667,959	38	(59,485)	(4)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(41,946)	(5)	-	-	41,946	3
	<b>Items that will not be reclassified subsequently to profit or loss</b>	199,709	26	617,935	78	667,959	38	(17,539)	(1)
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(23,992)	(3)	(19,703)	(3)	(23,704)	(1)	(16,193)	(1)
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 6(aa))	(11,027)	(1)	24,597	3	(26,411)	(1)	(5,305)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	17,512	2	3,771	-	11,231	1	(8,522)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Items that may be reclassified subsequently to profit or loss</b>	(17,507)	(2)	8,665	-	(38,884)	(1)	(30,020)	(2)
8300	<b>Other comprehensive income, net of tax</b>	182,202	24	626,600	78	629,075	37	(47,559)	(3)
	<b>Total comprehensive income</b>	\$ 372,239	48	748,189	94	1,260,499	71	380,208	23
	<b>Profit attributable to:</b>								
8610	Owners of parent	\$ 234,098	30	87,574	12	639,713	34	368,106	22
8620	Non-controlling interests	(44,061)	(6)	34,015	4	(8,289)	-	59,661	4
		\$ 190,037	24	121,589	16	631,424	34	427,767	26
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ 419,510	54	714,838	90	1,268,713	71	325,952	20
8720	Non-controlling interests	(47,271)	(6)	33,351	4	(8,214)	-	54,256	3
		\$ 372,239	48	748,189	94	1,260,499	71	380,208	23
	<b>Earnings per share (in dollar) (Note 6(s)):</b>								
9750	<b>Basic earnings per share (in New Taiwan dollars)</b>	\$ 0.56		0.21		1.52		0.88	
9850	<b>Diluted earnings per share (in New Taiwan Dollars)</b>	\$ 0.56		0.21		1.52		0.82	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent											
	Share capital					Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>												
Profit for the six months ended June 30, 2020	-	-	-	-	368,106	368,106	-	-	-	368,106	59,661	427,767
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(24,715)	(17,439)	(42,154)	(42,154)	(5,405)	(47,559)
Comprehensive income for the six months ended June 30, 2020	-	-	-	-	368,106	368,106	(24,715)	(17,439)	(42,154)	325,952	54,256	380,208
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-	-	-
Cash dividends of ordinary shares-\$3 per share	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)	-	(1,260,253)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(238,211)	(238,211)	-	238,211	238,211	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(83)	(83)
<b>Balance at June 30, 2020</b>	\$ 4,200,842	2,519,954	2,053,954	156,696	8,530,853	10,741,503	(79,258)	118,619	39,361	17,501,660	1,552,063	19,053,723
<b>Balance at January 1, 2021</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	1,633,314	20,557,373
Profit for the six months ended June 30, 2021	-	-	-	-	639,713	639,713	-	-	-	639,713	(8,289)	631,424
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	(12,473)	641,473	629,000	629,000	75	629,075
Comprehensive income for the six months ended June 30, 2021	-	-	-	-	639,713	639,713	(12,473)	641,473	629,000	1,268,713	(8,214)	1,260,499
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(1,011)	(1,011)	-	1,011	1,011	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(22)	(22)
<b>Balance at June 30, 2021</b>	\$ 4,200,842	2,519,954	2,053,954	156,696	10,332,690	12,543,340	(64,280)	992,916	928,636	20,192,772	1,625,078	21,817,850

See accompanying notes to consolidated financial statements.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months and six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 702,131	677,190
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	75,187	72,479
Amortization expense	6,420	6,871
Impairment loss determined in accordance with IFRS 9	21,673	4,670
Net gain on financial assets or liabilities at fair value through profit or loss	(46,517)	(24,110)
Interest expense	5,487	16,829
Interest income	(116,420)	(136,823)
Dividend income	(26,589)	(24,866)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(41,880)	11,244
Proceeds from disposal of non-current assets classified as held for sale (investment property)	(27,217)	-
Loss (gain) on disposals of property, plant and equipment	(41)	(163)
Exchange loss on financial assets at fair value through other comprehensive income	24,324	27,979
Loss (gain) on disposal of financial assets at fair value through other comprehensive income	5,544	(24,116)
<b>Total adjustments to reconcile profit (loss)</b>	(120,029)	(70,006)
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	957,132	1,312,237
Decrease (increase) in notes receivable	2,968	(1,419)
Increase in accounts receivable	(369,579)	(364,000)
Increase in inventories	(330,072)	(227,452)
Decrease (increase) increase in other prepayments	(2,894)	543
Decrease in other financial assets	(6,597)	(28,532)
Increase in other current assets	(4,055)	(5,225)
Decrease (increase) in assets recognized as incremental costs to obtain contract with customers	9,716	(151,329)
Increase in contract liabilities	802,231	802,067
(Decrease) increase in notes payable	17,770	(24,202)
Increase in other payable	130,909	66,978
Increase in advance receipts	4,158	76,725
Increase (decrease) in other current liabilities	(946)	4,114
Proceeds from disposal of non-current assets classifies as held for sale	141,614	-
<b>Total changes in operating assets and liabilities</b>	1,352,355	1,460,505
<b>Total adjustments</b>	1,232,326	1,390,499
Cash inflow generated from operations	1,934,457	2,067,689
Interest received	121,688	139,514
Dividends received	21,022	24,866
Interest paid	(253)	(141,956)
Income taxes paid	(376,975)	(3,498)
<b>Net cash flows from operating activities</b>	1,699,939	2,086,615

See accompanying notes to consolidated financial statements.



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Reviewed only, not audited in accordance with generally accepted auditing standards

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (CONT'D)**

**For the six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,376,972)	(4,193,966)
Proceeds from disposal of financial assets at fair value through other comprehensive income	292,997	2,333,926
Proceeds from repayments of financial assets at amortised cost	-	75,000
Proceeds from disposal of financial assets at fair value through profit or loss	-	1,790,000
Acquisition of property, plant and equipment	(373,366)	(224,260)
Proceeds from disposal of property, plant and equipment	171	324
Acquisition of intangible assets	(12,087)	(1,560)
Acquisition of investment properties	(122)	(5,761)
Decrease (increase) in other current financial assets	(31,682)	1,289,718
Decrease in other non-current financial assets	2,077	38,287
<b>Net cash flows from (used in) investing activities</b>	<b>(1,498,984)</b>	<b>1,101,708</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	-	16,000
Decrease in short-term borrowings	-	(37,800)
Repayments of bonds	-	(3,113,000)
Increase (decrease) in guarantee deposits received	(280)	437
Payment of lease liabilities	(6,863)	(6,849)
Changes of non-controlling interests	(22)	(83)
<b>Net cash flows used in financing activities</b>	<b>(7,165)</b>	<b>(3,141,295)</b>
Effect of exchange rate changes on cash and cash equivalents	(509)	(1,114)
Increase in cash and cash equivalents	193,281	45,914
Cash and cash equivalents at beginning of period	88,734	231,964
Cash and cash equivalents at end of period	<b>\$ 282,015</b>	<b>277,878</b>

See accompanying notes to consolidated financial statements.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Lungyen Life Service Corp. ( Previously known as Da Han Construction; hereinafter referred to as the “Company”) was incorporated in March 27, 1987, and was registered in 1F., No. 166, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). The Company and its subsidiaries (together referred to as the ‘Group’ and individually as the ‘Group entities’) primarily engage in the business of funeral facilities and services, along with the development and lease of residential and commercial buildings.

**(2) Approval date and procedures of the consolidated financial statements:**

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on August 12, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(4) Summary of significant accounting policies:**

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

- (b) Basis of consolidation

- (i) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Principal activity	Shareholding			Description
			June 30, 2021	December 31, 2020	June 30, 2020	
the Company	Jin Huang Construction Co., Ltd. (Jin Huang)	Architecture and civil engineering	98.20 %	98.20 %	98.20 %	(Note)
the Company	Yuji Development Corp. (Yuji)	Funeral services	54.42 %	54.42 %	54.42 %	
the Company	Dahan Property Management Co., Ltd. (Dahan)	Lease and development of residential and commercial buildings	80.00 %	80.00 %	80.00 %	(Note)

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Investor</u>	<u>Subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Description</u>
			<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	
the Company	Sea Dragon Traders Ltd. (BVI) (Sea Dragon)	Investment business	100.00 %	100.00 %	100.00 %	(Note)
Yuji Development	Lung Fu Company Limited (Lung Fu )	Funeral services	100.00 %	100.00 %	100.00 %	(Note)

Note: The company is a non-significant subsidiary, its financial statements have not been reviewed.

(ii) Subsidiaries excluded in the consolidated financial statements: None

(iii) Changes in the number of subsidiaries: None

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standard 34, Interim Report.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using that actuarially determined pension cost rate at the end of the prior fiscal year.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash and cash on hand	\$ 1,956	2,045	2,153
Demand and foreign currency deposits	280,048	86,666	166,528
Checking account deposits	11	23	18
Time deposits	<u>-</u>	<u>-</u>	<u>109,179</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 282,015</u>	<u>88,734</u>	<u>277,878</u>

Please refer to note 6(x) for the currency risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company.

(b) Financial assets

(i) Current financial assets at fair value through profit or loss

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Domestic and foreign ordinary shares	\$ -	-	34,817
Bond investments	-	55,577	59,139
Beneficiary certificate	<u>4,360,333</u>	<u>5,215,386</u>	<u>6,545,640</u>
Total	<u>\$ 4,360,333</u>	<u>5,270,963</u>	<u>6,639,596</u>

Please refer to Note 6(w) for the amounts that resulted from financial assets and liabilities measured at fair value.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Non-current financial assets at fair value through other comprehensive income:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Investment in debt instrument at fair value through other comprehensive income:			
Bond investments	\$ 1,171,304	1,420,853	1,331,305
Equity investments at fair value through other comprehensive income:			
Domestic and foreign ordinary shares	7,274,057	5,339,446	4,643,683
Beneficiary certificate	<u>470,887</u>	<u>461,556</u>	<u>358,979</u>
Total	<u>\$ 8,916,248</u>	<u>7,221,855</u>	<u>6,333,967</u>

1) Investments in debt instruments designated at fair value through other comprehensive income

The Group held bond investment through cash flow from contract with customers and sales of financial assets, thus the Group categorized the following investments in bonds as financial assets at fair value through other comprehensive income.

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.30%~ 4.50%、1.30%~ 4.50% and 1.30%~ 4.85% as of June 30, 2021, December 31, 2020 and June 30, 2020. The maturity years are 2022 to 2030, 2021 to 2030, and 2020 to 2029, respectively.

Please refer to Note 6(w) for gain or loss on disposal of investments.

2) Investments in equity instruments designated at fair value through other comprehensive income

The purpose that the Group invests in the aforementioned equity securities is for long-term strategies rather than for trading. Therefore, these equity securities have been designated as at FVOCI.

For the six months ended June 30, 2021 and 2020, the Group made disposal of a portion of equity instruments at FVOCI with fair values at NT\$ 38,709 thousand and NT\$ 1,560,162 thousand and accumulated disposal losses of NT\$ 1,011 thousand and NT\$ 280,157 thousand, which have been transferred from other equity interest to retained earnings.

For the details on credit risk (including the impairment of debt instrument investment) and market risk, please refer to Note 6(x).

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Non-current financial assets at amortized cost

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Bond investments	<u>\$ 1,224,812</u>	<u>1,228,727</u>	<u>1,383,336</u>

- 1) The Group held the abovementioned investment to its maturity so as to collect the contract cash flow comprising the interest on the principal and the principal amount outstanding, which was presented within financial assets at amortized cost.
  - 2) The coupon rates of the Group's investments in financial assets at amortized cost were 0.625%~ 3.00% as of June 30, 2021, December 31, 2020 and June 30, 2020. The maturity years are from 2023 to 2028, 2023 to 2028, and 2020 to 2028, respectively.
- (iv) For details on the Group's trust financial assets as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 9(c).
- (v) For details on the Company's financial assets pledged as collateral as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 8.
- (vi) Sensitivity analysis-equity price risk

On the reporting date, if the price of equity securities changes (with the analysis of both periods performed on the same basis and all other variables remained unchanged), the impact on post-tax profit or loss in the statement of comprehensive income will be as follows:

	<b>For the six months ended June 30,2021</b>			
	<b>2021</b>		<b>2020</b>	
<b>Securities price on the reporting date</b>	<b>Other comprehensive income, net of tax</b>	<b>Post-tax profit or loss</b>	<b>Other comprehensive income, net of tax</b>	<b>Post-tax profit or loss</b>
10% increase	<u>\$ 670,710</u>	<u>-</u>	<u>430,796</u>	<u>2,785</u>
10% decrease	<u>\$ (670,710)</u>	<u>-</u>	<u>(430,796)</u>	<u>(2,785)</u>

(c) Notes and accounts receivable

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Notes receivable – from operation	\$ 1,230	4,198	2,197
Accounts receivable – measured at amortized cost	10,517,917	10,151,206	9,907,766
Less: loss allowance	(110,981)	(89,308)	(81,540)
Unrealized interest income	(741,343)	(738,442)	(738,222)
	<u>\$ 9,666,823</u>	<u>9,327,654</u>	<u>9,090,201</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information. The loss allowance provisions were determined as follows:

	<b>June 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 10,405,090	0.00%~0.32%	3,073
31 to 90 days past due	16,972	54.41%~86.15%	11,769
91 to 180 days past due	8,192	93.22%~97.32%	7,603
181 to 270 days past due	7,640	96.98%~98.86%	7,283
More than 270 days past due	<u>81,253</u>	100%	<u>81,253</u>
Total	<u><u>\$ 10,519,147</u></u>		<u><u>110,981</u></u>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 10,063,575	0.00%~0.27%	949
31 to 90 days past due	9,965	34.76%~81.42%	6,932
91 to 180 days past due	7,180	93.18%~96.66%	6,870
181 to 270 days past due	6,381	97.23%~98.28%	6,254
More than 270 days past due	<u>68,303</u>	100%	<u>68,303</u>
Total	<u><u>\$ 10,155,404</u></u>		<u><u>89,308</u></u>
	<b>June 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 9,828,055	0.00%~0.26%	4,400
31 to 90 days past due	9,725	23.46%~80.93%	5,314
91 to 180 days past due	6,464	92.16%~98.50%	6,198
181 to 270 days past due	5,804	97.74%~99.03%	5,713
More than 270 days past due	<u>59,915</u>	100%	<u>59,915</u>
Total	<u><u>\$ 9,909,963</u></u>		<u><u>81,540</u></u>

Note: As of June 30, 2021, December 31, 2020 and June 30, 2020, the accounts receivable including accounts receivable not overdue amounted to NT\$ 8,432,346 thousand, NT\$ 7,964,249 thousand, and NT\$ 7,946,295 thousand, respectively.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movements in the allowance for notes and accounts receivable were as follows:

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 89,308	76,870
Impairment losses recognized	21,673	4,670
Ending balance	<b>\$ 110,981</b>	<b>81,540</b>

(d) Inventories

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Residential and building for sale	\$ -	30,426	48,881
Columbarium and cemetery for sale	3,439,528	3,431,236	3,501,424
Land held for construction site	4,612,131	4,606,498	4,602,996
Construction in progress	94,901	84,066	77,341
Columbarium and cemetery under construction	8,228,127	7,892,389	7,700,787
	<b>\$ 16,374,687</b>	<b>16,044,615</b>	<b>15,931,429</b>
Expected to be collected after more than 12 months	<b>\$ 16,349,364</b>	<b>16,015,673</b>	<b>15,907,606</b>

(i) For the three months ended June 30, 2021 and 2020, and six months ended June 30, 2021 and 2020 the capitalization of interest recognized by the Group for residential and commercial buildings, columbariums, and cemeteries under construction amounted to NT\$ 0.

(ii) A portion of the land of the Company (hereafter referred to as “the Principal”) were registered by the trustee’s name in order to deal with the purchase of the land. The two sides entered into the contract, whereby after the completion of land assembly, the ownership shall be transferred to the Company unconditionally. The trustee shall, at the same time, hand over the documents required for the transfer of the right to the Principal. In addition, the entrusted shall hand over to the Principal an issued promissory note with the same value of the land registered under his/her name; please refer to Note 7 for details.

(iii) For inventory pledged as collateral as of June 30, 2021, December 31, 2020 and June 30, 2020 by the Group, please refer to Note 8.

(e) Non-current Assets Held for Sale

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Land held for sale	\$ -	77,348	-
Houses and buildings held for sale	-	27,891	-
	<b>\$ -</b>	<b>105,239</b>	<b>-</b>

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) As March 31, 2021 and December 31, 2020, the Group disposed of a portion of its investment properties, which was not impaired after being measured at the lower of carrying amount and the fair value less costs to sell; therefore, those assets were recognized as assets held for sale at their carrying amounts.
- (ii) The Group sold the non-current asset held for sale at 2nd Sec., Neihu, Taipei on December 15, 2020, and the ownership was transferred in March 2020. The gain on disposal of NT\$ 19,650 thousand was recognized as operating revenue; please refer to Note 6(t) for details.
- (iii) The Group sold the non-current asset held for sale at Guomin Rd, Tainan on February 26, 2021, and the ownership was transferred in May 2021. The gain on disposal of NT\$ 7,567 thousand was recognized as operating revenue; please refer to Note 6(t) for details.
- (f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Associates	\$ 726,919	666,315	185,092
Joint ventures	795,434	826,118	725,978
	<b><u>\$ 1,522,353</u></b>	<b><u>1,492,433</u></b>	<b><u>911,070</u></b>

- (i) Associates

On July 27, 2020, the Group acquired 30.93% of ownership in The Law Co., Ltd. at a price of NT\$ 420,426 thousand, thereby obtaining significant control over The Law Co., Ltd..

- (ii) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
The carrying amount of the equity interests in all individually insignificant joint ventures	<b><u>\$ 726,919</u></b>	<b><u>666,315</u></b>	<b><u>185,092</u></b>

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Attributable to the Group:				
Profit from continuing operation	\$ 22,071	403	61,735	1,669
Other comprehensive income	4,137	3,687	3,539	2,356
Total comprehensive income	<b><u>\$ 26,208</u></b>	<b><u>4,090</u></b>	<b><u>65,274</u></b>	<b><u>4,025</u></b>

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Joint ventures

The Group, Bliss Knight Limited and SINO-OCEAN entered into a joint-venture agreement on December 31, 2017. Group owns the residual interests of the net asset of Long Young Life (Cayman) Limited Co.; thus, the Group classified that joint arrangement as a joint venture using the equity method to treat relevant accounting recognition.

Long Young Life's financial condition is summarized in table below based on its own financial report and fair value at acquisition and differences in accounting policy were adjusted accordingly.

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Percentage of ownership interest	<u>50%</u>	<u>50%</u>	<u>50%</u>
Non-current assets	\$ 1,607,470	1,579,685	1,461,961
Current assets	1,548	87,222	2,314
Current liabilities	<u>(18,151)</u>	<u>(14,671)</u>	<u>(12,318)</u>
Net assets	<u>\$ 1,590,867</u>	<u>1,652,236</u>	<u>1,451,957</u>
Cash and cash equivalents	<u>\$ 1,548</u>	<u>87,222</u>	<u>2,314</u>
The Group's share of net assets	<u>\$ 795,434</u>	<u>826,118</u>	<u>725,978</u>
	<b>For the three months ended June 30, 2021</b>	<b>2020</b>	<b>For the six months ended June 30, 2021</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Operating revenue	\$ -	-	-
Net loss for the current period	\$ -	-	-
Loss from continuing operations for the year	(23,155)	(4,098)	(39,710)
Other comprehensive income	27,667	2,830	15,381
Total comprehensive income	<u>\$ 4,512</u>	<u>(1,268)</u>	<u>(24,329)</u>
The Group's share of profit (Note)	<u>\$ (11,578)</u>	<u>(2,049)</u>	<u>(19,855)</u>
The Group's share of other comprehensive income	<u>\$ 13,833</u>	<u>1,415</u>	<u>7,690</u>

Note: June 30, 2021: Exchange rate at end of period: 27.870

For the six months ended June 30, 2021, USD: Average exchange rate: 27.797

- (iv) As of June 30, 2021, December 31, 2020 and June 30, 2020, none of the investments accounted for using the equity method had been pledged as collateral.
- (v) The unreviewed financial statements of investments accounted for using equity method

Investments were accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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(g) Subsidiaries with material non controlling interests

The material non-controlling interests of subsidiaries were as follows:

Name of Subsidiary	Main operation place Company registered country	Proportion of shareholding and voting rights held by NCIs		
		June 30, 2021	December 31, 2020	June 30, 2020
Yuji	Taiwan	45.58 %	45.58 %	45.58 %

The following information on the aforementioned subsidiaries was prepared in accordance with IFRSs endorsed by the FSC, without intra-group transactions being eliminated.

(i) The financial information on Yuji Development is summarized as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 3,438,563	3,415,243	3,378,742
Non-current assets	1,019,698	971,164	896,159
Current liabilities	(849,073)	(759,206)	(826,424)
Equity interests	<u>\$ 3,609,188</u>	<u>3,627,201</u>	<u>3,448,477</u>
Non controlling interests	<u>\$ 1,625,119</u>	<u>1,633,330</u>	<u>1,552,067</u>
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
	2021	2020	2021
Sale revenue	\$ 111	156,248	110,825
Net income	\$ (96,666)	74,563	(18,178)
Other comprehensive income	(7,040)	(1,457)	165
Total comprehensive income	<u>\$ (103,706)</u>	<u>73,106</u>	<u>(18,013)</u>
Profits attributable to NCIs for the period	<u>\$ (44,060)</u>	<u>33,986</u>	<u>(8,286)</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ (47,270)</u>	<u>33,321</u>	<u>(8,211)</u>
Cash from (used in) operating activities	22,341	(30,992)	32,852
Cash from (used in) investing activities	(10,690)	20,292	(34,251)
Cash from (used in) financing activities	-	-	-
Increase in cash and cash equivalents	<u>\$ 11,651</u>	<u>(10,700)</u>	<u>(1,399)</u>
	<u>(5,087)</u>		

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were detailed as follows:

	Land	Buildings and improvements	Transportation equipment	Office equipment	Lease improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:								
Balance on January 1, 2021	\$ 3,075,275	2,727,906	127,137	53,406	4,100	210,669	833,342	7,031,835
Additions	122	4,412	1,524	-	-	7,874	359,434	373,366
Disposals	-	-	(228)	(51)	-	(675)	-	(954)
Transferred from (to) unfinished construction	-	11,651	-	-	-	6,306	(17,957)	-
Transferred to intangible assets	-	-	-	-	-	-	(7,409)	(7,409)
Balance on June 30, 2021	<u>\$ 3,075,397</u>	<u>2,743,969</u>	<u>128,433</u>	<u>53,355</u>	<u>4,100</u>	<u>224,174</u>	<u>1,167,410</u>	<u>7,396,838</u>
Balance on January 1, 2020	\$ 2,415,999	2,868,196	107,874	53,815	4,100	197,628	1,233,082	6,880,694
Additions	-	1,282	5,405	224	-	372	216,977	224,260
Disposals	-	-	(8,087)	(131)	-	(471)	-	(8,689)
Transferred from (to) unfinished construction	882,292	1,600	24,362	-	-	-	(908,254)	-
Reclassifications	-	-	-	-	-	-	(3,953)	(3,953)
Balance on June 30, 2020	<u>\$ 3,298,291</u>	<u>2,871,078</u>	<u>129,554</u>	<u>53,908</u>	<u>4,100</u>	<u>197,529</u>	<u>537,852</u>	<u>7,092,312</u>
Depreciation and impairment losses:								
Balance on January 1, 2021	\$ -	647,788	62,312	52,161	3,653	108,513	-	874,427
Depreciation for the year	-	34,984	7,640	196	90	11,996	-	54,906
Disposals	-	-	(114)	(51)	-	(659)	-	(824)
Balance on June 30, 2021	<u>\$ -</u>	<u>682,772</u>	<u>69,838</u>	<u>52,306</u>	<u>3,743</u>	<u>119,850</u>	<u>-</u>	<u>928,509</u>
Balance on January 1, 2020	\$ -	598,624	59,192	52,307	3,473	88,940	-	802,536
Depreciation for the year	-	36,031	6,058	247	90	10,477	-	52,903
Disposals	-	-	(8,040)	(131)	-	(357)	-	(8,528)
Balance on June 30, 2020	<u>\$ -</u>	<u>634,655</u>	<u>57,210</u>	<u>52,423</u>	<u>3,563</u>	<u>99,060</u>	<u>-</u>	<u>846,911</u>
Carrying amount:								
Balance on January 1, 2021	<u>\$ 3,075,275</u>	<u>2,080,118</u>	<u>64,825</u>	<u>1,245</u>	<u>447</u>	<u>102,156</u>	<u>833,342</u>	<u>6,157,408</u>
Balance on June 30, 2021	<u>\$ 3,075,397</u>	<u>2,061,197</u>	<u>58,595</u>	<u>1,049</u>	<u>357</u>	<u>104,324</u>	<u>1,167,410</u>	<u>6,468,329</u>
Balance on January 1, 2020	<u>\$ 2,415,999</u>	<u>2,269,572</u>	<u>48,682</u>	<u>1,508</u>	<u>627</u>	<u>108,688</u>	<u>1,233,082</u>	<u>6,078,158</u>
Balance on June 30, 2020	<u>\$ 3,298,291</u>	<u>2,236,423</u>	<u>72,344</u>	<u>1,485</u>	<u>537</u>	<u>98,469</u>	<u>537,852</u>	<u>6,245,401</u>

- (i) The Group (referred to as “the Principal” hereinafter) has part of the land registered in the name of the discretionary related party (referred to as “the Trustee” hereinafter) for land acquisition matters. The contractual parties agreed to have the land ownership transferred back to the Principal unconditionally upon the completion of land consolidation. The Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and have them delivered to the Principal for recording purpose. In addition, a promissory note issued by the trustee for an amount equivalent to the land value shall be delivered to the Principal for records, please refer to Note 7.

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(ii) For details of assets pledged as collateral for line of credit as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 8.

(iii) For the portion of the trust property, plant, and equipment as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 9(c).

(i) Right-of-use assets

The Group leases including land, buildings and improvements, and vehicles recognized as right of use assets. Information about the movements in their recognition or reversal of cost, depreciation, and impairment are presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2021	\$ <u>574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Additions	<u>301</u>	<u>1,035</u>	<u>-</u>	<u>1,336</u>
Balance on June 30, 2021	\$ <u>875</u>	<u>30,929</u>	<u>21,323</u>	<u>53,127</u>
Balance on January 1, 2020	\$ <u>574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Balance on June 30, 2020	\$ <u>574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2021	\$ 472	18,127	8,372	26,971
Depreciation for the year	<u>118</u>	<u>4,554</u>	<u>2,092</u>	<u>6,764</u>
Balance on June 30, 2021	\$ <u>590</u>	<u>22,681</u>	<u>10,464</u>	<u>33,735</u>
Balance on January 1, 2020	\$ 236	9,051	4,186	13,473
Depreciation for the year	<u>118</u>	<u>4,538</u>	<u>2,093</u>	<u>6,749</u>
Balance on June 30, 2020	\$ <u>354</u>	<u>13,589</u>	<u>6,279</u>	<u>20,222</u>
Carrying amount:				
Balance on January 1, 2021	\$ <u>102</u>	<u>11,767</u>	<u>12,951</u>	<u>24,820</u>
Balance on June 30, 2021	\$ <u>285</u>	<u>8,248</u>	<u>10,859</u>	<u>19,392</u>
Balance on January 1, 2020	\$ <u>338</u>	<u>20,843</u>	<u>17,137</u>	<u>38,318</u>
Balance on June 30, 2020	\$ <u>220</u>	<u>16,305</u>	<u>15,044</u>	<u>31,569</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Investment property

Investment property are assets owned by the Group and some leases include an option to renew the lease for an additional period of the same duration at the end of the contract term.

The movements in investment property of the Group were as follows:

	<u>Land and improvements</u>	<u>Buildings and improvements</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 3,373,742	1,110,579	4,484,321
Additions	-	122	122
Reclassified to assets classified as held for sale	(7,089)	(4,475)	(11,564)
Balance on June 30, 2021	<u>\$ 3,366,653</u>	<u>1,106,226</u>	<u>4,472,879</u>
Balance on January 1, 2020	\$ 3,252,380	1,017,440	4,269,820
Additions	-	5,761	5,761
Balance on June 30, 2020	<u>\$ 3,252,380</u>	<u>1,023,201</u>	<u>4,275,581</u>
Depreciation and impairment losses:			
Balance on January 1, 2021	\$ 19,910	411,939	431,849
Depreciation for the year	-	13,517	13,517
Reclassified to assets classified as held for sale	-	(2,406)	(2,406)
Balance on June 30, 2021	<u>\$ 19,910</u>	<u>423,050</u>	<u>442,960</u>
Balance on January 1, 2020	\$ 19,910	385,377	405,287
Depreciation for the year	-	12,827	12,827
Balance on June 30, 2020	<u>\$ 19,910</u>	<u>398,204</u>	<u>418,114</u>
Carrying amount:			
Balance on January 1, 2021	<u>\$ 3,353,832</u>	<u>698,640</u>	<u>4,052,472</u>
Balance on June 30, 2021	<u>\$ 3,346,743</u>	<u>683,176</u>	<u>4,029,919</u>
Balance on January 1, 2020	<u>\$ 3,232,470</u>	<u>632,063</u>	<u>3,864,533</u>
Balance on June 30, 2020	<u>\$ 3,232,470</u>	<u>624,997</u>	<u>3,857,467</u>

- (i) Investment property comprises a number of commercial properties that are leased to third parties. Please refer to Note 6(o).
- (ii) The fair value of the Group's investment property were not materially different from those disclosed in note 6(j) of the consolidated financial statements for the year ended December 31, 2020.
- (iii) As of March 31, 2021 and December 31, 2020, the Group's Board of Directors' resolved to sell a portion of its investment property; therefore, land, buildings and improvements were reclassified as non current assets held for sale. Please refer to Note 6(e) for details.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) For details on trust property, plant, and equipment as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 9(c).
- (v) For inventory pledged as collateral for line of credit as of June 30, 2021, December 31, 2020 and June 30, 2020, please refer to Note 8.

(k) Intangible assets

The costs, amortization, and impairment loss of intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Computer software</u>	<u>Development royalties</u>	<u>Total</u>
Cost:					
Balance on January 1, 2021	\$ 542,428	192,750	145,388	5,560	886,126
Additions	-	-	12,087	-	12,087
Transferred from property, plant and equipment	-	-	7,409	-	7,409
Balance on June 30, 2021	<u>\$ 542,428</u>	<u>192,750</u>	<u>164,884</u>	<u>5,560</u>	<u>905,622</u>
Balance on January 1, 2020	\$ 542,428	192,750	140,482	5,560	881,220
Additions	-	-	1,560	-	1,560
Reclassification	-	-	85	-	85
Balance on June 30, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>142,127</u>	<u>5,560</u>	<u>882,865</u>
Amortization and impairment losses:					
Balance on January 1, 2021	\$ -	-	138,005	-	138,005
Amortization for the year	-	-	6,420	-	6,420
Balance on June 30, 2021	<u>\$ -</u>	<u>-</u>	<u>144,425</u>	<u>-</u>	<u>144,425</u>
Balance on January 1, 2020	\$ -	-	125,283	-	125,283
Amortization for the year	-	-	6,871	-	6,871
Reclassification	-	-	85	-	85
Balance on June 30, 2020	<u>\$ -</u>	<u>-</u>	<u>132,239</u>	<u>-</u>	<u>132,239</u>
Carrying amount:					
Balance on January 1, 2021	<u>\$ 542,428</u>	<u>192,750</u>	<u>7,383</u>	<u>5,560</u>	<u>748,121</u>
Balance on June 30, 2021	<u>\$ 542,428</u>	<u>192,750</u>	<u>20,459</u>	<u>5,560</u>	<u>761,197</u>
Balance on January 1, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>15,199</u>	<u>5,560</u>	<u>755,937</u>
Balance on June 30, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>9,888</u>	<u>5,560</u>	<u>750,626</u>

- (i) The Group entered into the investment contract with the Kaohsiung City Government in July 2018 for “the construction and operation of the funeral home located in Dingjin Section, Sanmin District, Kaohsiung City”. The operation period is 20 years and a development royalty of NT\$ 5,560 thousand shall be paid upon the commencement of the construction.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) The Group carried out annually impairment assessment of goodwill and trademark rights, and no impairment loss on goodwill and trademark rights had been recognized as of 31 December 2020 and 2019.

(l) Other current financial assets

The Group's other financial assets are detailed as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Time deposit more than three months	\$ 86,601	88,177	-
Time deposit–trust account	278,852	427,620	-
Demand deposits–trust account	329,279	122,893	390,320
Demand deposits–management fee account	897,398	891,738	915,143
Other receivables	35,489	38,077	3,715
Other notes receivable	45,000	67,416	68,226
Interest receivable on bonds	19,620	19,176	22,331
Restricted assets	10,368	12,312	11,953
Others	<u>15,926</u>	<u>6,819</u>	<u>11,366</u>
Total	<u><u>\$ 1,718,533</u></u>	<u><u>1,674,228</u></u>	<u><u>1,423,054</u></u>

(m) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Unsecured bank loans	<u>\$ -</u>	<u>-</u>	<u>132,500</u>
Unused short-term credit lines	<u>\$ 4,718,000</u>	<u>3,998,000</u>	<u>3,965,500</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>1.10%</u>

(i) For information on the Group's exposure to interest risk, foreign currency risk, and liquidity risk, please refer to Note 6(x).

(ii) Issuance and redemption of short-term loans

The Group borrowed NT\$ 16,000 thousand with an annual interest rate of 1.10% and repaid NT\$ 37,800 thousand for the six months ended June 30, 2020.

(iii) For the collateral for bank loans, please refer to note 8.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (n) Corporate bonds payable (due within one year)

The details of the Group's bonds payable were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
\$	<u>-</u>	<u>-</u>	<u>-</u>

The Group issued the unsecured convertible corporate bonds in April 2017, which matured on April 9, 2020, and the repayment, calculated as the principal amount plus interest, had been made.

- (o) Operating lease

The Group leases out its investment property (including non current assets held for sale) and classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets; please refer to Note 6(j) for details. A maturity analysis of lease payments, illustrating the undiscounted lease payments to be received after the reporting date, is as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Less than one year	\$ 167,284	171,655	166,770
Between one and five years	624,305	632,099	612,062
More than five years	<u>1,190,125</u>	<u>1,263,711</u>	<u>1,313,787</u>
	<b><u>\$ 1,981,714</u></b>	<b><u>2,067,465</u></b>	<b><u>2,092,619</u></b>

For the six months ended June 30, 2021 and 2020, the rent income generated from real estate amounted to NT\$ 81,976 thousand and NT\$ 83,932 thousand, respectively. Expenses of tax and depreciation arising from investment property (presented within "operating costs") were as follows:

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Income generating property	\$ 28,157	29,028
Vacant property	<u>-</u>	<u>-</u>
	<b><u>\$ 28,157</u></b>	<b><u>29,028</u></b>

- (p) Employee benefits

- (i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The expenses recognized in profit or loss for the Group were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Administrative expenses	\$ <u>16</u>	<u>13</u>	<u>35</u>	<u>11,838</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2021 and 2020 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operating costs	\$ 2,067	2,107	4,198	4,257
Administrative expenses	3,012	2,770	8,541	5,659
	<u>\$ 5,079</u>	<u>4,877</u>	<u>12,739</u>	<u>9,916</u>

(q) Income taxes

- (i) Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.
- (ii) Income tax expense

The details of income tax expense were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax expense:				
Current period	\$ 17,756	35,251	48,571	69,474
Changes in provision in prior periods	3,164	(7,283)	3,164	(7,283)
Land value increment tax	466	307	5,506	1,067
Undistributed earnings additional tax	13,466	186,165	13,466	186,165
Income tax expense	<u>\$ 34,852</u>	<u>214,440</u>	<u>70,707</u>	<u>249,423</u>

- (iii) 1) The Company's income tax returns for the years as of 2018 have been approved by the R.O.C. tax authorities.
- 2) Domestic subsidiaries' income tax returns as of 2019, except Yuji's income tax returns as of 2018, have been approved by the R.O.C. tax authorities.

(r) Capital and other equity interests

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the six months ended June 30, 2021 and 2020. For related information about the shareholders' equity, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2020.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company's authorized share capital comprised 600,000 thousand shares with a par value of \$10 per share, amounting to NT\$ 6,000,000 thousand. The total number of issued shares were 420,084 thousand ordinary shares. As of June 30, 2021 and 2020, the number of shares outstanding were both 420,084 thousand.

(i) Issuance of ordinary shares

The special shareholders' meeting, held on January 25, 2017, approved the Board of Directors to increase paid in capital by issuing ordinary shares not exceeding 21,000 thousand shares through private placement within one year from the special shareholders' meeting. During the meeting of the Board of Directors held on March 15, 2017, the Company resolved to issue 21,000 thousand ordinary shares through private placement at NT\$ 62.1 per share, with par value of NT\$ 10, totaling NT\$ 1,304,100 thousand. Relevant statutory procedures of the capital increase dated March 29, 2017 had been completed.

The transfer of the aforesaid private placement and its free distribution of shares shall be subject to the provisions of section 43 8 of the Securities Exchange Act and after the expiration of three years from the date of delivery of the ordinary shares through private placement (April 10, 2017), first of all, go to TPEx for issuance of standard letter in order to apply to the authorities for reimbursement, and to TPEx to apply for the trading of the ordinary shares under private placement.

(ii) Capital surplus

The components of capital surplus were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Share capital	\$ 2,486,172	2,486,172	2,486,172
Difference arising from subsidiary's share price and its carrying value	20,972	20,972	20,972
Changes in ownership interests in subsidiaries	2,849	2,849	2,849
Share option –convertible bonds issued	-		9,961
Lapsed stock options	9,961	9,961	-
Total	<u>\$ 2,519,954</u>	<u>2,519,954</u>	<u>2,519,954</u>

Pursuant to the R.O.C. Company Act amended in January 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends in proportion to shareholding. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

In accordance with the Company's articles of incorporation, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid in capital), after which special reserve shall be recognized or reversed according to reduction of shareholders' equity. The remaining portion, combined with earnings from prior years, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The Company's dividend policy aims to protect shareholders' interests according to future budget planning and capital needs in the upcoming years. Dividends shall be distributed in cash or stock; however, cash dividends shall not be less than 10 percent of the total shareholders' bonuses.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity resulting from the IFRS first-time adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first time adoption. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On July 23, 2021 and May 29, 2020, the appropriation of the earnings for 2020 and 2019 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the years ended December 31,			
	2020		2019	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.20	504,101	3.00	1,260,253

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Other equity interests

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Investment at fair value through other comprehensive income</b>	<b>Total</b>
Balance on January 1, 2021	\$ (51,807)	350,432	298,625
Exchange differences on translation of net assets of foreign operations	(23,704)	-	(23,704)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	635,931	635,931
Unrealized gains from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	(2)	(2)
Share of exchange differences on associates under equity method	11,231	-	11,231
Disposal of investments in debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	5,544	5,544
Disposal of equity investments at fair value through other comprehensive income	-	1,011	1,011
Balance on June 30, 2021	<u>\$ (64,280)</u>	<u>992,916</u>	<u>928,636</u>
Balance on January 1, 2020	\$ (54,543)	(102,153)	(156,696)
Exchange differences on translation of net assets of foreign operations	(16,193)	-	(16,193)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	(35,269)	(35,269)
Equity investments at fair value through other comprehensive income-income tax related	-	41,946	41,946
Disposal of investments in debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	(24,116)	(24,116)
Share of exchange differences on associates under equity method	(8,522)	-	(8,522)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	238,211	238,211
Balance on June 30, 2020	<u>\$ (79,258)</u>	<u>118,619</u>	<u>39,361</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (v) Non-controlling interests

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,633,314	1,497,890
Share attributable to NCIs		
Profit attributable to non-controlling interests	(8,289)	59,661
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	75	(5,405)
Cash dividends paid by subsidiary	(22)	(83)
Ending balance	<u>\$ 1,625,078</u>	<u>1,552,063</u>

## (s) Earnings per share

For the three months and six months ended June 30, 2021 and 2020, the Group's basic and diluted earnings per share were calculated as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Basic earnings per share</b>				
Profit attributable to ordinary equity holders of the Group	\$ <u>234,098</u>	<u>87,574</u>	<u>639,713</u>	<u>368,106</u>
Weighted-average number of ordinary shares outstanding	<u>420,084</u>	<u>420,084</u>	<u>420,084</u>	<u>420,084</u>
	<u>\$ 0.56</u>	<u>0.21</u>	<u>1.52</u>	<u>0.88</u>
<b>Diluted earnings per share</b>				
Profit attributable to the Group	\$ 234,098	87,574	639,713	368,106
Effect of dilutive potential ordinary shares				
Convertible bonds	-	-	-	8,053
Profit attributable to ordinary equity holders of the Group (after adjusting the effect of dilutive potential ordinary share)	<u>\$ 234,098</u>	<u>87,574</u>	<u>639,713</u>	<u>376,159</u>
Weighted-average number of ordinary shares outstanding	420,084	420,084	420,084	420,084
Effect of dilutive potential ordinary shares				
Effect of employee stock bonus	298	234	298	234
Effect of the conversion of convertible bonds	-	5,449	-	30,273
Weighted-average number of ordinary shares outstanding (after adjusting the effect of dilutive potential ordinary share)	<u>420,382</u>	<u>425,767</u>	<u>420,382</u>	<u>450,591</u>
	<u>\$ 0.56</u>	<u>0.21</u>	<u>1.52</u>	<u>0.82</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (t) Revenue from contracts with customer

## (i) Disaggregation of revenue

		<u>For the three months ended June 30, 2021</u>					
		<u>Sale of columbarium and cemetery products</u>	<u>Funeral services</u>	<u>Property Lease</u>	<u>Cemetery operation and others</u>	<u>Construction revenue</u>	<u>Total</u>
Primary geographical markets:							
	Taiwan	\$ <u>228,881</u>	<u>420,971</u>	<u>40,847</u>	<u>52,836</u>	<u>35,652</u>	<u>779,187</u>
Timing of revenue recognition:							
	Products or services transferred at a point in time	\$ <u>228,881</u>	<u>420,971</u>	<u>40,847</u>	<u>52,836</u>	<u>35,652</u>	<u>779,187</u>
		<u>For the three months ended June 30, 2020</u>					
		<u>Sale of columbarium and cemetery products</u>	<u>Funeral services</u>	<u>Property Lease</u>	<u>Cemetery operation and others</u>	<u>Construction revenue</u>	<u>Total</u>
Primary geographical markets:							
	Taiwan	\$ <u>309,999</u>	<u>378,874</u>	<u>41,879</u>	<u>37,214</u>	<u>18,057</u>	<u>786,023</u>
Timing of revenue recognition:							
	Products or services transferred at a point in time	\$ <u>309,999</u>	<u>378,874</u>	<u>41,879</u>	<u>37,214</u>	<u>18,057</u>	<u>786,023</u>
		<u>For the six months ended June 30, 2021</u>					
		<u>Sale of columbarium and cemetery products</u>	<u>Funeral services</u>	<u>Property lease</u>	<u>Cemetery operation and others</u>	<u>Construction revenue (Note)</u>	<u>Total</u>
Primary geographical markets:							
	Taiwan	\$ <u>578,918</u>	<u>877,062</u>	<u>81,976</u>	<u>146,688</u>	<u>94,924</u>	<u>1,779,568</u>
Timing of revenue recognition:							
	Products or services transferred at a point in time	\$ <u>578,918</u>	<u>877,062</u>	<u>81,976</u>	<u>146,688</u>	<u>94,924</u>	<u>1,779,568</u>

Note: Net gain on disposal of investment property of NT\$ 27,217 thousand calculated as the proceeds of NT\$ 141,443 thousand less related costs and expenses of NT\$ 114,226 thousand, and the proceeds from selling real estate held for sale of NT\$ 67,707 thousand.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	For the six months ended June 30, 2020					
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction revenue (Note)	Total
Primary geographical markets:						
Taiwan	\$ <u>572,299</u>	<u>821,741</u>	<u>83,932</u>	<u>102,687</u>	<u>74,173</u>	<u>1,654,832</u>
Timing of revenue recognition						
Products or services transferred at a point in time	\$ <u>572,299</u>	<u>821,741</u>	<u>83,932</u>	<u>102,687</u>	<u>74,173</u>	<u>1,654,832</u>

(ii) Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts and notes receivable	\$ 10,519,147	10,155,404	9,909,963
Less: loss allowance	(110,981)	(89,308)	(81,540)
Unrealized interest income	<u>(741,343)</u>	<u>(738,442)</u>	<u>(738,222)</u>
Total	<u>\$ 9,666,823</u>	<u>9,327,654</u>	<u>9,090,201</u>
Contract liabilities—presale of columbariums and cemetery products, and funeral service contracts	<u>\$ 41,331,353</u>	<u>40,516,645</u>	<u>39,801,812</u>
Contract liabilities—advance real estate receipts	<u>\$ -</u>	<u>12,477</u>	<u>-</u>

Please refer to Note 6(c) for the disclosure of accounts receivable and the impairment.

For 2021 and 2021, the opening balance of contract liabilities recognized as revenue amounted to NT\$ 1,206,316 thousand and NT\$ 1,138,489 thousand, respectively.

Those contract liabilities are from pre sale cemetery and columbarium products, preneed funeral contract, and pre sale house contracts that have not yet eligible for revenue recognition, paid off, or performed. Those contract liabilities will be transferred to revenue when the the construction and payment of cemetery and columbarium products have been completed, the service has been performed, and the ownership of the construction project has been transferred.

(u) Compensation to employees and directors

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 1% shall be allocated as employee compensation and a maximum of 2% as director compensation. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employee compensation may be shares or cash, and recipients may include the employees of the Company's affiliated companies who meet certain conditions.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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The Company estimated its compensation to employees at NT\$ 3,107 thousand, NT\$ 2,972 thousand, NT\$ 7,322 thousand, and NT\$ 6,155 thousand for the three months and six months ended June 30, 2021 and 2020, respectively; the Company also estimated its compensation to directors at NT\$ 6,215 thousand, NT\$ 5,944 thousand, NT\$ 14,645 thousand, and NT\$ 12,311 thousand for the three months and six months ended June 30, 2021 and 2020, respectively. The estimated amounts mentioned above were based on the profit before tax of each respective ending period, multiplied by the percentage of the compensation to employees and directors, as specified in the Company's article. The estimates were recognized as operating costs or expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year.

There is no difference between the amount of compensation to employee and directors recognized in the financial statements for 2020 and 2019 and the actual distribution. The related information is available on the Market observation Post System website.

(v) Other operating income and expenses

The Group's other operating income and expenses are detailed as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income	\$ 35,126	41,560	74,584	83,126
Selling expenses	(7,918)	(8,583)	(16,028)	(17,211)
Management fee income	43,766	53,023	78,633	87,454
Management fee expense	(43,766)	(53,023)	(78,633)	(87,454)
	<u>\$ 27,208</u>	<u>32,977</u>	<u>58,556</u>	<u>65,915</u>

(w) Non-operating income and expense

(i) Interest income

Interest income of the Group is detailed as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 177	1,735	553	3,238
Interest income from financial assets measured at amortized cost	5,231	2,739	10,077	11,340
Interest income from financial assets at fair value through other comprehensive income	17,846	22,664	26,750	33,789
Other interest income	2,181	-	4,456	5,330
	<u>\$ 25,435</u>	<u>27,138</u>	<u>41,836</u>	<u>53,697</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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## (ii) Other income

Other income of the Group is detailed as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
Dividend income	\$ 20,586	14,936	26,589	24,866
Service fee income	2,385	2,499	4,550	5,121
Income from fines and penalties	11,024	11,384	20,655	29,489
Other income	6,882	16,603	13,786	28,924
	<u>\$ 40,877</u>	<u>45,422</u>	<u>65,580</u>	<u>88,400</u>

## (iii) Other gains and losses

Other gains and losses of the Group are detailed as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Foreign exchange loss	\$ (30,718)	(20,613)	(32,075)	(42,770)
Net profit (loss) on disposal of financial assets at fair value through other comprehensive income	(5,544)	4,525	(5,544)	24,116
Net profit(loss) from financial assets or liabilities at fair value through profit or loss	17,483	21,710	46,517	24,110
Proceeds from disposal of property, plant and equipment	51	94	41	163
Other expenses	(78)	(185)	(2,011)	(462)
	<u>\$ (18,806)</u>	<u>5,531</u>	<u>6,928</u>	<u>5,157</u>

## (iv) Finance costs

Finance costs of the Group are detailed as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest expense	\$ (2,636)	(3,256)	(5,487)	(6,763)
Discount amortization of corporate bonds	-	-	-	(10,066)
	<u>\$ (2,636)</u>	<u>(3,256)</u>	<u>(5,487)</u>	<u>(16,829)</u>

## (x) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For related information about the fair value of financial instruments, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Categories of financial instruments

1) Financial assets

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial assets at fair value through profit or loss	\$ 4,360,333	5,270,963	6,639,596
Financial assets at fair value through other comprehensive income	8,916,248	7,221,855	6,333,967
Financial assets at amortized cost			
Cash and cash equivalents	282,015	88,734	277,878
Financial assets at amortized cost	1,224,812	1,228,727	1,383,336
Notes and accounts receivable	9,666,823	9,327,654	9,090,201
Other financial assets (including current and non-current)	<u>1,994,583</u>	<u>1,952,355</u>	<u>1,735,768</u>
Subtotal	<u>13,168,233</u>	<u>12,597,470</u>	<u>12,487,183</u>
Total	<u><u>\$ 26,444,814</u></u>	<u><u>25,090,288</u></u>	<u><u>25,460,746</u></u>

2) Financial liabilities

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial liabilities at amortized cost:			
Short-term borrowings	\$ -	-	132,500
Notes and accounts payable and other payables	1,628,614	1,489,934	2,801,434
Lease liabilities	19,392	24,820	31,569
Guarantee deposits	<u>44,304</u>	<u>44,584</u>	<u>44,572</u>
Total	<u><u>\$ 1,692,310</u></u>	<u><u>1,559,338</u></u>	<u><u>3,010,075</u></u>

(ii) Credit risks

1) Exposure to credit risk

The carrying amount of financial assets, represents the maximum amount exposed to credit risk.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Concentration of credit risk

With a broad customer base, the Company's transactions are not concentrated within one single customer, and its sales regions are scattered; therefore, credit risk related to receivables are not concentrated. To reduce credit risk, the Group continuously assesses the financial position of its customers, normally without a request for collateral.

3) Credit risk of receivables and debt securities

For credit risk exposure to notes and accounts receivable, please refer to Note 6(c). Other financial assets carried at amortized costs included other receivables and other notes receivable.

Investment in debt instrument at fair value through other comprehensive income included unlisted debt securities.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to Note 4(g) for how the Group determines credit risk to be low).

The loss allowance provisions were determined as follows:

	<b>Other receivables</b>
Balance on January 1, 2021	\$ 22,745
Impairment losses recognized	-
Balance on June 30, 2021	<b>\$ 22,745</b>
Balance on January 1, 2020	\$ 22,745
Impairment losses recognized	-
Balance on June 30, 2020	<b>\$ 22,745</b>

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments and the impact of netting agreements.

	Carrying value	Contractual cash flows	6 months 1 year	6-12 months	1-2 years	2-5 years	Over 5years
<b>June 30, 2021</b>							
Non-derivative financial liabilities							
Lease liabilities	\$ 19,392	19,392	7,349	7,349	4,694	-	-
Non-interest-bearing liabilities	1,672,918	1,672,918	1,672,918	-	-	-	-
	<b>\$ 1,692,310</b>	<b>1,692,310</b>	<b>1,680,267</b>	<b>7,349</b>	<b>4,694</b>	<b>-</b>	<b>-</b>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Lease liabilities	\$ 24,820	24,820	6,749	6,749	11,322	-	-
Non-interest bearing liabilities	1,534,518	1,534,518	1,534,518	-	-	-	-
	<b>\$ 1,559,338</b>	<b>1,559,338</b>	<b>1,541,267</b>	<b>6,749</b>	<b>11,322</b>	<b>-</b>	<b>-</b>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>6 months 1 year</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5years</u>
<b>June 30, 2020</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 132,500	132,500	132,500	-	-	-	-
Lease liabilities	31,569	31,569	6,749	6,749	6,749	11,322	-
Non-interest-bearing liabilities	<u>2,846,006</u>	<u>2,846,006</u>	<u>2,846,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>\$ 3,010,075</b>	<b>3,010,075</b>	<b>2,985,255</b>	<b>6,749</b>	<b>6,749</b>	<b>11,322</b>	<b>-</b>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>June 30, 2021</u>			<u>December 31, 2020</u>			<u>June 30, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
CNY/TWD	\$ 16,071	4.310	69,266	15,688	4.320	67,776	15,737	4.181	65,795
CNY/USD	1,669	0.155	7,193	-	-	-	250	0.141	1,046
USD/TWD	37,977	27.870	1,058,409	48,775	28.508	1,390,481	33,751	29.660	1,001,066
JPY/TWD	18,664	0.252	4,703	18,545	0.272	5,043	17,473	0.274	4,788
HKD/TWD	3,919	3.592	14,078	1,919	3.650	7,004	145	3.820	533
SGD/TWD	7,954	20.715	164,777	12,143	21.264	258,205	11,751	21.245	249,651
AUD/TWD	18	20.898	374	18	21.772	390	4,123	20.438	76,488
<u>Non-monetary items</u>									
JPY/TWD	128,800	0.252	32,458	114,400	0.272	31,105	157,600	0.274	43,182
USD/TWD	104,890	27.870	2,932,276	74,825	28.508	2,133,111	78,975	29.660	2,342,387
HKD/TWD	68,344	3.592	245,491	35,043	3.650	127,904	-	-	-
EUR/TWD	2,624	33.160	87,010	-	-	-	-	-	-
CAD/TWD	3,800	22.479	85,420	-	-	-	-	-	-

2) Sensitivity analysis

The Group's exchange rate risk comes mainly from translation gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. When the exchange rate of the Group's functional currency against main foreign currency depreciated or appreciated by 2% (the analysis of two periods was conducted using the same basis, assuming all other variables held constant) on June 30, 2021 and 2020, the net income would increase or decrease by NT\$ 37,154 thousand and by NT\$ 33,269 thousand, and the comprehensive income would increase or decrease by NT\$ 56,695 thousand and by NT\$ 27,415 thousand, respectively.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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Due to the variety of the Group's functional currencies, the exchange gain or loss on currency items are disclosed in summary. For the three months and six months ended June 30, 2021 and 2020 the foreign currency exchange loss amounted to NT\$ 30,718 thousand, NT\$ 20,613 thousand, NT\$ 32,075 thousand, and NT\$ 42,770 thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. In addition, interest rate is assessed within the reasonable and possible range of change. If interest rate is increased or decreased by 0.5%, with all other variables held constant, the Group's net income for the three months ended June 30, 2021 and 2020, is going to decrease or increase by NT\$ 0 and NT\$ 265 thousand, respectively.

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The following sets out carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy but excluding the optional information on financial instruments not measured at fair value with carrying amount reasonably close to their fair value as well as lease liabilities.

	<b>June 30, 2021</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss	\$ 4,360,333	4,360,333	-	-	4,360,333
Financial assets at fair value through other comprehensive income	8,916,248	8,825,976	-	90,272	8,916,248
Financial assets at amortized cost	<u>1,224,812</u>	<u>1,224,812</u>	<u>-</u>	<u>-</u>	<u>1,224,812</u>
<b>Total</b>	<b><u>\$14,501,393</u></b>	<b><u>14,411,121</u></b>	<b><u>-</u></b>	<b><u>90,272</u></b>	<b><u>14,501,393</u></b>
		<b>December 31, 2020</b>			
		<b>Fair value</b>			
	<b>Carrying amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 5,270,963	5,270,963	-	-	5,270,963
Financial assets at fair value through other comprehensive income	7,221,855	7,217,003	-	4,852	7,221,855
Financial assets at amortized cost	<u>1,228,727</u>	<u>1,228,727</u>	<u>-</u>	<u>-</u>	<u>1,228,727</u>
<b>Total</b>	<b><u>\$13,721,545</u></b>	<b><u>13,716,693</u></b>	<b><u>-</u></b>	<b><u>4,852</u></b>	<b><u>13,721,545</u></b>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	June 30, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 6,639,596	6,639,596	-	-	6,639,596
Financial assets at fair value through other comprehensive income	6,333,967	6,325,085	-	8,882	6,333,967
Financial assets at amortized cost	1,383,336	1,383,336	-	-	1,383,336
<b>Total</b>	<b><u>\$14,356,899</u></b>	<b><u>14,348,017</u></b>	<b><u>-</u></b>	<b><u>8,882</u></b>	<b><u>14,356,899</u></b>

There were no transfers between financial assets and liabilities for the six months ended June 30, 2021 and 2020.

2) Fair value valuation technique of financial instruments not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

Financial assets at amortized cost (held-to-maturity financial assets): If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

3) Fair value valuation technique of financial instruments measured at fair value

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange was the basis of determining the fair value of the listed companies' equity instrument, and debt instrument that has the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. Otherwise, the market is deemed to be inactive. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

Publicly traded stock, beneficiary certificates, and corporate bonds held by the Group are with standard terms and conditions and are traded in active market. The fair value is based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date. (For example, over the counter yield curve and Reuters Primary CP Rate average prices.)

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

The main assumption behind this is that the estimated pretax, pre-depreciation, and pre amortization earnings of the investee company is added to the earnings multiplier derived from the comparable quoted price of the listed company. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

4) Reconciliation of Level 3 fair values

	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	<u>at fair value through other comprehensive income</u>	<u>Bond investments</u>	
Balance on January 1, 2021	4,852	-	4,852
Addition	85,420	-	85,420
Balance on June 30, 2021	<u>90,272</u>	<u>-</u>	<u>90,272</u>
Balance on January 1, 2020	<u>8,882</u>	<u>-</u>	<u>8,882</u>
Balance on June 30, 2020	<u>8,882</u>	<u>-</u>	<u>8,882</u>

The aforementioned total gains or losses were classified as “unrealized losses from financial assets at fair value through other comprehensive income”. The assets held as of June 30, 2021 and 2020 year were follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Total gains and losses				
Recognized in other comprehensive income (classified as “unrealized losses from financial assets at fair value through other comprehensive income”)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income.

Most of the Group's financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investment with no-active markets have multiple significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information on significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	· P/E ratio (25.49, 16.62 and 7.95 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively)	· The higher the multiplier and control premium, the higher the fair value.
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	· P/B ratio (1.88, 1.67 and 1.40 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively)	Ibid.
Financial assets at fair value through other comprehensive income – equity investments without an active market	Net Asset Value Method	· Net asset value	N/A

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	<u>Inputs</u>	<u>Upward or downward movement</u>	<u>Current profit (loss) arising from changes in fair value</u>		<u>Other comprehensive income arising from changes in fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>Balance on June 30, 2021</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	P/E ratio	10%	-	-	1,507	(1,507)
Equity investments without active market	P/B ratio	10%	-	-	2,074	(2,074)
<b>Balance on December 31, 2020</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	P/E ratio	10%	-	-	387	(387)
Equity investments without an active market	P/B ratio	10%	-	-	572	(572)
<b>Balance on June 30, 2020</b>						
Equity investments without an active market	P/E ratio	10%	-	-	112	(112)
Equity investments without an active market	P/B ratio	10%	-	-	582	(582)

(y) Financial risk management

The objective and policies of the Group's financial risk management were not materially different from those disclosed in note 6(y) of the consolidated financial statements for the year ended December 31, 2020.

(z) Capital management

The objectives, policies, and procedures of the Group's capital management have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, there was no significant change in the Group's capital management information as disclosed for the year ended December 31, 2020. For relevant information, please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2020.

(aa) Reclassification adjustments of components of other comprehensive income

Details on the reclassification adjustments of other comprehensive income are summarized as follows:

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Investment in debt instrument at fair value through other comprehensive income		
Net movements in fair value for the current year	\$ (31,955)	18,811
Net movements in fair value reclassified to profit or loss	5,544	(24,116)
Net changes in fair value recognized in other comprehensive income	<u>\$ (26,411)</u>	<u>(5,305)</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are related parties that had transactions with the Group during the period covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Fuyuan International Development Co. Ltd.	Substantive related party
Xin Wei International Leasing Co., Ltd.	Substantive related party
Knowtions Research Inc.	The director of the company is the director of the Company (from July 23, 2021, changed to substantive related party)
Other natural persons	Directors, supervisors, and key management personnel of the Company and associates

(b) Significant transactions with related parties

(i) Lease

1) As a lessee

The Group leases real estate for operating use from one of other related parties under a lease contract of five years at a comparable price in February 2014, with reference to the price in the vicinity. The recognized interest expense for the six months ended June 30, 2021 and 2020 both amounted to NT\$ 35 thousand. As of June 30, 2021, December 31, 2020 and June 30, 2020, the balance of lease liabilities were NT\$ 3,525 thousand, NT\$ 6,547 thousand, and NT\$ 9,569 thousand, respectively.

2) As a lessor

The Group leases out office buildings and parking space to other related parties, and the rental income for the six months ended June 30, 2021 and 2020 both amounted to NT\$ 17 thousand.

(ii) Others

1) Refundable deposits (recognized as other financial assets–non-current)

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Other related parties	<u>\$ 1,070</u>	<u>1,070</u>	<u>1,070</u>

Refundable deposit is a deposit made by the Group to one of other related parties to lease a building, which along with imputed interests, had amounted to NT\$ 3 thousand, NT\$ 13 thousand, and NT\$ 7 thousand respectively as of June 30, 2021, December 31, 2020 and June 30, 2020.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Administrative expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties	<u>\$ 88</u>	<u>132</u>	<u>220</u>	<u>352</u>

The Group entrusted one of other related parties to assist in the management of the leased buildings and paid management fee as per the contract.

(iii) Acquisition of Financial Assets

<u>Relationship</u>	<u>Account</u>	<u>For the six months ended June 30, 2021</u>		
		<u>Number of shares</u>	<u>Purpose</u>	<u>Acquisition price</u>
Other related parties	Non-current financial assets at FVOCI	\$ 4,799	Preference share	84,102

(iv) Trust contract

A portion of the Group's land was entrusted and registered in the name of other related parties as of June 30, 2021, December 31, 2020 and June 30, 2020; please refer to Note 6(d) and 6(h) for details.

(v) Other

- 1) The price of the products purchased by the Group from other related parties totaled NT\$ 0, NT\$ 804 thousand, and NT\$ 804 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

(c) Key management personnel transactions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 13,826	13,066	29,303	27,546
Post-employment benefits	<u>403</u>	<u>437</u>	<u>856</u>	<u>916</u>
	<u>\$ 14,229</u>	<u>13,503</u>	<u>30,159</u>	<u>28,462</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The book value of the Group's pledged assets was as follows:

<u>Asset Name</u>	<u>Purpose</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other current financial assets	Performance guarantee for joint development investment and sales business	\$ 10,368	12,312	11,953
Inventories	Guarantee for loans and corporate finance	3,168,081	3,167,415	3,163,913
Property, plant and equipment	Collateral for loans	2,262,250	2,277,555	2,288,351
Investment property	Guarantee for loans and corporate finance	<u>280,855</u>	<u>281,304</u>	<u>280,538</u>
		<u>\$ 5,721,554</u>	<u>5,738,586</u>	<u>5,744,755</u>

**(9) Significant contingent liabilities and unrecognized commitments:**

## (a) Significant unrecognized commitments

(i) The Group's unrecognized contractual commitments were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Construction contract	<u>\$ 5,185,692</u>	<u>1,587,999</u>	<u>1,628,034</u>

(ii) The Group sold its investment property, and the contract prices were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Price of sales contracts signed	<u>\$ -</u>	<u>124,752</u>	<u>-</u>
Amount collected as per the contract	<u>\$ -</u>	<u>12,477</u>	<u>-</u>

(iii) The Group entered into an investment contract with the Kaohsiung City Government in July 2018 for the construction and operation of the funeral home located at Dingjin Section, Sanmin District, Kaohsiung City. The construction period is three years and the operation period is 20 years. A fixed development royalty shall be paid when the commencement of the construction was agreed. From the date of operation, a fixed royalty amount, plus a fixed percentage of operating profit after tax, shall be paid annually. In July 2019, NT\$ 5,560 thousand was paid as development royalty (recognized as intangible assets).

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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(b) Contingent liabilities:

- (i) Since there were disputes over the adoption and implement of Article 36 of Mortuary Service Administration Act, the Taiwan Funeral Association, of which the Company has been a member, filed a petitioned, after which a legislator of the 9th Legislative Yuan proposed amendments to the Mortuary Service Administration Act to incorporate funeral facility management funds into management fee special account, which would facilitate consumer protection. Although the proposal was not passed before the dissolution of the Legislative Yuan, pursuant to legislative procedures, the Ministry of the Interior proposed the draft amendments to Article 35 and 36 of the Mortuary Service Administration Act based on the management framework of “incorporating funeral facility management funds into management fee special account”. Since May 27, 2020 has been held numerous meetings for the draft amendments. If the amendments are approved by the Legislative Yuan, the old fund system will be replaced by the new management system.
- (ii) A small number of shareholders of Lungyen Service Co., Ltd. (the dissolved entity in merger in 2011, hereinafter referred to as Lungyen Service), requested the Company to repurchase the shares held by them at its fair price during the time and appeal to the court to determine the purchase price in 1st shareholders’ interim meeting on October 12, 2010 according to the provisions of Paragraph 1 of Article 317 of the R.O.C. Company Act. On October 7, 2016, the Taipei District Court issued a civil ruling that the Company shall buy back all the shares held by the shareholders in an apparently unreasonable price. Since the civil ruling was not authenticated pursuant to the provisions of the Enterprise Mergers and Acquisitions Law, which was a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set purchasing price of NT\$ 77.79 per share. The applicable regulations of the previous ruling were obviously wrong, and the Company filed a further protest during the statutory period. The Taiwan High Court, in decision (107) FE KANG No. 147, remanded the original judgement to Taiwan Taipei District Court as it did not apply the share price resolved in the shareholder’s meeting, which was not pursuant to the law.

(c) Others

- (i) The Group (referred to as “the principal” hereinafter) had a trust contract entered into with Taiwan Industrial Bank Co., Ltd. (referred to as “the trustee” hereinafter) in April 2010. From the commencement of the contract, 75% selling price (tax included) of each preneed contract sold shall be transferred to the trustee, including the delivery and transfer of the trust property. However, the trustee referred to above was replaced by Chang Hwa Commercial Bank Co., Ltd. on December 28, 2012. In addition, the trust assets as of June 30, 2021, December 31, 2020 and June 30, 2020 were as follows:

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Bank deposits (recognized in other current financial assets)			
Demand deposits	\$ 329,279	122,893	390,320
Time deposits	278,852	427,620	-
Financial assets at fair value through profit or loss	2,633,090	2,525,766	2,295,093
Financial assets at fair value through other comprehensive income	4,359,068	3,845,270	3,325,719
Financial assets measured at amortized cost	1,224,812	1,228,727	1,383,336
Property, plant and equipment (Note)	2,206,293	2,206,293	2,206,293
Investment property (Note)	1,949,863	1,949,863	1,962,845
	<b><u>\$ 12,981,257</u></b>	<b><u>12,306,432</u></b>	<b><u>11,563,606</u></b>

Note: The book value of the asset when it was entrusted.

The aforementioned amounts of trust assets were used to purchase financial instruments and real estate which had been entrusted and transferred to the trustee, so that the trustee could manage and dispose of the trust assets according to the uses designated by the trustor.

- (ii) The Group has a management fee account setup for the fees collected in a lump sum or periodically from the clients to maintain funeral facilities safety and cleanness, and to organize ceremony activities and internal administration. The management fee account had respectively amounted to NT\$ 897,398 thousand, NT\$ 891,738 thousand and NT\$ 915,143 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, which were recognized as the “Other financial assets – current.”
- (iii) The Company entered into contracts with clients for the sale of columbarium and funeral service as of June 30, 2021, December 31, 2020 and June 30, 2020. The preneed contract entered into and related deferred marketing expenses were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Total contract price (recognized as contract liabilities)	\$ 40,794,552	39,934,515	39,367,348
Uncollected proceeds	(8,301,347)	(7,847,795)	(7,878,239)
Advance	<b><u>\$ 32,493,205</u></b>	<b><u>32,086,720</u></b>	<b><u>31,489,109</u></b>
Incremental cost of contract acquisition (prepaid expenses)	<b><u>\$ 8,160,806</u></b>	<b><u>8,144,643</u></b>	<b><u>8,123,167</u></b>
Expected to be reclassified for more than twelve months	<b><u>\$ 39,419,245</u></b>	<b><u>38,729,650</u></b>	<b><u>38,156,617</u></b>

(Continued)



**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- (iv) The Company had contracts signed with clients for the presale of columbarium niches and burial ground as of June 30, 2021, December 31, 2020 and June 30, 2020. The contracts and related deferred marketing expenses are summarized as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Total contract price (recognized as contract liabilities)	\$ 536,801	582,130	434,464
Uncollected proceeds	(130,999)	(116,454)	(68,056)
Advance	<u>\$ 405,802</u>	<u>465,676</u>	<u>366,408</u>
Incremental cost of contract acquisition (prepaid expenses)	<u>\$ 78,620</u>	<u>114,395</u>	<u>149,266</u>
Expected to be reclassified for more than twelve months	<u>\$ 525,060</u>	<u>518,895</u>	<u>386,693</u>

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

- (a) The expenses of employee benefits, depreciation, and amortization, by function, are summarized as follows:

By item	By function	For the three months ended June 30,				For the three months ended June 30,			
		2021				2020			
		Cost of Sale	Operating Expense	Operating Expense	Total	Cost of Sale	Operating Expense	Operating Expense	Total
Employee benefits									
Salary		53,705	57,720	27,625	139,050	52,353	71,184	18,433	141,970
Labor and health insurance		4,105	3,854	2,684	10,643	3,946	3,474	1,649	9,069
Pension		2,067	3,028	-	5,095	2,107	1,945	838	4,890
Other employee benefit expense		1,657	2,275	1,220	5,152	1,715	7,753	889	10,357
Depreciation		17,477	19,033	1,339	37,849	16,953	18,356	1,276	36,585
Amortization		-	3,012	-	3,012	-	3,340	-	3,340

By item	By function	For the six months ended June 30				For the six months ended June 30			
		2021				2020			
		Cost of Sale	Operating Expense	Other (Note)	Total	Cost of Sale	Operating Expense	Other (Note)	Total
Employee benefits									
Salary		110,106	128,531	57,005	295,642	109,473	135,616	38,667	283,756
Labor and health insurance		8,226	10,410	5,433	24,069	7,939	10,302	3,273	21,514
Pension		4,198	8,576	-	12,774	4,257	15,816	1,681	21,754
Other employee benefits expense		3,346	4,575	2,507	10,428	3,451	9,748	1,764	14,963
Depreciation		34,761	37,782	2,644	75,187	33,263	36,681	2,535	72,479
Amortization		-	6,420	-	6,420	-	6,871	-	6,871

Note: Including expenses related to the mausoleum management center (recognized as a deduction from management fees) and deferred marketing expenses arising from the sales contract.

- (b) Seasonal operation:

The operations of the Group are not affected by seasonal or cyclical factors.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” of the Group for the as of June 30, 2021:

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yuji Development	Sande Futian Miaoguo Limited	Other financial assets (current and non-current)	No	362,163	272,163	272,163	3%	1	72,000	Operating capital	-	Columbarium products held by the debtor	361,000	721,838	1,443,675

Note 1: Pursuant to “Procedure of Loans to Other Parties” of Yuji Construction Limited Co., capital shall only be loaned to trading counterparties, and the aggregate amount shall not exceed 40% of the Company’s net value disclosed in its latest financial statements. For a single debtor, the amount of loans shall not exceed 20 times of the amount of transaction with the Company, and 20% of Company’s net value disclosed in its latest financial statements.

Maximum amount of loans to other parties: NT\$ 3,609,188 thousand  $\times$  40% = NT\$ 1,443,675 thousand

Maximum amount of loans to an individual party: NT\$ 3,609,188 thousand  $\times$  20% = NT\$ 721,838 thousand

NT\$ 721,838 thousand  $\times$  20 = NT\$ 14,436,760 thousand

The limit is NT\$ 721,838 thousand.

Note 2: Financing purposes:

- 1) Trading counterparty
- 2) Entity with short-term financing needs

Note 3: Pursuant to the board resolution reached on December 28, 2018, NT\$ 420,000 thousand were loaned to Sande Futian Miaoguo Limited Co., with a loan period commencing from January 11, 2019 to January 10, 2020. According to a subsequent board resolution reached on August 13, 2019, the loan to Sande Futian Miaoguo Limited Co. was extended for seven years to January 10, 2026.

## (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Lungyen Life Service Corp.	Yuji Development	2	6,057,832	600,000	500,000	-	-	2.47 %	10,096,386	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	2	6,057,832	300,000	200,000	-	-	0.99 %	10,096,386	N	N	N

Note 1: The total amount of guarantees and endorsements shall not exceed 50% of the net value in the latest financial statements.

Guarantees amount provided to a single party shall not exceed 30% of the Company’s net value disclosed in the latest financial statements.

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## LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 2: There are seven conditions in which the Company may have guarantees or endorsements for other parties:

- 1) Trading counterparty
- 2) The Company holds more than 50% of the voting shares in the entity, directly and indirectly.
- 3) The entity holds more than 50% of voting shares in the Company, directly and indirectly.
- 4) The Company holds more than 90% of voting shares in the entity, directly and indirectly.
- 5) An entity in the construction industry mutually guaranteed pursuant to a project contract.
- 6) The stockholders of the Company provide guarantees or endorsements for the entity in proportion to percentage of ownership for joint investment.
- 7) Performance guarantees for presale contracts for entities in the same industry pursuant to the Consumer Protection Act.

Note 3: Originally, pursuant to the board resolution on February 25, 2020, the maximum amount of endorsements to Yuji has been set to NT\$ 300,000 thousand, and the expiry date is March 31, 2021. Pursuant to the board resolution on February 26, 2021 and March 29, 2021, the maximum amount of endorsement to Yuji were NT\$ 200,000 thousand and NT\$ 300,000 thousand, and the expiry date are both March 31, 2022.

Note 4: Originally, pursuant to the board resolution on February 25, 2020, the maximum amount of endorsements to Lung Fu has been set to NT\$ 300,000 thousand, and the expiry date is March 31, 2021. Pursuant to the board resolution on February 26, 2021, the maximum amount of endorsement to Lung fu has been set to NT\$ 200,000 thousand starting from April 1, 2021 to March 31, 2022.

Note 5: Reconciliated in the preparation of the consolidated report.

(iii) Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
the Company	Yuanta De Li Money Market Fund	—	Current financial assets at fair value through profit or loss	23,758	390,946	- %	390,946	- %	Trust
the Company	Yuanta De Bao Money Market Fund	—	Current financial assets at fair value through profit or loss	43,725	529,943	- %	529,943	- %	Trust
the Company	Franklin Templeton Sinoam Money Market fund	—	Current financial assets at fair value through profit or loss	70,023	731,190	- %	731,190	- %	Trust
the Company	FSITC Taiwan Money Market Fund	—	Current financial assets at fair value through profit or loss	5,865	90,639	- %	90,639	- %	Trust
the Company	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	23,109	345,964	- %	345,964	- %	Trust
the Company	Cathay Taiwan Money Market Fund	—	Current financial assets at fair value through profit or loss	13,881	174,177	- %	174,177	- %	Trust
the Company	Nomura Taiwan Money Market Fund	—	Current financial assets at fair value through profit or loss	22,493	370,231	- %	370,231	- %	Trust
the Company	The ABG-WTT Fund	—	Current financial assets at fair value through profit or loss	-	117,214	- %	117,214	- %	Owner occupied
the Company	Primavera Capital Fund III L.P.	—	Current financial assets at fair value through profit or loss	-	194,151	- %	194,151	- %	Owner occupied
the Company	LCP IX. L.P.	—	Current financial assets at fair value through profit or loss	-	104,105	- %	104,105	- %	Owner occupied
the Company	EQT IX (No.1) EUR SCSP.	—	Current financial assets at fair value through profit or loss	-	87,010	- %	87,010	- %	Owner occupied
the Company	Alpinvest Secondaries Fund (Offshore Feeder) VII, L.P.	—	Current financial assets at fair value through profit or loss	-	16,603	- %	16,603	- %	Owner occupied
the Company	KKR Asian Fund IV SCSP	—	Current financial assets at fair value through profit or loss	-	19,817	- %	19,817	- %	Owner occupied
the Company	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	59,570	891,835	- %	891,835	- %	Owner occupied
the Company	CTBC Hwa win Money Market Fund	—	Current financial assets at fair value through profit or loss	1,819	20,226	- %	20,226	- %	Owner occupied

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
the Company	Millerful No.1 REIT	—	Non-current financial assets at FVOCI	33,000	357,720	- %	357,720	- %	Trust
the Company	Cathay No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	3,922	70,635	- %	70,635	- %	Trust
the Company	Fubon No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	542	9,653	- %	9,653	- %	Trust
the Company	Fubon No.2 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	917	14,755	- %	14,755	- %	Trust
the Company	Cathay No.2 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	467	9,475	- %	9,475	- %	Trust
the Company	Shin Kong No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	450	8,649	- %	8,649	- %	Trust
the Company	Taiyen	—	Non-current financial assets at FVOCI	5,743	187,222	2.87 %	187,222	2.87 %	Owner occupied
the Company	Fubon Financial Holding-Preferred Shares B	—	Non-current financial assets at FVOCI	2,396	151,188	- %	151,188	- %	Owner occupied
the Company	Cathay Financial Holding-Preferred Shares B	—	Non-current financial assets at FVOCI	2,530	159,390	- %	159,390	- %	Owner occupied
the Company	CTBC Financial Holding-Preferred Shares B	—	Non-current financial assets at FVOCI	529	33,592	- %	33,592	- %	Owner occupied
the Company	CTBC Financial Holding-Preferred Shares C	—	Non-current financial assets at FVOCI	1,540	95,942	- %	95,942	- %	Owner occupied
the Company	TaiShin Financial Holding-Preferred Stock ETadin	—	Non-current financial assets at FVOCI	1,597	85,280	- %	85,280	- %	Owner occupied
the Company	Fubon Financial Holding-Preferred Stock	—	Non-current financial assets at FVOCI	4,636	291,604	- %	291,604	- %	Owner occupied
the Company	Cathay Financial Holding-Preferred Stock A	—	Non-current financial assets at FVOCI	4,345	272,432	- %	272,432	- %	Owner occupied
the Company	TaiShin Financial Holding - Class E Preferred Shares II	—	Non-current financial assets at FVOCI	955	49,851	- %	49,851	- %	Owner occupied
the Company	LARGAN Precision	—	Non-current financial assets at FVOCI	145	449,500	0.11 %	449,500	0.11 %	Owner occupied
the Company	TSMC	—	Non-current financial assets at FVOCI	1,726	1,026,970	0.01 %	1,026,970	0.01 %	Owner occupied
the Company	Chailcase	—	Non-current financial assets at FVOCI	2,272	460,121	0.16 %	460,121	0.16 %	Owner occupied
the Company	Asia Cement	—	Non-current financial assets at FVOCI	8,954	453,968	0.27 %	453,968	0.27 %	Owner occupied
the Company	Chenbro Micom	—	Non-current financial assets at FVOCI	2,280	169,860	1.89 %	169,860	1.89 %	Owner occupied
the Company	PCSC	—	Non-current financial assets at FVOCI	505	132,815	0.05 %	132,815	0.05 %	Owner occupied
the Company	Feng Tay	—	Non-current financial assets at FVOCI	580	141,810	0.07 %	141,810	0.07 %	Owner occupied
the Company	Quanta	—	Non-current financial assets at FVOCI	1,120	98,000	0.03 %	98,000	0.03 %	Owner occupied
the Company	MediaTek Inc.	—	Non-current financial assets at FVOCI	40	38,480	- %	38,480	- %	Owner occupied
the Company	Sun life holding Co Ltd.	—	Non-current financial assets at FVOCI	160	32,483	2.35 %	32,483	2.35 %	Owner occupied
the Company	Knowtions	—	Non-current financial assets at FVOCI	4,799	85,420	- %	85,420	- %	Owner occupied
the Company	Sunny Optical Technology (Group) Company Limited	—	Non-current financial assets at FVOCI	279	245,491	0.03 %	245,491	0.03 %	Trust
the Company	AGNC preferred stock	—	Non-current financial assets at FVOCI	44	33,377	- %	33,377	- %	Trust
the Company	QTS preferred stock	—	Non-current financial assets at FVOCI	24	17,538	- %	17,538	- %	Trust
the Company	TGP preferred stock	—	Non-current financial assets at FVOCI	32	24,133	- %	24,133	- %	Trust
the Company	VEREIT preferred stock	—	Non-current financial assets at FVOCI	10	6,705	- %	6,705	- %	Trust

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest Percentage of ownership (%)	Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			Fair value
the Company	ETP preferred stock	—	Non-current financial assets at FVOCI	264	171,581	- %	171,581	- %	Trust
the Company	Berkshire Hathaway	—	Non-current financial assets at FVOCI	78	606,328	0.01 %	606,328	0.01 %	Trust
the Company	Alphabet	—	Non-current financial assets at FVOCI	7	507,818	- %	507,818	- %	Trust
the Company	Microsoft	—	Non-current financial assets at FVOCI	50	379,832	- %	379,832	- %	Trust
the Company	Intel	—	Non-current financial assets at FVOCI	219	342,652	0.01 %	342,652	0.01 %	Trust
the Company	Visa	—	Non-current financial assets at FVOCI	49	316,705	- %	316,705	- %	Trust
the Company	Amazon	—	Non-current financial assets at FVOCI	1	64,717	- %	64,717	- %	Trust
the Company	081 Chailease Holding Company Limited-A	—	Non-current financial assets at FVOCI	190,000	190,000	- %	190,000	- %	Trust
the Company	104 Central Bond A5	—	Non-current financial assets at FVOCI	100,000	105,074	- %	105,074	- %	Trust
the Company	CEXIM CNY Corp. Bond 4.15 20270618	—	Non-current financial assets at FVOCI	5,000	22,982	- %	22,982	- %	Trust
the Company	ICBC CNY Corp. Bond 4.2 20270119	—	Non-current financial assets at FVOCI	4,000	18,354	- %	18,354	- %	Trust
the Company	ICBC CNY Corp. Bond 4.5 20281113	—	Non-current financial assets at FVOCI	5,000	23,510	- %	23,510	- %	Trust
the Company	Saudi Electricity Global-Bond 20230408	—	Non-current financial assets at FVOCI	2,000	58,461	- %	58,461	- %	Trust
the Company	Saudi Electricity Global-Bond 20240408	—	Non-current financial assets at FVOCI	1,000	30,189	- %	30,189	- %	Trust
the Company	Qatar Telecom USD Corp. Bond 3.25 20230221	—	Non-current financial assets at FVOCI	3,000	87,211	- %	87,211	- %	Trust
the Company	Standard Chattered USD Corp. Bond 4.05 20260412	—	Non-current financial assets at FVOCI	3,000	92,437	- %	92,437	- %	Trust
the Company	Malaysia National Resource Bond 20261019	—	Non-current financial assets at FVOCI	1,000	29,826	- %	29,826	- %	Trust
the Company	China Cinda USD Bond 20240309	—	Non-current financial assets at FVOCI	1,500	43,339	- %	43,339	- %	Trust
the Company	Huarong USD Bond 20240309	—	Non-current financial assets at FVOCI	2,000	45,707	- %	45,707	- %	Trust
the Company	BNP Paribas SGD Corp. Bond	—	Non-current financial assets at FVOCI	3,500	77,897	- %	77,897	- %	Trust
the Company	HISPANO S.A. Financial Bond	—	Non-current financial assets at FVOCI	3,000	84,351	- %	84,351	- %	Trust
the Company	Manulife Financial Corporation SGD Bond 20291121	—	Non-current financial assets at FVOCI	4,000	86,438	- %	86,438	- %	Trust
the Company	BMW Bond 20300409	—	Non-current financial assets at FVOCI	2,000	65,212	- %	65,212	- %	Trust
the Company	State Grid Bond 20300805	—	Non-current financial assets at FVOCI	3,000	79,590	- %	79,590	- %	Trust
the Company	HRLEAS 1.9 20220112	—	Non-current financial assets at FVOCI	1,260	30,726	- %	30,726	- %	Trust
the Company	Trans globe Insurance	—	Non-current financial assets at FVOCI	15	-	0.01 %	-	0.01 %	Owner occupied
the Company	Creative Space Design	—	Non-current financial assets at FVOCI	396	3,960	19.80 %	3,960	19.80 %	Owner occupied
the Company	Nan Ya Corp. Bond P02 Nan Ya 3B	—	Non-current financial assets at amortized cost	100,000	103,776	- %	103,776	- %	Trust
the Company	Taipower Corporate bond 20231230	—	Non-current financial assets at amortized cost	150,000	152,577	- %	152,577	- %	Trust
the Company	106 Central Bond 4	—	Non-current financial assets at amortized cost	100,000	100,573	- %	100,573	- %	Trust
the Company	106 Central Bond 9	—	Non-current financial assets at amortized cost	150,000	149,607	- %	149,607	- %	Trust
the Company	107 Central Bond 7	—	Non-current financial assets at amortized cost	100,000	99,789	- %	99,789	- %	Trust
the Company	104 Central Bond 12	—	Non-current financial assets at amortized cost	100,000	101,126	- %	101,126	- %	Trust
the Company	107 Central Bond 2	—	Non-current financial assets at amortized cost	100,000	101,087	- %	101,087	- %	Trust

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
the Company	93 Central Bond 9	—	Non-current financial assets at amortized cost	100,000	107,614	- %	107,614	- %	Trust
the Company	94 Central Bond 3	—	Non-current financial assets at amortized cost	100,000	106,011	- %	106,011	- %	Trust
the Company	02 China Steel 1B 20230712	—	Non-current financial assets at amortized cost	100,000	101,389	- %	101,389	- %	Trust
the Company	02 TSMC 2C 20230206	—	Non-current financial assets at amortized cost	100,000	101,263	- %	101,263	- %	Trust
Yuji Development Corp.	LARGAN Precision	—	Non-current financial assets at FVOCI	44	136,400	0.11 %	136,400	- %	Owner occupied
Yuji Development Corp.	CTBC Hwa win Money Market Fund	—	Current financial assets at fair value through profit or loss	18,485	205,511	- %	205,511	- %	Owner occupied
Jing Huang Construction Co., Ltd.	Stocks of J Garden Corp.	—	Non-current financial assets at FVOCI	90	892	- %	892	- %	Owner occupied
Jing Huang Construction Co., Ltd.	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	1,928	28,870	- %	28,870	- %	Owner occupied
Lung Fu Company Limited	CTBC Hwa win Money Market Fund	—	Current financial assets at fair value through profit or loss	3,769	41,901	- %	41,901	- %	Owner occupied

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
the Company	Nomura Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	None	-	-	22,493	370,000	-	-	-	-	22,493	370,000
the Company	CTBC Hwa win Money Market Fund	Current financial assets at fair value through profit or loss	-	None	30,477	338,493	137,562	1,528,500	166,220	1,847,000	1,846,773	227	1,819	20,220
the Company	Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	None	129,396	1,924,792	-	-	69,826	1,045,000	1,038,095	6,905	59,570	886,697

Note: The amounts at the beginning and end of the period did not include valuation gains or losses on valuation and investment.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None

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## LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Lungyen Life Service Corp.	Yuji Development Corp.	1	Other current financial assets	98,458	The same as non-related party transactions.	0.15%
0	"	"	1	Prepayments	8,815	-	0.01%
0	"	"	1	Other income	30,000	-	1.69%
0	"	"	1	Other current liabilities	31,653	-	0.05%
0	"	Lung Fu Company Limited	1	Other income	1,169	-	0.06%
0	"	Jin Hunag construction Co., Ltd.	1	Other current financial assets	1,215	-	-%
1	Yuji Development Corp.	Lungyen Life Service Corp.	2	Accounts receivable	31,653	-	0.05%
1	"	"	2	Advance receipts	8,815	-	0.01%
1	"	"	2	Accounts payable	5,250	-	0.01%
1	"	"	2	Other Payables	93,298	-	0.14%
1	"	"	2	Administrative expenses	30,000	-	1.69%
2	Lung Fu Company Limited	Lungyen Life Service Corp.	2	Administrative expenses	1,169	-	0.07%
3	Jin Hunag construction Co., Ltd.	Lungyen Life Service Corp.	2	Other Payables	1,215	-	-%

Note 1: Numbers are filled in as follows:

- (i) "0" represents the parent company.
- (ii) Subsidiaries are numbered starting from "1".

Note 2: Categories of relationship with counterparty are as below:

- (i) Parent and subsidiary.
- (ii) Subsidiary and parent.
- (iii) Subsidiary and subsidiary.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
the Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20 %	(8,418)	(24)	(24)	Subsidiary
the Company	Yuji Development Corp.	Taiwan	Funeral Services	900,000	900,000	110,723	54.42 %	1,941,880	(18,178)	(9,892)	Subsidiary
the Company	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential and commercial buildings	3,870	3,870	400	80.00 %	259	(17)	(14)	Subsidiary
the Company	Sea Dragon Traders Ltd. (BVI)	The British Virgin Islands	Investment holding	1,094,570 (USD 35,510)	1,094,570 (USD 35,510)	3,551	100.00 %	979,044	(17,716)	(17,716)	Subsidiary
the Company	RIA AWANA SDN.BHD	Malaysia	Funeral Services	31,454 (MYR 3,920)	31,454 (MYR 3,920)	3,920	49.00 %	27,216	120	59	Associates
the Company	The Law Co., Ltd.	Taiwan	Investment holding	420,426	420,426	14,014	30.93 %	538,572	192,313	59,483	Associates
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Services	557,800	557,800	55,100	100.00 %	553,251	18,720	18,730	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited (BVI)	The British Virgin Islands	Investment holding	165,268 (USD 5,264)	165,268 (USD 5,264)	5	26.32 %	161,131	8,331	2,193	Associates
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment holding	996,498 (USD 32,500)	996,498 (USD 32,500)	3,250	50.00 %	795,434	(39,708)	(19,855)	Joint ventures

Note 1: The equity of the above-mentioned subsidiaries of the Group is written off when preparing the consolidated financial report.

Note 2: USD exchange rate, end of the period: 27.870; USD average exchange rate: 27.797.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (c) Information on investment in Mainland China:

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow					
Lungyen Cemetery (Wenzhou) Co., Ltd.	Funeral Services	1,457,044 (USD52,280)	Sea Dragon Traders Ltd. (BVI)	817,985 (USD29,350)	-	-	817,985 (USD29,390)	50%	(10,714)	683,980	-
Long Young Life (China) Holding Co., Ltd.	Investment holding	334,400 (USD12,000)	Sea Dragon Traders Ltd. (BVI)	-	83,610 (USD3,000)	-	83,610 (USD3,000)	50%	(7,542)	138,624	-
Shijiazhuang Taifu Cemetery Management Co., Ltd.	Management, construction, and sale of cemetery	73,447 (CNY17,041)	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	40%	(1,480)	91,023	-

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
901,595	2,299,275 USD82,500	12,115,663

USD exchange rate: closing rate: 27.87 ; CNY exchange rate: 4.31

Note 1: Investment are divided into the following three types:

- (1) Direct investments in Mainland China
- (2) Indirect investment Mainland China through an existing company registered in the third region. (Please specify the investor in the third region.)
- (3) Other methods

Note 2: Profit and loss recognized from investment for the current period:

- (1) As the investee was still in the pipeline, no investment profit (loss) had been generated yet, which shall be specified.
- (2) Recognition basis of investment gains or losses were grouped under the following two categories, which shall be specified.
  - 1) Financial statements of the investee company were audited by an international accounting firm in cooperation with an R.O.C. accounting firm.
  - 2) The financial statements were audited by the parent's external accountants.

Note 3: The corresponding currency shall be expressed in TWD. The amounts denominated in foreign currency were translated into TWD accounts at the exchange rate on the reporting date.

Note 4: The limit is based on "the principle of review of investment or technical cooperation in Mainland China", which is limited to 60% of the Company's most recent financial report.

## (iii) Significant transactions: None

## (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
WISH GIVER LIMITED (The British Virgin Islands)		139,792,000	33.28 %
CHENG CHANG INVESTMENT CO., LTD		41,716,332	9.93 %
UOB Kay Hian (HK) customer account entrusted to Citybank		34,713,000	8.26 %
ORIX Asia Capital investment account entrusted to Fubon Securities		21,000,000	5.00 %

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The Group consist of five segments: columbarium sales , funeral service, property lease, cemetery operation and others, and construction sales. Columbarium sales segment is primarily engaged in columbarium related business. The funeral service segment is engaged in funeral service business. The property lease segment is engaged in real estate rental. The segment of cemetery operation and others are engaged in management and operation of cemeteries. The construction sales segment is engaged in the construction of buildings and sales of real estate.

The Group's reported segments consist of strategic business units which provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately. Most of the business units were acquired separately. The management of the acquired units remains employed by the Group.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

The Group's segment financial information is as follows:

	For the three months ended June 30, 2021						
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction and sales	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	228,881	420,971	40,847	52,836	35,652	-	779,187
Intersegment revenue	-	-	43	-	-	(43)	-
<b>Total revenue</b>	<b>\$ 228,881</b>	<b>420,971</b>	<b>40,890</b>	<b>52,836</b>	<b>35,652</b>	<b>(43)</b>	<b>779,187</b>
<b>Profit (loss) of reportable segments</b>	<b>\$ 17,178</b>	<b>86,612</b>	<b>19,979</b>	<b>81,307</b>	<b>19,856</b>	<b>(43)</b>	<b>224,889</b>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	For the three months ended June 30, 2020						
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction and sales	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	309,999	378,874	41,879	37,214	18,057	-	786,023
Intersegment revenue	10	-	43	-	-	(53)	-
<b>Total revenue</b>	<b>\$ 310,009</b>	<b>378,874</b>	<b>41,922</b>	<b>37,214</b>	<b>18,057</b>	<b>(53)</b>	<b>786,023</b>
<b>Profit (loss) of reportable segments</b>	<b>\$ 150,817</b>	<b>75,247</b>	<b>20,217</b>	<b>83,769</b>	<b>6,021</b>	<b>(42)</b>	<b>336,029</b>
	For the six months ended June 30, 2021						
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction and sales	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	578,918	877,062	81,976	146,688	94,924	-	1,779,568
Intersegment revenue	-	-	86	-	-	(86)	-
<b>Total revenue</b>	<b>\$ 578,918</b>	<b>877,062</b>	<b>82,062</b>	<b>146,688</b>	<b>94,924</b>	<b>(86)</b>	<b>1,779,568</b>
<b>Profit (loss) of reportable segments</b>	<b>\$ 197,217</b>	<b>195,086</b>	<b>40,320</b>	<b>220,827</b>	<b>48,767</b>	<b>(86)</b>	<b>702,131</b>
	For the six months ended June 30, 2020						
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction and sales	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	572,299	821,741	83,932	102,687	74,173	-	1,654,832
Intersegment revenue	12,423	-	86	-	-	(12,509)	-
<b>Total revenue</b>	<b>\$ 584,722</b>	<b>821,741</b>	<b>84,018</b>	<b>102,687</b>	<b>74,173</b>	<b>(12,509)</b>	<b>1,654,832</b>
<b>Profit (loss) of reportable segments</b>	<b>\$ 278,973</b>	<b>170,999</b>	<b>40,401</b>	<b>163,210</b>	<b>24,370</b>	<b>(763)</b>	<b>677,190</b>
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Constructio n and sales	Reconciliation and eliminations	Total
Assets of reportable segments							
June 30, 2021	\$ 19,723,731	10,282,220	4,029,919	27,418,532	4,707,032	(162,608)	65,998,826
December 31, 2020	\$ 19,087,599	10,233,005	4,157,711	25,959,663	4,720,032	(51,948)	64,106,062
June 30, 2020	\$ 19,040,387	10,047,451	3,857,467	25,765,362	4,729,218	(98,420)	63,341,465
Liabilities of reportable segments							
June 30, 2021	\$ 16,330,100	25,064,337	40,829	2,885,878	-	(140,168)	44,180,976
December 31, 2020	\$ 16,439,126	24,036,196	41,072	3,031,489	12,477	(11,671)	43,548,689
June 30, 2020	\$ 16,458,814	23,300,651	41,074	4,563,277	-	(76,074)	44,287,742