

(English Translation of Annual Report Originally Issued in Chinese)

Stock ticker : 5530

# Lungyen Life Service Corp. 2019 Annual Report

**Notice to readers**

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw/>  
The Company's website: <http://www.lungyengroup.com.tw>

Printed on April 15, 2020

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**Spokesman**

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**Acting spokesman**

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**II. Company, Branch Company, Factory address and Tel. No.**

Company Address: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan  
Tel: (02)6615-9999  
Fax: (02)6615-7777  
Branch Office: Referred to “Company Profile” section  
Factory: Referred to “Company Profile” section

**III. Shares Registrar:**

Name: Jih Sun Securities Co., Ltd., Share Registration Department  
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Name: CPA Tseng, Guo-Yang and CPA Lai-Li-Tsen  
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Website: www.kpmg.com.tw  
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**V. Name of any exchanges where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities: None**

**VI. The company’s website: <http://www.lungyengroup.com.tw>**

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## I. Letter to Shareholders

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

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

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

### 1. Operating results for 2019:

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

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

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69.4%. It includes contract liabilities of NT\$39.0 billion. These contract liabilities are the nature of advance receipts and booked as unrealized income, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium and cemetery is transferred to the client upon completion. The debt ratio was 23.6% if the company deducted the contract liabilities and relative asset amounts.

## **2. Summary of business plan for 2020**

### **(1) Operations guidelines:**

- i. Carry out business plan to achieve business target
- ii. Optimize capital allocation to improve financial performance
- iii. Strengthen risk management to solidify business fundamentals
- iv. Improve operations management to enhance corporate value
- v. Fulfill corporate social responsibilities to polish corporate image

### **(2) Executive summary:**

- i. Carry out business plan to achieve business target

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

- ii. Optimize capital allocation to improve financial performance

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

- iii. Strengthen risk management to solidify business fundamentals

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

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iv. Improve operational management to enhance corporate value

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

v. Fulfill corporate social responsibility and optimize corporate image

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

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

Unit: SET

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

### 3. The Company's development strategy

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

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

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious (According to the World Fertility Review latest announcement of fertility rates in countries around the world, Taiwan is ranked as "the last" of the 200 countries in the world), the

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importance of being “prepared” for the last journey of life will become increasingly apparent. In addition to the life service business as the foundation, the Company will gradually expand its operation into related businesses in the life service industry with a steady spirit. On the other hand, in addition to firmly operate Taiwan's existing market, it will replicate Taiwan's successful experience to actively expand the mainland China market, ally local superior teams to implement the Wenzhou project and continue to develop other high-quality projects to achieve the goal of becoming the best funeral service provider in Greater China.

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

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

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

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

The funeral business is a necessity for the people’s livelihood; therefore, the sales performance is less affected by the economy. The aging population and the trend of declining

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birth rate are also the sales momentum of the funeral industry. In perspective, we will continue to uphold the business philosophy of professionalism, integrity and compassion to strengthen operating performance, solid operating foundation, generate outstanding business performance, create greater shareholders' equity, contribute to the prosperity of society and set the record again for national economic development.

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

Chairman: Liu, Wei-Lung    President: Liu, Wei-Lung    Chief Accountant: Chan, Shu-Juan

## II. Company Profile

1. **Date of incorporation:** March 27, 1987
2. **The Company, branch offices, and factories' address and phone number:**

(1) The Company:

- i. Address: No.111, Dongshi St., Xizhi Dist., New Taipei City
- ii. Tel: (02)6615-9999

(2) Location of the Company:

- i. Address: 1F, No.166, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City

(3) Branch Office:

Branch Offices	Address	Tel.
New Taipei City	No.38-2, Mujiliao, Sanzhi Dist., New Taipei City	(02)2636-5300
Banqiao	1F., No.40, Sec. 1, Changjiang Rd., Banqiao Dist., New Taipei City	(02)6607-6206
Keelung City	1F., No.105, Ren 1st Rd., Ren'ai Dist., Keelung City	(02)2425-3037
Hsinchu City	1F., No.10, Chengde Rd., North Dist., Hsinchu City	(03)527-7398
Miaoli County	No.35, Weigong Rd., Miaoli City, Miaoli County	(037)260-006
Taichung City	No.255, Xueshi Rd., North Dist., Taichung City	(04)2207-6090
Chiayi City	No.591, Zhongshan Rd., West Dist., Chiayi City	(05)216-9769
Changhua County	No.154, Dapu Rd., Changhua City, Changhua County	(04)712-1366
Tainan City	No.213, Sec. 1, Zhonghua S. Rd., South Dist., Tainan City	(06)336-9566
Kaohsiung	No.39, Ln. 600, Benguan Rd., Sanmin Dist., Kaohsiung City	(07)370-1918
Yilan County	No.510, Sec. 2, Zhongshan Rd., Luodong Township, Yilan County	(03)953-2590
Hualien County	B1F., No.100, Sec. 1, Huacheng Rd., Ji'an Township, Hualien County	(03)842-1111

(4) Factories:

As funeral business is our major activity, we don't belong to manufacturing industry, thus have no factory. Cemetery owned or held by the Company are as below.

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Company	Cemetery	Address	Tel.
Lungyen Life Service Corp.	Baisha Bay Cemetery Park	No.38-2, Mujiliao, Sanzhi Dist., New Taipei City	(02)2636-5300
Lungyen Life Service Corp.	Fushou Columbarium	No.100, Sec. 1, Huacheng Rd., Ji'an Township, Hualien County	(03)842-1111
Lungyen Life Service Corp.	Quan An Tai Cemetery Park	No.9-26, Baolin, Neimen Dist., Kaohsiung City	(07)660-2225
Yuji Development Corp.	Wanshoushan Cemetery Park	No.22-3, Yuantan, Wanli Dist., New Taipei City	(02)2498-9604
Yuji Development Corp.	Baoshan Cemetery Park	No.225, Nanguo Ln., Sec. 2, Changlong Rd., Taiping Dist., Taichung City	(04)2277-7547
Yuji Development Corp.	Chiayun Cemetery Park	No.112-4, Niuchoupu, Shuishang Township, Chiayi County	(05)289-1649
Lung Fu Company Limited	Fu Guei Village Cemetery	No.16-2,13rd Neighborhood, Shiwujian, Xinwu Dist., Taoyuan City	(03)476-6686

### 3. The Company's History:

- 1987: The Company was established on March 27, 1987, headquartered in Xinzhuang City, Taipei County, with paid-in capital of NT\$20,000,000.
- 1989: The Company launched the villa community residential area project, Dahan O-Hsiang, in Linkou, Taipei County.– Thanks to diligent planning and attention to quality, the Company was honored with the “Best Construction Quality Community – Beautiful House Award” and a “Chinese Architectural Inscribed Stone Award”. The sales rate was 100%.
- 1992: In order to co-ordinate the Company's business scale expansion and establish a sound financial structure, the Company arranged a capital increase of NT\$120,000,000 in October. Total paid-in capital thus increased to NT\$140,000,000.
- 1994: In order to co-ordinate business expansion, the Company arranged a capital increase of NT\$59,503,000 in January. Total paid-in capital increased to NT\$199,503,000.
- 1995: In order to co-ordinate the Company's future development and improve its financial structure, the shareholders' meeting resolved to increase capital by NT\$300,994,000. Total paid-in capital increased to NT\$500,497,000. Meanwhile, the Company was honored with a “Good Service Award - Construction Company Category” due to the upgrade of its service quality.
- 1996: Achieved an outstanding sales record in the new product series in the Taoyuan area, including “Dahan family love,” “Dahan hometown love,” and “Dahan cozy home”. Introduced ISO9002 certifying procedures to upgrade all service quality in July.

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- 1997: In order co-ordinate the Company's future development and improve its financial structure, the Company was approved to carry out an issuance of public stock on June 5 and also a capital increase totaling NT\$300,994,000 to translate the capital collected from advance stock sales into paid-in capital, totaling NT\$500,497,000. Also, in December, the Company arranged a capital increase totaling NT\$49,503,000. Total paid-in capital increased to NT\$550,000,000. The Company launched the project, "Dahan Technology Headquarters – 2nd Phase", in Neihu District. Meanwhile, the Company was granted an "Architecture Investment Business Identity Logo" by the Ministry of Interior and honored with an "R.O.C. Golden Customer Satisfaction Award".
- 1998: Capital increase of NT\$157.99 million through cash injection and capitalization of earnings in September. Total actual paid-in capital amounted to NT\$ 707.99 million after funding.
- The Company launched the top quality living space residential building project, "Dahan Summer Palace", in Taoyuan, and was also nominated as one of the candidates for an "R.O.C. Gold Architecture Award – Planning & Design".
- 1999: Capital increase of NT\$110.81 million through capitalization of employee bonuses in November. Total actual paid-in capital amounted to NT\$ 818.41 million after funding. The "Da Han Summer Palace" was awarded the 7th "Chinese Golden Stone Award for Architecture" under the planning/design category.
- 2000: "Da Han Summer Palace" was awarded the 8th "Chinese Golden Stone Award for Architecture" under the management and maintenance category and the 2nd "National Golden Award for Architecture" under the construction quality category. Also, "Da Han Da Zhi w.w.w" was awarded the 8th "Chinese Golden Stone Award for Architecture" under the planning/design category. The Company carried out recapitalization from retained earnings and capital surplus, totaling NT\$66,803,000, on September 8. Total paid-in capital increased to NT\$885,603,000. The Company was listed on the GreTai Securities Market as of October 4.
- 2001: The Company introduced a learning organization project and carried out a cultural & HR diagnostic project.
- 2002: Supervisor, Mr. Chen Wei-Kuo, called the first shareholders' meeting of 2002 to discharge and reelect directors/supervisors on April 12, 2002. As a result, Mr. Chen Chi-Sheng was reelected Company chairman.
- 2003: The Company promoted a "Production Marketing Integration System" to integrate "architectural planning", "construction management" and "product marketing".
- The Company launched the projects "Twin 4M5" on Nongan Street, "Dahan Tunchun" in Daan District, Taipei City, and "Dahan Fong Chiang Ge" in Taishan Hsiang, Taipei County. The projects "Dahan Tunchun" and "Dahan Fong Chiang Ge" were completed and delivered.
- 2004: Launched "Da Han MVP" in Neihu, Taipei City, in February.
- Launched "Beitou Da Han" in Beitou, Taipei City, and finished the construction of "Shuang Chen 4.5M" in December.

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- 2005: Launched “Da Han Chung Zhi” in Shilin, Taipei, in October.  
Finished the construction of “Da Han MVP” in November.  
The Board of Directors reelected Mr. Lai Ming-Huang as the Company’s chairman in November.
- 2006: The Company called the first special shareholders’ meeting of 2006 on February 8, 2006 as required which resolved to reelect directors and supervisors. Mr. Lai Ming-Huang was reelected Company chairman.  
In February, in order to expand the business, the Company was relocated to Taipei City to provide customers with more complete and timely services.
- 2007: Launched “Kwang Xizang” in the Wenshan area in April.  
Finished construction of “Beitou Da Han” in April.  
Capital increase through earnings capitalization in September of NT\$32,920 thousand. Total actual paid-in capital amounted to NT\$ 1,072.35 million in September.
- 2008: The special shareholders’ meeting ratified a cash capital increase in the form of private placement in August.  
Company headquarters moved to 7F., No.150, Guangfu N. Rd., Songshan Dist., Taipei City, from No.369-15, Guangfu N. Rd., Songshan Dist., Taipei City, in September. The Company acquired approval of change of registration address obtained on September 9th.
- 2009: Capital increase through cash injection via private placement on February 26th. The Ministry of Economic Affairs approved the change in registration on March 13th. Total actual paid-in capital amounted to NT\$3,072.35 million.  
Re-election of board members and supervisors on June 12th.  
By election of independent board members to form the audit committee on 29th October.  
The board approved an increase in capital by issuing new shares to transfer 75% of shareholding from shareholders on November 6th.  
Finished construction of “Kwang Xizang” in the Wenshan area in December.
- 2010: February 5th was the base date for the transaction of transferring 75% of shareholdings from shareholders together with the new issuance of 74,924,315 shares. The Ministry of Economic Affairs approved the change in registration on February 26th. Total actual paid-in capital amounted to NT\$3,821,593,150.  
On October 12, in order to upgrade the effectiveness of future resources integration and active strategic business development, a motion for merger of the Company and Lungyen Life Service Co., Ltd., Ltd. was ratified at the shareholders’ meeting of both parties. Upon the merger, new shares totaling 16,924,884 were issued to increase capital.
- 2011: The Company merged with Lungyen Life Service Corp., with the move approved

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by FSC Fa-Chi#1000001274 from the Securities and Futures Bureau, the Financial Supervisory Commission on January 26th. The board set February 1st as the merge base date and changed the Company name to the Lungyen Life Service Corporation. On April 8th, the new issuance from merger was initially offered, and a month later the new issuance due to change of name was made available in the public market.

The following acquisitions were made through subsidiary capital injections: the Wan Sho Shan Cemetery in New Taipei City and ownership of and right of operation in the Chia-Yi Chia-Yun-Bao-Cheng columbarium tower; the Bao Shan Memorial Cemetery in Taichung; the Fu Guei Village Cemetery in Fugang, Yangmei; and the partial ownership of burial land in Chin Tang, Xindain.

2012: Released Corporate Social Responsibility Report in April.

In April applied to GreTai Securities Market for a change from the “Construction” sector to the “Other” sector.

Received approval from GreTai Securities Market to list 200,000,000 shares issued through private placement in 2009.

2013: The Company and Quan An Tai Co. Ltd. signed an operating cooperation agreement on Quan An Tai Cemetery Park in Kaohsiung. The Company took the responsibility for management and sales.

The Company’s subsidiaries Yuji Development Corp. and Fu Yang Development Co. Ltd. signed a cooperation agreement, and set a joint-venture company Lung Fu Company Limited as sub-subsidiary. At the meanwhile, the Company acquired assets and the right of operation of Fugan Cemetery Park located at Xinwu Dist., Taoyuan City.

2014: In August, the Company was honored as New Star Awards of CSR Excellence in Corporate Social Responsibility, held by CommonWealth Magazine and the top level

(A++) in Appraisal of listed companies in Taiwan Stock Exchange.

In October, the Company was honored as Outstanding Commerce Entrepreneur of 68th Golden Merchant Awards, the first awarded company in funerary services.

2015: Received the award for top 5% of the excellent enterprises at 1st term of corporate governance evaluation on GTSM listed companies in June.

Lungyen Headquarters in Xizhi founded and activated in July.

Honored as the excellent merchant of the R.O.C. of Golden Merchants Award of 69th term in October for two years consecutively.

Honored as 2015 excellent funeral service providers and excellent service provider following the public charge policy in December.

2016: April: Received the award for top 5% of the excellent enterprises at 2nd term of corporate governance evaluation on GTSM listed companies

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December: Awarded “the Best Enterprise in Innovation and Excellence” by Excellence Magazine

2017: January: at the special shareholders’ meeting, the shareholders approved a capital increase in cash and the placement of convertible bonds in a private way.

March: raising funds for capital increase in cash of NT\$210,000,000 in a private way was completed.

April: it was approved by the Ministry of Economic Affairs to register the changes that the Company’s paid-in capital be NT\$4,200,841,990.

April: the Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for three consecutive sessions.

June: The construction of Ceturial Cemetery began.

August: Awarded “Little Giant in Excellence in Corporate Social Responsibility” by Common Wealth Magazine.

August: Winning the bid of the land in Wenzhou City, which planned as cemetery and service center.

August: Top shareholder Shih-Tsung Lee gifted his shares to his daughter Lee, Kelly.

December: Honored as excellent funeral service providers of Taipei City.

December: Signed the contract of joint venture with Sea Dragon Corp., Lungyen (Cayman) Corp., Fujiure Corp., and Sino Ocean Group.

2018: January: Sino-Ocean Group invested in Lungyen (Cayman) Co. Ltd. by cash offering.

April: The mainland business of the Company and Sino-Ocean Group has entered a critical period of rapid development. The board of directors of the Company decided to send Mr. Kuo, Hsueh-Chun as the chairman of the joint venture of the Company and Sino-Ocean Group (ie Longyoung Life Corp.).

April: Mr.Liu Wei-Lung (Chairman) also serves as president.

April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for four consecutive sessions.

June: Re-election of the 13th director of the Company.

June: Form the Corporate Governance and Nominating Committee.

November: The construction of the service center of Ceturial Cemetery began.

December: The Company once again won the award for the funeral facilities and the funeral service industry evaluation.

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2019: April: The Company and the 100%-owned subsidiary Lung An Company Limited conducted the simple merger. After the merger, the Company is the surviving company, and Lung An Company Limited is the extinguished company.

April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for five consecutive sessions.

August: The Company was awarded the "Excellent Employer Award of Employees' Salary Survey" by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan).

September: Awarded once again "Little Giant in Excellence in Corporate Social Responsibility" by Common Wealth Magazine.

December: The Company once again won the award for the funeral facilities and the funeral service industry evaluation and the award for private funeral facilities and facility operators.

2020 January: The Company won the excellent evaluation of the funeral service of Taipei City, New Taipei City and Kaohsiung City, and won the first "Excellent Service Gold Award" of Reader's Digest in Taiwan.

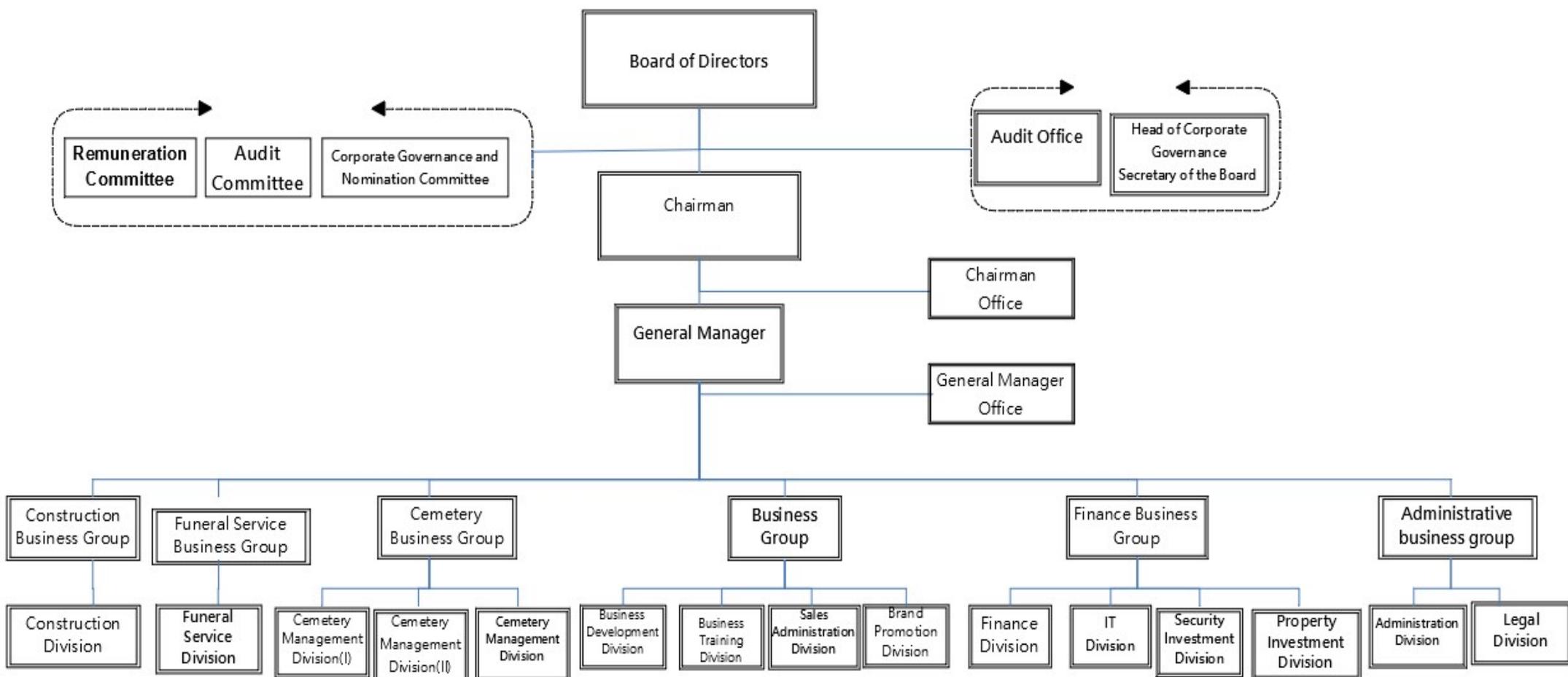
April: The Light Hill Life Memorial Hall, Kaohsiung, is under contract for new construction.

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### III. Corporate Governance Report

#### 1. Organization:

(1) Organization Chart: (2020.04.15)



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(2) Main business activities of our departments:

(1)	Auditing Office	Responsible for drafting and implementation of annual audit plan, ensure compliance with the Company's policies as well as with external regulations.
(2)	Secretary of the Board	Implementation of corporate governance and other Board committees.
(3)	Finance Business Group	Responsible for the Company's financial operations, corporate capital scheduling, asset utilization and management, investment planning, risk management, and the provision of overall information technology operations in line with the future development of the group.
(4)	Administrative business group	Responsible for the Group's human resources strategy and management, legal affairs and legal compliance, purchasing operations and administrative cost control.
(5)	Business Group	Responsible for the overall company's business sales strategy formulation, development of new channels and existing telephone sales and channel dealer management and training, coordination with business strategies to strengthen brand image and website platform operations, operating customer relations and customer service centers.
(6)	Cemetery Business Group	Responsible for various management plans and management of the cemetery.
(7)	Funeral Service Business Group	Responsible for various business plans and management of funeral service and service centers.
(8)	Construction Business Group	Responsible for land development plan planning evaluation, architecture and interior decoration planning and review, cemetery and columbarium commodity planning design, construction schedule, quality control, engineering safety and cost control.
(9)	Funeral Service Division	Responsible for funeral service operation management, performance goal setting and execution of personnel sales and incentive plans, service process improvement and personnel education and training.
(10)	Construction Division	Responsible for the quality supervision of various construction projects, the execution of the planning and design of commodities (columbarium, cemetery)

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		and landscape design.
(11)	Sales Administration Division	Responsible for channel management, contract management, and related operational process planning after the sale of new products.
(12)	Business Development Division	Responsible for the development of new sales channels, channel management, merchandise sales and service of employee referrals, customer relationship maintenance and customer service center.
(13)	Brand Promotion Division	Responsible for brand image strategic planning, public relations operation and maintenance, and product / service marketing design.
(14)	Business Training Division	Handle various business education training and business activities.
(15)	Administration Division	Responsible for the management of procurement, general operations management and employee restaurant operation and other related operations.
(16)	Legal Division	Responsible for the Company's legal compliance, legal affairs related operations review, and funeral and burial regulations promotion.
(17)	Property Investment Division	Responsible for the maintenance, utility and management of all the Company's properties and assets.
(18)	Information Technology Division	Responsible for software and hardware planning and management of information system.
(19)	Finance Division	Responsible for the preparation of financial and tax reports, management reports and the management and execution of capital planning, investor relations.
(20)	Security Investment Division	Responsible for investment business evaluation, analysis, execution, risk control.
(21)	Cemetery Management Division(I)	Responsible for the service and management in Sanzhi (New Taipei City), Futian (New Taipei City), Lotus (Hualian), and Fugang (Taoyuan).
(22)	Cemetery Management Division(II)	Responsible for the service and management in Baoshan (Taichung), Jiayun (Chiayi) and Antai (Kaohsiung).
(23)	Cemetery Management Division	Responsible for various operational planning of the columbarium and cemetery, product design and the planning and execution of merchandise and activities, and service quality management.

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2. Profiles of Directors, Supervisors, President, Vice Presidents, Asst. VPs, and heads of the departments and branches

(1) Directors and supervisors:

i. Directors and Supervisors:

2020.04.15

Job Title	Nationality	Name	Gender	Date Elected	Term	Date 1 <sup>st</sup> Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (Shares)		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers, Directors, Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job Title	Name	Relationships	
Chairman	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	Note 1
	R.O.C	Representative: Liu, Wei-Lung	M	2018.06.20	3 years 2021.06.19	2009.06.10	0	0%	0	0%	0	0%	0	0%	Bachelor, Law Department, National Taiwan University Vice President, Kuan Yuan Media Vice President, sales and marketing division, Lungyen Life Service Co. Ltd.	Director, Jin Huang Construction Co., Ltd. Director, Long Yong Life Co. (Cayman) Director, Long Yong Life Co. (Hong Kong) Director, Long Yong Life Co. (China) Director, Lungyen Cementary (Wenzhou ) Co. Ltd.	NA	NA	NA	
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	
	Canada	Representative: Anthony Lee	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Department of Linguistics, University of Toronto Knowtions Research Inc, Co-Founder	Knowtions Research Inc, Chief Executive Officer Knowtions Research Inc, Board of Directors	NA	NA	NA	
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	
	Japan	Representative: Fujibayashi Ichiro	M	2018.06.20	3 years 2021.06.19	2013.06.04	0	0%	0	0%	0	0%	0	0%	School of Science and Engineering, Meisei University, Japan	CEO, Fuji Kogyo Co. Ltd, Japan CEO, Tur Bao Si Co. Ltd., Japan Chairman, Tur Bao Si Co. Ltd., Malaysia Chairman & President, Tur Bao Si Co. Ltd., China	NA	NA	NA	

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																Managing Supervisor, Fuji Optical Corp., South Korea Supervisor, Hi-Mecha Corp., JP Supervisor, Fuji Flower CO.,LTD, Japan				
	Hong Kong	Orix Asia Capital (Note 3)	—	2018.06.20	3 years 2021.06.19	2017.06.21	21,000,000	5.0%	21,000,000	5.0%	0	0%	0	0%	NA	NA	NA	NA	NA	
Director	R.O.C	Representative: Chao,Tsen-Seng	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Bachelor, Department of Law, National Taiwan University MBA, National Cheng Chi University Credit Management Dept., Bank of Bank of Panhsin NPL, Orix Asset Management Taiwan Corporation Orix Investment Corporation (Bejin) Manager, Investment Banking, Orix Taiwan Corporation Manager,Corporate Financing, Orix Taiwan Corporation	Head of Investment and Financing Division and Business Promotion , Orix Taiwan Corp.	NA	NA	NA	
Independent Director	ROC	Yeh, Shu	M	2018.06.20	3 years 2021.06.19	2012.6.06	0	0%	0	0%	0	0%	0	0%	Doctor, Accounting, University of California, LA Master, Accounting, University of Texas at Austin Bachelor, Department of Economics, National Taiwan University Executive VP & CFO, CHT Supervisor, Taiwan Cogeneration Corporation Supervisor, HannStar Display Corporation Independent director, Phecda Technology Co. Ltd. Supervisor, Elite Advanced Laser Corporation Independent Director, Nova Technology	Professor, Accounting Department, National Taiwan University Independent Director, AP Memory Technology Corp. Independent Director, GEM Services Inc.	NA	NA	NA	
Independent director	ROC	Wang, Huai	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, NCCU Vice President, Champion Venture Vice President & Partner, KPMG Management	Independent Director, PharmaEngine Inc. Supervisor, CDIB Bio Science Ventures I	NA	NA	NA	

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															Consulting Co. Ltd Chairman, New Century Technology Co. Supervisor, CHC Healthcare Holding Secretary, Taiwan Corporate Governance Association					
Independent director	ROC	Wang, Frank Chun-Chung	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	BA in Accounting and Mechanical Engineering, The Ohio State University Information Designer, Ohio Department of Development CFO, GM International COO, Titan Corporation Advisor, CIBC Supervisor and member of Remuneration Committee, Headway Technology Co. CPA of Indiana, USA	Director, Advancedtek International Inc		NA	NA	NA

Note 1: Mr. Liu Wei-lung was elected as the chairman of the board by the board of directors on March 2, 2017, and the position of general manager was held by Mr. Guo Xuejun. Since the mainland business of the Company and the Sino-Ocean Group has entered a critical period of rapid development, on March 27<sup>th</sup>, 2018, the board of directors decided that Mr. Guo Xuejun should be the chairman of the joint venture between the Company and the Sino-Ocean Group. The position of general manager of the Company is concurrently held by chairman Liu Wei-lung. The Company is currently actively seeking suitable candidates for the position of general manager. More than half of the directors of the Company are not employees or managers.

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(2) Directors and Supervisors that are representatives of institutional shareholders, major shareholder of an institutional shareholder :

**i. Major shareholder of an institutional shareholder** 2020.03.31

Institutional Shareholders (Note 1)	Major shareholders (Note 2)
Wish Giver Limited	PHOENIX TYCOON LIMITED 100%
Orix Asia Capital Corp.	Orix Corp. 100%

Note 1 : Directors and Supervisors that are representatives of institutional shareholders should disclose the name of institutional shareholders

Note 2 : The top 10 shareholders and percentage of the shares, and fill in the sheet below if the major shareholder is a institutional shareholder.

Note 3: If the institutional shareholder is not a company organizer, the name of the shareholder and the shareholding ratio that should be disclosed beforehand are the name of the funder or donor and its contribution or contribution ratio.

**ii. Major shareholders that are legal people:** 2020.3.31

Name of Institutional Shareholder (Note 1)	Major shareholders (Note 2)
PHOENIX TYCOON LIMITED	Lee, Kelly 100%
Orix Corp.	BlackRock, Inc. (NYSE:BLK) 6.45%
	Mitsubishi UFJ Kokusai Asset Management Co., Ltd. 4.57%
	FMR LLC 4.14%
	Sumitomo Mitsui Trust Asset Management Co., Ltd. 3.23%
	The Vanguard Group, Inc. 3.08%
	Nomura Asset Management Co., Ltd. 3.01%
	Norges Bank Investment Management 1.59%
	Daiwa Asset Management Co. Ltd. 1.52%
	Nikko Asset Management Co., Ltd. 1.43%
	J O Hambro Capital Management Limited 1.11%

Note 1 : Directors and Supervisors that are representatives of institutional shareholders

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should disclose the name of institutional shareholders

Note 2 : The top 10 shareholders and percentage of the shares, and fill in the sheet below if the major shareholder is a institutional shareholder.

Note 3: If the institutional shareholder is not a company organizer, the name of the shareholder and the shareholding ratio that should be disclosed beforehand are the name of the funder or donor and its contribution or contribution ratio

**(3) The professional knowledge and independence of the Board Directors and Supervisors.**

2020.03.31

Name	Qualifications			Complies with independent status (Note)												Number of positions as an Independent Director in other publically listed companies	
	Has at least five years of relevant working experience and the following professional qualifications	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
Liu, Wei-Lung	-	-	✓			✓	✓	✓						✓	✓	✓	0
Lee, Anthony	-	-	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Fujibayashi Ichiro	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Chao, Tsen-Seng	-	-	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0	
Yeh, Shu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Wang, Huai	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Wang, Frank Chun-Chung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note : A “✓” is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

1. Not an employee of the company or an affiliate.
2. Not a director or supervisor of the Company or its associates (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
3. The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is he/she one of the company's ten largest natural-person shareholders.
4. Not a manager listed in item 1 or not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in item 2 & 3.
5. Directors, supervisors, or institutional shareholders who are not directly holding more than 5% of the Company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with paragraph 1 or 2, Article 27 of the Company Act. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are

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- mutually concurrent positioned).
6. Not directors, supervisors or employees of other companies controlled by the same person as of the Company's directors or more than half of the shares of the Company. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
  7. Directors, supervisors or employees of other companies or organizations who are not the same person or spouse with the Company's chairman, general manager or equivalent. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
  8. Not directors, supervisors, managers or shareholders holding 5% or more of a specific company or organization that have financial or business dealings with the Company. (However, this is not applicable if a specific company or institution holds more than 20% of the total issued shares of the Company, but not more than 50%, and if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
  9. Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
  10. Is not the spouse or relative within the second degree of kinship of another director.
  11. Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.
  12. Has not been elected as a representative of a government unit, institution, or other body as prescribed in Article 27 of the Company Act.

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2. Profile of Directors, Supervisors, President, and Vice Presidents, Asst. VPs, and heads of the various departments and branches.

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
President	ROC	Liu, Wei-Lung	M	2017.04.01	0	0%	0	0%	0	0%	Bachelor, Law Department, National Taiwan University Vice President, Kuan Yuan Media Vice President, sales and marketing division, Lungyen Life Service Co. Ltd. President, Lungyen Life Service Co. Ltd.	Director, Jin Huang Construction Co., Ltd. Director, Long Yong Life Co. (Cayman) Director, Long Yong Life Co. (Hong Kong) Director, Long Yong Life Co. (China) Director, Wenzhou Lungyen Cementary Co	NA	NA	NA	Note 1
Finance Business Group Vice President and Chief Financial Officer	ROC	Chan, Shu-Juan	F	2010.03.01	0	0%	0	0%	0	0%	Master, Accounting Department, Soochow University CPA, Deloitte & Touche	Supervisor, Jin Huang Construction Co., Ltd. (Representative from Lungyen Life Service Corp.) Supervisor, Yuji Development Corp.  (The representative of Chen Chang Investment Corp.) Supervisor, Dahan Property Management Co., Ltd. (Representative from Lungyen Life Service Corp.) Supervisor, Lung Fu	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
												Company Limited Supervisor, Lung-I-Sheng International Development Co.				
Secretary of the Board and Corporate Governance Director	ROC	Liang, Jian-Yun	F	2010.03.18	4,000	0%	0	0%	0	0%	Bachelor, Department of Economics, National Chung Hsing University Accounting and auditing, Lungyen Life Service Co. Ltd. Auditing Supervisor, Deputy Assistant General Manager, Customer Service Division, Lungyen Life Service Corp.	Director, Yuji Development Corp. (Representative from Lungyen Life Service Corp.) Director, Lung Fu Company Limited Director, Dahan Property Management Co., Ltd. Director, Lung-I-Sheng International Development Co.	NA	NA	NA	
Vice President of Business Group	ROC	Lin, ChienJu (Note 2)	F	2019.10.01	32,041	0%	0	0%	0	0%	Department of Finance, National Chengchi University Master of International Business, Tamkang University PhD student of Tianjin Nankai University Lehman Brothers trader VP of business department, Lungyen Life Service Corp.	Director, Yuji Development Corp. (Representative from Lungyen Life Service Corp.)	NA	NA	NA	
Vice President of Funeral Service Business Group	ROC	Hsu, Mei-Yu	F	2015.04.16	0	0%	0	0%	0	0%	Bachelor, Business Management Department, National Taiwan University	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
											VP, Property Service Division, Standard Chartered Bank (UK) Supervisor, Property Management Department, Jones Lang LaSalle Marketing and CRM Manager, Salmat Limited Assistant Manager, Credit Card Administration Department, AIG					
Vice President of Construction Business Group	ROC	Liu, Yu-Min	M	2016.11.04	0	0%	0	0%	0	0%	BS Civil Engineering, National Chao-Tun Univ. EMBA NTU VP Wah-Sin Li Wah Co. Director, Clevo Computer Project Manager, Ren-Hong Precision Co.	None	NA	NA	NA	
Vice President of Cemetery Management Division	ROC	Lin, Shu-Ling	F	2012.11.08	0	0%	0	0%	0	0%	Department of International Trade, Takming Junior College of Commerce VP of Business Department of Lungyen Life Service Corp. Executive Vice President of Operating Business Group, Lungyen Life Service Corp	Director, Yuji Development Corp. Chairman, Lung Fu Company Limited Director, Dahan Property Management Co., Ltd. Chairman, Lung-I-Sheng International Development Co.	NA	NA	NA	
Vice President of Business Development Division	ROC	Niu, An-Tzu	F	2013.04.25	0	0%	0	0%	0	0%	Bachelor, Chinese Literature, Soochow University Advertising Manager, Shiseido Taiwan	None	NA	NA	NA	
Vice President of	ROC	Jian,	F	2013.02.25	0	0%	0	0%	0	0%	Bachelor, Department of Journalism,	Chairman, United	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Administration Division		Hui-Juan									Chinese Culture University	Corp.				
Vice President of Investment Division	ROC	Chou, I-Ping	M	2015.04.01	0	0%	0	0%	0	0%	MBA, Pennsylvania State University Customer Consulting Director, Ultra High Net Worth, UBS Hong Kong Senior manager, Dealing room, CTBC Investment Consultant Manager, Goldman Sachs (Asia)	Supervisor, TDA Air Corp.	NA	NA	NA	
Vice President of Brand Promotion Division	ROC	Lai, Shu-Yi (Note 2)	F	2019.10.01	0	0%	0	0%	0	0%	University of Ulster-Communication, Public Relations and Advertising Director of Brand, Corporate Relations and Internal Communications, HTC	None	NA	NA	NA	
Vice President of General Manager Office	ROC	Chen, Yi-Fang (Note 3)	M	22019.12.10	0	0%	9,000	0%	0	0%	Department of Civil Engineering, China Institute of Technology Technician, 10th River Bureau, Ministry of Economic Affairs	None	NA	NA	NA	
Assistant Vice President of Sales Administration Division	ROC	Chen, Yung-Cheng	M	2017.03.02	0	0%	0	0%	0	0%	MS Economics, Fu-Jen Univ. Chief, Cathay Life Insurance Manager of Funeral Service, Lungyen AVP, General Management, Lungyen	None	NA	NA	NA	
Assistant Vice President of Funeral Service Administration Division	ROC	Lee, Shu-Hui	F	2018.05.10	5,000	0%	0	0%	0	0%	KPMG Accounting, Lungyen Life Corp. AVP, Operation Management, Lungyen Life Corp. Special Assistant of President, Lungyen Life Corp. Auditing Office, Lungyen Life Corp. Funeral Service Division, Lungyen Life Corp.	None	NA	NA	NA	
Assistant Vice President of Cemetery Management	ROC	Wu, Tsuen-Long	M	2017.03.02	0	0%	0	0%	0	0%	BS Accounting, Soochou Univ. Accounting Manager, Lungyen Assist Manager, Deloitte Manager, Merit Biotech Co. Ltd. Manager, Caremed Supply Inc.	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Division																
Assistant Vice President of Property Investment Division	ROC	Chuang, Chin-Liang	M	2018.05.10	0	0%	0	0%	0	0%	Bachelor, Department of Urban Planning, Chinese Culture University Manager of Asset Management, Century Asset Management Company Assistant Vice President, Real Estates Investment Department, CA Capital Partners Asset Management, CIVIL Asset Management Consultant Co. Ltd. Manager, Real Estates Investment Department, Lungyen Life Service Corp.	None	NA	NA	NA	
Assistant Vice President of Training and Development Division	ROC	Wu, Kai-Ling	F	2019.04.18	0	0%	0	0%	0	0%	Bachelor, Department of Finance and Banking, Shih Chien University Manager, Multichannel department, Lungyen Life Co. Ltd. Manager, Training Department, Lungyen Life Co. Ltd. Deputy Director, Training Department, TransglobeLife Insurance Co.	None	NA	NA	NA	
Assistant Vice President of Construction Division	ROC	Chien, Sheng-Chieh (Note 3)	M	2019.12.10	0	0%	0	0%	0	0%	Department of Landscape Architecture, Tunghai University Specialist of Research and Development Department, Newland Developers Group	None	NA	NA	NA	
Assistant Vice President of Cemetery Management Division(II)	ROC	Hsiao, Meng-Chuan (Note 3)		2019.12.10	1,000	0%	0	0%	0	0%	Department of Catering Management, Diwan University Assistant Vice President of Business Operation Division, Lungyen Life Service Corp. Assistant Vice President of Funeral Service Management Division, Lungyen Life Service Corp. Special Assistant of Funeral Service Management Division, Lungyen Life Service Corp.	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
											Assistant Vice President of General Manager Office, Lungyen Life Service Corp.					
Assistant Vice President of Information Technology Division	ROC	Wang, Chih-Yung (Note 3)		2019.12.10	0	0%	0	0%	0	0%	Master, Institute of Mathematics, Soochow University Assistant Vice President of Software Development Division, Lungyen Life Service Corp. Assistant Vice President of General Manager Office, Lungyen Life Service Corp.	None	NA	NA	NA	
Assistant Vice President of Finance Division	ROC	Wan, Hsing-Wen (Note 3)		2019.12.10	0	0%	0	0%	0	0%	University of Exeter-Financial Analysis and Fund Management Project Manager, Orix (Taiwan)	None	NA	NA	NA	
Assistant Vice President of Legal Division	ROC	Huang, Hsing-Yen (Note 3)		2019.12.10	0	0%	0	0%	0	0%	Department of Political Science, National Taiwan University Manager of Legal Department, Lungyen Life Service Corp.	None	NA	NA	NA	

Note1: Mr. Liu Wei-lung was elected as the chairman of the board by the board of directors on March 2, 2017, and the position of general manager was held by Mr. Guo Xuejun. Since the mainland business of the Company and the Sino-Ocean Group has entered a critical period of rapid development, on March 27th, 2018, the board of directors decided that Mr. Guo Xuejun should be the chairman of the joint venture between the Company and the Sino-Ocean Group. The position of general manager of the Company is concurrently held by chairman Liu Wei-lung. The Company is currently actively seeking suitable candidates for the position of general manager. More than half of the directors of the Company are not employees or managers.

Note 2: On-board on October 1, 2019.

Note 3: On-board on December 10, 2019.

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3. Remuneration paid to Directors, Supervisors, President, and Vice Presidents

(1) Remuneration paid to Directors

2019.12.31 NTD\$thousand

Job title	Name	Remuneration to Directors								(A+B+C+D) as a percentage of net income		Remuneration to part-time employees								(A+B+C+D+E+F+G) as a percentage of net income		Remuneration from invested non-subsidiary enterprise(s) or the parent company
		Compensation (A) (Note 1)		Pension upon Retirement (B)		Compensation from Earnings Distribution © (Note 2) - proposed		Service Expenses (D)				Base Salary, Bonuses, and Allowances (E)		Pension upon Retirement (F)		Compensation from Earnings Allocation (G) (Note 3) - proposed						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Companies included into the financial statement	
Chairman	Wish Giver Limited Representative: Liu, Wei-Lung	0	0	0	0	13,010	13,010	0	0	0.56%	0.56%	20,513	20,513	0	0	5,786	0	5,786	0	1.71%	2.07%	None
Director	Representative of Wish Giver Limited: Anthony Lee	0	0	0	0	13,010	13,010	0	0	0.56%	0.56%	0	0	0	0	0	0	0	0	0.56%	0.56%	None
Director	Representative of Wish Giver Limited: Fujibayashi Ichiro	600	600	0	0	13,010	13,010	0	0	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	None
Director	Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng	0	0	0	0	13,010	13,010	0	0	0.56%	0.56%	0	0	0	0	0	0	0	0	0.56%	0.56%	None
Independent Director	Yeh, Shu	2,160	2,160	0	0	0	0	36	36	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Independent Director	Wang, Huai	2,160	2,160	0	0	0	0	40	40	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Independent Director	Wang, Chun-Chung	2,160	2,160	0	0	0	0	32	32	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None

Note 1 : The Company's remuneration policies and procedures for determining remuneration and its connection with job performance are implemented in accordance with the Articles of Incorporation and resolution made by the Board of Directors.

Note 2 : The remuneration of independent directors of the Company is divided into three categories: (1) fixed remuneration: according to the professional of the independent director, the degree of participation and contribution to

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the Company's operations, the remuneration committee evaluates and submits to the board of directors for discussion and approval; (2) annual incentive payment : According to the Company's operation and the performance of each director, a separate report shall be submitted for review and approval; (3) Business execution fee: mainly refer to the carriage fee..

Note 3 : In addition to the disclosures in the above table, the directors of the Company have received remuneration for providing services to all companies in the financial report (such as serving as non-employee, consultants etc.) in the most recent year: None

Note 4 : The remuneration of directors 'surplus distribution is the proposed amount, which needs to be approved by the shareholders' general meeting in 2020. The actual distribution will authorize the board of directors to decide.

Note 5 : The surplus of directors as employees and the distribution of employee dividends are proposed and subject to the resolution of the 2020 general meeting of shareholders.

**Range of remuneration**

2019.12.31 NTD\$Thousand

Remuneration Paid to Directors by Range	Name of Director			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Company	Companies included into the consolidated financial statement (I)	The Company	Companies included into the consolidated financial statement (J)
Below NT\$1,000,000	<b>Not Applicable</b>			
NT\$1,000,000 (included)~NT\$2,000,000 (excluded)				
NT\$2,000,000 (included)~NT\$3,500,000 (excluded)				
NT\$3,500,000 (included)~NT\$5,000,000 (excluded)				
NT\$5,000,000 (included) ~NT\$10,000,000 (excluded)				
NT\$10,000,000 (included)~NT\$15,000,000 (excluded)				
NT\$15,000,000 (included)~NT\$30,000,000 (excluded)				
NT\$30,000,000 (included)~NT\$50,000,000 (excluded)				
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total				

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Note: The Company discloses compensation paid on an individualized basis, thus range of remuneration isn't needed.

**(2) Remuneration Paid to Supervisors**

Job title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of net income after tax		Remuneration from invested non-subsidiary enterprise(s) or parent company
		Compensation (A)		Compensation from Earnings Distribution (B)		Service Expenses (C)		The Company	Companies included into the financial statement	
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement			
		(Not Applicable)								

**Range of remuneration**

12.31.2019 Unit: NT\$ Thousand

Remuneration Paid to Supervisors by Range	Supervisor's name	
	Total Remuneration from (A+B+C)	
	The Company	Companies included into the consolidated financial statement D
Below NT\$1,000,000	<b>(Not Applicable)</b>	<b>(Not Applicable)</b>
NT\$1,000,000 (included)~NT\$2,000,000 (excluded)		
NT\$2,000,000 (included)~NT\$3,500,000 (excluded)		
NT\$3,500,000 (included)~NT\$5,000,000 (excluded)		
NT\$5,000,000 (included) ~NT\$10,000,000 (excluded)		
NT\$10,000,000 (included)~NT\$15,000,000 (excluded)		
NT\$15,000,000 (included)~NT\$30,000,000 (excluded)		
NT\$30,000,000 (included)~NT\$50,000,000 (excluded)		
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total		

Note: Not applicable, as the Company adopted an Audit Committee in lieu of supervisors.

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(3) Remuneration Paid to President and Vice Presidents

2019.12.31 NTD\$Thousand

Job title	Name	Compensation (A) (Note 6)		Pension upon Retirement (B)		Commission and Allowance C (Note 8)		Employee Bonuses from Earnings Distribution (D) (Note 9)				(A+B+C+D) as a percentage of net income (%)		Remuneration from invested non-subsidiary enterprise(s) or parent company
		The Company	Companies included into the financial statement	The Company	Companie s included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman & President	Liu, Wei-Lung (Note 1)	26,916	26,916	1,160	1,160	11,699	11,699	4,664	0	4,664	0	1.93%	1.93%	None
Executive Vice President	Chan, Shu-Juan													
Vice President	Lin, Shu-Ling													
Vice President	Wu, Hong-En (Note 2)													
Vice President	Liang, Jian-Yun													
Vice President	Niu, An-Tzu													
Vice President	Jian, Hui-Juan													
Vice President	Chou, I-Ping													
Vice President	Hsu, Mei-Yu													
Vice President	Liu, Yu-Min													
Vice President	Fu, Ming (Note 3)													
Vice President	Hong, Xiao-Wei (Note 4)													
Vice President	Lin, Chien-Ju (Note 5)													
Vice President	Lai, Shu-Yi (Note 5)													
Vice President	Lin, Meng-Jui (Note 6)													
Vice President	Cheng, Yi-Fang (Note 7)													

Note 1 : The general manager is concurrently served by the chairman Liu Wei-lung, and his remuneration was not included.

Note 2 : Resigned on December 9, 2019.

Note 3 : Resigned on February 29, 2020.

Note 4 : Resigned on April 11, 2019.

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Note 5 : Reported on October 1, 2019.

Note 6 : Reported on October 1, 2019 and apply for leave without pay on April 6, 2020

Note 7 : Reported on December 10, 2019

Note 8 : Manager's compensation policy, procedures, and performance appraisal are executed based on resolutions of the compensation committee.

Note 9 : Bonus and special allowances, et al. for expenditure in year-end and performance bonuses.

Note 10 : Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2020 shareholder meeting approval.

**Range of remuneration**

Remuneration Paid to President & all Vice Presidents by Range	Name of President & Vice Presidents	
	The Company	Companies included into the financial statement E
Below NT\$1,000,000	Hong, Xiao-Wei, Lai, Shu-Yi, Cheng, Yi-Fang	Hong, Xiao-Wei, Lai, Shu-Yi, Cheng, Yi-Fang
NT\$1,000,000 (included)~NT\$2,000,000 (excluded)	Wu, Hong-En, Lin, Chien-Ju	Wu, Hong-En, Lin, Chien-Ju
NT\$2,000,000 (included)~NT\$3,500,000 (excluded)	Lin, Shu-Ling, Niu, An-Tzu, Jian, Hui-Juan, Fu, Ming, Lin, Meng-Jui	Lin, Shu-Ling, Niu, An-Tzu, Jian, Hui-Juan, Fu, Ming, Lin, Meng-Jui
NT\$3,500,000 (included)~NT\$5,000,000 (excluded)	Liang, Jian-Yun, Chou, I-Ping, Hsu, Mei-Yu, Liu, Yu-Min	Liang, Jian-Yun, Chou, I-Ping, Hsu, Mei-Yu, Liu, Yu-Min
NT\$5,000,000 (included) ~NT\$10,000,000 (excluded)	Chan, Shu-Juan	Chan, Shu-Juan
NT\$10,000,000 (included)~NT\$15,000,000 (excluded)		
NT\$15,000,000 (included)~NT\$30,000,000 (excluded)		
NT\$30,000,000 (included)~NT\$50,000,000 (excluded)		
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	15	15

**(4) Remuneration of the top five supervisors**

Title	Name	Compensation (A)		Pension upon Retirement (B)		Commission and Allowance ©		Employee Bonuses from Earnings Distribution (D)				(A+B+C+D) as a percentage of net income (%)		Remuneration from invested non-subsidiary enterprise(s) or parent company
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
<b>(Not Applicable)</b>														

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**(5) Manager name of employee bonus distributions and actual distribution**

	Job title	Name	Stock bonus	Cash bonuses (Note 8) – proposed	Total	Total sum as a percentage of net income (%)
Managers	Chairman & President	Liu, Wei-Lung (Note 1)	0	6,145	6,145	0.27%
	Vice President	Chan, Shu-Juan				
	Vice President	Lin, Shu-Ling				
	Vice President	Wu, Hong-En (Note 2)				
	Vice President	Liang, Jian-Yun				
	Vice President	Niu, An-Tzu				
	Vice President	Jian, Hui-Juan				
	Vice President	Chou, I-Ping				
	Vice President	Hsu, Mei-Yu				
	Vice President	Liu, Yu-Min				
	Vice President	Fu, Ming (Note 3)				
	Vice President	Hong, Xiao-Wei (Note 4)				
	Vice President	Lin, Chien-Ju (Note 5)				
	Vice President	Lai, Shu-Yi (Note 5)				
	Vice President	Lin, Meng-Jui (Note 6)				
	Vice President	Cheng, Yi-Fang (Note 8)				
	Assistant Vice President	Wu, Kai-Ling (Note 7)				
	Assistant Vice President	Wang, Chih-Yung (Note 8)				
	Assistant Vice President	Wu, Tsuen-Long				
	Assistant Vice President	Chen, Yung-Cheng				
	Assistant Vice President	Zhuang, Qing-Liang				
	Assistant Vice President	Lee, Shu-Hui				
Assistant Vice President	Huang, Hsing-Yen (Note 8)					
Assistant Vice President	Hsiao, Meng-Chuan (Note 8)					
Assistant Vice President	Chien, Sheng-Chieh (Note 8)					
Assistant Vice President	Wan, Hsing-Wen (Note 8)					

Note 1 : Mr. Kuo, Hsueh-Chun was transferred by the board of directors on March 27, 2018, and Mr. Liu, Wei-Lung also served as the president.

Note 2 : Resigned on December 9, 2019.

Note 3 : Resigned on February 29, 2020.

Note 4 : Resigned on April 11, 2019.

Note 5 : Reported on October 01, 2019.

Note 6 : Reported on October 01, 2019 and apply for leave without pay on April 6, 2020.

Note 7 : Reported on April 11, 2019.

Note 8 : Reported on December 10, 2019.

Note 9 : Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2020 shareholder meeting approval.

**(6) Analysis of the total remuneration, as a percentage of net income after tax, as paid by the Company and by each other company included in the consolidated financial statements during the most recent 2 years to Directors, Supervisors, President, and Vice Presidents and the Company's remuneration policies, standards and packages, and procedures for determining remuneration and its connection with job performance.**

i. Analysis of total remuneration paid in 2018 and 2019 as a percentage of net income to

Directors, Supervisors, President, and Vice Presidents of the Company by the parent and all other subsidiaries in this Annual Report.

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2019.12.31 NTD\$Thousand

Job title	2018				2019			
	Remuneration amount		% of net income after tax		Remuneration amount		% of net income after tax	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	93,106	93,106	4.27%	4.27%	85,419	85,419	3.71%	3.71%
GM and VPs	56,639	56,639	2.60%	2.60%	44,439	44,439	1.93%	1.93%

Note: Including the remuneration for both served as director and staff.

- ii. Remuneration policy, standards and packages, and the procedures for determining remuneration, along with their correlation with operating performance and future risk exposure:

a. Remuneration to directors

The remuneration paid by the Company to directors may be categorized into compensation, remuneration allocated from earnings, and professional practice fees:

The remuneration shall be handled subject to the resolution made by the Company's Remuneration Committee. The remuneration allocated from earnings shall comply with the Company's articles of incorporation, and shall be set in accordance with their level of participation in Company operations and value of their contributions as well as the domestic industry standards. Because the remuneration is allocated at a fixed rate subject to the profit sought by the Company in then year, it has intensive connection with the Company's business performance. The professional practice fees refer to transportation allowance primarily, and are paid based on the standards applied by the other renowned industries.

The remuneration to the Company's directors shall be paid based on the Company's past business performance. The payment criteria, structure and system of the remuneration will also be adjusted based on the future risk factors, and if the economy is poor or the Company's business risk increases, the remuneration to the directors will be cut relatively. Meanwhile, the Company's Remuneration Committee will meet periodically to evaluate the directors' remuneration, and submit the relevant motion to a directors' meeting for discussion, in order to seek the balance between sustainable operation and risk control.

b. Compensation to president and vice presidents

The compensation paid by the Company to the president and vice president is categorized into salary, bonus and special allowance, plus employee bonus allocated from earnings:

The salary is also the remuneration referred to in the Company Act, which refers to the

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remuneration sufficient to reflect the worker's performance based on the job responsibilities, overall environment and market level. The bonus and the employee bonus is allocated in accordance with the Company's articles of incorporation. Since the bonus is allocated at a fixed rate subject to the profit sought by the Company in then year, it has intensive connection with the Company's business performance. The remuneration to the Company's president and vice president shall be paid based on the domestic and foreign industry standards and the Company's past business performance. The payment criteria, structure and system of the remuneration will also be adjusted based on the actual overview of business and related laws and regulation. Meanwhile, please do not instigate the managers to engage in any activities beyond the risk tolerable by the Company in order to pursue the remuneration. Meanwhile, the Company's Remuneration Committee will meet periodically to evaluate the presidents and vice president's remuneration, and submit the relevant motion to a directors' meeting for discussion, in order to seek the balance between sustainable operation and risk control.

In conclusion, the remuneration policies toward directors, president and vice president adopted by the Company and procedures for determining remuneration have positive connection with business performance.

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**4. Status of Corporate Governance**

**(1) Operations of the Board of Director**

- i. Total number of meetings convened in fiscal year 2019 (from 2019/01/01 ~ 2019/12/31) is 13(A), the attendance status is as below:

Job title	Name	Attendance in Person (B)	by proxy	Attendance Rate in Person (%) [B/A]	Notes:
Chairman	Institutional representative of Wish Giver Limited: Liu, Wei-Lung	13	0	100.00%	
Director	Institutional representative of Wish Giver Limited: Lee, Anthony	4	9	31.00%	
Director	Institutional representative of Wish Giver Limited: Fujibayashi Ichiro	10	3	77.00%	
Director	Institutional representative of Orix Asia Capital Corp.: Chao, Tsen-Sheng	13	0	100.00%	
Independent Director	Yeh, Shu	13	0	100.00%	
Independent Director	Wang, Huai	13	0	100.00%	
Independent Director	Wang, Chun-Chung	13	0	100.00%	

- ii. The attendency of Independent Directors this year

◎ : Attendance in Person ; ☆ By proxy ; \* Absence

Meeting Dates	Meeting Information	Yeh, Shu	Wang, Huai	Wang, Chun-Chung
2019.01.18	6th meeting of the 13th Board of Directors	◎	◎	◎
2019.02.14	7th meeting of the 13th Board of Directors	◎	◎	◎
2019.02.26	8th meeting of the 13th Board of Directors	◎	◎	◎
2019.04.11	9th meeting of the 13th Board of Directors	◎	◎	◎
2019.04.18	10th meeting of the 13th Board of Directors	◎	◎	◎
2019.05.10	11rd meeting of the 13th Board of Directors	◎	◎	◎
2019.08.13	12th meeting of the 13th Board of Directors	◎	◎	◎
2019.10.01	13th meeting of the 13th Board of Directors	◎	◎	◎

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Meeting Dates	Meeting Information	Yeh, Shu	Wang, Huai	Wang, Chun-Chung
2019.11.07	14th meeting of the 13th Board of Directors	◎	◎	◎
2019.11.08	15th meeting of the 13th Board of Directors	◎	◎	◎
2019.11.18	16th meeting of the 13th Board of Directors	◎	◎	◎
2019.12.05	17th meeting of the 13th Board of Directors	◎	◎	◎
2019.12.26	18th meeting of the 13th Board of Directors	◎	◎	◎

iii. Other matters to be specified

a. The operation of the board of directors shall, if any of the following circumstances, specify the date, period, the contents of the board of directors, the opinions of all independent directors and the handling of the opinions of the independent directors :

a-1: Matters that are subject to the Article #14-3 of “Securities Act”:

The Company has set up the Audit Committee, following the Article #14-5 of “Securities Act”, the regulations of the Article #14-3” do not apply to the company.

a-2. Except for the previously said matters, other matters were rejected or abstained by the independent directors and were kept in record or put in writing: none.

b. Situations when the director was excused from the Board meeting due to a conflict of interest - information including the director’s name, meeting agenda, causes of recusal, and final participation of voting should be stated:

Meeting Dates	Meeting Information	Name of Director	Case	Causes of recusal	Participation
2019.01.18	6th meeting of the 13th Board of Directors	Liu, Wei-Lung	Annual performance appraisal and bonus issuance rules and time schedule planning	Parties for the case	Except for the avoidance of directors who have their own interests, the remaining attending directors passed the case without objection.
2019.08.13	12th meeting of the 13th Board of Directors	Institutional representative of Wish Giver Limited: Fujibayashi Ichiro	Disposal of the entire shareholding of Lungding Life Science Co., Ltd.	Fujibayashi Ichiro is the related party of this proposal.	

c. The Board’s itself (or peer) evaluation cycle and period, evaluation scope, method and evaluation content:

Implementation of evaluation of the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	Evaluation of the performance of the Board of Directors and Functional Committees from January 1, 2019 to December 31, 2019.	Evaluate the performance of the board of directors, functional committees, individual directors and functional committee members.	1.Board members evaluate the overall performance of the board individually. 2.The convener of the functional committee consolidates the opinions of all members and conducts a self-assessment of the overall performance. 3.Individual board members and	1.Evaluation of the board of directors : Refer to the evaluation indicators prepared by the competent authority and adjust the actual situation of the Company. The evaluation content includes the level of participation in the Company’s operations, the improvement of the quality of the board ’s decisions, the composition and structure of the board, the selection and continuous training of directors, internal control and other aspects. 2.The overall performance evaluation of the functional committee and the self-evaluation of individual board members and members of

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			functional committee members conduct self-assessment.	the functional committee are mainly conducted through an open questionnaire, and self-evaluation is conducted according to the annual goals set by them. The annual goals are set based on the functions of the functional committees and reported to the board of directors.
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- d. Evaluation of measures taken to strengthen the functionality of the Board recent years (such as establishing Audit Committee, improving the Release of the Information and so on):
- d-1. The Company's official website has a "Corporate Governance" section (<https://www.lungyengroup.com.tw/Page/corporate-governance>), which includes the board of directors, important resolutions of the board of directors, corporate governance structure, organization and operation of internal audits and important company regulations, etc., shareholders can understand the operation of the board of directors of the company through the website.
  - d-2. The Company has elected 3 independent directors on 2018.06.20 on general shareholders' meeting, the term of service is 3 years. According to Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company has the Procedural Rules of the Board and release the attendance of the directors.
  - d-3. We believe a sound and efficient board of directors is the foundation of superior corporate governance. Under such a principal, we established an audit committee on 10/29/2009 and a compensation committee on 09/29/2011 and established the Corporate Governance and Nomination Committee on June 20, 2018. These committees are composed entirely of three independent directors to assist the board of directors in the exercise of their duties in order to achieve their responsibilities of supervision and to achieve the objective of enhancing the functions of the board of directors.
  - d-4. In order to comply with the trend of international corporate governance, the Company has updated the Company's " Code of Ethical Conduct " , " Ethical Corporate Management Best Practice Principles " and "Whistleblower Reporting and Protection System Management Measures " on November 8, 2018, and revised the "Director's Meeting Rules" of the Company on April 11, 2019 and February 25, 2020. Also, the relevant organization specifications on the Company's website was updated to safeguard shareholders' rights and improve corporate governance standards.
  - d-5. The Company also set up the head of corporate governance on February 26, 2019 to handle the corporate governance matters and provide the necessary support for the board of directors.
  - d-6. In order to enhance the transparency of information, the Company's major resolutions after the board meeting were immediately announced to the Market Observation Post System (MOPS).
  - d-7. On November 8, 2018, the Company passed the "Board and Functional Committee Evaluation Method" and completed the 2018 and 2019 Board of Directors evaluation in January 2019 and 2020 respectively. The evaluation results are based on the operation of the board of directors, director participation, board decision quality, board structure, internal control and other parts. The performance of the overall evaluation of the board of directors for the year 2019 is "excellent" (the overall evaluation result reaches 4.81 points of 5).
  - d-8. As a new appointed member of during the term of the Board, the members of the Board will continue to participate in the courses of corporate governance related topics. The independent directors are in compliance with the Securities Exchange Law, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other matters to be followed. The board members have different professional functions and implement director diversity policy.
  - d-9. The Company has insured liability insurance for all directors. For more information, please visit t the Market Observation Post System (MOPS).
- e. The diversity of members of the Board of Directors:
- According to the Company's Corporate Governance Rule #20, the members of the Board should emphasize on gender equality and able to have necessary professional knowledge, abilities related to service. In order to achieve the goal of corporate governance, the board of directors should have the diversity of capabilities.
- e-1. Professional knowledge:

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Name of Directors	Gender	Professional Background	Professional Knowledge	Industries Experiences
Liu, Wei-Lung	M	✓	✓	✓
Lee, Anthony	M	✓	✓	✓
Fujibayashi Ichiro	M	✓	✓	✓
Chao, Tsen-Sheng	M	✓	✓	✓
Yeh, Shu (Independent Director)	M	✓	✓	✓
Wang, Huai (Independent Director)	M	✓	✓	✓
Wang, Chun-Chung (Independent Director)	M	✓	✓	✓

e-2. Diversity of ability of core items:

Diversity of core items	Gender	Operating Judgement	Accounting and Finance Analyze	Business Management	Crisis Management	Industry Knowledge	View of International Market	Leadership	Strategic Decision
Name of Directors									
Liu, Wei-Lung	M	✓	✓	✓	✓	✓	✓	✓	✓
Lee, Anthony	M	✓	✓	✓	✓	-	✓	✓	✓
Fujibayashi Ichiro	M	✓	✓	✓	✓	✓	✓	✓	✓
Chao, Tsen-Sheng	M	✓	✓	✓	✓	-	✓	✓	✓
Yeh, Shu (Independent Director)	M	✓	✓	✓	✓	✓	✓	✓	✓
Wang, Huai (Independent Director)	M	✓	✓	✓	✓	-	✓	✓	✓
Wang, Chun-Chung (Independent Director)	M	✓	✓	✓	✓	-	✓	✓	✓

**(2) Operations of the Audit Committee:**

- i. Total number of meetings convened in fiscal year 2019 (from 2019/01/01 ~ 2019/12/31) is 8 (A), the attendance status is as below:

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Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B/A)	Remarks:
Audit Committee members	Yeh, Shu	8	0	100.00%	
Audit Committee members	Wang, Huai	8	0	100.00%	
Audit Committee members	Wang, Chun-Chung	8	0	100.00%	

ii. Other matters to be specified:

a. Should any of the following circumstances occur during the operations of the Audit Committee, the date, session, content of proposal, resolution of Audit Committee and the Company's disposition to the opinions of Audit Committee.

a-1. The matters stipulated by Article 14-5 of the Securities and Exchange Act:

For details, please refer to "(4) Audit Committee Annual Work Priorities and Operational Situation"

a-2. Except with the foregoing matters, other matters to be resolved that are approved by over 2/3 of all directors but not approved by the Audit Committee: None

b. Situations when an independent director was excused from the Board meeting due to a conflict of interest information including director's name, meeting agenda, causes of recusal, and final participation in voting should be stated: None.

c. Communication among independent directors and internal auditing managers and independent accountants (concerning issues about Company financials, business operations, means of communication, and results of such communication):

c-1. Communication among independent directors and internal auditing managers

Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
February 26, 2019	6th meeting of the 4th Audit Committee	2018 Internal Auditor's report	The internal auditors have presented the findings of all audit reports and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any dissension.
		2018 Declaration on Internal Control System	
May 10, 2019	9th meeting of the 4th Audit Committee	1Q 2019 Internal Auditor's report	
August 8, 2019	10th meeting of the 4th Audit Committee	2Q 2019 Internal Auditor's report	
November 05, 2019	11th meeting of the 4th Audit Committee	3Q 2019 Internal Auditor's report	
December 26, 2019	12th meeting of the 4th Audit Committee	Audit Office's Implementation Plan of 2020	

c-2 Communication among independent directors and independent accountants:

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Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
February 26, 2019	6th meeting of the 4th Audit Committee	2018 Annual Financial Statement and Consolidated Financial Statement	The independent accountants have presented the findings of all reports each year, quarter and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any dissension.
May 10, 2019	9th meeting of the 4th Audit Committee	1Q 2019 Consolidated Financial Statement	
August 8, 2019	10th meeting of the 4th Audit Committee	2Q 2019 Consolidated Financial Statement	
November 05, 2019	11th meeting of the 4th Audit Committee	3Q 2019 Consolidated Financial Statement	

d. Annual work priorities and operational status of the Audit Committee:

d-1: Summary of annual work priorities:

The Audit Committee held 8 meetings in 2019, and the matters considered mainly include:

- (d-1-1) Internal control system and related policies and procedures.
- (d-1-2) Significant assets or derivatives transactions.
- (d-1-3) Fund lending and endorsement or guarantee.
- (d-1-4) Assessment of competence and independence of accountants.
- (d-1-5) Appointment and remuneration of accountants.
- (d-1-6) Financial statement audit and accounting policies and procedures.

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d-2: Annual operation:

Convening Date	Meeting Information	Content of Proposals	Items stated in Article 14-5 of the Securities and Exchange Act	The Audit Committee Resolution result	Company's processing to the Audit Committee's opinions
2019.02.14	5th meeting of the 4th Audit Committee	Involved to participate in the land court auction bidding	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.02.26	6th meeting of the 4th Audit Committee	2018 Annual Financial Statement and Consolidated Financial Statement	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		The Company's "2018 Declaration on Internal Control System"	✓		
		The Company merged with Lung An Company Limited	✓		
		Additional case of the second water and soil conservation project on the hillside burial facilities of the Xinxiaojilong section of Sanzhi District, New Taipei City	✓		
		Establishing the 2019 annual work plan of the Audit Committee			
2019.04.11	7th meeting of the 4th Audit Committee	Amendments to the "Articles of Incorporation"		Approved by all attending members after discussion of the revised articles, without any dissension	Submitted to the board of directors for discussion. Approved by all the attending directors, and resented to the 2019 shareholders meeting for discussion.
		Amendment to the section of the Company's "Procedures for the Acquisition and Disposal of Assets"	✓		
		Amendments to the sections of the Company's "Procedures for Loaning of Fund" and "Endorsement and Guarantee Procedures "	✓		

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2019.04.18	8th meeting of the 4th Audit Committee	Involved to participate in the land court auction bidding	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.05.10	9th meeting of the 4th Audit Committee	Established "independence, professionalism and competency evaluation for the independent auditors"	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Independence, professionalism and competency evaluation for the independent auditors and appointment and remuneration of independent auditors of the year 2019	✓		
		Disposal of property	✓		
2019.08.08	10th meeting of the 4th Audit Committee	2Q 2019 Consolidated Financial Statement	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Amended the Company's "service cycle" of internal control system	✓		
		Revised part of the Company's "Organizational Rules of Audit Committee"			
		Yuji Development Corporation extended loan for Shengde Futian Miaoguo Co., Ltd.	✓		
		Disposal of the entire shareholding of Lungding Life Science Co., Ltd.	✓		
2019.11.05	11th meeting of the 4th Audit Committee	Investment in the construction of the "Kaohsiung Sanmin Dingjin Section Funeral Parlor" project	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Amendments to the Company's "Measures for the operation with related parties, specific persons and group companies"			

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		The Company intends to dispose of Chang Hwa Commercial Bank Ltd. shares.	✓		
2019.12.26	12th meeting of the 4th Audit Committee	2020 annual audit implementation plan	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

d-3: 2020 annual work target:

(d-3-1) Supervise and inspect the Company's existing internal control system and internal audits in line with changes in the internal control environment.

(d-3-2) Supervise the management team to understand the internal control system, fulfill their supervisory responsibilities, and reduce corporate risks.

(d-3-3) Supervise the improvement results from audit.

(d-3-4) Supervise accounting policies and report presented fairly

(d-3-5) Supervise the process of authorizing the major financial operations between the parent company and subsidiaries

(d-3-6) Supervise the communication between the management and investors and implement the management of investor relations

**(3) The status of the Company's implementation of corporate governance, any deviation from such implementation of the Corporate**

**Governance Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation**

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
I. Does the Company establish and disclose own corporate practice principles with reference to the Corporate Governance Best Practice Principles (BPP) for TWSE/GTSM Listed Companies?	✓		The Company has established the Code of Corporate Governance Practice. Please refer to 4. Status of Corporate Governance of the Annual Report and our company website ( <a href="https://www.lungyengroup.com.tw/Page/corporate-governance">https://www.lungyengroup.com.tw/Page/corporate-governance</a> ) for details. No difference from the Corporate Governance BPP has been reported so far.	None
II. Equity structure and shareholders' equity (1) Does the Company establish and implement the internal operation procedures to handle		✓	(1) Although relevant operating procedures have not been established, this Company has established a spokesperson, deputy spokesperson, stock affairs units, investor relations department and legal affairs	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
<p>shareholders' suggestions, concern, disputes and litigation matters?</p> <p>(2) Does the Company hold the list of its major shareholders and their ultimate owners?</p> <p>(3) Does the Company establish and execute risk control mechanisms and firewalls between the Company and its affiliates?</p> <p>(4) Has the company established internal rules prohibiting insider trading on undisclosed information?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>units to handle relevant shareholder suggestions or disputes.</p> <p>(2) The Company's stock affairs unit was responsible for controlling the relevant information, and keeping in touch with the major shareholders. The Company also disclosed the major shareholders and shareholdings of the ultimate controllers of the major shareholders.</p> <p>(3) This Company has established relevant controls in our internal control system and the "Regulations Government Trading Activities with Interested Parties, Specific Parties, and Affiliates of the Group" with reference to applicable laws and regulations.</p> <p>(4) This Company has established its own "Procedures for Handling Material Inside Information". According to Article 6, Confidentiality firewall operations—Personnel, no director, supervisor, managerial officer, or employee with knowledge of material inside information of this Company may disclose such information to others. In addition, referring to the "Procedures for Preventing Insider Trading", prior to material information announcement, no information of any nature should be announced externally and no unauthorized behavior should be conducted to ensure accuracy and concurrency of information.</p>	
<p>III. Composition and responsibilities of Board of Directors</p> <p>(1) Does the board of directors establish and implement diversified policies with reference to board formation?</p>	<p>✓</p>		<p>(1) The Company has established the "Code of Corporate Governance Practice" on December 26, 2014, and specified that board members should be aware of gender equality and equipped with the knowledge, skills, and competencies required for carrying out their duties. The Company has disclosed the diversity of individual directors on our website: <a href="https://www.lungyengroup.com.tw/Page/corporate-governance">https://www.lungyengroup.com.tw/Page/corporate-governance</a>. Please also refer to the "Operation of the Board of Directors" in the annual report.</p>	<p>none</p>

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation																																			
	<u>Yes</u>	<u>No</u>	Summary																																				
(2) After establishing a compensation committee and audit committee by the law, does the company voluntarily establish other functional committees?	✓		(2) The Company has set up the audit committee and the remuneration committee before the requirements of the laws and regulations, and voluntarily set up the corporate governance and nomination committee on June 20, 2018. The independent directors acted as convener and the members included the chairman of the company, and corporate governance and CSR experts, total of 3 members. The functional committee members of the board of directors of the Company are as follows.																																				
			<table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Audit Committee</th> <th>Remuneration Committee</th> <th>Corporate Governance and Nomination Committee</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Liu, Wei-Lung</td> <td></td> <td></td> <td align="center">✓</td> </tr> <tr> <td>Independent Director</td> <td>Yeh, Su</td> <td align="center">✓ ( convener )</td> <td align="center">✓</td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Wang, Huai</td> <td align="center">✓</td> <td></td> <td align="center">✓ ( convener)</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Chun-Chung</td> <td align="center">✓</td> <td align="center">✓ ( convener)</td> <td></td> </tr> <tr> <td>Member</td> <td>Yu, Ying-Chi</td> <td></td> <td align="center">✓</td> <td></td> </tr> <tr> <td>Member</td> <td>Chu, Chu-Yuan</td> <td></td> <td></td> <td align="center">✓</td> </tr> </tbody> </table>		Title	Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee	Chairman	Liu, Wei-Lung			✓	Independent Director	Yeh, Su	✓ ( convener )	✓		Independent Director	Wang, Huai	✓		✓ ( convener)	Independent Director	Wang, Chun-Chung	✓	✓ ( convener)		Member	Yu, Ying-Chi		✓		Member	Chu, Chu-Yuan			✓
			Title		Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee																															
			Chairman		Liu, Wei-Lung			✓																															
			Independent Director		Yeh, Su	✓ ( convener )	✓																																
			Independent Director		Wang, Huai	✓		✓ ( convener)																															
			Independent Director		Wang, Chun-Chung	✓	✓ ( convener)																																
			Member		Yu, Ying-Chi		✓																																
Member	Chu, Chu-Yuan			✓																																			
The Corporate Governance and Nominating Committee will meet at least twice a year to supervise the company's corporate governance																																							

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
(3) Does the company establish board performance evaluation regulations and methods to evaluate board performance every year, and report the results of the performance evaluation to the board of directors, and apply them to the remuneration of individual directors and the reference for nomination renewal?	✓		<p>operations and the nomination and succession of board members, functional committee members and senior managers. Relevant information has been disclosed in the company's official website "Corporate Governance" section. (<a href="https://www.lungyengroup.com.tw/Page/corporate-governance">https://www.lungyengroup.com.tw/Page/corporate-governance</a>)</p> <p>(3) The Company has established the "Procedures for the Evaluation of Board of Directors and Functional Committees" on November 8, 2018. The Board of Directors shall implement at least one performance review each year for the Board of Directors, Directors, Remuneration Committee, Audit Committee and Corporate Governance and Nomination Committee. From 2018, a self-assessment questionnaire has been issued to all board members in December each year. The performance evaluation of the board of directors is carried out on a regular basis each year to improve the effectiveness of board operations.</p> <p>To measure the performance, the following five aspects are included:</p> <ol style="list-style-type: none"> <li>i. Participation in company operations.</li> <li>ii. Improve the decision quality of the Board</li> <li>iii. Board composition and structure</li> <li>iv. Appointment of directors and continuing training</li> <li>v. Internal control</li> </ol> <p>The measurement items of the performance evaluation of directors include the following aspects:</p> <ol style="list-style-type: none"> <li>i. Self-goal achievement</li> <li>ii. Important achievements in the board of directors</li> <li>iii. Self-evaluation and suggestions</li> </ol> <p>The measurement items of the performance evaluation of Audit Committee include the following aspects:</p> <ol style="list-style-type: none"> <li>i. The achievement of this session's target</li> <li>ii. The achievement of this year's target</li> <li>iii. Self-evaluation and suggestions</li> </ol> <p>The measurement items of the performance evaluation of the</p>	

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
			<p>compensation committee include the following aspects:</p> <ol style="list-style-type: none"> <li>i. The achievement of this session's target</li> <li>ii. The achievement of this year's target</li> <li>iii. Self-evaluation and suggestions</li> </ol> <p>The measurement items of the performance evaluation of the Corporate Governance and Nominating Committee include the following aspects:</p> <ol style="list-style-type: none"> <li>i. The achievement of this session's target</li> <li>ii. The achievement of this year's target</li> <li>iii. Self-evaluation and suggestions</li> </ol> <p>The results of the performance evaluation will be used as a reference for the appointment or nomination of directors in the future, and the results of the performance evaluation of the directors and functional committee members will be used as a reference for determining their individual salary remuneration. The results of the evaluation and the direction of continuous improvement in the year of 2020 was reported to the board of directors on January 16, 2020.</p> <p>Suggestions and improvements to the Board of Directors and the Functional Committee are as follows:</p> <ol style="list-style-type: none"> <li>i. The performance report of the company operation can be provided to the board of directors more immediately to strengthen the risk control.</li> <li>ii. Strengthen directors' participation in discussions related to core values, strategic objectives, operating plans (annual budget), and overseas business development.</li> <li>iii. Strengthen the communication with the IR department, and enhance the Company's IR department and brand department's knowledge of corporate governance and Lungyen's implementation of corporate governance.</li> <li>iv. Strengthen the involvement in internal control system improvement and related education and training, and establish a mechanism to link internal control implementation with KPI.</li> </ol>	

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
(4) Does the company assess the independency of its CPAs?	✓		v. Establish a training succession plan for managers. vi. Improve overall board attendance. (4) The company annually lists the relevant independent evaluation items (Note 2) based on the “CPA’s Independence, Professionalism and Qualification Assessment Method”, and conducts a preliminary assessment of the independence and suitability of the CPA, and obtains the CPA’s “Accountant’s independence declaration (Note 3). The relevant assessment results were submitted to the Audit Committee and the Board of Directors at the 29th meeting of the 12 <sup>th</sup> Board of Directors on May 10, 2019 for discussion as a reference for the appointment of a CPA by the Board of Directors. In summary, the company’s CPA has not violated the situation of detached independence.	
4. Whether the TWSE/GTSM listed companies equipped with qualified and appropriate number of corporate governance personnel, and designated corporate governance director to take charge of the affairs related to corporate governance, including but not limited to providing materials needed for the business execution of the directors, supervisors, handling the affairs related to the meetings of the Board of Directors and Shareholders’ Meeting, producing the minutes of the meetings of the Board of Directors and Shareholders’ Meeting?	✓		The Company’s board of directors passed the resolution on May 7, 2018 to establish the board secretary. On the 26th of February, 2019, vice president Liang, Jian-Yun was appointed as the corporate governance director. Vice president Liang, Jian-Yun has been engaged in legal affairs for more than three years in public companies. The Secretary of the Board of Directors has set up a responsible unit of the Corporate Governance (including matters that promote the integrity of business operations). The main duties are to protect the interests of shareholders and strengthen the functions of the Board of Directors, and to provide the information and the latest regulatory developments related to the operation required by the directors to conduct business and to assisting directors in complying with laws. The related business operations and implementation are as follows : (1) Proposing and planning on proper corporate systems and organizational structures to enhance the independence of the Board of Directors, the Company’s transparency and the implementation of legal compliance, internal audit and internal control. (2) Consulting the opinions of all directors before the meeting of	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
			<p>Board of Directors to plan on and draft the agendas, and giving notice 7 days prior to the meeting to all directors in order for them to attend the meeting and providing sufficient meeting materials for the directors to have knowledge of the contents of the relevant proposed items. In case of any circumstances where the contents of a proposed item concerns an interested party and such party shall be recused therefrom, prior reminder will be given to the counterpart.</p> <p>(3) For each year, registering the date of the Shareholders' Meeting, within the statutory period, producing and filing before the period the notice of meeting, handbook and agenda and conducting registration of changes after each amendment to the Articles of Incorporation or each election of directors and supervisors.</p> <p>(4) The Company is an enterprise having transparent information and ethical management, which discloses the information related to finance, operations, governance and ethical management according to the laws or in an active way and regularly discusses the reports on important matters such as implementation of the resolutions of the last meetings, internal audit, operating performance, ethical management and funds utilization at the meetings of the Board of Directors, Audit Committee and Remuneration Committee so that such directors and members of committees can particularly and immediately understand the Company's corporate goals, financial and operating situation to enable them to effectively master and supervise the achievement of corporate governance and operating goals.</p> <p>(5) For the board of directors to apply for at least 6 credits of the "Professional Courses", please refer to the " Important information that helps understand the company's corporate governance practice " in this annual report, and evaluate the purchase of "supervisors and important staff" Liability Insurance"</p>	

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	<u>Yes</u>	<u>No</u>	Summary	
V. Does the company establish mechanisms for communicating with stakeholders and a stakeholder site on the corporate website to appropriately respond to material CSR topics they are concerned about?	✓		<p>The Company has established a stakeholder site on CSR site on 2016, so as to understand and reponse to CSR topics that stakeholders concern about.</p> <p>The Company has established a spokesperson policy and authorized the related department to execute it.</p> <p>The Company maintains good communication channels with financial institutions, shareholders, and employees and regularly releases important announcements and financial data through the Market Observation Post System in accordance with related information disclosure laws and regulations so as to ensure all parties have sufficient information to make judgments for self interest protection.</p> <p>In addition, the Company has established a suggestion box on the Chinese and English investor relations site of the corporate website to respond to topics concerned about by stakeholders.</p>	None
VI. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		This Company has assigned Jih-Sun Securities to handle affairs relating to stock registration and shareholders' meetings of this Company.	None
<p>VII. Disclosure of information</p> <p>(1) Does the Company establish a corporate website to disclose information concerning financial affairs and corporate governance?</p> <p>(2) Does the Company use other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesman system, and broadcasting of investor conferences via the company</p>	✓	✓	<p>(1) The Company has set up investor relationship websites in both Chinese and English (<a href="http://investor.lungyengroup.com.tw/">http://investor.lungyengroup.com.tw/</a>) and regularly releases financial data, important announcements and information regarding corporate governance through the Market Observation Post System.</p> <p>(2) The Company's spokesman system is well-founded, and the Company has assigned specific persons to collect and disclose important information and also set up Chinese and English investor relations web pages. Meanwhile, the Company also calls periodic investor conferences, and the process thereof is posted on the Company's website and disclosed on the M.O.P.S. for access by investors.</p>	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
website) (3) Whether the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as the prescribed period?	✓		(3) The Company's 2018 and 2019 financial reports are announced and declared within two months after the end of the fiscal year. The first, second, and third quarter financial reports of 2019 and the operating conditions of each month are also announced before the stipulated period for stakeholders to get relevant information early.	
VIII. Does the Company have other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchase of insurance for directors and supervisors)?	✓		<p>(1) Implementation of employee rights and employee care: Please refer to "Relationship between employer and employee" of this Annual Report.</p> <p>(2) Investor relations: The Company established a spokesperson policy and Investor Relations Department to handle related matters.</p> <p>(3) Supplier relations: The Company maintains benign interaction with all of its suppliers, customers, and financial institutions.</p> <p>(4) Stakeholders' rights and interests: The stakeholders may communicate with and provide suggestions to the Company, in order to maintain their legal interests and rights.</p> <p>(5) Continuing education of directors: Continuing education of the Company's directors is disclosed at "(8) Important information that helps understand the company's corporate governance practice:" of this Annual Report."</p> <p>(6) Implementation of risk management policies and risk evaluation measures: We have established various internal rules and regulations in accordance with the law so as to carry out all kinds of risk management and evaluation. Please refer to "Risk management and evaluation" of this Annual Report."(P.116)</p> <p>(7) Customer relations policies: We have allocated a dedicated customer service staff to handle customer complaints.</p> <p>(8) Purchase of director and supervisor liability insurances: The Company has purchased liability insurance for all directors in accordance</p>	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
			with Article 23 of the Articles of Incorporation, and reported the amount of insurance, coverage and insurance rate to the most recent board of directors (the 14th of the 13th session on November 7, 2019 Board of Directors). Please refer to the Market Observation Post System for the details.	
<p>IX. Please explain the improvement in terms of the corporate governance evaluation results released by the TWSE over the most recent years, and present the matters to be enhanced with priority and the measures for further improvement.</p> <p>The Company's governance evaluation has resulted in the outstanding achievements of being honored as one of top 5% of the GTSM listed companies for five consecutive years. The improvements include that the regular meeting of shareholders was held before the end of May (the regular shareholders meeting in 2019 was held on May 31, 2019). The 2018 Corporate Social Responsibility Report published in 2019 was prepared with reference to the International Report Preparation Guidelines (GRI). In addition, the matters to be enhanced are the Corporate Social Responsibility Report be certified by a third party, and the performance evaluation of the board of directors also be conducted by an external institution in 2020.</p>				

Note 1: Regardless of picking "Yes" or "No" for the operating status, descriptions shall be provided in the column of brief explanations.

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Note 2: Independence, professionalism and competency evaluation form for the independent auditors

Item	Measures	Yes	No
1.	As of the latest auditing, there is no such thing that the independent auditor has not been changed for seven years.	✓	
2.	The independent auditor has no direct or significant financial interest with the Company.	✓	
3.	There is no inappropriate relationship between the independent auditor and the Company.	✓	
4.	The independent auditor should let the assistants be honest, impartial and independent.	✓	
5.	The independent auditor's name can't be used by others.	✓	
6.	The independent auditor and all audit service team members do not hold shares of the Company and the related companies.	✓	
7.	There is no fund lending between the independent auditor and the Company and related companies.	✓	
8.	There is no co-investment or sharing of interests between the independent auditor and the Company and related companies.	✓	
9.	The independent auditor does not work concurrently with the Company or related companies, and paid by fixed salary.	✓	
10.	The independent auditor does not involve in the management function of decision making for the Company and related companies.	✓	
11.	The independent auditor does not run other business which may lose their independence.	✓	
12.	The independent auditor and all members of the audit service team have no spouse or second-degree relative relationship with the management of the Company.	✓	
13.	The independent auditor does not receive any commission related to business.	✓	
14.	Until now, there is no punishment or anything affected the independence of the independent auditor.	✓	
15.	Receiving the declaration of independence from the independent auditor each year.	✓	
16.	The independent auditor's quality and timeliness of auditing and taxation services meet the requirements.	✓	
17.	The independent auditor maintains good communication with the Company management and directors.	✓	
18.	The independent auditor provides proactive suggestions and keeps records regarding company policies and internal control auditing.	✓	
19.	The independent auditor regularly updates the tax, securities and related laws and regulations and newly revised IFRS accounting standards for the Company.	✓	
20.	The staff of the audit service team is stable.	✓	
21.	The independent auditor assesses the existence or potential risks of the Company.	✓	

Note 3: Regulations for independence include: the policies and procedures for the individual independence of all members (financial interests, financing and guarantee, employment relationship), business relationship with customers, accountant rotation and transfer system and non-audit services.

**(4) Compensation Committee Meeting Status**

The Company's board of directors resolved to set up a remuneration committee in September, 2011 before the regulation, independent directors as convener, and hired human resource experts to serve as members. The main duties of the committee: 1. To strengthen corporate governance and risk management. With the consideration of attracting, motivating and retaining manpower, we will promote the development of remuneration policies in line with the Company's cultural and strategic vision, and regularly assess and supervise the remuneration policies and systems of directors and managers in a professional and objective

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position. 2. To strengthen performance evaluation and compensation linkage. 3. To optimize the succession program. 4. To optimize the retention plan. 5. To amend the organization rules of the Compensation Commission. 6. Other Board of Directors' instructions for the Remuneration Committee.

i. Compensation Committee members

Position (Note 1)	Name	Qualifications			Independence Criteria (Note 2)										Number of positions as a compensation committee member in other public listed companies	Remarks (Note 3)	
		Has at least five years of relevant working experience and the following professional qualifications	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualifications after passing national examinations relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9			10
Independent Director	Yeh, Shu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Compliance
Independent Director	Wang, Chun-Chung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance	
Other	Yu, Ying-Chi	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Compliance	

Note 1: Please specify director, independent director or other.

Note 2: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- Not an employee of the company or an affiliate.
- Not a director or supervisor of the Company or its associates (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
- The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is he/she one of the company's ten largest natural-person shareholders.
- Not a manager listed in item 1 or not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in item 2 & 3.
- Directors, supervisors, or institutional shareholders who are not directly holding more than 5% of the Company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with paragraph 1 or 2, Article 27 of the Company Act. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).

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6. Not directors, supervisors or employees of other companies controlled by the same person as of the Company's directors or more than half of the shares of the Company. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
7. Directors, supervisors or employees of other companies or organizations who are not the same person or spouse with the Company's chairman, general manager or equivalent. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
8. Not directors, supervisors, managers or shareholders holding 5% or more of a specific company or organization that have financial or business dealings with the Company. (However, this is not applicable if a specific company or institution holds more than 20% of the total issued shares of the Company, but not more than 50%, and if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
9. Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
10. Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.

Note 3: If the members are directors, please indicate whether they meet the requirements of Article 6, Item 5 of the "Measures for the Establishment and Exercise of Power of the Remuneration Committee for Listed companies or companies dealing with Stock Exchanges".

ii. Compensation Committee Meeting Status

- a. The Company's Remuneration Committee is with 3 members.
- b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. The number of meetings convened from 2019/01/01 to 2019/12/31 was 5 (A). The Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B / A)	Remarks:
Committee member (Convener)	Wang, Chun-Chung	5	0	100%	
Committee member	Yeh, Shu	5	0	100%	
Committee member	Chen, Ming-De	1	1	50%	Resigned on February 26, 2019. The number of attendance should be 2 times
Committee member	Yu, Ying-Chi	3	3	100%	Reported on February 26, 2019, the number of attendance should be 3 times

c. Other noticeable particulars:

- c-1. The discussion of the Compensation Committee and the outcome of the resolution, and the company's handling of the members' opinions:

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Convening Date	Meeting Information	Content of Proposals	The Compensation Committee Resolution result	Company's processing to the Compensation Committee's opinions
2019.01.16	2nd meeting of the 4th Compensation Committee	Annual performance review and bonus issuance rules and time schedule planning	Approved by all attending members, without any dissension	Except for the avoidance of directors who have their own interests, the remaining attending directors agreed to pass the proposal
		The key work plan for 2019		Submitted to the board of directors for discussion. Approved by all attending directors
2019.02.26	3rd meeting of the 4th Compensation Committee	Proposal for the distribution of employee compensation and directors' compensation of 2018	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.10.01	5th meeting of the 4th Compensation Committee	In order to strengthen the Company's operation status and future development, it is proposed to set up a new business unit and adjust the function and personnel appointment of the business unit	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Revise part of the provisions of the Company's " Remuneration Committee Organization Rules"	In view of the possibility of the recent adjustment of the Company's internal organizational structure, the resolution will not be discussed for the time being	Not applicable
2019.12.05	6th meeting of the 4th Compensation Committee	In order to strengthen the Company's operating status and future development, it is planned to adjust the organizational structure, establish business group units and personnel appointments	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Revise part of the provisions of the Company's " Remuneration Committee Organization Rules"	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

c-2. If events regarding proposals from the Compensation Committee are dissented to or revised by the Board, then information, including the Board meeting date, the meeting number, the meeting agenda, and the final resolution of the Board with the relevant Company response to the committee's opinion (e.g. the discrepancy and the reason when the approved compensation from the Board is higher than the Committee's recommendation), should be disclosed: None.

c-2.If there are events regarding Committee resolutions to which a member expressed a dissenting opinion or qualified opinion, either on the record or in writing, then information, including the committee meeting date, the meeting number, the meeting agenda, and all member opinions with the relevant Company response,

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should be disclosed: None.

**(5) Corporate Governance and Nominating Committee Meeting Status**

The Company voluntarily set up the Corporate Governance and Nomination Committee on June 20, 2018. It consists of one independent director, one external member and the chairman of the Company. The committee will meet at least twice a year. Supervising the operation of corporate governance and the nomination and succession of board members, functional committees and senior managers, and submitting the recommendations to the board for discussion.

i. Corporate Governance and Nomination Committee members

Position (Note 1)	Name	Qualifications			Independence Criteria (Note 2)										Number of positions as a Corporate Governance and Nomination Committee member in other public listed companies	Remarks (Note 3)
		Has at least five years of relevant working experience and the following professional qualifications	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualifications after passing national examinations relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9		
Independent Director	Wang, Huai	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance
Director	Liu, Wei-Lung	-	-	✓	-	-	✓	-	✓	✓	-	-	✓	✓	0	Compliance
Other	Chu, Chu-Yuan	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance

Note 1: Please specify director, independent director or other.

Note 2: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- Not an employee of the company or an affiliate.
- Not a director or supervisor of the Company or its associates (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
- The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is he/she one of the company's ten largest natural-person shareholders.
- Not a manager listed in item 1 or not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in item 2 & 3.
- Directors, supervisors, or institutional shareholders who are not directly holding more than 5% of the Company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with paragraph 1 or 2, Article 27 of the Company Act. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or

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subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).

6. Not directors, supervisors or employees of other companies controlled by the same person as of the Company's directors or more than half of the shares of the Company. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).
7. Directors, supervisors or employees of other companies or organizations who are not the same person or spouse with the Company's chairman, general manager or equivalent. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
8. Not directors, supervisors, managers or shareholders holding 5% or more of a specific company or organization that have financial or business dealings with the Company. (However, this is not applicable if a specific company or institution holds more than 20% of the total issued shares of the Company, but not more than 50%, and if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned)
9. Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
10. Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.

Note 3: If the member's position is Director, please specify whether it meets the conditions defined in #Article 6-5 under "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"

ii. Corporate Governance and Nomination Committee Meeting Status

- a. The Company's Corporate Governance and Nomination Committee is with 3 members.
- b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. The number of meetings convened from 2019/01/01 to 2019/12/31 was 5  
(A).The Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B/A)	Remarks:
Committee member (convener)	Wang, Huai	5	0	100%	
Committee member	Liu, Wei-Lung	5	0	100%	
Committee member	Chu, Chu-Yuan	5	0	100%	

c. Annual operating situation:

Convening Date	Meeting Information	Content of Proposals	The Corporate Governance and Nomination Committee Resolution result	Company's processing to the Corporate Governance and Nomination Committee's opinions
2019.01.14	4th meeting of the 1st Corporate Governance and Nomination Committee	The Company's "Board Performance Evaluation" case	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

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		Established the 2019 key annual work plan of the Corporate Governance and Nomination Committee	Approved by all attending members, without any dissension	Submitted to the board of directors for report
2019.02.22	5th meeting of the 1st Corporate Governance and Nomination Committee	Appointment of members of the Company's compensation committee	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Appointment the head of corporate governance		
2019.04.11	6th meeting of the 1st Corporate Governance and Nomination Committee	Amendment to the provisions of the "Regulations of the Board of Directors" of the Company	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.08.08	7th meeting of the 1st Corporate Governance and Nomination Committee	Formulate the Company's corporate social responsibility policies, systems or related management policies and specific implementation plans	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.10.29	8th meeting of the 1st Corporate Governance and Nomination Committee	Formulate 2019 annual board performance evaluation indicators and evaluation methods	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Formulate the timetable and implementation method of the external evaluation of the Company's board of directors		
		Draw up the schedule and execution method of the Company's corporate social responsibility report obtaining a third-party certificate		

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**(6) Execution of corporate social responsibility and the variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause:**

Item	Status of implementation		Summary	The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No		
I. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies	✓		The Company is a funeral service provider, assessing the risk level for environmental, social, and corporate governance issues related to operations, and formulating relevant risk strategies and audit plans based on the risk level, and implementing control operations in a timely manner. The Company's risk management and control is divided into three stages of control mechanism: The initial control mechanism is the department-in-charge, which must bear the responsibility of the initial risk detection, assessment and control consideration and prevention. The second control mechanism is the executive meetings chaired by the top executives (department supervisors, business group supervisors) and the general manager. In addition to the assessment of possibility, it includes various risk assessments. The final control mechanism is the audit department, board of directors meeting and affiliated committees (such as the audit committee); through the review, supervision and tracking to ensure the final risk management.	None
II. Does the company establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of implementation to the board?	✓		The company has established a “Board Secretary” under the Board of Directors on May 10, 2018, and the unit is responsible for promoting the corporate social responsibility on a full-time basis. The Board Secretary, Liang Jian-Yun, is the convener and is responsible for assisting the board of directors and the management team to formulate and supervise the implementation of the integrity management policy and prevention program to ensure the implementation of the Ethical Corporate Management Best Practices. The Company also established the “Corporate Governance and	None

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Item	Status of implementation		Summary	The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No		
			Nomination Committee” on June 20, 2018, which will be held at least twice a year and will be held irregularly with the Board Secretary to review the effectiveness of corporate governance and corporate social responsibility operations. After the committee was held, the Board Secretary the chairman of the corporate governance and nomination committee reported the situation to directors in the latest BOD meeting.	
<p>III. Environmental issues</p> <p>(1) Whether the company establishes an appropriate environmental management system according to its industrial characteristics?</p> <p>(2) Whether the company is committed to improving the efficiency of the use of various resources and using recycled materials with low impact on environmental load?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company is a funeral service industry. For the development of the cemetery with the purpose of conforming to the natural environment, it continues to carry out greening and soil and water conservation, and entrusts a professional monitoring company to regularly carry out water quality and water and soil conservation monitoring of the park. For the planning of construction commodities, it is necessary to meet the standards of green buildings, and the engineering materials must also meet the specifications of green building materials. In addition, in order to strengthen the implementation of beautification of the environment and energy conservation, the headquarters office formulates specific environmental protection actions, such as turning off lights, environmental protection and energy-saving air-conditioning management, the full use of LED lamps and automatic induction faucets, etc., and regularly reviews abnormal conditions.</p> <p>(2) The Company is committed to the maintenance of ecological landscapes. The century cemetery is located in the ecological conservation area which has rich vegetation resources. The Company only uses 20% of the land to build the graveyard and public facilities, and retains the remaining 80% the ecological landscape. Meanwhile the Company also established policies of planting plans, optimizing tree species, planting various trees according to different landscape plans,</p>	None

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Item	Status of implementation		Summary	The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No		
<p>(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to address climate-related issues?</p> <p>(4) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>	<p>✓</p> <p>✓</p>		<p>expanding the absorption of greenhouse gases such as carbon dioxide, and implementing carbon sequestration. The Company attaches great importance to the use of materials by suppliers. In the contract with suppliers, the relevant materials are all expressly stipulated that they must comply with the regulations on green building materials in the "Technical Building Design and Construction Code".</p> <p>(3) In the face of the possible impact of climate change on the Company, the Company has formulated specific strategies for energy saving and carbon reduction and greenhouse gas reduction, and regularly reviews the implementation.</p> <p>(4) The Company regularly counts greenhouse gas emissions, water consumption and total weight of waste, and implements them in the work and life of employees through relevant measures, and tracks abnormal situations. In addition to using environmentally friendly energy-saving equipment such as LED lamps, office machines, building air-conditioning ice storage systems, and automatic sensory faucets, posters are also posted to remind employees to turn off the lights and take more stairs to indeed implement environmental protection actions based on target management.</p>	
<p>IV. Social issues</p> <p>(1) Has the company established relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?</p>	<p>✓</p>		<p>(1) The Company emphasizes on integrity of employees and business conduct through promotion brochure and the assessment of discipline and rules. To protect the human rights of our employees and ensure every employees is fairly treated, the Company formulated the “Sexual Harassment Prevention Regulation” and provide whistleblower reporting system to protect female rights.</p> <p>a. The Company complies with labor-related regulations, support and respect International Norms of Human Rights.</p>	None

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
(2) Has the company formulated and implemented reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflected the operating performance or results in employee compensation?	✓		<p>b. Employment Relationship is based on agreement of two parties, no forced labor and illegal human trafficking.</p> <p>c. Working time will not exceed the limit of local regulation, and payments comply with all suitable acts.</p> <p>d. The Company treats employees in a humanitarian way, sexual harassment, sexual abuse, corporal punishment, physical and mental intimidation, and insulting.</p> <p>e. The Company forbids any sexual harassment and discrimination, the Company will not judge the performance and employment by race, gender, age, marriage, political position, and religion.</p> <p>(2) The Company has formulated personnel management measures to clearly regulate the rights and obligations of employees, and has established an employee welfare committee in accordance with the law to provide complete employee benefits, such as health checks, wedding and funeral subsidies, and group insurance. In addition, in order to strengthen communication with employees, seasonal events are held regularly, and a safe and healthy lunch and leisure sports center are provided for employees, so that employees can maintain a healthy body and mind and achieve a work-life balance. In addition, according to the company's charter, if there is a profit in the year, no less than 1% should be allocated for employee compensation; the Company also has a remuneration committee to reasonably combine employee performance evaluation to formulate the Company's salary and compensation policy. The personnel management measures also clearly define employee code of conduct and link reward and punishment system.</p>	
(3) Does the company provide safe and healthy work environment to employees; also, provide employees on a regular basis with the safety and health education?	✓		<p>(3) Safety and sanitation inspection and education is regularly implemented for either working spaces or recreational spaces in all workplaces. Furthermore, a patrol for all of our properties is conducted every year for</p>	

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
<p>(4) Has the company established effective training plans for employees to develop employability?</p> <p>(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?</p> <p>(6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>regular review and improvement.</p> <p>(4) In addition to stipulating personnel management measures, the Company regulates and completes the employee promotion and evaluation system, and continuously improves the knowledge and skills of employees in accordance with the education and training methods. For details, please refer to Chartper V " Labor Relations Explanation" in this annual report.</p> <p>(5) The Company prepares all-directional opinion exchanging channels such as the 0800 special line, official website, FB, to serve all interested parties.</p> <p>(6) The Company's qualified suppliers shall comply with the "PU-2-002 Suppliers Management Regulations" in the selection and performance appraisal. According to the "Labor Safety and Health Act" and the "Contractor's Site Safety and Health Management Rules", the project builders must specify the "Building Technology Rules" for the interior decoration manufacturers, and the wood materials must be approved as “Building materials stamp and Taiwan's CNS standard formaldehyde emission level F1 certificated by the Ministry of the Interior, and indoor air pollutants testing standards must comply with the relevant regulations of the Environmental Protection Department of the Executive Yuan, No. 1010106229. The Company also promotes environmental cremation with suppliers, participates in the promotion of measures such as using electronic couplets The Company shall work with suppliers to develop toward environment protection, quality, green product, personnel safety and ethical guidelines and to establish a sustainable cooperative supply chain management system to rest assure and satisfy customers. Meanwhile, the Company shall also work with suppliers to stop bribery and tips, in hopes of establishing a positive circulation.</p>	

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
V. Does the company refer to the internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports that disclose the company's non-financial information? Whether the pre-report report obtained the confidence or assurance opinion of the third-party verification unit?	✓		The Company's corporate social responsibility report is prepared in accordance with the GRI standard: core options, and the corporate social responsibility report for 2019 is expected to obtain the confidence of the third-party verification unit.	None
VI. If the company has the corporate social responsibility code defined in accordance with the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies,” please describe the operational differences from the Code: No difference.				
VII. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: 1. Since the establishment of the company, we have always focused on the development of the life industry, continuously invested in industrial innovation, and successfully created software and hardware facilities and high-quality funeral services that are superior to the industry. In recent years, we continuously expand business abroad. We have never forgotten our social responsibilities, and continue to support social welfare and deepen cultivation of the communities. In 2011, Lungyan Charity Foundation was established to promote the service of "Sponsored Funeral"and invested in "Silver Care", and also implemented local feedback to long-term donations to the disadvantaged groups in the Sanzhi area, counseling the middle-aged and elderly silver-haired ethnic group origami lotus to create second-degree employment and promote life education to help the poor and disadvantaged students. Besides, during major disasters, Lungyan donate up to 25 million for the 88 wind disasters, Kaohsiung gas explosion, Tainan earthquake disaster, etc. and invest more manpower and materials to help disaster victims get through. In 2019, the Company ranked 20 of the "CSR Corporate Citizenship Award" : "Little Giant" award, and the score continued to grow. The Company has invested in a number of social welfare projects and youth training projects in an attempt to build the benchmark as a happy enterprise. We continue to self-motivate to implement corporate social responsibility in the pursuit of sustainable operationand development. (For more information about the company's participation in social welfare, please refer to the company's corporate social responsibility report.) 2. The Company is a funeral service provider dedicated to providing customers with columbarium and funeral services. Therefore, ISO14001 or similar environment management system certification is not applicable to the Company.				

**(7) Execution of integrity management and the variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause:**

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Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
<p>I. Defining integrity management policies and programs.</p> <p>(1) Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management; also, the Board of Directors and the management commit to actively implement integrity management?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the " Integrity Management Principles for Listed/OTC Companies " Article 7, Paragraph 2, Prevention Measures?</p> <p>(3) Does the company clearly specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company passed the resolution of the board of directors on November 8, 2018 to formulate the "Integrity Management Code" as the basis for implementing integrity management, and formulates relevant operational practices (such as: ethical code of conduct, personnel management methods, etc.), including avoidance of conflicts of interest, prohibition of bribery and gifts and business hospitality and other regulations. Meanwhile, the Company will also ask suppliers to sign the "written undertaking of integrity" to maintain both parties' interest and right and comply with the Company's ethical management policy. Each year, the audit unit regularly checks each procedure and reports to the board of directors, and the board of directors make recommendations and track improvements for the missing items.</p> <p>(2) The Company regularly reviews the design of the internal control system and incorporates an assessment of the risk of dishonesty, based on which to evaluate whether the "Code of Integrity Management" is revised. Directors, managers and employees who engage in any dishonesty will be punished in accordance with the Company's internal regulations. If there is evidence of fraudulent employment fraud, acceptance of bribes or commissions, theft, misappropriation or embezzlement of public funds and public property, which results in the loss of company property or reputation, the personnel will be dismissed. If the supplier violates the promise of integrity and integrity, the Company will cancel the supplier's qualification and order.</p> <p>(3) The Company has set up the "ethical code of conduct", "whistleblower reporting and protection system management measures" and other related codes of conduct, and published the prementioned specifications on the Company's internal</p>	None

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Item	Status of implementation			The variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?			<p>website for colleagues to inquire at any time, thereby enhancing all employees' awareness of law compliance and professional ethics. The Company also regularly reviews and revises relevant norms with reference to relevant laws and practical operations.</p> <p>In addition, this Company has established the “5186 Whistleblowing Box”. This whistleblowing box is under direct supervision of the Audit Office of the Board of Director by special personnel. After receiving a report, the investigation will begin immediately in an impartial, independent, and objective manner, and the information of informers/informants will be kept confidential in every case. Either insiders or outsiders can report any corruption or misconduct or potential hazards of organizational interests via e-mail to the 5186@lungyengroup.com.tw. Make sure that only signed report with information of the fact and supporting details will be accepted.</p>	
<p>II. Implementation of integrity management</p> <p>(1) Does the company assess if trading counterparts involved in any unfair and unethical business operations and include the fair and ethical business operations clause in the transaction agreement signed with them?</p> <p>(2) Has the company established a dedicated (concurrent) unit directly under the board to promote fair and ethical business operations and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty and supervise implementation?</p>	<p>✓</p> <p>✓</p>		<p>(1) Suppliers are being requested to enter into an “Honesty Contract” to maintain the interests and rights of both parties; they shall not bribe political parties or candidates; if there are any such incidents, suppliers shall report such incidents to the Company immediately.</p> <p>(2) The Company has the secretary of the Board, which leads a corporate governance implementing group, responsible for protecting shareholders' equity, strengthening the Board, assisting directors with informations and latest regulation. Each year the Company at least twice discusses the reports on important matters such as the implementation of the resolutions of the last meetings, internal audit, operating performance, ethical management and funds utilization at the meetings of the Board of Directors, Audit Committee and Remuneration Committee so that such directors and members of committees can particularly and immediately understand the Company's corporate goals, financial and operating situation to enable them to effectively</p>	None

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Item	Status of implementation			The variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
(3) Does the company defines interest prevention policy of conflicts, establishes appropriate reporting channel, and actually implements?	✓		<p>master and supervise the achievement of corporate governance and operating goals. The Company’s implementation of the integrity management policy of 2019 is as below:</p> <p>i. Education and training: In the year of 2019, the internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue was held total of 314 people, 471 hours, and introduced and conducted in the new employee training. Test.</p> <p>ii. Communication channels: Employees can respond to various management and human resources department through multiple channels, and proactively declare honest business policies and implement integrity management on external activities such as websites, annual reports and other external documents and investor meetings.</p> <p>iii. The law compliance and the whistle-blower system. The Secretary of the Board promotes the education for all colleagues. Through the quarterly corporate-wide quarterly meetings, the Code of Integrity and the important internal information processing standards are collected through video and case studies to help colleagues be aware of when conducting business.</p> <p>(3) The company provides multiple reporting channels, including suppliers ethical grievance hotline; employee grievance reporting channel, employee consultation mailbox, etc., for reporting any breach of business ethics committed by the employees.</p>	
(4) Has the Company established effective accounting policy and internal control policy, and conduct regular audition by internal auditing units or external CPAs?	✓		<p>(4) The Company’s Audit Office has conducted onsite audit or book review with the consideration of risk factor in accordance with the Company’s annual audit plan approved by the Board of Directors in order to help the Board of Directors and the management reasonably ensure the continuing effective implementation of the internal control system, including the achievement in the company’s operational effectiveness and efficiency, reliability of financial reports, and the compliance of law and regulations.</p>	

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Item	Status of implementation			The variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
(5) Does the company arrange regular internal/external training/education for fair and ethical business operations?	✓		(5) In the year 2019, the company held internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue, which was totaled about 314 people, 471 hours, and introduced and tested in the new employee training. The Company posts the relevant specifications on the company's internal website for colleagues to inquire at any time, thereby enhancing the awareness of all employees and the ethics of their work. Irregular letters from Chairman and president for all employees to announce the concept of the company's integrity management are to strengthen the company's determination to implement ethical values and integrity management.	
III. The operation of the Company's reporting channel (1) Does the company establish a practical whistleblowing and reward system and channels to facilitate the reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?	✓		(1) According to the " Procedures for Whistleblower Reporting and Protection System " , the Company has established the “5186 Whistleblowing Box” under direct supervision of the Audit Office of the Board of Director by special personnel. Anyone who has been investigated to confirm that the accused person has violated the integrity of the business or has committed the wrongful act shall be punished in accordance with the relevant provisions of the personnel management measures. Anyone who has investigated and be confirmed that the reporter is true will be rewarded by the board of directors or the general manager for the degree of contribution to the company or the actual situation of the case.	None
(2) Does the company establish a SOP and a non-disclosure mechanism of relevant investigations?	✓		(2) According to the “Procedures for Whistleblower Reporting and Protection System” set by the Company, the Board of Directors shall instruct the Audit Office to accept the relevant matters, and report the case to the independent directors and directors within 15 business days from the date of acceptance, including investigation situation, treatment process and results and subsequent improvement and response measures. The relevant personnel of the audit office	

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Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
(3) Does the company establish and implement an informer protection policy to ensure no informer will receive indecent treatment?	✓		<p>shall ensure the identity of the prosecutor and the content of the report when accepting, investigating and closing the case, so as to protect the prosecutor from any improper damage or disposal due to the report.</p> <p>(3) According to the "Procedures of Whistleblower Reporting and Protection System" set by the Company, for the discovery of corruption, unlawful and improper behavior, such as bribes, coercion, and instructions, etc., protection shall include, but is not limited to, the following items, but the whistleblower shall not apply if it is reported anonymously.</p> <ul style="list-style-type: none"> <li>i. Do not adversely treat the position and salary of the whistleblower.</li> <li>ii. No termination or change to the ongoing contract</li> <li>iii. Do not commit acts of coercion, insult or harassment to ensure the safety of life, work and economic rights of the whistleblower</li> </ul> <p>If there is a leakage of whistleblower identity, those who are not intentional shall be punished in accordance with the personnel management measures and shall be responsible for all laws and damages. Those who are intentional should be punished more seriously.</p>	
IV. Enhancing information disclosure (1) Does the company disclose the information of integrity management on its corporate website and MOPS?	✓		The Company discloses its integrated operation and implementation in the annual report, and discloses the content of Ethical Corporate Management Best Practice Principles on MOPS.	None
5. If the Company has established its own ethical business principles based on "Ethical Business Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has a "Code of Integrity Management" and "Code of Ethical Conduct", and the Company's operation is not substantially different from the "Integrity Management Principles for Listed/OTC Companies".				
6. Other information that helps understand the practice of integrity management (such as, the Company reviews and revises the its integrity management code): An honest service attitude is the most important management style of this company, helping strengthen the leading role of this company in the funeral industry, and receiving the respect and trust of families, shareholders, employees and society. The Company respects and maintains democracy and the rule of law, complies with standards mutually agreed by law and industry, while seeking a high standard of operations. To ensure legal compliance, this Company has established the Code of Conduct for Directors, Managers and Employees. This code of conduct is introduced to new employees and test will be implemented afterwards. Relevant regulations are posted on the intranet for employees to read at any time to raise the compliance awareness and professional				

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Item	Status of implementation		Summary	The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	<u>Yes</u>	<u>No</u>		
ethics of employees.				

**(8) Corporate Governance Codes and Related Regulations:**

**The Company formulates the company's "corporate governance practice code" and related regulations and rules based on the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies ". In addition to shareholders' meetings rules, board meeting rules, director election methods and major resolutions, it also fully discloses internal major information processing procedures, procedures for acquiring or disposing of assets, procedures for loaning funds to others, endorsement guarantee operating procedures, etc., at the Public Information Observatory (<http://newmops.twse.com.tw>) and the corporate governance section of the company 's website (<https://www.lungyengroup.com.tw/Page/corporate-governance>).**

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**(9) Important information that helps understand the company’s corporate governance practice:**

a. Director’s advanced education

Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
Chairman	Liu, Wei-Lung	2019/11/15	Taiwan Corporate Governance Association	How to combine strategic innovation and performance indicators	3HR
		2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR
Director	Lee, Anthony	2019/11/15	Taiwan Corporate Governance Association	How to combine strategic innovation and performance indicators	3HR
		2019/12/20		Digital Resilience Practices-Responsibility of Directors, Supervisors and Senior Executives	3HR
Director	Fujibayashi Ichiro	2019/11/15	Taiwan Corporate Governance Association	How to combine strategic innovation and performance indicators	3HR
		2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR
Director	Chao, Tsen-Sheng	2019/11/15	Taiwan Corporate Governance Association	How to combine strategic innovation and performance indicators	3HR
		2019/11/27		The 15th International Forum on Corporate Governance	6HR
		2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR
Independent Director	Yeh, Shu	2019/11/15	Taiwan Corporate Governance Association	How to combine strategic innovation and performance indicators	3HR
		2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR
Independent Director	Wang, Huai	2019/02/19	Taiwan Corporate Governance Association	2019 global trend analysis-risks and opportunities	1HR
		2019/05/07		Lecture -Practice of Board Operations	3HR
		2019/05/08		Importance of integrating environmental, social, and	1HR

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Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
				corporate governance (ESG) elements in investment	
		2019/08/12		Lecture-The function of the board of directors and the effectiveness evaluation of the board of directors	3HR
		2019/08/14		Lecture-Case Study on Corporate Governance	3HR
		2019/08/14		Lecture-Practice on board operation	3HR
		2019/08/27		Artificial Intelligence in Taiwan: Opportunities and Challenges for Industrial Transformation	1HR
		2019/11/15		How to combine strategic innovation and performance indicators	3HR
		2019/11/26		Compliance and monitor	1HR
		2019/11/27		The 15th International Forum on Corporate Governance	6HR
Independent Director	Wang, Chun-Chung	2019/02/21	Taiwan Corporate Governance Association	Case study-deepen the concept of corporate governance	3HR
		2019/08/16		Case analysis- False Financial Reports of Directors	3HR
		2019/11/15		How to combine strategic innovation and performance indicators	3HR
		2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR

**b. Manager's advanced education**

Job title	Name	Advanced education date		Organizers	Course titles	Advanced education hours
		Beginning	Ending			
Chief Financial Officer	Chan, Shu-Juan	2020/01/16	2020/01/17	ROC Accounting Research and Development Foundation	Continued educational program for chief accountants of issuers, securities firms and securities exchanges	12HR
Corporate Governance Director	Liang, Jian-Yun	2019/05/08	2019/05/08	Taiwan Corporate Governance Association	Importance of integrating environmental, social, and corporate governance (ESG) elements in investment	1HR
		2019/05/25	2019/08/24	Governance Professionals Institute of Taiwan	Credit courses for Corporate Governance Professionals	63HR
		2019/07/26	2019/07/26	Taiwan	Board Effectiveness and	3HR

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Job title	Name	Advanced education date		Organizers	Course titles	Advanced education hours
		Beginning	Ending			
					Remuneration Seminar	
		2019/08/27	2019/08/27	Taiwan Corporate Governance Association	Artificial Intelligence in Taiwan: Opportunities and Challenges for Industrial Transformation	1HR
		2019/08/28	2019/08/28	Taipei Exchange	Seminar of regulations on insider	3HR
		2019/10/16	2019/10/16		Directors 'and Supervisors' Responsibility and Corporate Governance Practice Seminar	3HR
		2019/11/15	2019/11/15		How to combine strategic innovation and performance indicators	3HR
		2019/11/27	2019/11/27	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	6HR
		2019/12/26	2019/12/26		Management strategies for corporate operation and crisis of public opinion	3HR
Chief Auditor	Tseng, Cai-Li	2019/03/07	2019/03/07	The Institute of Internal Auditors	Analysis and key audit items of enterprise labor relations, labor contracts, work rules and labor meetings	6HR
		2019/11/29	2019/11/29		Analysis of laws, risk trends, appearances and case studies related to the prevention and control of money laundering and capital terrorism domestically and abroad	6HR

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**(10) Implementation of an internal control system**

a. Internal control system statement

Lungyen Life Service Corp.  
Statement on Internal Control System

2020.02.25

We made the following declaration based on self-assessment of the Company's internal control policies from 2019:

1. The Company is aware that the Company's board of directors and managers shall be responsible for the establishment, execution, and maintenance of its internal control policies are the responsibilities. Such policies were implemented throughout the Company. The purposes of these policies are to provide reasonable assurance towards operational results and efficiency (including profitability, performance, and asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance and other goals.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria of internal control policies adopted in the Regulations were consisted of five major elements designated for the stages of internal control: (1) Control environment; (2) Risk assessment; (3) Control procedures; (4) Information and communication; and (5) Supervision. Each element further contains several items. Please refer to the Regulations for details.
4. The Company adopted the above-mentioned criteria to validate the effectiveness of its internal control policy design and execution.
5. Based on results of the assessment above, the Company believes that the design and execution of its internal control policies taking effect on December 31, 2018 was effective with respect to the comprehension of business results and target accomplishments, the reliable, timely and transparent financial reporting, and regulatory compliance (including the supervision and management of its subsidiaries), and may provide reasonable assurance to comply with the above targets.
6. This statement forms an integral part of the Company's annual report and prospectus, and shall be made public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Declaration was approved at the Company's board of directors meeting held on February 25, 2020. None of the 7 directors present to the meeting held any objections, and unanimously agreed to the contents of this Declaration.

Lungyen Life Service Corp.

Chairman: signature

President: signature

- b. If the CPA is commissioned specially to review the internal control system, the CPA's audit report shall be disclosed: None

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**(11) In the most recent year and up to the date of publication of the annual report, the company and its internal personnel were punished according to law, or the company imposed punishment on its internal personnel for violating the internal control system. If the result of the punishment may have a significant impact on shareholders' equity or the price of the securities, the content of the punishment, the main deficiencies and the improvement shall be listed. : None.**

**(12) Important resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication date of the annual report:**

i. Important proposals in Shareholders' meeting and its implementation:

a. 2019 Regular Shareholders' Meeting

Meeting Date	Content of Proposals	Resolution	Implementation
2019.05.31	Recognition of 2018 Annual Financial Statement and Consolidated Financial Statement	Approved	Relative matters have been completed.
	Recognition of 2018 Distribution of Profits	Approved	A distribution of a cash dividend of NT\$3.0 per share, the total amount is NTD 1,260,252,597, distributed on 2019.08.30
	Amendments to the "Articles of Incorporation"	Approved	Has been registered on file with the Ministry of Economic Affairs on 2019.07.02.
	Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Approved	The announcement was completed at 2019.05.31 and implemented according to the revised procedures.
	Amendments to the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee"	Approved	The announcement was completed at 2019.05.31 and implemented according to the revised procedures.

ii. The Board of Directors:

Convening Date of Meeting	Meeting Information	Content of Agendas
2019.01.17	The 6th meeting of 13 <sup>th</sup> Board of Directors	Annual performance appraisal and bonus issuance rules and time schedule planning
		The Company's "Board Performance Evaluation"
		The Company's organizational change and personnel appointment
2019.02.14	The 7th meeting of 13 <sup>th</sup> Board of	Involved to participate in the court land auction bidding case

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<b>Convening Date of Meeting</b>	<b>Meeting Information</b>	<b>Content of Agendas</b>
	Directors	
2019.02.26	The 8th meeting of 13 <sup>th</sup> Board of Directors	2018 employee and director compensation
		2018 Annual Financial Statement and Consolidated Financial Statement
		The Company's "2018 Statement on Internal Control System "
		The Company merged with Lung-An Business Co., Ltd.
		Additional case of the second water and soil conservation project on the hillside burial facilities of the Xinxiaojiulong section of Sanzhi District, New Taipei City
		Appointment of the Company's compensation committee member
		Appointment of the head of corporate governance
		Set the time, place and motion for the 2019 Annual Shareholders' Meeting of the Company
		The company added new bank and credit authorization
2019.04.11	The 9th meeting of 13 <sup>th</sup> Board of Directors	Proposed 2018 annual earnings distribution
		Amendment to certain sections of the Company's Articles of Incorporation
		Amendment to the provisions of the "Regulations of the Board of Directors" of the Company
		Amendment to the section of the Company's " Procedure for the Acquisition and Disposition of Assets "
		Amendment to the section of the Company's " Procedure for Loaning of Funds " and "Endorsement and Guarantee Procedures"
		Revision of the Company's 2019 shareholder meeting cases
		New appointment of member of the 4th Investment Review Committee
		The Company's organizational change and personnel appointment
2019.04.18	The 10th meeting of 13 <sup>th</sup> Board of Directors	Involved to participate in the court land auction bidding case
2019.05.10	The 11th meeting of 13 <sup>th</sup> Board of Directors	Formulated the Company's " Accountants' Independence, Professionalism and Competency Assessment Method"
		Evaluation of the independence and suitability of the accountants of the Company and the appointment and remuneration of the accountants of year 2019
		Disposal of real estate
2019.08.13	The 12th meeting of 13 <sup>th</sup> Board of Directors	Amended the Company's "service cycle" of internal control system
		Revised part of the Company's "Organizational Rules of Audit Committee"
		Yuji Development Corporation extended loan for Shengde Futian Miaoguo Co., Ltd.
		Disposal of the entire shareholding of Lungding Life Science Co., Ltd.
		Newly hired members of the 4th Investment Review Committee
		Renewal of liability insurance of directors and managers of the Company
		Formulate the Company's corporate social responsibility policies, systems or related management policies and specific implementation plans
2019.10.01	The 13th meeting of 13 <sup>th</sup> Board of Directors	In order to strengthen the Company's operating status and future development, it is proposed to establish a new business division and adjust the functions and personnel appointments of business units
2019.11.07	The 14th meeting of 13 <sup>th</sup> Board of Directors	Investment in the construction of the "Kaohsiung Sanmin Dingjin Section Funeral Parlor" project
		Amendments to the Company's "Measures for the operation with related parties, specific persons and group companies"

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<b>Convening Date of Meeting</b>	<b>Meeting Information</b>	<b>Content of Agendas</b>
		Formulate 2019 board performance evaluation indicators and evaluation methods Formulate the timetable and implementation method of the external evaluation of the Company's board of directors Draw up the schedule and execution method of the Company's corporate social responsibility report obtaining a third-party certification
2019.11.08	The 15th meeting of 13 <sup>th</sup> Board of Directors	The Company intends to dispose of Chang Hwa Commercial Bank Ltd. shares
2019.11.18	The 16th meeting of 13 <sup>th</sup> Board of Directors	The person in charge of the former Southern District Contractor "Longzhi Industrial Co., Ltd." and the affiliated personnel Zeng Xiaohua and others, because of their personal behaviors involving violations of the law and affecting the Company's operations, it is proposed to set up a contingency team to guide relevant response measures
2019.12.05	The 17th meeting of 13 <sup>th</sup> Board of Directors	Amend some provisions of the Company's "Administrative Measures for Authority" In order to strengthen the Company's operating status and future development, it is planned to adjust the organizational structure, newly establish business group units and personnel appointments
2019.12.26	The 18th meeting of 13 <sup>th</sup> Board of Directors	2020 Business Plan 2020 annual audit plan
2020.01.16	The 19th meeting of 13 <sup>th</sup> Board of Directors	The Company's and its subsidiaries' 2019 employee annual performance appraisal and bonus payment rules and planning schedule The Company's 2019 board of directors and functional committee performance evaluation results
2020.02.25	The 20th meeting of 13 <sup>th</sup> Board of Directors	The Company's 2019 annual employee compensation and directors' compensation distribution 2019 Financial report and consolidated financial report 2019 Business report fabrication The Company's "2019 internal control system statement" Amendments to some provisions of the Company's "Procedures for Board Meetings" Revised some of the Company's "Organizational Rules of Audit Committee" Set the Company's 2020 regular shareholders meeting time, place and proposal Case of providing endorsement guarantee for others Proposal of recruiting new members of the 4th Investment Review Committee
2020.03.18	The 21th meeting of 13 <sup>th</sup> Board of Directors	Investment on Millerful No.1 REIT Set principles for selecting investment targets and the related authorization Construction of the "Light of Hill Life Memorial Hall"
2020.04.14	The 22th meeting of 13 <sup>th</sup> Board of Directors	Proposed 2019 earnings distribution Personnel appointment and organization adjustment

**(13) Directors or supervisors who have their oppositions to the resolutions reached in the**

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board meeting documented in the most recent years and up to the publication date of the annual report: None

(14) Summary of the resignations and dismissal of the personnel related to the financial report (including the chairman, president, accounting manager, finance manager, internal audit manager, corporate governance manager and R&D manager, etc.) recent years and up to the publication date of the annual report:None.

(15) Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information:

3 Taiwan certified public accountants in the Finance Division

1 certified internal auditor in the Internal Auditing Office

ISO9000 Auditor: 1 person in total in the Audit Department

## 5. Audit Fees

### (1) Range of Professional Fees to the Independent Auditor

CPA Firm	CPA's name	Audit period	Notes
KPMG Taiwan	Tseng, Guo-Yang      Lai, Li-Zhen	2019	

Unit: NT\$ Thousand

Fee category		Audit fees	Non-audit fees	Audit fees
Amount bracket				
1	Less than \$ 2,000 thousand	0	470	470
2	\$2,000 thousand (inclusive)~ \$4,000 thousand	2,420	0	2,420
3	\$4,000 thousand (inclusive)~ \$6,000 thousand	0	0	0
4	\$6,000 thousand (inclusive)~ \$8,000 thousand	0	0	0
5	\$8,000 thousand (inclusive)~ \$10,000 thousand	0	0	0
6	NT\$ 10,000 and above	0	0	0

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**(2) When non-audit fees paid to certified public accountant, to the accounting firm of the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:**

Unit: NT\$ Thousand

CPA Firm	CPA's name	Audit fees	Non-audit fees					Subtotal	Duration of Audit	Remarks
			System design	Commercial registration	Industrial resource	Human resource	Others (Note2)			
KPMG Taiwan	Tseng, Guo-Yang	2,420	0	0	0	470	470	2019	Non-administrator's checklist, Tax consulting services for insurance payments in kind, etc.	
	Lai, Li-Zhen							2019		

Note 1: If the Company has replaced the certified public accountant or CPA firm, please identify the duration of audit respectively, and specify the cause for replacement in the "Remark" section, and disclose the information about the paid audit fees and non-audit fees in order.

Note 2: The non-audit fees shall be identified respectively subject to the scope of service. If the "others" of non-audit fees amount to 25% of the total non-audit fees, please specify the contents of service in the "Remark" section.

Note 3: The audit fee is disclosed according to the amount of the contract amount.

**(3) Commissioning another CPA and the audit fees paid in the changing year is less than the audit fee paid in the prior year: None**

**(4) Audit fees is reduced by more than 10% from the previous year: None**

Unit: NT\$ Thousand

2018 Audit fees	2019 Audit fees	Diference	Explanation
2,420	2,420	-	Not applicable (Did not reach standard of difference)

**6. CPA replacement: None**

**7. The company's chairman, general manager, and finance or accounting manager has worked in the CPA Firm contracted for auditing service or its affiliated companies within the year: None.**

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**8. Stock Trade and Stock Pledge of Directors, Supervisors, Managers and Shareholders with 10% shareholdings or more in recent years and up to the publication date of the annual report.**

**(1) Net Change in Shareholding by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More**

Unit: Share

Job title	Name	2018		As of 04.15.2020	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Chairman (Note 1)	Wish Giver Limited	-	-	-	-
	Representative: Liu, Wei-Lung	-	-	-	-
Director	Wish Giver Limited	-	-	-	-
	Representative: Lee, Anthony	-	-	-	-
Director	Wish Giver Limited	-	-	-	-
	Representative: Fujibayashi Ichiro	-	-	-	-
Director	Orix Asia Capital	-	-	-	-
	Representative: Chao, Tsen-Sheng	-	-	-	-
Independent Director	Yeh, Shu	-	-	-	-
Independent Director	Wang, Huai	-	-	-	-
Independent Director	Wang, Chun-Chung	-	-	-	-
Shareholders who own 10% or more of shareholdings	Lee, Kelly (Note 2)	-	-	-	-
Shareholders who own 10% or more holding shares under other's name	Wish Giver Limited (Note 2)	-	10,590,000	-	-
Shareholders who own 10% or more holding shares under other's name	Beauty Mind Limited (Note 3)	34,713,000	-	-	-

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Job title	Name	2018		As of 04.15.2020	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
President	Liu, Wei-Lung (Note1)	-	-	-	-
Executive Vice President and Chief Financial Officer	Chan, Shu-Juan	-	-	-	-
Vice President	Liang, Jian-Yun	-	-	-	-
Vice President	Lin, Shu-Ling	-	-	-	-
Vice President	Wu, Hong-En	-	-	-	-
Vice President	Niu, An-Tzu	-	-	-	-
Vice President	Jian, Hui-Juan	-	-	-	-
Vice President	Chou, I-Ping	-	-	-	-
Vice President	Hsu, Mei-Yu	-	-	-	-
Vice President	Liu, Yu-Ming	-	-	-	-
Vice President	Fu, Ming (Note 4)	-	-	-	-
Vice President	Hung, Xiao-Wei (Note 5)	-	-	-	-
Vice President	Lin,Chien-Ju (Note 6)	-	-	-	-
Vice President	Lin,Meng-Jui (Note 7)	-	-	-	-
Vice President	La,Shu-Yi (Note 6)				
Vice President	Cheng, I-Fang (Note 8)				
Associate Vice President	Lee, Shu-Hui	-	-	-	-
Associate Vice President	Wu, Chuan-Lung	-	-	-	-
Associate Vice President	Chen, Yung-Cheng	-	-	-	-
Associate Vice President	Chuang, Ching-Liang	-	-	-	-
Associate Vice President	Wu, Kai-Ling (Note 9)	-	-	-	-

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Job title	Name	2018		As of 04.15.2020	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Associate Vice President	Wang,Chih-Yung (Note 8)	-	-	-	-
Associate Vice President	Chieh,Sheng-Chieh (Note 8)	-	-	-	-
Associate Vice President	Wan,Hsing-Wen (Note 8)	-	-	-	-
Associate Vice President	Huang,Hsing-Yen (Note 8)	-	-	-	-
Associate Vice President	Hsiao,Meng-Chuan (Note 8)	-	-	-	-

Note 1 : Mr. Liu, Wei-Lung was elected as the chairman by the board of directors on March 2, 2017, and the president was replaced by Mr. Kuo, Hsueh-Chun. As the mainland China business of the Company and Sino-Ocean Group has entered a critical period of rapid development, the board of directors decided on March 27, 2018 that Mr. Kuo, Hsueh-Chun is the chairman of the joint venture company, and the general manager of the Company was replaced by Mr. Liu Wei-Lung, the chairman of the board of directors, which took effect on April 1, 2018.

Note 2 : Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it is also a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI" The investment account ") holding 63,000 shares of the Company. Wish Giver Limited is the Company's institutional director.

Note 3 : Beauty Mind Limited holds the shares of the Company through Citibank in custody for U-Trade(HK)-Customer Account. The shareholder of Beauty Mind Limited is Wish Giver Limited and the representative is Kelly Lee.

Note 4 : Onboard on July 2, 2018 and resigned on February 29, 2020.

Note 5 : Onboard on November 8, 2018 and resigned on April 10, 2019.

Note 6 : Onboard on October 01, 2019.

Note 7 : Onboard on October 01, 2019 and apply for leave without pay on April 6, 2020.

Note 8 : Onboard on December 10, 2019 due to job adjustment.

Note 9 : Onboard on April 11, 2019 due to job adjustment.

**(2) Information of the counterparty of stock trade that is relatives: None**

**(3) Information of the counterparty of stock pledge that is relatives: None**

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**9. Information of the relationship between the top-ten shareholders**

2020.03.31

Name	Shareholdings		Spouse and minor children shareholding		Shares held by nominee		If the top-ten shareholders are related parties or are a spouse or second cousin to each other, please state the title, name, and relationship.		Note
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Title (or Name)	Relationship	
Wish Giver Limited Representative: Lee, Kelly	139,792,000 0	33.28% 0%	0 0	0% 0%	63,000 0	0.01% 0%	Cheng Chang Investment Co., Ltd.	Representative is the child of chairman of the listed company	4
							Bai Ruei Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Shih Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Investment Co., Ltd.	Representative is the child of chairman of the listed company	
Cheng Chang Investment Co., Ltd. Representative: Lee, Shih-Tsung	41,716,332 0	9.93% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Citibank in custody for U-Trade(HK)-Customer Account	34,713,000	8.26%	0	0%	0	0%	None	None	5
Fubon Securities-ORIX ASIA CAPITAL	21,000,000	5.00%	0	0%	0	0%	None	None	
Bai Ruei Investment Co., Ltd. Representative: Lee, Shih-Tsung	18,488,690 0	4.40% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Lee Shih Investment Co., Ltd. Representative: Lee, Shih-Tsung	15,187,152 0	3.62% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Fubon Life Insurance Co. Ltd. Representative: Tsai, Ming-Hsin	14,710,000 0	3.50% 0%	0 0	0% 0%	0 0	0% 0%	None	None	
Fuji Kogyo Co., Ltd. Representative: Fujibayashi Ichiro	12,540,543 0	2.99% 0%	0 0	0% 0%	0 0	0% 0%	None	None	6
Lee Investment Co., Ltd. Representative: Lee, Shih-Tsung	8,549,114 0	2.04% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Mercuries Life Insurance Representative: Chen, Hsiang-Chieh	7,790,000	1.85%	0	0%	0	0%	None	None	

Note 1: Illustrate the top-ten shareholders. For the institutional shareholders, the name of the institutional shareholders and the representative shall be illustrated separately.

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- Note 2: The shareholding ratio is calculated respectively by the name of the shareholders, the shareholder's spouse and minor children, or shareholding of nominees.
- Note 3: The relationship disclosed above, including institutional and legal persons, will be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.  
Mentioned shareholdings above are based on 2018.04.22, the date of transfer suspension.
- Note 4: Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it is also a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI" The investment account ") holding 63,000 shares of the Company. Wish Giver Limited is the Company's institutional director.
- Note 5: Beauty Mind Limited holds the shares of the Company through Citibank in custody for U-Trade(HK)-Customer Account. The shareholder of Beauty Mind Limited is Wish Giver Limited and the representative is Kelly Lee.
- Note 6: Fujibayashi Ichiro is the legal representative of the Company's director.
- Note 7: The number of shares listed above is based on the number of shares registered on March 31, 2020, the date of transfer suspension.

**10. The shares of the same reinvestment business held by the company's directors, supervisors, managers, and the enterprise directly or indirectly controlled by the Company; also, the general shareholding ratio is calculated in consolidation:**

2020.04.15 Unit: thousand shares/%

Reinvestment	The Company's investment		The investment of the directors, supervisors, managers, and the enterprise directly or indirectly controlled by the company		Consolidated investment	
	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %
Jin Huang Construction Co., Ltd.	2,209	98.20%	0	0.00%	2,209	98.20%
Yuji Development Corp.	11,723	54.42%	12	0.01%	11,735	54.43%
Dahan Property Management Co., Ltd.	400	80.00%	0	0.00%	400	80.00%
Sea Dragon Traders Ltd. (BVI)	3,271	100.00%	0	0.00%	3,271	100.00%
Lung Fu Company Limited	0	0%	37,100	100%	37,100	100%

- Note 1: Lung-An Company has completed a simple merger with the Company on April 1, 2019, while the Company is the surviving company and Lung-An Company is the elimination company.
- Note 2: Singapore Lungyen Company liquidated in June 2019 and obtained the approval letter from the local competent authority in October of the same year.

## IV. Capital Overview

### 1. Capitalization

#### (1) Type of Stock :

2020.04.15 Unit : Share ; NTD : dollar

Year Month	Issuing price	Authorized capital		Paid-in capital		Note		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Other
1988/06	10	2,000	20,000	2,000	20,000	By Cash	None	Note 1
1992/02	10	14,000	140,000	14,000	140,000	\$120,000,000 of cash offering	None	Note 2
1994/06	10	19,950	199,503	19,950	199,503	\$59,503,000 of cash offering	None	Note 3
1997/07	10	50,050	500,497	50,050	500,497	\$300,994,000 of cash offering	None	Note 4
1997/12	10	69,000	690,000	55,000	550,000	\$49,503,000 of cash offering	None	Note 5
1998/09	10	70,799	707,990	70,799	707,990	\$100,000,000 of cash offering \$57,990,000 capital increased by retained earning	None	Note 6
1999/11	10	112,800	1,128,000	81,880	818,800	\$110,810,000 capital increased by retained earning	None	Note 7
2000/09	10	112,800	1,128,000	88,560	885,603	\$42,239,000 capital increased by retained earning \$24,564,000 capital increased by capital reserve	None	Note 8
2006/08	10	200,000	2,000,000	103,943	1,039,430	NT\$153,827,000 capital increased by retained earning	None	Note 9
2007/10	10	200,000	2,000,000	2018,235	1,072,350	NT\$32,920,000 capital increased by retained earning	None	Note 10
2009/02	4	600,000	6,000,000	307,235	3,072,350	200,000,000 new shares issued by cash offering (private placement)	None	Note 11
2010/02	21.03	600,000	6,000,000	382,159	3,821,593	Exchange of shares for capitalization	Issued 74,924,315 shares in exchange for 75% shareholding of Lungyen Life Service Co. Ltd.	Note 12
2011/01	44.20	600,000	6,000,000	399,084	3,990,842	Consolidated capitalization	Issued 16,924,884 shares in exchange for 25% shareholding of Lungyen Life Service Co. Ltd.	Note 13

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2012/06	-	600,000	6,000,000	399,084	3,990,842	Supplementary public issuance of the 200,000,000 new shares issued through private placement in 2009	None	Note 14
2017/04	62.10	600,000	6,000,000	420,084	4,200,842	Capital increased by cash(private placement) 210,000,000 shares	None	Note 15

Note 1: Established approved by Government of Twaiwan Province on February 27, 1987.

Note 2: Approval date and document number: November 15,1992 #123073

Note 3: Approval date and document number: October 27, 1994, #115139

Note 4: Approval date and document number: June 5, 1997, #44635 (Securities Commission, Ministry of Finance)

Note 5: Approval date and document number: November 24, 1997, #86928 (Securities Commission, Ministry of Finance)

Note 6: Approval date and document number: July 10, 1998, #57585 (Securities Commission, Ministry of Finance)

Note 7: Approval date and document number: October 28, 1999, #94451 (Securities Commission, Ministry of Finance)

Note 8: Approval date and document number: August 9, 2000, #68848 (Securities and Futures Commission, Ministry of Finance)

Note 9: Approval date and document number: 08/04/2006, FSC (1) No.0950134497.

Note 10: Approval date and document number: August 7, 2007; FSC(I) No. 0960041875

Note 11: Approval date and document number: 03/13/2009, Ching-Sao-Shun No.09801047000.

Note 12: Approval date and document number: January 19, 2010, FSC No. 0980071154

Note 13: Approval date and document number: 01/26/2011, FSC No.1000001274.

Note 14: Approval date and document number: 06/11/2012, GreTai Securities No.10100135951.

Note 15:Approval date and document number: 04/11/2017, Ching-Sao-Shun No.10601045930

Unit: Share

Type of stock	Authorized Share Capital			Note
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	420,084,199	179,915,801	600,000,000	—

Note: Stock of OTC listed company

**(2) Shelf Registration: None.**

**2. Composition of Share Holders**

2020.03.31 Unit: Share; %

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Persons	Total
Quantity						
Number of shareholders	0	0	73	10,194	121	10,388
Shareholding	0	0	119,238,744	63,956,451	236,889,004	420,084,199
Holding Percentage	0.00%	0.00%	28.39%	15.22%	56.39%	100.00%

Mentioned shareholdings above are based on 2020.03.31, the date of transfer suspension.

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### 3. Distribution Profile of Share Ownership

#### (1) Common stock

2020.03.31 Unit: Person; Share; %

Shareholding classification	Number of shareholders	Shareholding	Percentage %
1 ~ 999	2,414	807,068	0.19%
1,000 ~ 5,000	5,989	12,353,942	2.94%
5,001 ~ 10,000	865	6,817,017	1.62%
10,001 ~ 15,000	304	3,926,355	0.93%
15,001 ~ 20,000	214	3,936,350	0.94%
20,001 ~ 30,000	186	4,746,379	1.13%
30,001 ~ 40,000	96	3,455,195	0.82%
40,001 ~ 50,000	65	3,035,126	0.72%
50,001 ~ 100,000	131	9,293,979	2.21%
100,001 ~ 200,000	59	8,397,036	2.00%
200,001 ~ 400,000	31	8,731,606	2.08%
400,001 ~ 600,000	7	3,478,000	0.83%
600,001 ~ 800,000	3	2,102,000	0.50%
800,001 ~ 1,000,000	3	2,629,631	0.63%
>1,000,001	21	346,374,515	82.45%
Total	10,388	420,084,199	100.00%

#### (2) Preferred stock: None

### 4. Major Shareholders

2020.03.31

Major Shareholders	Shares	Total Shares Ownes	Ownership
Wish Giver Limited		139,792,000	33.28%
Cheng Chang Investment Co., Ltd.		41,716,332	9.93%
Citibank in custody for U-Trade(HK)-Customer Account		34,713,000	8.26%
Fubon Securities holding ORIX Asia Capital Investment Account		21,000,000	5.00%
Bai Ruei Investment Co., Ltd.		18,488,690	4.40%
Lee Shih Investment Co., Ltd.		15,187,152	3.62%

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Major Shareholders	Shares	Total Shares Ownes	Ownership
Fubon Life Insurance Co. Ltd.		14,710,000	3.50%
Fuji Kogyo Co., Ltd.		12,540,543	2.99%
Lee Investment Co., Ltd.		8,549,114	2.04%
Mercuries Life Insurance		7,790,000	1.85%

**5. Market Price, Net Worth, Earnings, and Dividends Per Common Share for two years:**

Unit: NTD\$ Dollar; Share

Item	Year		2018	2019	As of 2020.04.15
	Market price per share	Highest		71.60	67.10
	Lowest		55.60	55.80	49.10
	Average		62.09	61.32	56.98
Book value per share	Pre-distribution		39.21	47.45	-
	Post-distribution		Not applicable	Not applicable	-
EPS	Weighted average shares		420,084,199	420,084,199	-
	EPS		5.19	5.48	-
Dividend per share	Cash dividend		3.00	3.00 (Note 2)	-
	Stock dividend	0	0	-	-
		0	0	-	-
	Accumulated unpaid dividends		0	0	-
Return on Investment analysis (Note 1)	PE ratio		10.11	11.19	-
	PD ratio		20.70	20.44	-
	Cash dividend yield (%)		4.83%	4.89%	-

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: (1) PE ratio = Current average closing price per share / Earnings per share

(2) PD ratio = Current average closing price per share / Cash dividend

(3) Cash dividend yield ratio = Cash dividend per share / Current average closing price per share

Note 2: A cash distribution of NT\$3.0 for 2019 fiscal year was proposed at the board meeting on April 14, 2020, and is pending for shareholders' resolution.

Note 3: As of the date of publication of this annual report, there has not been the latest quarterly earnings per share and net worth per share audited by accountants. The market price per share is as of the date of publication of this annual report.

**6. Dividend Policy and Distribution of Earnings**

(1) Dividend policy set in the company's Articles of Incorporation

Any earnings after the Company's fiscal year final settlement shall be allotted no less than 1% as the remuneration to employees, and no more than 2% as the remuneration to directors. Any earnings after the Company's fiscal year final settlement shall be allotted to make the payment of taxes and dues, and complete the deficit and losses, and then set

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aside 10% as the statutory reserve, unless the statutory reserve amounts to the Company's paid-in capital. Then, the amount stated as less item of shareholders' equity as incurred in then year shall be set aside special reserve or reverse special reverse, and the balance, if any shall be used to pay the stock dividend. The remainder, if any, plus the undistributed earnings for the same period shall be allocated subject to the board's motion for allocation of earnings as resolved by a shareholders' meeting.

The Company's dividend policy is intended to protect shareholders' equity and plan the future funding need based on the Company's future capital and budget planning. The dividend may be allocated in cash or in the form of stock, and the dividend allocated in cash shall be the first priority. The stock dividend is also applicable, provided that the cash dividend, if any, shall be no less than 10% of the total shareholder bonus.

(2) Allocation of dividends proposed at the shareholders' meeting:

With respect to the motion for allocation of earnings 2019, the board of directors resolved on April 14, 2020 that NT\$1,260,252,597 shall be allocated from the allocable earnings for this year to be distributed as cash dividend (NT\$3.0 per share). Upon approval of the shareholders' meeting, the board of directors shall set the ex-dividend base date.

(3) Expected significant changes in dividend policy: None

**7. Impact to the stock dividends proposed in the shareholders' meeting on the company's operating performance and earnings per share:**

Not applicable, as the motion for allocation of earnings approved upon resolution made by the board of directors on April 14, 2020 (which has not yet been approved by a shareholders' meeting) will not apply the allocation of stock dividend.

**8. Compensation to Directors, Supervisors and Profit Sharing Bonus to Employees**

(1) The percentage or range of bonus to employees and compensation to directors and supervisors set in the company's Articles of Incorporation:

The total annual earnings, if any, should be appropriated not exceed 1% to employees' remuneration and not exceed 2% to directors' compensation.

(2) The accounting treatment for the estimated bonus to employees and compensation to directors and supervisors and the estimated stock dividend different from the actually distributed amount: None

(3) Information regarding bonus distribution to employees and compensation to directors proposed at the board meeting; and earnings per share calculation:

i. Proposed employee bonus money of NT\$26,019,716 and director compensation of NT\$52,039,432 for 2019 fiscal year was proposed at the board meeting on 2020.02.25. Proposed employee bonuses and compensation to directors for fiscal year 2019 are in line with the amount recorded in financial reports for the same period. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences will be recorded in Profit & Loss as a change in accounting estimate in the year of actual appropriation.

ii. The proposed amount of stock dividend to employees and the ratio of it to the total amount of the net income and total bonus to employees: The Company has no stock dividend distributed to employees; thus not applicable.

(4) The actual distribution of bonus to employee and compensation to directors and supervisors in previous year:

The distribution of 2018 earnings was resolved in the general shareholders' meeting on May 31, 2019 shareholders' meeting. The distribution of dividends per share, bonus to employees, and compensation to directors and supervisors is as follows:

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	<u>2018</u>
Dividend per common share (NT\$)	
Cash	\$ <u>3.0</u>
Employee bonus – cash (NT\$ thousands)	\$24,673
Director remuneration (NT\$ thousands)	<u>49,345</u>
Total	\$ <u>74,018</u>

Actual profit distribution for fiscal 2018 was in line with the recognized amount in the financial reports.

**9. Buyback of Common Stock: None**

**10. Issuance of Corporate Bonds:**

**The first domestic private unsecured convertible corporate bonds issued by the Company on April 10, 2017 was due on April 9, 2020, and the principal and interest were paid on April 15, 2020.**

(1) Conduct and conversion for the issuance of the Company's first privately placed uncollateralized convertible corporate bonds within the Republic of China is as below:

<b>Type of Corporate Bond</b>		<b>First Domestic Privately Placed Uncollateralized Convertible Corporate Bonds</b>
Issuing (conducting) Date		April 10, 2017
Denomination		NT\$100,000
Issuing and Trading Places		N/A
Offering Price		Par
Total Amount		NT\$3,113,000,000
Coupon Rate		0%
Maturity		Three years, maturity date: April 9, 2020
Guarantor		None
Trustee		CTBC Bank Co., Ltd.
Underwriter		N/A
Certified Legal Counsel		N/A
Certified Public Accountant		N/A
Repayment Way		Repayment of all principals and interests in a lump sum upon maturity
Outstanding Principal		NT\$0
Clauses of Redemption or Earlier Pay-Off		None
Covenants		None
Credit Rating Institution Name, Rating Date, Rating Results of Corporate Bond		N/A
Other Attached Rights	Amount of Common Stocks That Have Been Converted (Exchanged or Subscribed), Overseas Depository Receipt or Other Securities by The Date of	None

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	Methods for Issuance and Conversion (Exchange or Subscription)	N/A
Methods for Issuance, Conversion, Exchange or Subscription of Stocks and The Issuance Conditions may have possible dilution and impact on Existing Shareholders' Equities		As of the maturity date of this private unsecured convertible corporate bonds, creditors have not exercised their conversion rights and have no significant impact on existing shareholders' equity.
Name of The Entrusted Custodian of The Exchanged Target		N/A

**(2) Information of convertible bond**

Type of Corporate Bonds		First Domestic Privately Placed Unsecured Convertible Bond
Year		Current year by April 15
Items	Highest	N/A
	Lowest	
	Average	
Conversion Price		NT\$56.5 (As of the maturity date of this bond, creditors have not exercised the right to convert)
Issuance (Conduct) Date and Conversion Price at The Time of Issuance		April 10, 2017 NT\$63
Way to Fulfil Conversion Obligation		Issuance of new shares

**11. Preferred stock: None**

**12. Overseas depository receipts: None**

**13. Employee stock options: None**

**14. Status of New Share Issuance in Connection with Mergers and Acquisitions:**

- (1) The matters to be disclosed where the merger or issuance of new shares in exchange for the transfer of other companies' shares has been completed in the most recent year and by the date of the Annual Report: N/A
- (2) The implementation and basic information of the companies that are merged or transferring shares to be disclosed where the merger or issuance of new shares in exchange for the transfer of other companies' shares has been approved by the resolution of the Board of Directors in the most recent year and by the date of the Annual Report: N/A

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**15. Financing Plans and Implementation:**

- (1) Financing Plans: The first public issuing or private placement of marketable securities has not been completed or has been completed in past 3 years but the benefits not yet obvious to the prior quarter of the publication date of the annual report: None.
- (2) Financing Plans and Implementation: Not applicable.

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Range

##### i. Main Business Activities

- Residents and buildings development and rental business
- Specific professional area development business
- New towns and new community development business
- Construction materials wholesale business
- Furniture, beddings, kitchen utensils and appliances, and fixtures retail business
- Construction materials retail business
- Landscape and interior design business
- Investments in the construction of public works business Cemetery development and rental business
- Real estate trade business
- Real estate rental business
- Senior homes business
- Urban renewal and reconstruction business
- Funeral facilities operations business
- Funeral and liturgical services business
- Industrial incubation business
- General hotel business
- Recreational club business
- Information and leisure business
- Tournament and leisure stadium business

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- Agency services business
- Festive general service business
- International trade business
- The ritual supplies retail business
- Food, sundries and beverage retail business
- Flower retail business
- Agricultural products retail business
- Non-store retail business
- Waste disposal business
- Waste collection business
- Unclassified services business
- Real estate brokerage business
- Real estate marketing agency business
- Warehousing business
- In addition to the chartered business, the business not prohibited or restricted by law

**ii. Revenue Contribution**

December 31, 2019

Products & services	Percentages
Funeral service	71.68%
Rental income	3.79%
Construction revenue (Note)	19.90%
Others	4.63%

Note: Net profit of NT\$834,167 thousand from the disposal of investment real estate of NT\$3,432,014 thousand minus related costs and expenses of NT\$2,597,847 thousand, and the sale of available-for-sale property of NT\$73,227 thousand.

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**iii. The Company's present and developing products and services**

a. Present products and services

The main business activities of the Company are selling columbarium and cemetery facilities and funeral services, and selling or rental of residence and business buildings.

b. Developing products and services

As a member of the funeral industry, the Company has been endeavoring to reform and innovate existing funeral service, products and facilities to provide better choices to consumers. Also, the Company will continue to foster quality funeral directors and other practitioners to improve the whole industry environment.

**(2) Business Overview**

**i. Industry environment and development**

a. Funeral industry

For thousands of years, the funeral customs and traditions have been at the heart of Chinese culture as Confucian philosophy preaches respect for the aged and filial piety. Filial piety is the most precious morality and also the essence and basic foundation of traditional customs and social morality. On account of filial piety, people keep the elder company and support him, and prepare appropriate funeral service when he passes away. Buddhism preaches the importance of filial piety, which leads the Chinese to arrange an elaborate funeral for the dead. Though funeral tradition has simplified in modern society, the conventional expectation for elaborate funeral still strike a chord.

As funeral service is one of the Four Rituals (coming-of-age ceremony, weddings, funerals, and worshipping), the general principle for funeral preparation is: "Treat the dead as the live; Treat the ceased as the survived.", therefore basic traits of Ancient Chinese funeral are generated, that are, "emphasize on filial piety, manifest patriarchal, show the social class, and elaborate funeral burial.", Taoism and Buddhism have also affected traditional Chinese funeral service.

Chinese culture consists of different kind of funeral traditions, including burying, cremation, sky burial, tree burial, sea burial, and so on. Owing to changes of economy and culture, the tradition has varied recently.

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The most significant difference between funeral service industry and other industries is that the product can be used one-time, which leads to difference of market model among other industries. In the early days, people who work in this industry is not that much, and most of them are family business, in a mentor-apprentice way, or a part-time job for coffin producers, cemetery constructors, or priests, the procedure for funeral services mostly follow old rules and lack of systematic flow, and that related know-how has to be acquired by being onboard, thus few people are willing to work in the industry.

As the change of times, part of business groups dedicated in funeral service industry, which start reversing the impression toward people since corporative management, with the trend of better quality, customization, emphasis on last wishes, and adjustments according to relatives, the funeral has simplified, being creative, and systematic. Those engage in funeral industry have more human and related resources, with professional training, workers can focus on specific responsibility. Workers changed from low-end labors to neatly suited and quality funeral directors. With the changes of the funeral culture, people start accepting the industry and regard them respectfully.

b. The market of funeral services in Taiwan

Basically, funeral activities in Taiwan is composed of successive rituals instead of single ceremony, the whole procedure can be separated into four parts: Hospice Care, Coffining, Proceeding to Cremation, and Burial. In traditional customs, being buried underground is the most popular way, but as the high density of population in Taiwan and cremation policy pushed by Taiwan Government, many people chose cremation which is more convenient, and ecological burial such as sea burial is now being more acceptable.

The progress of the industry in Taiwan is as following:

- (a) During the time after Taiwan's Restoration Day, Taiwan is mostly held by agriculture, the main way of burial is being buried under the ground. With the related regulation set in 1946, and the duration until 1983, there is no significant difference for funeral tradition.
- (b) The new regulation implemented in 1983 was mainly focused on the establishment of columbarium and cemetery facilities, the managing of funeral services are not yet being regulated. As the economy turned better in the 1980s-1990s, parade for the god, pat ka tsiong, dragon dance, and electric flower cars, and even ridiculous shows are being popular, which leads to the change of

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funeral services. With corporations that lack of profession knowledge and relatives of the dead pushing those customs, the funeral culture has changed.

- (c) Burial under the ground is the most popular way in the past, but since the high density and narrow land of Taiwan, funeral facilities is insufficient, Ministry of the Interior and the former social division of Government of Taiwan Province pushed phase one and phase two of the policy about improving the funeral services and planning , assisting local governments in gardening public cemeteries, building columbariums, mortuary parlors, crematoriums, which pushed the modernization of managing cemetery, prviding better quality of facilities’ services ahead, plus in the late 1990s, domestic business groups learned from foreign funeral service experiences, solemn funeral replaced hullabaloo in the 1980s.
- (d) In recent years, percentage of people accept cremation has increased from 90.14% in 2009 to 98.24% in 2018, and putting the ashes of the dead in the columbarium after cremation is now the main way. Simultaneously, the rising of environmental consciousness result in different way of burial, such as tree burial, sea burial, and so on, it lowers the costs of funeral and reduce the need of land for funeral use. Education of thanatology is also being spread, with industry, government, and education all devote to reforming the funeral industry, regulations on funeral released in 2002 started a brand new era for funeral services.

Year	Death Toll	Body Cremated	%	Quantity of Environmental Burial			
				Total	Non-Public Cemetery		Public Cemetery
					Park. Ground	Sea	Tree
2009	143,513	129,363	90.14	1,442	729	56	657
2010	145,804	130,886	89.77	1,542	603	182	757
2011	153,206	139,125	90.81	1,786	451	234	1,101
2012	155,239	142,030	91.49	2,939	542	62	2,335
2013	155,686	145,820	93.66	2,612	621	82	1,909
2014	163,327	152,963	93.65	3,910	658	137	3,115
2015	163,822	156,634	95.61	9,136	723	213	8,200

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2016	172,829	166,246	96.19	6,774	1,024	280	5,470
2017	172,028	165,692	96.32	7,743	1,153	294	6,296
2018	172,700	169,667	98.24	10,941	1,250	299	9,392
Compared with 2009(%)	20.34	31.16	8.10	658.74	71.47	433.93	1,329.53
Compared with 2017(%)	0.39	2.40	1.92	41.30	8.41	1.70	49.17

Source: 14<sup>th</sup> Statistics in 2020, Department of Statistics, Minister of the Interior

According to the Population Projections for R.O.C. (Taiwan) in August, 2018 by National Development Council, fertility rate has decreased in the past 50 years, the total population in the future will be a negative number. In terms of different fertility rate, negative population growth will occur in the next 3 to 10 years. The top of populations will be between 23,600,000 and 23,720,000, an increase of 11,000 to 125,000 compared with 2018. In 2065, the total population will be reduced to 16.01 million to 18.8 million, which is about 67.9% to 79.7% of 2018. Besides, as the fertility rate decrease more, negative growth increases, and accelerate the decrease of population.

With the figure as below, high, medium, and low variant of fertility rate, the estimated result of death is barely different due to economic development, medicotechnology, and public sanitation. According to the population structure in 2018, standardized death rate is going to decrease to 4.9‰ in 2065 compared to 7.5‰ in 2016.

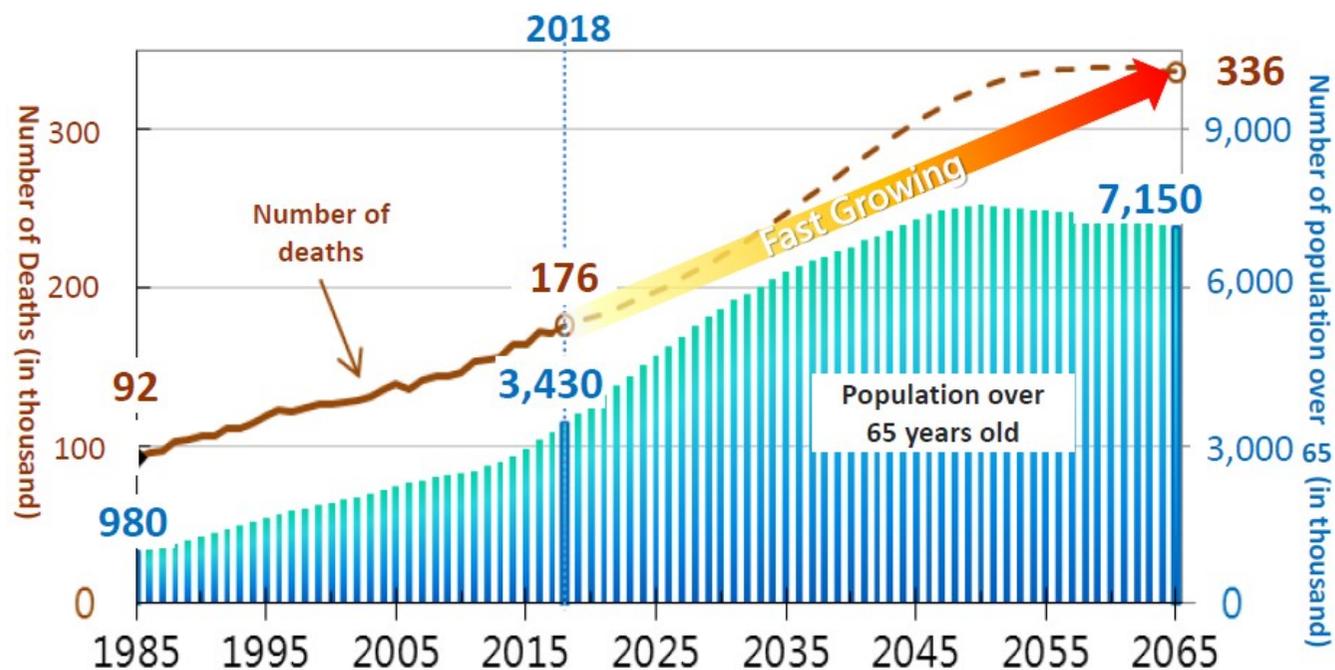
But affected by ageing quickly and the amount of the elders increased a lot, in the next 50 years, the number of deaths will still increase significantly, death toll will increase to 340,000 in 2065 in comparison to 180,000 in 2018, which has almost doubled.

Item		2018	2025	2045	2065
High estimate	Number of death (in thousand persons)	176	197	305	337
	Compared with which of 2016 (in thousand persons)	-	+21	+128	+160
	Crude death rate	7.5‰	8.3‰	13.6‰	17.8‰
	Standardized death rate	7.5‰	6.7‰	5.5‰	4.9‰

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Medium estimate	Number of death (in thousand persons)	176	197	305	336
	Compared with which of 2016 (in thousand persons)	-	+21	+128	160
	Crude death rate	7.5‰	8.4‰	14.0‰	19.2‰
	Standardized death rate	7.5‰	6.7‰	5.5‰	4.9‰
Low estimate	Number of death (in thousand persons)	176	197	305	336
	Compared with which of 2016 (in thousand persons)	-	+21	128	+159
	Crude death rate	7.5‰	8.4‰	14.5‰	20.8‰
	Standardized death rate	7.5‰	6.7‰	5.5‰	4.9‰

Source: Population Projections for R.O.C. (Taiwan): 2018-2065, August, 2018



Source: Population Projections for R.O.C. (Taiwan): 2018-2065, August, 2018

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Besides, according to the 14<sup>th</sup> Weekly Statistics in 2020 issued by the Department of Statistics, Minister of the Interior, number of columbarium used during 2018 was 190,683, which has increased 13.94% from which of 2009. The number included deaths cremated during the year and those buried in past 5~10 years and unearthed due to the Taiwanese folk custom – “bone collection”.

Year	Public Cemetery					Columbarium								
	Total (places)	In use (places)	%	Number of deaths buried	% of total number of deaths	Total (places)	In use (places)	%	Maximum Capacity (units)	Occupied (units)	Occupation rate (%)	Annual occupiønn	In bone	In bone ash
2009	3,132	...	...	13,798	9.61	415	...	...	8,009,913	2,197,535	27.44	167,348	38,714	128,634
2010	3,125	2,574	82.37	12,896	8.84	431	425	98.61	7,945,457	2,363,721	29.75	171,514	41,107	130,407
2011	3,163	2,455	77.62	11,685	7.63	458	447	97.6	8,019,218	2,529,940	31.55	177,883	42,904	134,979
2012	3,142	2,217	70.56	10,878	7.01	470	452	96.17	8,197,382	2,740,514	33.43	185,808	37,952	147,856
2013	3,115	2,175	69.82	10,662	6.85	471	456	96.82	8,170,913	2,921,917	35.76	189,755	36,584	153,171
2014	3,105	2,144	69.05	11,325	6.93	486	472	97.12	8,358,531	3,104,335	37.14	185,022	35,383	149,639
2015	3,2019	2,050	65.96	9,579	5.85	494	478	96.76	8,590,598	3,274,633	38.12	188,272	32,911	155,361
2016	3,088	1,920	62.18	8,848	5.12	517	493	95.36	8,746,100	3,477,500	39.76	197,168	29,452	167,716
2017	3,079	1,861	60.44	7,779	4.52	510	495	97.06	8,837,887	3,680,043	41.64	196,551	28,127	168,424
2018	3,057	1,828	59.80	7,610	4.41	530	510	96.23	8,923,860	3,860,942	43.27	190,683	28,848	161,835
Compared with 2009 (%)	-2.39	--	--	-44.85	-5.21	27.71	--	--	11.41	75.69	15.83	13.94	-25.48	25.81
Compared with 2017 (%)	-0.71	-2.19	-0.90	-2.17	-0.12	3.92	3.03	-0.83	0.97	4.92	1.63	-2.99	2.56	-3.91

Source: 14<sup>th</sup> Statistics in 2020, Department of Statistics, Minister of the Interior

With the growing aging population, the increased environmental awareness and the scarcity of available land in Taiwan, needs for funeral services and columbarium continue to show an upward trend. In addition to the Taiwan market, the Company is also expanding businesses in China to create more growth momentum in the future.

c. Funeral Market in China

China has a population of more than 1.3 billion people, and the number of deaths is about 9 million per year. However, both the capacity and quality of current funeral facilities cannot meet the Chinese consumers’ various needs, and the gap between supply and demand has been deepened by the fast urbanization in recent years.

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With the development of society and the improvement of living standards, Chinese consumers tend to pursue customized and diversified services and products, while the backward and disordered industry failed to fulfill those demands. Combined with the funeral reformation promoted by the government, the death care industry in China is full of opportunity.

As China is the most populous country in the world and has a growing elder population, demands for death care services will continue to grow and the potential of the industry is huge.

Though the funeral market in China is still not an open market, more non-government players can be seen in past 20 years. They not only bring new ideas and options for consumers but also encourage the whole industry to develop and advance.

**ii. The interrelationship among the upper, middle and lower stream of the industry**

Funeral industry can be divided into two business scopes: cemetery and columbarium products and funeral services. For the supply of cemetery and columbarium, the construction contractor is the up-stream. For the supply of funeral service, the suppliers for all the relevant materials are the up-stream. From the perspective of industry suppliers, there are several enterprises in service cooperating with suppliers regularly and permanently; however, there is no monopoly or oligopoly in practice affecting the operation of the funeral industry.

Customers who need cemetery, columbarium and funeral service are the down-streams of the funeral industry. According to the analysis on the customers for cemetery and columbarium, in addition to the source of deaths each year, there is also the demand for exhumation and relocation of burial spot due to the high funeral cost and increasing cremation demand. To meet this need, Lungyen regularly plans and installs cemetery and columbarium. A certain number of the products are provided annually in accordance with the schedule planning. According to the analysis on the customers for funeral service, along with the gradual increase of the aging population, the future demand for funeral service personnel will rise, so Lungyen regularly recruit professional liturgy personnel; also, office staff and liturgy personnel are recruited expansively in accordance with the increase of caseload. In addition, materials needed for funeral services are developed and renewed periodically not only to meet the needs of our customers but also to introduce materials beyond market expectation for leading the industry to grow.

**iii. Product development trends**

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Due to the influence of funeral management policies and market competition, the product development of the overall funeral service industry in the future will face the following changes:

a. Rising awareness of environmental protection

While society is in an aging trend, the availability of public cemeteries is getting rare. To avoid land competition between the dead and the living, the Ministry of Interior Affairs has been promoting natural burials, including tree burials and sea burials. We know that it will be no easy effort for the public to change, but it does not mean that the Company is not planning for the new trend to create a triple-win solution for its clients, the government, and the Company.

b. Transformation of funeral services

To deal with the issues found in funeral service areas and serious traffic jams around crematoriums, the Civil Affairs Department of the New Taipei City Government plans to adopt Japan's "extended burials" and encourage family members to cremate body remains and hold funerals at a later date. By so doing, hygiene issues arising from decay of remains prior to burial may be resolved and pressure placed on mortuary service offices from family members' for scheduling appointment of specific dates for cremation may also be alleviated. To begin with the government will only encourage adoption of this method. Notwithstanding, it is an inevitable trend that funeral service providers in Taiwan will move towards more environmental and cost effective methods. As a leader in the industry, Lungyen also encourages its customers to cremate remains first, and also takes the initiative to build ceremonial halls throughout Taiwan for its customers to hold funerals in after the remains are cremated.

c. Globalization and specialization

The booming development of the Internet has resulted in more frequent information exchange. In tandem with this the concept of a global village has come about accordingly. How to satisfy the needs of customers from different ethnic groups and religions in order to upgrade the Company's corporate image is a priority. Therefore, the Company needs to strengthen its observations of, and exchanges with, different countries, to provide a diversity of funeral choices for consumers from different cultures and religions. Also, with promotion by the government, academia and large-scale funeral service providers, funeral workers will move toward the goal of providing services based on professional training and professional licenses, instead of past services primarily provided based on skills passed on from previous generations.

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d. Transparency and publicize

Consumer-oriented marketing concepts have already reached maturity in various domestic markets so naturally the funeral industry cannot escape this trend. Regardless of ritual procedure, service contents, supply quality, in-store displays or even product price lists, the funeral industry will need to them adopt transparency and openness step by step, to meet strong customer needs.

**iv. Product competition**

Arranged by the business development models, large funeral homes and funeral service groups (the Company's main competitors currently) utilizing modernized management to implement funeral services in Taiwan since 2000s to present are summarized as follows:

<b>Company</b>	<b>Original Business Activities</b>	<b>Current Services and Products</b>	<b>Service Coverage</b>	<b>Business Model</b>
Lunyen	Construction	Cemetery, columbarium, funeral services, cultural tourism, pre-need contract and construction	Nationwide	Direct sales
Long Bon International and subsidiaries	Construction	Real estates, funeral services (columbarium in Nantou is under construction) and hotel operation	None	None
Kee Tai Construction	Construction	Cemetery and columbarium (sold out), no funeral services currently	None	None
Teinpin Technology and subsidiaries	Electronics	Cemetery and columbarium for the Christian religion	None	None
Gobo Services Group	Construction	Cemetery, columbarium, funeral services, pre-need contract, construction, life insurance, publishing and recreational healthcare business	Nationwide other than Hua-lien and Taitung	Direct sales in the urban area and outsourcing in non-urban area
Chin Pao San Group	Construction	Cemetery, columbarium, funeral services, pre-need contract, cultural tourism	Taipei, New Taipei, Keelung and Taoyuan	Regional direct sale
Chanyun	Construction	Cemetery, columbarium, funeral services and pre-need contract sales	Nationwide other than Hua-lien and Taitung	Outsourcing to small-scale funeral servicers
Baushan Liturgica	Cemetery	Cemetery, funeral service and	Nationwide other	Direct sales in the

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Services	operation	biochemical technology investment	than Hua-lien and Taitung	urban area and outsourcing in non-urban area
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**(3) Technology, research and development**

To meet customer demand, Lungyen not only works with the up-stream suppliers to develop specialized materials but also cooperates with Prizker Architecture Prize winner, Heinrich Wang, and the Okura Art China designers in Japan who work for Japan Royal brand to develop Centurial Cemetery, Wuxia panels, Binfen urns, Fenghua urns and so on. Meanwhile, the Company also provide such services as castrate and hair cutting to provide consumers with personalized, delicate and diversified services and to advance the entire funeral service so as to create customers' value and recognize Lungyen. The Company is engaged in funeral services emphasizing the quality of service. In conclusion, the Company has no R&D personnel or R&D expenses and results.

**(4) Long-term and short-term business development plan:**

**i. Short-term business development plan**

a. Marketing strategies

- (a) Provide customers with good quality products and actively develop market and enhance sales.
- (b) Combine the channel of insurance industries to enhance the reservation market share and provide customers with better service and generate maximum profits.

b. Product development

- (a) Integrate the operation of Futan Cemetery Park, Taichung Bausan Cemetery Park, and Jiayun Cemetery Park through Yuji Development Corp., the affiliate, and inject the operating advantage of Lungyen to provide customers in central and southern Taiwan with diversified selection of columbarium and cemetery; also, to enhance the satisfaction of customers in central and southern Taiwan
- (b) Coordinate with the company's development and enhance the company's image; actively strengthen management and improve corporate performance.

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**ii. Long-term business development plan**

a. Marketing Strategies

- (a) The best marketing technique is to enhance the quality of funeral services and to build up loyalty to Lungyen brand. The considerate professional service provided by the undertaker helps win customer's recognition.
- (b) Response to the growing needs of a significant diversified market, emphasizing small-scale service with diversity, innovative service, and fashionable features.
- (c) The custom of setting up shrine for the deceased is changing with time especially in the urban area. The Company is cooperating with leading international luxury house designers to build up a flagship funeral service center to provide our customers with luxury hotel like services, which is also a means to increase the Company's competitive edge.
- (d) Gradually expand the horizons of funeral services to make it more vivid so that consumers can get rid of the strain of the final consumption; also, extend the service portfolio for the needs in different spatial.

b. Product development

- (a) In addition to focusing on the columbarium, cemetery and funeral services, the plan is to combine nursing home, medical services, and insurance channels to expand market share and increase customer recognition.
- (b) To demonstrate differentiation in a competitive market, the plan is to continue developing diversified products to meet market demand.
- (c) Coordinate with the established policy of the government and the company to complete the work in each stage.

**2. Market Environment**

(1) Market Analysis

i. Main products

- a. Cemetery, columbarium, funeral services and preneed funeral contract sales

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- b. Building: Residential, office, store and parking spaces
- c. Offices, factories and residential rental
- d. Others

Customers are generally domestic consumers aging 50 to 70 years old.

ii. Market share

Total entrusted amount for preneed funeral contracts was NT\$15.05 billion as of the end of 2019, of which NT\$11.34 billion is under Lungyen's administration, which means the Company owns the market share of around 75%. In terms of the columbarium, units of columbarium sold but not in use from our True Dragon Tower account for 4% of the total of Taipei residences, which is around 6.67 million people.

iii. Future market supply, demand and growth

a. Supply

According to the statistics issued by the Ministry of Interior in 2020, there were 3,057 public cemetery as of the end of 2018. Number of the deased buried in 2018 was 7,610, accounting for 4.41% of the total deaths, 5.21% lower than 2009. Number of columbarium facilities as of the end of 2018 was 530, which is able to house 8.92 million urns. In 2018, and additional 190 thousand unit of columbarium was used, which increased the total occupation rate to 43.27%. A total of 169 thousand bodies were cremated, accounting for 98.24% of total deaths, which has increased 8.10% within 10 years.

b. Demand

According to the data of the Ministry of Interior, the household registration population was 23.60 million in the end of 2019. The mortality rate of residents in Taiwan was increased from 143,000 persons in 2008 to over 176,000 persons in 2019. Taiwan has officially become an aging society since 1993 and the percentage of senior citizen over 65 years old is increasing to 15.28% by the end of 2019. The mortality rate is expected to increase in the next 50 years, and reach to 340,000 persons in 2065. Apparently, funeral industry has a good opportunity to grow in the future to come.

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c. Growth Potential:

According to Taiwan pre-need contract trust fund statistics, Taiwan's trust fund amounted to NT\$15.05 billion as of the end of 2019. Assuming preneed funeral contract is sold for an average price of NT\$200,000, the necessary trust amount is NT\$150,000 (75%); therefore, Taiwan's pre-need contract is sold for less than 100,000 contracts, accounting for only 2.7% of the senior citizens over 65 years old. Thus, the market is with great potential to grow.

iv. Competitive niches:

a. Transparent Financial Structure and Excellent Corporate Governance.

For some customers, buying columbarium or pre-need contracts is to purchase in advance, thus choosing a steady company is a major factor, the Company is the 1<sup>st</sup> OTC listed funeral company, awarded for top 5% of the excellent enterprises evaluation on TWSE/GTSM listed companies in for five consecutive years in 2014~2018, thus enhanced the competitive power.

b. Own service halls for funeral services, providing solemn environment for funeral services.

To give feedback for our customers, the Company constructed service halls in Taiwan and provides solemn environment for funeral services.

c. The principle of "people-oriented" which leads to professional funeral services.

The Company dedicated to enhancing the quality of our human resources, assigning our employees to Japan to learn, and develop a new pre-need contracts that fits Taiwan market. Meanwhile, the Company learned from Japan which emphasized on people-oriented and blended into our business culture. With the certification for funeral directors implemented by Minister of the Interior, the Company's service will be more professional and standardized.

v. Favorable and unfavorable factors for development and countermeasures

a. Favorable Factors:

(a) Implementation of "One-Stop Funeral Service"

The Company is committed to the development and sale of funeral hardware; also, is dedicated to on-going concern with a

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department setup specially for funeral service, promotes “pre-need contract” that has been offered in the USA and Japan for years, implements the “one-stop-funeral” policy, improves service quality and range of services

(b) Excellent service quality

The Company keeps hiring and educating funeral directors, holding regular qualified test and onboard training, certification of funeral directors has exceeded 101 people by the end of 2018, the Company looking forward to providing better qualify in the future.

(c) Transparent Financial Structure

The Company has always insisted on financial transparency practice for protecting the interests of customers and the security of business operation. Clearly publish the company’s revenue distribution status and flow by public offering, public financial statements, and operation overview; also, becomes the first listed/OTC funeral service business in Taiwan.

b. Unfavorable factors:

(a) Costumers has insufficient knowledge for columbarium, cemetery and pre-need contract, thus hard to promote.

At the early stage of market development in Taiwan, under the traditional view of local residents, the society sees funeral business differently; therefore, the sales organization and system cannot be effectively expanded and it is difficult to access to the market and convey the concept fully, coupled with the appearance of many illegal speculators, people have doubt in the trade of columbarium and preneed contract and they become conservative in consumption and the market order is thereby undermined.

Countermeasures:

Enhance undertaker’s professional attitude and service quality to differentiate from the traditional funeral industry. Establish a new image and service quality standard for the industry. Create different styles of funeral service to prevent the competitors from imitating our operation. The acceptance of consumers for columbarium and pre-need contract is growing that is evidenced by the sales growth; apparently, it is a successful marketing strategy.

(b) Negative impression toward funeral industry in the society, thus difficult to hire.

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Funeral industry in general is with low social prestige. Compared to other industries, funeral industry is less appealing than other industry and resulting in the industry isolation and lack of talent.

Countermeasures:

Initiate propaganda by media to educate the public; commission the relevant colleges and institutions to conduct training, performance evaluation, and promotion, and recruit talents through group operations with sufficient education and training provided.

(c) Price war among the region might decrease the earnings.

Part of Taiwan still run funeral-related business in a small group, which potentially initial the price war in the market.

Countermeasures:

The Company insist on high quality, by providing best quality for our customers, the Company becomes a trustworthy corporation, and advertise government policies on the trust of preneed funeral contract through advertising and DM propaganda. When all customers have this knowledge, the sale of pre-need contract by illegal operators can be stopped. Furthermore, ask the government to set up inspection teams to fine the illegal operators and to protect consumer's interests, and to enhance the overall image of the funeral industry and a healthy competition.

(2) Usage of major products and manufacturing processes

i. Usage of major products:

The Company's main products are divided into two groups, columbarium and funeral service. The intended use of columbarium is to provide the deceased with a comfortable accommodation and make is easy for the visit of the descendants. The intended use of funeral services is to provide a set of ceremonial funeral services in conformity with liturgy and enable customers to plan for their funeral service in advance not only to relieve the descendants from the dilemma of being not familiar with funeral rituals and procedures but also through the advance payment to fight the worsening inflation.

ii. Production processes for major products:

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Lungyen had True Dragon Tower constructed in the last decade with 380,000 Columbarium's provided. The customer-oriented container frame and fitting is currently designed in response to customer's demand for columbarium. In addition, Lungyen corporates with an international architect who won Pritzker Architecture Prize, and Shanghai Yuan-Lin to develop Centurial Cemetery in order to provide customers with the highest quality products. The principal production processes of funeral services is when customers ask for performance the Company will provide the most professional services based on the contract signed. For the non-contractual services requested by customers, the Company will do its best to provide the best support and the customer satisfaction surveys will be performed at the end of the service provided for reference in improvement and to meet customers' needs.

(3) The supply status of main raw material:

<b>Material Category</b>	<b>Vendor</b>	<b>Classification</b>	<b>Sources</b>	<b>Supply Status</b>
Construction	A and B	Cemetery Construction	Taiwan	Good
Funeral goods	C, D and E	Bereavement layout	Taiwan	Good
Funeral goods	F and G	Miscellaneous liturgy	Taiwan	Good
Funeral goods	H, I and J	Ceremonies	Taiwan	Good

(4) Major suppliers and customers

i. Customers accounting for at least 10% of annual sales

The Company is primarily engaged in sales of cremated remains storage facilities, funeral services, lease and sales of residential areas and buildings. Currently, products are presold to unspecified individuals and enterprises through consignment companies or the Company's own channel. For the last two years, no sales to a specific customer have been greater than 10% of total annual sales. Therefore, the Company has no customers who accounted for more than 10% of total sales in the last two years.

ii. Suppliers accounting for at least 10% of annual net procurement

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Item	2018				2019				2020 Q1			
	Name	Amount	As % of total annually net procurement	Relation to the Company	Name	Amount	As % of total annually net procurement	Relation to the Company	Name	Amount	As % of total annually net procurement	Relation to the Company
1	A	456,726	30.57	None	A	240,382	21.15	None	(Note 2)			
2	B	257,028	17.20	None	B	104,473	9.19	None				
3	Others	780,230	52.23			791,458	69.66					
	Net procurement	1,493,984	100.00		Net purchase	1,136,313	100.00					

Note 1: the annual net procurement amount includes construction in progress - increase in construction costs, cost for land transfers and the purchasing of funeral service items.

Note 2: As of the date of publication of the annual report, the financial information for the first quarter of 2020 has not been reviewed by accountants.

Reason for the increase/decrease :

The main reason of decrease of the Company's purchase in 2019 was due to Sanzhi's 26 hectares of soil and water conservation main project completed in the first quarter of 2019.

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(5) Production for the most recent two years

In NT\$ thousand

Production capacity value	Year	2018			2019		
		Capacity	Production quantity	Production value	Capacity	Production quantity	Production value
Major goods							
Columbarium		(Note 1)	26,813 units	454,530	(Note 1)	7,677 units	97,971
Cemetery		(Note 1)	803 units	712,240	(Note 1)	260 units	21,577
Others		None	None	None	None	None	None
Total		(Note 1)	(Note 2)	1,166,770	(Note 1)	(Note 2)	119,548

Note 1: The Company does not manufacture its own products but relies on outsourced production. Therefore, there is no production capacity. Operations in 2019 mainly focused on the development of columbarium and cemetery facilities and funeral services.

Note 2: Due to different products have no mutual measurement, total number will not be measured.

(6) Sales for the most recent two years

In NT\$ thousand

Production capacity value	Year	2018				2019			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Major goods (or by department)									
Columbarium		29,132 units	2,561,993	-	-	2,569 units	1,331,409	-	-
Funeral service		5,731 units	1,630,939	-	-	5,382 units	1,601,340	-	-
Cemetery		140 units	348,961	-	-	185 units	335,528	-	-
Others		(Note 2)	415,125	-	-	(Note 2)	1,291,071	-	-
Total		(Note 2)	4,957,018	-	-	(Note 2)	4,559,348	-	-

Note 1: Columbaria and cemeteries are products in True Dragon Tower and cemeteries, of which sales value shall be recognized when the payment fully paid and construction completed; while sales value of funeral services shall be recognized when the services delivered.

In 2019, the Company's columbarium and cemetery revenue was NT\$1,667 million, or 35.56% of total revenue; funeral service revenue was NT\$1,601 million, or 35.12% of total revenue. In 2018, the Company's columbarium and cemetery revenue was NT\$2,911 million, or 58.72% of total revenue; funeral service revenue was NT\$1,631 million, or 32.90% of total revenue.

Note 2: Due to different products have no mutual measurement, total number will not be measured.

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### 3. Information of our employees

Year		2018	2019	As of April 15, 2020 (Note)
Number of employees		506	531	533
Average age		37.45	38.21	38.42
Average years of service		5.62	6.61	6.93
Distribution of education	Doctorate	0%	0%	0%
	Masters	8.50%	8.70%	9.00%
	University/college	73.32%	73.30%	70.90%
	High School	14.23%	12.80%	14.60%
	Below High School	3.95%	5.30%	5.40%

Note: 1. Distribution of education and service year is based on year-end data  
2. Service years refer to years working in the Company

### 4. Expenditure for Environmental Protection

(1) In accordance with related laws and regulations, if the Company should apply for a permit for pollution facility installment, a permit for pollution emission, payment of a pollution protection fee or setting up of responsible personnel for environmental protection, the situation of application, contribution and setup should be explained:

The Company belongs to funeral industry and has no immediate involvement in environmental pollution conduct. Sewage and wastes are gave over to qualified contractor to disposal. Information of permits required by related laws and regulations for polluttional facilities are listed below.

i. The Company has acquired Stationary Pollution Source Installation and Operating Permit

Cateory	Number	Valid Before
Permit for water pollution control	New Taipei City Huan-Sui-Hsu #02929-02	2023.03. 20

ii. Payment for Pollution Control

The Company outsources the disposal of its industrial waste to commissioned contractors. All operations comply with related laws and regulations.

iii. Establishment of specific responsibility for environmental protection: Not applicable.

(2) Investment in facilities for environmental protection, use and potential benefit: Not applicable

(3) In the most recent two years and up until the publication of the annual report, in the process of

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environmental pollution improvements, any disputes arising and an explanation of the handling procedure adopted: Not applicable.

- (4) In the current year up until publication of the annual report has the Company suffered losses due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the letter number of the punishment, the provisions of the laws and regulations, the content of the laws and regulations, and the content of the punishment). The current and future estimated amounts and corresponding measures should be disclosed, if it is impossible to reasonably estimate, the fact that it cannot be reasonably estimated should be explained:
- a. In the most recent year of the company and as of the date of publication of the annual report, there has been no significant loss or punishment due to environmental pollution.
  - b. The Company is a funeral industry and has no serious environmental pollution problems. At present, there is no loss due to environmental pollution. The Company's cemetery development is designed to conform to the natural environment, continue to green, increase the function of carbon sinks, and the products are also designed in accordance with the green building plan.
- (5) Information about current pollution and the impact of improvement in it on the profits, competitive position, and capital expenditures of the Company, as well as projected major environment-related capital expenses to be made: None.
- (6) Related information on ROSH EU restrictions: The Company does not directly or indirectly export goods to Europe; thus no regulations regarding ROSH shall be applied.

**5. Relationship between employer and employee**

- (1) Employee welfare measures including advanced study, training and pension plan, actual status of agreements between employer and employees and safeguarding of employee rights and interests are as below:
- i. Employee welfare, advanced study and training measures:
    - a. National health insurance and labor insurance are provided in accordance with regulations;
    - b. Commercial insurance (group insurance) paid by the Company;
    - c. Training courses are provided to improve the professionalism of employees;
    - d. Annual bonus;
    - e. Staff canteen and shuttle bus;
    - f. Employee Welfare Committee established to handle various welfare activities:
      - (a) Allowance for staff group activities, birthday leave, subsidies or gift money for occasions such as wedding, funerals and maternity;

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(b) Department dining and year-end party

ii. Educating, training and successor plan

a. The Company has been endeavoring to establish a working place with abundant learning resource to enrich employees' profession skills and improve efficiency. Sticking with the idea, the Company designated the "Employee Training Procedures", which cover the preemployment training, professional expatriate training, and on-job training. In 2019, employees under any training program totaled 188 with the total training time of 206 hours. The sum of training expenses were NT\$120,300.

Items	New Employment	Management Associate Training	Expatriate Training	Total
Number of People	165	8	15	188
Hours	22.5	30.5	153	206
Person-Time (Number of people*Hours)	3712.5	244	2,295	6,251.5
Expenditure	80,500	9,450	30,350	120,300

b. The Company's Board of Directors has been paying close attention to the successor arrangement. For this reason, the Board established the Corporate Governance and Charter of Nominating Committee to lead the training plan for successors to directors and top managers (including the general manager) with the Compensation Committee. Target of the successor plan are: (i) setting up criteria for directors and top managers; (ii) being approved and supported by the board; (iii) establishing available talent pool; (iv) providing necessary resources and training; (v) establishing succession plan (including candidate and timing).

Status of succession plan meeting held before April 15, 2020:

Meeting Date	Participants	Agenda	Meeting Summary
January 31, 2019	Chairman, Liu, Wei-Lung, Independent Director, Yeh, Shu, Independent Director, Wang, Huai, Independent Director, Wang, Frank Chun-Chung,	Organization, talent training and succession plan (1)	1. Clarified the Company's short, medium and long term goals and strategies in order to design the fittest organization 2. Set up clear criteria for talent 3. Reserve qualified candidate and provide sufficient resources and training.
March 19, 2019	committee member, Yu, Ying-Chi	Organization, talent training and succession plan (2)	1. Review of the current organization. 2. Discussion on future organization

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			3. Initial idea for the talent criteria
May 30, 2019			Discuss the internal management mechanism of Lungyen from the training of successors.
July 29, 2019			The concept and simple method of Lungyen digital transformation plan and manager succession plan.
October 18, 2019			Discussion on organization adjustment
October 25, 2019			Suggestions for the optimal organization adjustment and the bonus system improvement

iii. Retirement System and implementation

- a. Employees' Retirement Pension: Comply with the Labors' Standard Act, the Company should raised 2% of monthly salary for retirement pension for those who were onboard before June 30, 2005, deposit to assigned treasury in Bank of Taiwan, and pay to workers according to Labors' Standard Act.
- b. Labor Pension Act: Since July 1, 2007, for employees who select to apply to Labor Pension Act, should raised 6% of monthly salary for retirement fund to Employee's Individual Account of Labor Pension.

The Company comply with the Act, labors' retirement pension with no less than 6% will be raised monthly to Employee's Individual Account of Labor Pension.

iv. Status of employer/employee agreements:

Relationships with employees are always harmonious and there are no labor disputes. Thus there are no agreements in place. The company held meetings regularly to communicate and coordinate with each others.

v. Measures for the maintenance of employee rights and interests

The Company has Human Resources guidelines and regulations in place. Employees' rights and obligations are stated in detail and the Company spares no efforts to protect employee rights.

(2) In the most recent two years and up until publication of the Annual Report has the Company suffered any losses due to labor disputes? Please disclose the possible amount of losses currently and in the future and related measures:

- i. In the most recent two years and up until publication of the Annual Report has the Company suffered losses due to labor disputes?: None.

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- ii. Possible amount of losses due to labor disputes currently and in the future and related measures:

Relationships with employees are always harmonious and so far there have been no labor disputes. The Company calls labor meetings irregularly to improve labor relationships. Employee briefings, monthly meetings and department meetings are irregularly held and a hotline 885 has been set up to deal with issues of colleagues.

- (3) Disclose work environment and employee safety protection measures:

The Company is part of the service industry so employees aren't exposed to the same risks as in the manufacturing industry. The Company has work environment and employee safety protection measures in place. In addition the company has a commitment to a safe and comfortable working environment, protection from occupational disease and hazards, maintenance of health of employees, increasing awareness of environmental health and safety, exercise of responsibilities and shaping of the corporate culture.

Employee personal safety and work environment implementation in 2017 is as below:

- i. Regular medical checkups
- ii. Regular drinking water checkup
- iii. Regular environment cleaning and sterilization
- iv. Smoking prohibition within buildings
- v. Regular examination for elevator operation
- vi. Prohibition on dumping of goods in emergency staircases
- vii. Group insurance consulting time every Friday by Farglory Life insurance company.
- viii. Employee fire safety training seminar
- ix. Access card security management notice and advocacy
- x. Clear marking of hazardous materials and substances and waste classification in the work environment
- xi. Employee emergency escape route planning and advocacy
- xii. Set up of an emergency response team and immediate notification of employees during typhoons and earthquakes

- (4) Moral Value, Business Activities, and Compliance:

Since the establishment of the Company, we provide our products and services with the mission statement and core value "People-Oriented". "Profession. Honesty. Mercy", upgrading the industry, emphasizing on fairness, justice, and public. The company became the only OTC listed funeral company at present.

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In such environment, the Company hires the employees according to Codes of Employee Behavior, which elaborate the regulations and obligations as an employee, the procedure is as following:

- i. General regulations
- ii. Employee Relationship Maintenance
- iii. Prohibition on holding more than one job concurrently and avoidance of conflicts of interest
- iv. Rules on gifting and entertainment
- v. Confidentiality Regulations
- vi. Maintenance of information completeness and accuracy
- vii. Maintenance of intellectual property
- viii. Non-public information use regulations
- ix. Prohibition on bribes: It is forbidden to approach officials with the intent of offering bribes or gifts (including gifts or equivalent voucher, coupons or stock) in exchange for convenience of business control.
- x. Responsibility and obligation to report

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6. Material Contracts

As of the date of printing this annual report, the supply and marketing agreements, technical cooperation agreements, construction agreements and other important agreements which are able to influence investors' rights as below:

Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
Construction Construction	Construction of Xizhi headquarter	Taiwan Obayashi Corp.	Commenced from September 28, 2012 and will end on the expiry of warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction-bidding A	A Company	Commenced from March 29, 2017 and will end on the expiry of the warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction - bidding B	B Company	Commenced from March 29, 2017 and will end on the expiry of warranty period	Civil engineering project	None
	Turnkey for landscape works for Sanchi cemetery	MUHE Landscape Design Construcion Co. Ltd.	Commenced from May 7, 2018 and will end on the expiry of warranty period	Construction	None.
	Sanzhi cemetery New Project (House of Light, Service Center, Equipment Room) Planning and Design Commission	Tai Architect and Associates	Commenced from July 01, 2008 and will end on the completion of construction	Design/Construction	None
	Construction for service center of Sanchi Centerial Cemetery	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	New Designing and Contruction Contract in Banqiao Dist., New Taipei City	Hongjing United Architects	Commenced from November 03, 2016 and will end on the completion of construction	Design/Construction	None

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Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
	Construction for funeral service center in Banqiao	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	Design and Development Contract (BOO) for the new construction of No. 154 Dingjin Section, Sanmin District, Kaohsiung City	Hongjing United Architects	Commenced from January 20, 2018 and will end on the completion of construction	Design/Construction	None.
	New Construction of Funeral Parlor in Dingjin Section, Sanmin District, Kaohsiung City (BOO)	Chuan-hsin Construction Limited	Commenced from November 07, 2019 and will end on the expiry of warranty period	Construction	None.
	Designation contract for the new construction of Laizikeng section, Neimen District, Kaohsiung City (Light of Hill)	Hongjing United Architects	Commenced from June 08, 2016 and will end on the completion of construction	Design/Construction	None.
	Construction of Light Hill Life Memorial Hall , Antai Memorial Cemetery, No.117 and 119, Yongfu Section, Neimen District	Chuan-hsin Construction Limited	Commenced from April 01, 2020 and will end on the expiry of warranty period	Construction	None.
	Kaohsiung Antai Outdoor Cemetery Water Conservation Project	Ruijian Construction Co., Ltd.	Commenced from December 30, 2019 and will end on the expiry of warranty period	Civil engineering project	None.
	DESIGN SERVICES AGREEMENT BETWEEN LUNG YEN LIFE SERVICES CO., LTD. AND TADAO ANDO ARCHITECT & ASSOCIATES	TADAO ANDO ARCHITECT & ASSOCIATES	Commenced from February 27, 2009 and will end on the construction date of the design.	Cemetery design	None.
	Soil and water conservation works for Futian	A company	Commenced from August 17, 2018 and will end on the expiry of warranty period	Civil engineering	None.
	Soil and water conservation works for Futian	A company	Commenced from November 30, 2017 and will end on the expiry of warranty period	Civil engineering	None.

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Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
Lease	Rental of the whole building	Customer A	2016.03.19 ~ 2036.03.18	Lease Contract	None
Insurance	Fire Insurance of main operating assets	Fubon Insurance Corp. Ltd.	2019.12.31 ~ 2020.12.31	Fire Insurance	None
Banking	Bank Credit Contract	CTBC Bank Co., Ltd	2020.01.01 ~ 2020.12.31	Credit Contract	None
Trust	Preneed funeral contract deposited into Trust	Chang Hwa Bank	2012.12.28 ~ 2022.12.27	Preneed funeral contract deposited into Trust	None



## VI. Financial Highlights

### 1. Condensed balance sheet and income statement

#### (1) Condensed balance sheet and comprehensive income statement

##### i. Condensed Balance Sheet - consolidated – IFRS applied

In NT\$ thousand

Item	Year	Financial Information for the Lastest 5 Years (Note 1)					Financial Information for the First Quarter of 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current Assets		26,117,836	26,819,098	29,348,459	38,823,762	45,423,494	-
Property, Plant, and Equipment		6,516,579	5,866,648	5,844,965	5,812,305	6,078,158	-
Intangible Assets		769,496	775,226	764,631	759,365	755,937	-
Other Assets		14,105,110	17,515,456	17,679,524	17,897,876	12,849,219	-
Total Assets		47,509,021	50,976,428	53,637,579	63,293,308	65,106,808	-
Current Liabilities	Pre-distribution	37,868,027	39,793,324	36,477,556	43,508,071	45,089,575	-
	Post-distribution	38,067,569	40,297,425	37,527,766	44,768,324	(Note 2)	-
Non-current Liabilities		321,435	110,128	3,253,820	3,312,244	83,382	-
Total Liabilities	Pre-distribution	38,189,462	39,903,452	39,731,376	46,820,315	45,172,957	-
	Post-distribution	38,389,004	40,407,553	40,781,586	48,080,568	(Note 2)	-
Equity Attributable to Owners of the Parent Company		8,235,160	9,818,577	12,528,906	14,982,373	18,435,961	-
Common stock		3,990,842	3,990,842	4,200,842	4,200,842	4,200,842	-
Paid-in Capital		1,413,044	1,420,112	2,519,954	2,519,954	2,519,954	-
Retained Earnings	Pre-distribution	3,232,939	4,010,266	5,349,495	7,573,124	11,871,861	-
	Post-distribution	3,033,397	3,506,165	4,299,285	6,312,871	註 2	-
Other Equity		(401,665)	397,357	458,615	688,453	(156,696)	-
Treasury stock		0	0	0	0	0	-
Non-controlling interest		1,084,399	1,254,399	1,377,297	1,490,620	1,497,890	-
Total Equity	Pre-distribution	9,319,559	11,072,976	13,906,203	16,472,993	19,933,851	-
	Post-distribution	9,120,017	10,568,875	12,855,993	15,212,740	(Note 2)	-

Note 1: Financial information for 2015 to 2019 was audited and certified by an independent accountant.

Note 2: Appropriations for 2019 earnings are pending approval at the shareholders' meeting.

Note 3: As of the date of publication of the annual report, the financial information for the first quarter of 2020 has not been reviewed by accountants.

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ii. Condensed Statement of Comprehensive Income –Consolidated- IFRS applied

In NT\$ thousand

Year Item	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating income	3,529,106	3,463,382	5,104,378	4,957,018	4,559,348	-
Gross profits	2,293,893	2,101,259	3,810,779	3,343,497	3,216,146	-
Operating profit	1,246,958	932,225	2,225,085	1,952,701	2,109,011	-
Other revenue and expenses	140,466	271,298	221,096	646,117	515,494	-
Net income before tax	1,387,424	1,203,523	2,446,181	2,598,818	2,624,505	-
Net income from continuing operations	1,189,580	1,067,910	2,182,033	2,291,474	2,370,342	-
Losses from discontinued operations	0	0	0	0	0	-
Net income(loss)	1,189,580	1,067,910	2,182,033	2,291,474	2,370,342	-
Other comprehensive income (net of tax)	(390,293)	799,134	57,237	428,832	2,582,639	-
Other total comprehensive income	799,287	1,867,044	2,239,270	2,720,306	4,952,981	-
Profit attributable to owners of the parent company	1,089,361	977,840	1,843,999	2,180,535	2,302,871	-
Profit attributable to owners of non-controlling interests	100,219	90,070	338,034	110,939	67,471	-
Comprehensive income attributable to owners of the parent company	699,067	1,775,891	1,904,588	2,606,983	4,882,142	-
Comprehensive income attributable to owners of non-controlling interests	100,220	91,153	334,682	113,323	70,839	-
EPS	2.73	2.45	4.44	5.19	5.48	-

Note 1: Financial information for 2015 to 2019 was audited and certified by an independent accountant.

Note 2: As of the date of publication of the annual report, the financial information for the first quarter of 2020 has not been reviewed by accountants.

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## iii. Condensed Balance Sheet – Individual –IFRS

In NT\$ thousand

Year		Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		23,155,574	23,335,233	24,683,267	34,475,813	41,804,826	Not applicable
Property, plant, and equipment		6,113,437	5,736,127	5,711,010	5,679,403	5,953,704	Not applicable
Intangible assets		767,522	775,079	764,631	759,365	755,937	Not applicable
Other assets		16,084,716	19,458,103	20,729,246	20,193,954	14,272,309	Not applicable
Total assets		46,121,249	49,304,542	51,888,154	61,2019,535	62,786,776	Not applicable
Current liabilities	Pre-distribution	37,740,335	39,378,818	36,2019,409	42,816,899	44,270,414	Not applicable
	Post-distribution	37,939,877	39,882,919	37,158,619	44,077,152	Note 2	Not applicable
Non-current liabilities		145,754	107,147	3,250,839	3,309,263	80,401	Not applicable
Total liabilities	Pre-distribution	37,886,089	39,485,965	39,359,248	46,126,162	44,350,815	Not applicable
	Post-distribution	38,085,631	39,990,066	40,409,458	47,386,415	Note 2	Not applicable
Equity attributable to owners of the parent company		8,235,160	9,818,577	12,528,906	14,982,373	18,435,961	Not applicable
Common stock		3,990,842	3,990,842	4,200,842	4,200,842	4,200,842	Not applicable
Additional paid-in capital		1,413,044	1,420,112	2,519,954	2,519,954	2,519,954	Not applicable
Retained earnings	Pre-distribution	3,232,939	4,010,266	5,349,495	7,573,124	11,871,861	Not applicable
	Post-distribution	3,033,397	3,506,165	4,299,285	6,312,871	Note 2	Not applicable
Other equity		(401,665)	397,357	458,615	688,453	(156,696)	Not applicable
Treasury stock		0	0	0	0	0	Not applicable
Non-controlling interest		0	0	0	0	0	Not applicable
Total equity	Pre-distribution	8,235,160	9,818,577	12,528,906	14,982,373	18,435,961	Not applicable
	Post-distribution	8,035,618	9,314,476	11,478,696	13,722,120	Note 2	Not applicable

Note 1: Financial information for 2015 to 2019 was audited and certified by an independent accountant.

Note 2: Appropriations for 2019 earnings are pending approval at the shareholders' meeting.

Note 3: Individual financial statement as of March 31, 2020 was not prepared.

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## iv. Condensed Statement of Comprehensive Income –Individual –IFRS

In NT\$ thousand

Year Item	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating income	3,271,239	3,033,180	3,831,552	4,378,482	4,027,197	Not applicable
Gross profits	2,043,800	1,858,068	2,654,950	2,826,246	2,880,890	Not applicable
Operating profit	1,009,988	789,631	1,449,645	1,593,169	1,909,674	Not applicable
Other revenue and expenses	259,667	310,341	601,768	800,400	614,302	Not applicable
Net income before tax	1,269,655	1,099,972	2,051,413	2,393,569	2,523,976	Not applicable
Net income from continuing operations	1,089,361	977,840	1,843,999	2,180,535	2,302,871	Not applicable
Losses from discontinued operations	0	0	0	0	0	Not applicable
Net income(loss)	1,089,361	977,840	1,843,999	2,180,535	2,302,871	Not applicable
Other comprehensive income (net of tax)	(390,293)	798,051	60,589	426,448	2,579,271	Not applicable
Other total comprehensive income	699,068	1,775,891	1,904,588	2,606,983	4,882,142	Not applicable
Profit attributable to owners of the parent company	1,089,361	977,840	1,843,999	2,180,535	2,302,871	Not applicable
Profit attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
Comprehensive income attributable to owners of the parent company	699,068	1,775,891	1,904,588	2,606,983	4,882,142	Not applicable
Comprehensive income attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
EPS	2.73	2.45	4.44	5.19	5.48	Not applicable

Note 1: Financial information for 2015 to 2019 was audited and certified by an independent accountant.

Note 2: Standalone financial statement as of March 31, 2020 was not prepared.

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**2. Financial Analysis**

**(1) Financial analysis - consolidated –IFRS**

Analysis items (Note 3)		Financial data of the latest five years					Financial Information for the First Quarter of 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (8)	Liabilities/Assets ratio	80.38	78.28	74.07	73.97	69.38	-
	Long-term Fund for Property, Plant and Equipment	147.95	190.62	293.59	340.40	329.33	-
Solvency ability ratio	Current ratio	68.97	67.40	80.46	89.23	100.74	-
	Quick ratio	35.17	31.01	72.20	78.86	217.01	-
	Times Interest Earned Ratio	19.24	14.71	31.18	32.21	37.39	-
Operational performance	Average collection turnover (times)	7.38	7.45	6.97	1.01	0.52	-
	Average collection days	49.45	48.97	52.36	360.09	699.85	-
	Average inventory turnover (times)	0.09	0.10	0.09	0.11	0.09	-
	Average payable turnover (times)	2.52	3.10	2.85	2.96	2.07	-
	Days sales outstanding	4,055.56	3,650.00	4,055.56	3,318.18	4055.56	-
	Property, Plant and Equipment Turnover (Times)	0.55	0.56	0.87	0.85	0.77	-
	Total assets turnover (times)	0.08	0.07	0.10	0.08	0.07	-
Profitability	Return on total assets (%)	2.82	2.32	4.30	4.03	3.78	-
	Return on Equity (%)	12.36	10.47	17.47	15.09	13.02	-
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	34.77	30.16	58.23	46.48	62.48	-
	Net profit margin (%)	33.71	30.83	42.75	46.23	51.99	-
	EPS (NTD)	2.73	2.45	4.44	5.19	5.48	-
Cash flow	Cash flow ratio (%)	6.44	6.34	3.00	3.93	3.85	-
	Cash flow adequacy ratio (%)	65.42	98.28	97.96	98.72	110.24	-
	Cash flow reinvestment ratio (%)	7.04	14.04	3.52	3.38	3.26	-
Leverage	Operating leverage	1.31	1.55	1.28	1.21	1.23	-
	Financial leverage	1.06	1.10	1.04	1.04	1.04	-

Please indicate the reasons for the changes in the financial ratios over the last two years. (If the increase or decrease of less than 20% can be exempted from analysis)

Quick Ratio: The quick ratio in this year increased compared with the same period of last year mainly due to the purchase of domestic funds resulted in an increase in quick assets.

Average collection turnover (times) decreased and average collection days increased due to the first application of IFRS15 in 2018, which resulted in the significant increase in the receivables related to contract liabilities.

Note: Considering if IFRS15 is applied, the receivables turnover rate and the average number of cash collection days in 2018 are 0.58 (times) and 624.39, respectively, and the increase or decrease has not reached 20%.

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**(2) Financial analysis – Individual –IFRS**

Analysis items (Note 3)	Year (Note1)	Financial data of the latest five years					Financial Information for the First Quarter of 2019 (Note 2)
		2015	2016	2017	2018	2019	
structure	Liabilities/Assets ratio	82.14	80.09	75.85	75.48	70.64	Not applicable
	Long-term Fund for Property, Plant and Equipment	137.09	173.04	276.30	322.07	311.01	Not applicable
ability ratio	Solvency						
	Current ratio	61.35	59.26	68.36	80.52	94.43	Not applicable
	Quick ratio	32.26	27.54	61.35	69.00	220.22	Not applicable
	Times Interest Earned Ratio	18.33	13.95	26.42	31.14	37.23	Not applicable
Operational performance	Average collection turnover (times)	7.90	7.56	7.92	1.01	0.50	Not applicable
	Average collection days	46.18	48.27	46.07	362.57	735.67	Not applicable
	Average inventory turnover (times)	0.11	0.10	0.10	0.13	0.09	Not applicable
	Average payable turnover (times)	2.93	3.15	3.20	3.63	2.06	Not applicable
	Days sales outstanding	3,318.18	3,650.00	3,650.00	2,807.69	4,055.56	Not applicable
	Property, Plant and Equipment Turnover (Times)	0.55	0.51	0.67	0.77	0.69	Not applicable
	Total assets turnover (times)	0.08	0.06	0.08	0.08	0.07	Not applicable
Profitability	Return on total assets (%)	2.66	2.20	3.78	3.97	3.81	Not applicable
	Return on Equity (%)	12.67	10.83	16.50	15.85	13.78	Not applicable
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	31.81	27.56	48.83	56.98	60.08	Not applicable
	Net profit margin (%)	33.30	32.24	48.13	49.80	57.18	Not applicable
	EPS (NTD)	2.73	2.45	4.44	5.19	5.48	Not applicable
Cash flow	Cash flow ratio (%)	8.26	6.27	5.38	4.71	3.67	Not applicable
	Cash flow adequacy ratio (%)	82.28	126.04	122.22	134.54	159.40	Not applicable
	Cash flow reinvestment ratio (%)	10.66	12.35	7.29	4.44	2.25	Not applicable
Leverage	Operating leverage	1.40	1.61	1.33	1.22	1.22	Not applicable
	Financial leverage	1.08	1.12	1.06	1.05	1.04	Not applicable

Please indicate the reasons for the changes in the financial ratios over the last two years. (If the increase or decrease of less than 20% can be exempted from analysis)

Quick Ratio: The quick ratio in this year increased compared with the same period of last year mainly due to the purchase of domestic funds resulted in an increase in quick assets.

Average collection turnover (times) decreased and average collection days increased due to the first application of IFRS15 in 2018, which resulted in the significant increase in the receivables related to contract liabilities.

Days sales outstanding increased mainly due to this year's inventory increased from last year, resulting in a decline in inventory turnover.

Note: Considering if IFRS15 is applied, the receivables turnover rate and the average number of cash collection days in 2018 are 0.58 (times) and 624.39, respectively, and the increase or decrease has not reached 20%.

Note 1: Financial information of 2015 to 2019 was audited and certified by an independent accountant.

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Note 2: Individual financial reports are only be prepared on an annual pace.

Note 3: Standalone financial statement as of March 31, 2020 was not prepared.

Note 4: Computation formulas for the ratios are shown at the bottom of the chart.

### 1. Financial structure (%)

(1) Debt ratio = Total debt / Total assets

(2) Long-term Fund to Property, Plant, and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment.

### 2. Liquidity Analysis

(1) Current ratio = Current asset / Current liability

(2) Quick ratio = (Current – Inventory - Prepaid expense) / Current liabilities

(3) Times Interest Earned = Net income before income tax and interest expense / Interest expense

### 3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable from operations) turnover = Net sales / Average account receivable balance (including accounts receivable and notes receivable from operations)

(2) Average collection days = 365 / Average collection turnover

(3) Average inventory turnover = Cost of goods sold / Average inventory

(4) Average payable turnover (including accounts payable and notes payable from operation) = Cost of goods sold / Average payables balance (including accounts payable and notes payable from operations)

(5) Average sales days = 365 / Inventory turnover

(6) Property, Plant, and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.

(7) Total assets turnover = Net sales / Average total assets

### 4. Profitability

(1) Return on total assets = [Income after tax + Interest expense x (1 - Tax rate)] / Average total asset

(2) Return on Equity = Net Income / Average shareholders' equity.

(3) Net margin = Income after tax / Net sales

(4) Earnings Per Share = (Net income attributable to shareholders of the parent - Preferred stock dividend) / Weighted average number of shares outstanding (Note 4)

### 5. Cash flow

(1) Cash flow ratio = Cash flow from operation activities / Current liabilities

(2) Net cash flow adequacy flow ratio = Cash flow from operational activities of latest five years / (Capital expenditure + Inventory incremental + Cash dividend) of latest five years

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital). (Note 5)

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6. Leverage ratio

(1) Operational leverage ratio = (Net operation revenue - Variable operation cost and expense) / Operating income  
(Note 6)

(2) Financial leverage ratio = Operation income / (Operating income - Interest expense)

Note 4: Attention to the below items while evaluating the above EPS calculation formula:

1. Common stocks are based on weighted-average stocks, not on the year-end issuance
2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.
3. If there is a capitalization of earnings or capitalization of the additional paid-in capital, the adjustment should be done retroactively by capitalization percentage. No consideration for the issued period of the replenishment.
4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss. If the preferred stock is non-cumulative and there is a net income, the preferred stock dividend should be deducted from the net income. If there is a loss, then, no adjustment is required.

Note 5: For cash-flow analysis note the following items when balancing:

1. Cash flow from operating activities means the net cash-in-flow from operating activities in cash flow statement.
2. Capital expenditure is the cash-out-flow for capital investment annually.
3. The inventory increase is only accounted when the ending balance is greater than the beginning balance. If the year-end inventory decreases, then, count as zero.
4. Cash dividend includes cash dividend for common stock and preferred stock
5. Gross Property, Plant, and Equipment means fixed assets before accumulated depreciation.

Note 6: The issuer should distinguish each operation cost and operation expense as fixed and variable costs by nature. If it refers to estimation or subjective judgment, the consistency and reasonableness should be noted.

Note 7: In the case of shares issued with no par value or a par value other than NT\$10 per share, the calculation of the paid-in capital shall be replaced by the equity attributable to owners of the parent.

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**3. Supervisors' or audit committee's review report for financial analysis**

**Lungyen Life Service Corp.**

**Audit Committee's Review Report**

Authorized

The Board of Directors has the Company's 2019 business report and financial statements prepared and presented, in which the financial statements have been audited by CPA Tseng, Guo-Yang and CPA Lai, Li-Zhen of KPMG Taiwan with an independent auditor's report issued.

The business report and financial statements referred to above are audited and concluded by the Audit Committee members in compliance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2020 General Shareholders' Meeting

Convener of Audit Committee: Yeh, Shu

February 25, 2020

**(English Translation of Annual Report Originally Issued in Chinese)**

## **Lungyen Life Service Corp.**

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

Authorized

The Board of Directors has the Company's 2019 earnings distribution report prepared and presented, which is audited and concluded by the Audit Committee members in compliance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2020 General Shareholders' Meeting

Convener of Audit Committee: Yeh, Shu

April 14, 2020

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**4. Financial Status: Please refer to Consolidated Financial Statement**

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**5. Financial Statements with Independent Auditors' Report: Please refer to Individual Financial Statement.**

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**6. Financial difficulties encountered by the company or related enterprises: None**

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## VII. Review of Financial Status, Operating Results, and Risk Management

### 1. Financial Status

Unit: NTD \$ Thousands

Item \ Period	2018	2019	Nonconformities	
			Amount	%
Current assets	38,823,762	45,423,494	6,599,732	17.00
Property, plant, and equipment	5,812,305	6,078,158	265,853	4.57
Intangible assets	759,365	755,937	(3,428)	(0.45)
Other assets	17,897,876	12,849,219	(5,048,657)	(28.21)
Total assets	63,293,308	65,106,808	1,813,500	2.87
Current liabilities	43,508,071	45,089,575	1,581,504	3.63
Non-current liabilities	3,312,244	83,382	(3,228,862)	(97.48)
Total liabilities	46,820,315	45,172,957	(1,647,358)	(3.52)
Common stock	4,200,842	4,200,842	-	-
Additional paid-in capital	2,519,954	2,519,954	-	-
Retained earnings	7,573,124	11,871,861	4,298,737	56.76
Other equity	688,453	(156,696)	(845,149)	(122.76)
Non-controlling interest	1,490,620	1,497,890	7,270	0.49
Total equity	16,472,993	19,933,851	3,460,858	21.01

Notes to material changes:

1. Other assets: The decrease in the current period was mainly due to the disposal of financial assets measured at fair value through other comprehensive income.
2. Non-current liabilities: The main reason for the reduction in this period is that due to corporate bonds due within one year and transferred to the current liabilities.
3. Retained earnings: The increase is mainly due to disposition of financial assets through other comprehensive profit and loss measured at fair value has been realized and transferred to retained earnings.
4. Other equity: The decrease is mainly due to disposition of financial assets through other comprehensive profit and loss measured at fair value has been realized and transferred to retained earnings.

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## 2. Operating results

Unit: NTD \$ Thousands

Item	2018	2019	Increase (decrease) amount	Deviation percentage (%)
Operating income	4,957,018	4,559,348	(397,670)	(8.02)
Operating costs	1,613,521	1,343,202	(270,319)	(16.75)
Gross profits	3,343,497	3,216,146	(127,351)	(3.81)
Operating expenses	1,536,414	1,246,472	(289,942)	(18.87)
Other income and expenses - net	145,618	139,337	(6,281)	(4.31)
Net operating profits	1,952,701	2,109,011	156,310	8.00
Other revenue and expenses	646,117	515,494	(130,623)	(20.22)
Net income before tax from continuing operations	2,598,818	2,624,505	25,687	0.99
Less: Income tax expenses	307,344	254,163	(53,181)	(17.30)
Net income	2,291,474	2,370,342	78,868	3.44

Notes to material changes:

1. Other revenue and expenses: The decrease in this period is mainly due to the increase in the disposal of other assets-art works and the interest in foreign currency exchange in 2018.

## 3. Cash flow

### (1) Flow analysis in 2018 and 2019

Item \ Year	2018	2019	Increase (decrease) percentage %
Cash flow ratio	3.93	3.85	(2.04)
Cash flow adequacy ratio	98.72	110.24	11.67
Cash reinvestment ratio	3.38	3.26	(3.55)

The increase or decrease has not reached 20%, so no analysis is presented.

### (2) Cash Flow Projection for Next Year

Unit: NTD \$ Thousands

Balance of cash - beginning	Annual net cash flow from operating activities	Annual net cash flow from investments or financing activities	Cash balance (shortage)	Corrective actions against cash deficit
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(1)	(2)	(3)	(1)+(2)-(3)=(4)	Investment plan	Wealth management plan
147,352	1,223,992	(1,266,049)	105,295	0	0

i. Cash flow analysis for this year:

- a. Operating activities: Cash flows are mainly from C&C, funeral services and rental activities, as well as expenses for planned purchase of facilities and building funeral service hall.
- b. Investments or financing activities: Mainly for the allocation of financial assets, the use of trust funds, the distribution of cash dividends and the repayment of corporate bonds.

ii. Remedial actions for liquidity shortfall: not applicable.

**4. Major capital expenditures and impact on financial and business in recent years: None.**

**5. Reinvestment and long-term policy and results**

**(1) Strategic investments and investment policies:**

Reinvestment	Investing Policy
Jin Huang Construction Co., Ltd.	Co-ordinate business needs, enhance QC and control construction progress
Yuji Development Corp.	An investment for the purpose of selling columbarium and cemetery and expanding our marketing and service network.
Dahan Property Management Co., Ltd	Co-ordinate business needs, developing leased real estate and provide management consultation services.
Sea Dragon Traders Ltd. (BVI)	An investment for the purpose of carrying out overseas investment.
Lung Ting Life Sciences Co., Ltd.	Disposal of equity on August 13, 2019 and loss the significant control.
Singapore Lungyen Life Services Pte., Ltd.	Liquidation was completed in June 2019 and the approval letter from the local competent authority was obtained in October of the same year.
Lung An Company Ltd.	Eliminated after a simple merger with the Company on April 1, 2019
RIA AWANA SDN. BHD.	To increase business scale, extend our funeral services to Chinese districts overseas, and build the selling channel and service place in Malaysia.
Lung Fu Company Limited	An investment for the purpose of selling columbarium and cemetery from Yuji

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	Development and expanding our marketing and service network.
Witty Dragon Limited (BVI)	Trade and lease for real estates.
Long Young Life (Cayman) Company	Holding Company, which is for the purpose of carrying out overseas investment.

**(2) Long-term Reinvestment Policy and Results**

Unit: NTD \$ Thousands

<b>Reinvestment</b>	<b>Amount Recognised In 2019</b>	<b>Results</b>	<b>Plan</b>
Jin Huang Construction Co., Ltd.	7,780	Payables over two years, transferred to other income	Accelerate the combination of resources among the group.
Yuji Development Corp.	80,403	Operating Well	None.
Dahan Property Management Co., Ltd	(57)	Regular expenditure, no operation revenue	Accelerate the combination of resources among the group.
Sea Dragon Traders Ltd. (BVI)	(49,467)	Deficit of reinvestment of subsidiaries	Accelerate the developing plan in China, expending markets overseas.
Lung Ting Life Sciences Co., Ltd.	(2,729)	Operating is not as expected.	Disposal of equity on August 13, 2019 and loss the significant control.
Singapore Lungyen Life Services Pte., Ltd.	16,807	Transfer accounts payable to other income	Liquidation was completed in June 2019 and the approval letter from the local competent authority was obtained in October of the same year.
Lung An Company Ltd.	(3,374)	In the stage of developing and is operating better	Eliminated after a simple merger with the Company on April 1, 2019.
RIA AWANA SDN. BHD.	398	Operating Well	None
Lung Fu Company Limited	(9,876)	In the stage of developing and is operating better	Accelerate the combination of resources among the group.
Witty Dragon Limited (BVI)	(701)	Lease of real estate has no economies of scale	Rental adjustment and decrease vacancy.
Lungyen (Cayman) Corp. Ltd.	(49,257)	Deficit of reinvestment of subsidiaries	Accelerate the developing plan in China, expending markets overseas.

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**(3) Investment plan in the upcoming year:**

The Company's few overseas investment projects have developed significantly. The future investment plan will be oriented toward the goal of becoming the top 1 brand in Great China area and seek the chance for overseas investment, in hopes of reproducing the successful experience in Taiwan to the other Chinese regions to upgrade the quality of funeral culture of Chinese and expand overseas business scale.

**6. Risk management & evaluation:**

**(1) Structure of risk management and implementation**

- i. The Company always uses a rigorous and conscientious approach to deal with risks faced (including risk detection, evaluation, reporting, and management), along with the latest development and guidance of internal auditing and related regulations to enforce risk management procedures.
- ii. The Company's risk is controlled under a three-level control mechanism: The first level control mechanism is the organizer, which shall be responsible for considering and preventing risk by perceiving, evaluating and controlling risk at the initial stage. The second control mechanism is the top officer from each unit (division head and business group head) and individual manager meeting, covering risk projection and evaluation, and convened by the general manager. The final level control mechanism refers to the Audit Office, directors' meeting and various committees (e.g. Audit Committee). Risk management is ensured ultimately through review, supervision and follow-up by the Audit Office and review by the Board of Directors' meetings.
- iii. When a risk that is likely to occur is discovered at any check point, it will be immediately reported to the upper management layer so as to prepare appropriate protection and prevention measures. Due to our strict enforcement, so far no material risk has occurred.

**(2) Organization Chart for risk management**

Unit: NTD \$ Thousands

Risk management	Risk evaluation	Direct risk control (initial control mechanism)	Risk examination and control (the second control mechanism)	Decision making and follow-up (the ultimate control mechanism)
Financial, accounting and liquidity risk	1. Risks associated with interest, foreign exchange, and financial status	Finance Dept.	Finance Division, Finance Business Group and Economic Committee	Directors' meeting, Audit Committee (decision making and final control for risk evaluation and control), Audit Office (risk assessment, evaluation, supervision, improvement & follow-up, and reporting, et al.)
	2. Risks associated with lending and endorsement/guarantee for other parties	Finance Dept.		
3. Risks associated with derivative financial instruments and other monetary investment/arrangements	Securities Investment Dept.			
4. Risks associated with taxation, costs, and related accounts	Accounting Dept.			
Market	1. Risks associated with account collection and service quality	Funeral administration	Sales and	

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and credit risk	2. Risks associated with market movement research and assessment 3. Risks associated with marketing and sales	Dept. & Channel Management Dept. Channel Management Dept.  Product Development Dept. & Sales Planning Dept.	Administration Division, Funeral Service Division and Economic Committee	
Strategy and operational risk	1. Risks associated with company operating strategy risk 2. Risks associated with procurement and quality risk 3. Risks associated with corporate image and human resources risk  4. Risks associated with product improvement and R&D  5. Risks associated with political status, policies, and laws  6. Risks associated with long-term investments and associated companies  7. Risks associated with shareholding and management team  8. Other risks	General Manager's Office Procurement Dept.  Human Resources Dept.  Product Development Dept. Compliance Dept  Finance Division and Investment Division  Finance Division and General Manager's Office  General Manager's Office	Procurement Division, Finance Division, Investment Division and all other divisions, as well as, the Economic Committee	

**(3) Effect upon the Company's profit (loss) of changes of interest rates, exchange rate fluctuations and inflation in the last year, and response measures to be taken in the future:**

- i. Changes in interest rates: The Company's financial structure is stable and interacts with its correspondent banks well, so that the Company can be granted reasonable and preferential interest rates for its funding plans. In the future, the Company will still plan its cash flow and continue to strive for preferential interest rates to mitigate risk related to changes in interest rates.

As of December 31, 2019, the borrowing from bank information of the Company

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and its subsidiaries please refer to the Notes of consolidated financial report in the annual report Note 6(13) short-term loan. For the exposure information of interest of the Consolidated Company, please refer to Note 6(24) “Financial instruments” in the consolidated financial report.

The 2018 and 2019 ratio of the financial costs of the Company to the net operating revenue was 1.68% and 1.58%, respectively. The impact of changes in interest rates on the Company's profit and loss is limited. The Company's response to the impact of interest rate changes is based on regular evaluation of bank borrowing rates and close contact with banks to obtain a more favorable loan interest rate, so the interest rate is still stable. In addition, the Company's financial status is stable and credit is good, and the fund plan is based on the principle of conservative and stable, thus it is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

- ii. Changes in foreign currency: As we are in a domestic-demand market, all business transactions, with both upstream vendors and downstream customers, are dominated by Taiwanese dollars. Hence, changes in foreign currency make no significant impact on the Company. For exposure information of foreign change risk of the Consolidated Company, please refer to Note 6(24) “Financial instruments” in the consolidated financial report.

The 2018 and 2019 ratio of the net exchange gains and losses of the Company to the net operating income was 1.01% and (0.86)%, respectively. As the Company is a domestic demand-oriented industry, customers and upstream and downstream suppliers are mostly located in the domestic market. The transaction is mainly dominated in Taiwan dollars, so the exchange rate changes have no significant impact on the company. The exchange gains and losses are mainly from the foreign currency trust assets of the Company. The Company is profitable from the impact of exchange rate changes. In addition to continuing to manage foreign currency positions in the future, it will pay attention to exchange rate changes at any time, collect exchange rate related information, strengthen the negotiation and planning

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of foreign exchange-related hedging strategies with financial institutions. The Company also establishes good relationship with financial institutions. When the foreign exchange demand arises, the Company can compare the conditions provided by each financial institution and select the party that best meets the needs of the Company to conduct the transaction.

- iii. Inflation: The Company is primarily engaged in funeral services, and the percentage of raw materials & supplies required by the Company as a ratio of overall costs is low. The Company maintains a good interaction with suppliers, and at the same time has a number of qualified alternatives to choose from, in order to cope with the impact of inflation on the Company's profit and loss. The recent drastic rise in utilities fees which resulted in an increase in prices of raw materials & supplies did not have any material effect on the Company's core business.

For exposure information of liquidity risk of the Consolidated Company, please refer to Note 6(24) "Financial instruments" in the consolidated financial report.

**(4) The result of the Company's policy regarding high-risk investments, highly leveraged investments, and loans to other parties, endorsements, guarantees, and derivatives transactions: The Company does not engage in any high-risk and highly leveraged investments or derivatives transactions, and also has an SOP for loaning of funds to others and regulations governing endorsement/guarantee making.**

- i. The result of the Company's policy regarding high-risk investments, highly leveraged investments: The Company emphasized on funeral services, with no high-risk investments and steady financial policies, the Company has no high-risk investments, highly leveraged investments up to the publication date of the Annual Report.
- ii. The result of the Company's loans to other parties, endorsements, guarantees, and derivatives transactions: The Company has established relevant policies such as "Procedure for the Acquisition and Disposition of Assets", "Endorsement and Guarantee Procedures" and "Procedure for Loaning of Funds" in accordance with the relevant laws and regulations of the competent authorities. Relevant operations have been carefully implemented in consideration of risk conditions and related

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regulations.

**(5) Research and development work to be carried out in the future, and further expenditures expected for research and development work:**

The Company primarily engages in funeral services and emphasizes upgrade of customer satisfaction with its funeral services. The Company proposes the upgrading of raw materials & supplies required by the funeral services or columbarium layout design, and then contracts with the relevant supplier to produce samples. Therefore, there is no related R&D expenditure, and only some acquisition fees as stated.

**(6) Impact on the Company financials from changes in domestic and international policies and laws, and remedial actions:**

The Company monitors important policies adopted and changes in the legal environment at home and abroad from time to time, and defines measures to be taken in response thereto to meet business needs. So far, no impact has been caused to the Company's financial operations because of adopted policies or changes in the legal environment.

**(7) Effect on the Company's financial operations of developments in science and technology as well as industry changes, and measures to be taken in response:**

No material impact would be caused to the Company's financial operations by developments in science and technology or industry changes. The Company's information system adopts daily transaction data backup, and the overall data backup is performed on the last working day of each week to ensure uninterrupted personal information and service. The Company follows the "Information Facility Room Management Operation Standard Book" to strengthen the simulation test and emergency response exercises to ensure the normal operation of the information system and data preservation in order to reduce the risk of system interruption caused by unwarranted natural disasters and human error, and ensure that the expected system recovery time is met. In order to avoid the risk of customer personal information leakage and information system damage and to resume business operation as soon as possible and reduce possible losses and risks, in addition to dual-password protection and daily inspection of computer rooms, the Company continues to strengthen the control of employees and equipment enhancement. And the Company reviews and evaluates its network security regulations and procedures at least once a year

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to ensure its appropriateness and effectiveness, regularly conduct network information security maintenance and control, and continuously plan and design and improve appropriate software and hardware equipment resources and improve workflow and other countermeasures. Considering the security insurance is still an emerging insurance, involving the security level testing institutions, claims forensics institutions and non-compensation conditions and other related packages, this insurance is currently under evaluation. In addition to strengthen the relevant regulations on information security and regular assessment of information security, the Company will continue to strengthen the protection of information security and establish a joint prevention mechanism. There is no impact from the change in technology and the industry on the Company's financial business in the most recent year and up until the publication date of the Annual Report.

**(8) Impact on the Company's crisis management of changes in the Company's corporate identity, and measures to be taken in response:**

Media disclosed that in 2019 the Company's former southern distributor Longzhi Industrial Co., Ltd. suspected illegal acts. The Company immediately established a response team and reported the case to the prosecutor. The whole case is currently in judicial proceedings. At the same time, the Company's official website and other self-media and MOPS have disclosed relevant information and stated that the incident has nothing to do with the Company. The Company has always carried out operation management with strict and high standards. If there is any act that jeopardizes the rights of the company or customers, it will be strictly punished by law, and will never be lenient. At the same time, the internal control system will be reviewed to make regulations more strict and prevent similar defects happen once again. The Company adheres to a management philosophy of sustainable operations and also values corporate identity and risk management. For the most recent year and up until annual report publication, no impact on the Company's crisis management from changes in the Company's corporate identity has occurred.

**(9) Expected benefits and possible risks associated with any merger and acquisitions:**

The Company recently had no mergers and acquisitions as of the date of publication of the annual report. However, if there is a merger plan in the future, it will be handled in accordance with the relevant laws and regulations and the relevant management measures

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will be formulated by the Company to ensure the company's interests and shareholders' rights.

**(10) Expected benefits and possible risks associated with any plant expansion: None**

**(11) Risks associated with any consolidation of sales or purchasing operations:**

i. Sales

For purchasing operations, the Company purchases goods from different suppliers and so far there has been no consolidation of purchasing operations.

ii. Purchasing

The Company's sales target is the general public and, therefore, there is no consolidation of sales operations.

**(12) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands:**

In 2019 the director, supervisor, or shareholder holding greater than a 10 percent stake of the Company has not transferred or has otherwise changed hands, thus there is no negative effect and risk in the most recent year and up to the publication date of the Annual Report.

**(13) Effect upon and risk to the Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:**

The Company's long-term management structure is stable and there is no risk arising from.

**(14) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any director and supervisor, the general manager, responsible person in fact, any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report:**

Some shareholders of Lungyen Life Service Corp. Ltd., (merged in 2010) asked to buyback

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their shares with fair price, Taipei District Court decided that the Company should buy all the shares back with nonreasonable price in October 7, 2016, since that civil ruling has not comply with Business Mergers And Acquisitions Act, the Company has filed a counterappeal. The Taipei District Court of Taiwan abandoned the original ruling on October 25, 2018, and set a separate purchase price of NT\$77.79 per share. However, the applicable regulations of this civil ruling were obviously wrong, and the Company filed another protest during the statutory period. . After the trial of the Taiwan High Court in 2018, the original ruling did not meet the legal purchase price at the date of the resolution of the shareholders' meeting, so the original ruling was sent back to the Taipei District Court. The ruling now belongs to the Taipei District Court.

**(15) Other important risks, and mitigation measures being or to be taken: None.**

**7. Other important matters: None**

## VIII. Other Special Notes

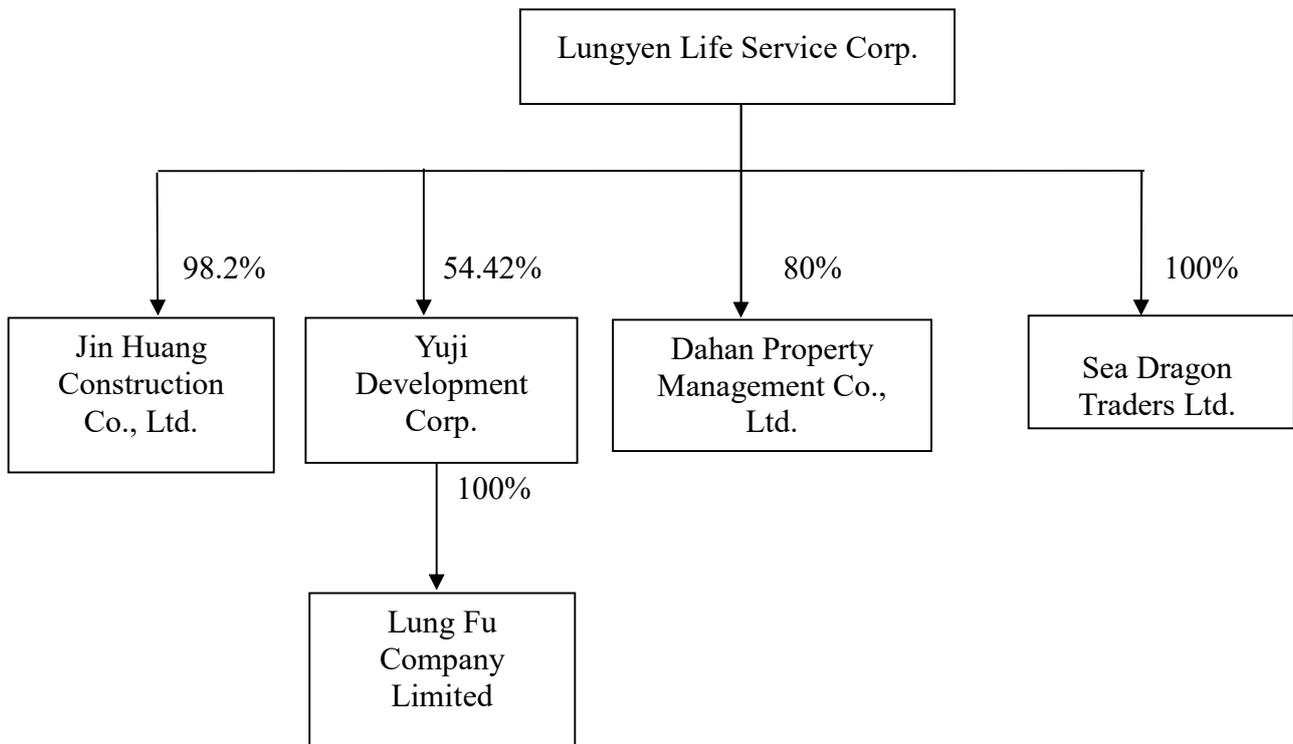
### 1. Subsidiaries

#### (1) Consolidated business report

##### i. Organizational chart of affiliates:

##### Holding companies and subsidiaries

2020.04.15



(English Translation of Annual Report Originally Issued in Chinese)

ii. Profile of Associated companies

2019.12.31 Unit: NTD and Foreign Currency: \$Thousands

Name of enterprise	Date of incorporation	Address	Paid-in capital	Main business
Jin Huang Construction Co., Ltd.	1981.09.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	22,500	Architecture and Civil Engineering business operations
Yuji Development Corp.	2006.04.07	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	2,034,732	Funeral facilities and development, lease and sale of residential areas and buildings
Dahan Property Management Co., Ltd.	2007.07.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	5,000	Development, lease and sale of residential areas and buildings
Sea Dragon Traders Ltd. (BVI)	1995.05.30	Sea Meadow House, Blackburne Highway,(P.O. Box 116) Road Town, Tortola, British Virgin Islands	USD32,710	Securities investment
Lung Fu Company Limited	2013.03.27	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	371,000	Funeral service

Note 1: Lung-An Company Ltd. has completed a simple merger with the Company on April 1, 2019, with the Company as the surviving company and Lung-An Company Ltd. as the elimination company.

Note 2: Singapore Lungyen Co., Ltd. completed liquidation in June 2019 and obtained the approval letter from the local competent authority in October of the same year.

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**iii. Common shareholders of an entity that meets the criteria for a presumptive relationship of control or subordination: None.**

**iv. Business Scope of the Company and its Subsidiaries :**

- a. Funeral facility business and funeral service.
- b. Construction.
- c. The Company consigned the project to Jing Huang Construction Co., Ltd. then the Company leased or sold the completed funeral facilities or real estates.

**v. Directors, supervisors, and general managers of affiliated companies**

2019.12.31

Name of enterprise	Job title	Name or representative	Shares held	
			Number of shares (thousand shares)	Percentage
Jin Huang Construction Co., Ltd.	Chairman	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Lee Shu-Rong		
	Director	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Lee Shih-Tsung		
	Director	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Liu Wei-Lung		
	Supervisor	Chan Shu-Chuan	0	0
Yuji Development Corp.	Chairman	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Kuo, Hsueh-Chun		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Lin Shu-Ling		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Lin, Chian-Ju		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Chan, Pai-Liang		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Liang, Jian-Yun		
	Supervisor	Chen Chung Investment Corp.	12	0.01
	Institutional representative	Chan Shu-Chuan		
Dahan Property Management Co., Ltd.	Chairman	Lungyen Life Service Corporation		
	Institutional representative	Kuo, Hsueh-Chun	400	80
	Director	Lungyen Life Service Corporation		
	Institutional representative	Lin, Shu-Ling	400	80
	Director	Lungyen Life Service Corporation	400	80
	Director	Liang, Jian-Yun	400	80
	Supervisor	Chan Shu-Chuan	0	0

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Name of enterprise	Job title	Name or representative	Shares held	
			Number of shares (thousand shares)	Percentage
Lung Fu Company Limited	Chairman Institutional representative	Yuji Development Corp. Lin Shu-Ling	37,100	100
	Director Institutional representative	Yuji Development Corp. Lian Jian-Yun	37,100	100
Sea Dragon Traders Ltd. (BVI)	Director Institutional representative	Lungyen Life Service Corporation Lee Shih-Tsung	USD32,710	100
Singapore Lungyen Life Service Pte. Ltd.	Director Institutional representative	Lungyen Life Service Corporation Lee Shih-Tsung	SGD500	100

Note 1: Lung An Company Limited has conducted the simple merger with the Company on April 1, 2019, the Company is the surviving company, and Lung An Company Limited is the extinguished company.

Note 2: Singapore Lungyen Co., Ltd. completed liquidation in June 2019 and obtained the approval letter from the local competent authority in October of the same year.

**vi. Overview of operations of affiliates**

Unit: NTD and other foreign currency\$ thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Current net income (after tax)	Earnings per share (NT\$) (after tax)
Jin Huang Construction Co., Ltd.	22,500	40,872	10,689	30,183	0	(1,427)	7,922	3.52
Yuji Development Corp.	2,034,732	4,042,325	712,836	3,329,489	514,732	163,805	147,745	0.73
Dahan Property Management Co., Ltd.	5,000	453	40	413	0	(71)	(71)	(0.14)
Sea Dragon Traders Ltd. (BVI)	USD34,210	USD32,950	USD 1	USD32,949	0	(USD 11)	(USD 1,560)	(USD 0.46)
Singapore Lunyen Corp.	SGD 0	SGD 0	SGD 0	SGD 0	0	(SGD 1)	(SGD 738)	-
Lung An Corp. Ltd.	0	0	0	0	1,058	(3,329)	(3,374)	-
Lung Fu Corp. Ltd.	371,000	550,220	187,695	362,525	16,636	(180)	(9,876)	(0.27)

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**(2) Consolidated Financial Statements of Affiliated Companies**  
**Statement of Declaration**

For 2019 (starting from 2019.01.01 to 2019.12.31), no separate consolidated financial statements of affiliates are required from the Company, because the affiliates pursuant to the “Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations” are the same as the entities required to be included in the consolidated financial statements of the parent and subsidiary companies as provided for in Financial Accounting Criteria Gazette No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the preceding consolidated financial statements.

In witness thereof, the Declaration is hereby presented.

Company name: Lungyen Life Service Corp.

Chairman: Liu Wei-Lung

Date: February 25, 2020

**(3) Affiliation Reports: not applicable**

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**2. Private Placement Securities in 2019 and as of the date of this Annual Report**

Date of Resolution of the Board of Directors for Private Placement	December 8, 2016	December 8, 2016
Items	First private placement in 2017 Issuance date: April 25, 2017	Second private placement in 2017 Issuance date: April 10, 2017
Type of Securities privately placed (Note 2)	Common share	Convertible corporate bond
Date and Number of Approval of Shareholders' Meeting (Note 3)	January 25, 2017, ceiling is 21,000,000 common shares.	January 25, 2017, within the range of total issuance amount of NT\$3,113,000,000.
Ground and Reasonability for Pricing	Pricing ground was according to the resolution of the Interim Shareholders' Meeting on January 25, 2017. The price for private placement was set to be no lower than 80% of the higher of the following two calculations, one of which is the simple arithmetic average closing price of the common shares for either of the 1, 3 or 5 business day(s) before the price base date (March 15, 2017) deducted by the ex-right value after costless allotment of share dividends and plus the reverse ex-rights value after capital decrease, and the other one of which is the simple arithmetic average closing price of the common shares for the 30 business days before the price base date deducted by the ex-right value after costless allotment of stock dividends and plus the reverse ex-right value after capital decrease.	The price for private placement was set to be no lower than 80% of the theoretical value price, which will be determined in the pricing model selected with coverage and simultaneous consideration of all rights contained in the issuance conditions. The pricing way of this private placement of convertible corporate bond is in accordance with relevant regulations of the competent authority, meanwhile, with reference to the operating efficiency brought by the introduction of strategic cooperative partner, such way should be reasonable.

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	The pricing way of this private placement of common shares is in accordance with relevant regulations of the competent authority, simultaneously with reference to the factors such as the Company's operating status, future outlook and the reference price on the price base date, such way should be reasonable.									
Method for Selection of Specific Persons	The place for this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.					The object of the placement of this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.				
Necessary Reasons for Private Placement	To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship and to inject funds needed by the Company and enhance the mobility and flexibility of fundraising. Moreover, as there is a restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placement and the Company can be further ensured. Therefore, it is really necessary to conduct the capital increase to issue new shares in the form of a private placement.					To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship, meanwhile, to inject funds needed by the Company and enhance the mobility and flexibility of fund raising. Moreover, as there is a restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placee and the Company can be further ensured. Therefore, it is really necessary to conduct the private placement of securities.				
Deadline for Payment	March 29, 2017					March 27, 2017				
Placee's Information	Object of private placement	Qualifications	Subscribed (in shares)	Relationship with the Company	Participation in the Company's operations	Object of private placement	Qualifications	Subscribed shares (in NTD)	Relationship with the Company	Participation in the Company's operation

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	Orix Asia Capital Co., Ltd.	Sub-paragraph 2, Paragraph 1, Article 43 of Securities and Exchange Act	21,000,000	None	None	Orix Asia Capital Co., Ltd.	Subparagraph 2, Paragraph 1, Article 43 of Securities and Exchange Act	3,113,000,000	None	None
Actual Subscription (or Conversion) Price	NT\$62.10					NT\$63				
Discrepancy Between Actual Subscription Price and Reference Price	Actual subscription is NT\$62.10, higher than the reference price of NT\$57.77, premium rate is 7.5%.					The theoretical value of this convertible corporate bond is NT\$103,100, the actual issuance price of this convertible corporate bond is NT\$100,000, which has reached more than 80% of its theoretical value price.				
Impact of Private Placement on The Shareholders' Equities	The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save on interest expense and is positively conducive to the shareholders' equities.					The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save interest expense and is positively conducive to the shareholders' equities.				
Utilization Status and Implementation Progress of Privately Placed Funds	The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.					The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.				
Outcome of Benefit From Private Placement	The privately placed funds have been fully used to repayment of the bank loans to save on interest expenses. Calculating with the Company's current average loan interest, NT\$15,128,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experiences in the fields of elder care, asset development and management, and finance and investment to jointly develop national and international markets.					The privately placed funds have been fully used to repayment of the bank loans to save interest expenses. Calculating with the Company's current average loan interest, NT\$36,111,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experience in the fields of old age care, asset development and management, and finance and investment to jointly develop national and international markets.				

Note: This private unsecured convertible corporate bond has expired on April 9, 2020, and the principal and interest has been paid once on April 15, 2020.

**3. Status of common shares and ADRs acquired, disposed of, and held by Subsidiaries:**

**None.**

**4. Other necessary supplement:**

The current Mortuary Service Administration Act has not yet regulated the halls which provide only memorial ceremonies and the funeral facilities separately, and that the Company's partial halls provide the service of setting up the mourning hall, which offends against article 42.63.63-1 of the Act, and was imposed a fine of \$180,000 for three units in 2019.

The ninth legislator of the Legislative Yuan proposed a draft amendment to article 24 of the Regulations on Funeral and Intermental Management. The term is not continuous and the review is not continued. At present, the central competent authority is conducting a commissioned research survey on the supply and demand of related facilities. The follow-up relevant legal issues will continue to be maintained by Taiwan Funeral Association.

**5. Any Events in 2019 and as of the Date of this annual report that had significant impacts on shareholders' right or security prices as stated: Not Applicable.**

**L u n g y e n L i f e S e r v i c e C o r p .**

**Chairman: Liu, Wei-Lun**

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Financial Statements**

**For The Year Ended December 31, 2019 and 2018**  
**(Including an Independent Auditor's Audit Report)**

**Address: 1F., No. 166, Sec. 2, Mincuan E. Rd., Taipei City**

**Tel. No.: (02)2712-1628**

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## **DECLARATION**

The entities that are required to be included in the combined financial statement of Lungyen Life Service Corporation as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Report Standard 10, “Consolidated Financial Statement.” In addition, the information required to be disclosed in the combined financial statement is included in the consolidated financial statements. Consequently, Lungyen Life Service Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company: Lungyen Life Service Corporation

Chairman: Liu, Weilung

Date: February 25, 2020

## **INDEPENDENT AUDITOR’S REPORT**

To Board of Directors and Shareholders  
Lungyen Life Service Corp.

### **Opinion**

We have audited the accompanying consolidated financial statements of Lungyen Life Service Corporation and Subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matter**

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

## 1. Revenues Recognition

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

Explanation for key audit matters:

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

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

Adaptive auditing processes:

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

## 2. Goodwill and Goodwill Impairment

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

Explanation of key auditing matters:

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

Adaptive auditing processes:

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

## **Other Matter**

We also audited the unconsolidated financial report of Lungyen Life Service Corp. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion and an emphasis of matter.

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

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

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

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

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

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

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

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

the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

KPMG

CPA: *Zeng, Guo-Yang*  
*Lai, Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 0940129108

February 25, 2020

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

**December 31, 2019 and 2018**

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

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

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For The Year Ended December 31, 2019 and 2018**

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6 (5), (15), (20) &amp; 7)</b>	\$ 4,559,348	100	4,957,018	100
5000 <b>Operating cost (Note 6 (15) &amp; 7)</b>	1,343,202	29	1,613,521	33
5900 <b>Operating gross profit (loss)</b>	3,216,146	71	3,343,497	67
<b>Operating expenses (Note 6 (16), (21) &amp; 7) :</b>				
6100 Selling expenses	617,805	14	981,072	20
6200 Administration expenses	612,176	13	547,579	11
6450 Expected credit losses (gains) (Note 6 (3))	16,491	-	7,763	-
6000	1,246,472	27	1,536,414	31
6500 <b>Other income and expenses (Note 6 (22))</b>	139,337	3	145,618	3
6900 <b>Operating income (loss)</b>	2,109,011	47	1,952,701	39
<b>Non-operating income and expenses (Note 6 (6), (23) &amp; 7) :</b>				
7010 Other income	598,455	13	433,354	9
7020 Other gains and losses	41,450	1	338,277	7
7050 Financial costs	(72,122)	(2)	(83,273)	(2)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	(52,289)	(1)	(42,241)	(1)
	515,494	11	646,117	13
<b>Less: Income tax expense (Note 6 (17))</b>	2,624,505	58	2,598,818	52
7950 <b>Net income</b>	254,163	6	307,344	6
<b>Other comprehensive income:</b>	2,370,342	52	2,291,474	46
8300 <b>Items that may not be subsequently reclassified to profit or loss:</b>				
8310 <b>Less: Income tax expense (Note 6 (17))</b>				
8311 Remeasurements of defined benefits plans (Note 6 (16))	(1,528)	-	791	-
8316 Unrealized loss on investments in equity instruments at fair value through other comprehensive income	2,712,233	60	481,235	10
8349 Less: Income taxes related to items not reclassified (Note 6 (17))	(164,770)	(4)	-	-
<b>Total items not reclassified</b>	2,545,935	56	482,026	10
8360 <b>Items that may be subsequently reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign statements	(20,898)	-	34,825	1
8367 Unrealized loss on investments in debt instruments at fair value through other comprehensive income	66,432	1	(42,204)	(1)
8370 Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	(8,830)	-	(45,815)	(1)
8399 Less: Income taxes related to items may be reclassified	-	-	-	-
<b>Total items that may be subsequently reclassified to profit or loss</b>	36,704	1	(53,194)	(1)
8300 <b>Other comprehensive income, net</b>	2,582,639	57	428,832	9
<b>Total comprehensive income</b>	<b>\$ 4,952,981</b>	<b>109</b>	<b>2,720,306</b>	<b>55</b>
<b>Net income, attributable to:</b>				
8610 Owners of parent	\$ 2,302,871	51	2,180,535	44
8620 Non-controlling interest	67,471	1	110,939	2
	<b>\$ 2,370,342</b>	<b>52</b>	<b>2,291,474</b>	<b>46</b>
<b>Total comprehensive income, attributable to:</b>				
8710 Owners of parent	\$ 4,882,142	107	2,606,983	53
8720 Non-controlling interest	70,839	2	113,323	2
	<b>\$ 4,952,981</b>	<b>109</b>	<b>2,720,306</b>	<b>55</b>
<b>Earnings per share (Note 6 (19))</b>				
9750 <b>Basic earnings per share (NTD)</b>	<b>\$ 5.48</b>		<b>5.19</b>	
9850 <b>Diluted earnings per share (NTD)</b>	<b>\$ 4.93</b>		<b>4.70</b>	

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

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For The Year Ended December 31, 2019 and 2018**

	Equity Attributable to Owners of Parent											
	Capital Stock					Other Equity Interest						
	Retained Earnings					Exchange Differences On Foreign Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-fo r-sale Financial Assets	Total	Total Equity Attributable To Owners of Parent	Non-controll ing Interests	Total Equity
Common Stock	Capital Surplus	Legal Reserve	Unappropri ated Earnings	Total								
<b>Balance – January 1, 2018</b>	\$ 4,200,842	2,519,954	1,095,601	4,253,894	5,349,495	(13,825)	-	472,440	458,615	12,528,906	1,377,297	13,906,203
Retrospective adjustment due to new accounting standard	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694	-	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600	1,377,297	14,802,897
Net profit	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535	110,939	2,291,474
Other comprehensive income	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448	2,384	428,832
Total comprehensive income	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983	113,323	2,720,306
Earning allocation and distribution:												
Legal capital reserve	-	-	184,400	(184,400)	-	-	-	-	-	-	-	-
Cash dividends on shareholders (NT\$2.5/share)	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)	-	(1,050,210)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-	-	-
<b>Balance – December 31, 2018</b>	4,200,842	2,519,954	1,280,001	6,293,123	7,573,124	(24,815)	713,268	-	688,453	14,982,373	1,490,620	16,472,993
<b>Balance – January 1, 2019</b>	-	-	-	2,302,871	2,302,871	-	-	-	-	2,302,871	67,471	2,370,342
Net income	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	-	2,580,799	2,579,271	3,368	2,582,639
Other comprehensive income	-	-	-	2,301,343	2,301,343	(29,728)	2,610,527	-	2,580,799	4,882,142	70,839	4,952,981
Earning allocation and distribution:												
Legal capital reserve	-	-	218,054	(218,054)	-	-	-	-	-	-	-	-
Cash dividends on shareholders (NT\$3/share)	-	-	-	(1,260,253)	(1,260,253)	-	-	-	-	(1,260,253)	-	(1,260,253)
From share of changes in equities of subsidiaries	-	-	-	(3,531)	(3,531)	-	-	-	-	(3,531)	3,531	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	3,261,178	3,261,178	-	(3,425,948)	-	(3,425,948)	(164,770)	-	(164,770)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(67,100)	(67,100)
<b>Balance – December 31, 2019</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,498,055</b>	<b>10,373,806</b>	<b>11,871,861</b>	<b>(54,543)</b>	<b>(102,153)</b>	<b>-</b>	<b>(156,696)</b>	<b>18,435,961</b>	<b>1,497,890</b>	<b>19,933,851</b>

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Year Ended December 31, 2019 and 2018**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
<b>Profit (loss) before tax</b>	\$ 2,624,505	2,598,818
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	142,174	127,920
Amortization expense	16,100	17,427
Allowance expense	16,491	7,763
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(75,311)	12,347
Interest expense	72,122	83,273
Interest income	(287,052)	(277,761)
Dividend income	(332,984)	(232,871)
Share of profit (loss) of associates and joint ventures accounted for using equity method	52,289	42,241
Gain on disposal of non-current asset to be sold	(834,167)	-
Loss (gain) on disposal and scrap of property, plant and equipment	(2,534)	1,780
Gain on disposal of investment property	-	(525)
Gain on disposal of other assets	-	(347,626)
Gain (loss) of disposal of investment using equity method	(2,331)	6,924
Loss on impairment of financial assets	-	5,940
Exchange loss on financial assets or liabilities at fair value through other comprehensive income	29,860	(51,860)
Disposal loss on financial assets or liabilities at fair value through other comprehensive income	(1,318)	27,734
Total adjustments to reconcile profit (loss)	<u>(1,206,661)</u>	<u>(577,294)</u>
Changes in operating assets and liabilities:		
Decrease (Increase) on financial assets at fair value through income	(4,035,230)	53,012
Decrease (Increase) on notes receivable	5,567	10,232
Increase on account receivable	34,025	(28,893)
Increase on inventories	(263,212)	(672,416)
Decrease on prepayments	40,160	169,335
Disposal of non-current asset to be sold	3,406,853	-
Decrease (Increase) on other financial assets	(59,305)	(99,759)
Increase on other current assets	(6,450)	(5,180)
Increase on incremental cost of contract acquisition	(153,341)	183,643
Increase on contract liabilities	1,244,725	(155,281)
Increase (Decrease) on accounts payable	45,366	153,642
Decrease on other payable	1,212	76,677
Increase (Decrease) on advance receipts	58,518	5,637
Increase on other current liabilities	(954)	(729)
Increase on defined benefit liabilities	387	214
Total net change in operating assets and liabilities	<u>318,321</u>	<u>(309,866)</u>
Total Adjustments	<u>(888,340)</u>	<u>(887,160)</u>
Cash inflow (outflow) generated from operations	1,736,165	1,711,658
Interest received	251,143	277,891
Dividend received	332,984	232,871
Interest paid	(9,185)	(25,874)
Income taxes (paid)	(426,488)	(368,476)
<b>Net cash flows from (used in) operating activities</b>	<u>1,884,619</u>	<u>1,828,070</u>

**Cash flows from (used in) investing activities:**

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### I. COMPANY PROFILE

Lungyen Life Service Corp. ( Original 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 ‘Consolidated Company’ and individually as ‘Group entities’) is primarily engaged in funeral service, development and lease of interment premises, and development and lease of residential areas and buildings.

### II. APPROVAL AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The quarterly consolidated financial statements were accepted and published by the Board of Directors on February 25, 2020.

### III. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- (I) New and revised standards and interpretations approved by Financial Supervisory Commission

The Consolidated financial report has fully adopted IFRS approved by Financial Supervisory Commission (hereinafter referred to as the “FSC”) and effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<u>E</u>	<u>New/ Amended/ Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
X	IFRS 16 “Leases”	January 1, 2019
X	IFRIC 23 "Uncertainty of Income Tax Treatment"	January 1, 2019
G	Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
P	Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
P	Amendments to IAS 28 “Long-term interests in affiliated companies and joint ventures	January 1, 2019
f	Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

or the following items, the Consolidated Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

#### 1. IFRS 16 “Leases”

IFRS 16 "Leases" (hereinafter referred to as IFRS 16) replaces the current IAS 17 "Leases" (hereinafter referred to as IAS 17), IFRIC 4 "Determining whether an arrangement includes a lease" (hereinafter referred to as IFRIC 4), SIC 15 "Business Leasing: Incentives" and SIC 27 "Evaluation the nature of the transaction involving

leases in legal form"

The Consolidated Company adopts IFRS 16 retrospectively and adjusts the cumulative impact of the initial application to the retained earnings of January 1, 2019. The nature and impact of the changes in the relevant accounting policies are as follows:

(1) Definition of a Lease

The Consolidated Company previously determined whether an agreement is or includes a lease based on the IFRIC 4 on the contract beginning date. After changing the accounting policy, it is assessed whether the contract is or includes a lease in accordance with the lease definition of IFRS 16. The relevant accounting policies are detailed in Note 4 (14).

In the transition to IFRS 16, the Consolidated Company has chosen to use the expediency exemption to assess whether the transaction before the initial application date is a lease, that is, the contract previously identified as a lease is directly applicable to IFRS 16. Contracts that have previously been identified as non-lease in accordance with IAS 17 and IFRIC 4 are not reassessed as leases. Therefore, the lease definitions required by IFRS 16 apply only to contracts signed or changed on and after the initial application date.

(2) Lessee

A transaction in which the Consolidated Company is a lessee is previously assessed based on whether the lease contract has transferred almost all of the risks and payments attached to the underlying asset ownership. Under IFRS 16, the right-of-use assets and lease liabilities are recognized on the balance sheet for the lease contract.

The Consolidated Company chooses to apply the exemption for the lease of office and other equipment for short-term leases:

- Contract previously classified as an operating lease under IAS 17:

At the time of the transition, the lease liability is measured by the present value of the remaining lease payments and discounted using the borrowing rate of the Consolidated Company on the initial application date. Right-of-use assets are measured in one of the following methods:

- i. The carrying amount of the right-of-use asset is the same as of the date of IFRS 16 commencement, but is discounted using the lessee's incremental borrowing rate on the initial application date. The Consolidated Company applies this method to its large real estate lease.
- ii. The amount of the lease liability is adjusted for all prepaid or payable lease payments related to the lease. The Consolidated Company applies all other leases in this method other than the foregoing case.

In addition, the Consolidated Company has transitioned to IFRS 16 using the following expedient practices:

- i. Single discount rate for lease combinations with similar characteristics.
  - ii. As an alternative to the impairment assessment of the right-of-use asset, based on the results of the assessment of the loss-making contract according to the IAS 37 “Liabilities Reserve, Contingent Liabilities and Contingent Assets” before the date of initial application.
  - iii. For leases that are matured within 12 months after the initial application date, the right-of-use asset and lease liability are not recognized.
  - iv. The original direct cost is not included in the measurement of the right-of-use asset on the initial application date.
  - v. In the case of a lease contract that includes a lease extension or termination option, the use of the hindsight is adopted when the lease term is determined.
- Contract previously classified as a finance lease:  
For the contract previously classified as a finance lease under the IAS 17, the carrying amount of the right-of-use asset and the lease liability on the initial application date is the amount of leased asset and lease liability measured in accordance with IAS 17.

### (3) Lessor

Except for sub-leasing, the Consolidated Company is not required to make any adjustments to the transaction as a lessor in the transition to IFRS 16, and the IFRS 16 applies to the lease from the date of initial application.

Under IFRS 16, the classification of sub-leasing should be assessed based on the right-of-use asset rather than the underlying asset. At the time of the transition, the Consolidated Company reassesses its classification for the sub-lease classified as operating lease under the earlier application of IAS 17 and considers that the sublease should be classified as a finance lease under IFRS 16.

### (4) Impact on financial reporting

In the transition to IFRS 16, the Consolidated Company recognizes the right-of-use assets and lease liabilities of NT\$51,791 thousand on the initial application date. The lease liability is discounted at the incremental borrowing rate on the initial application date of the Consolidated Company. The weighted average of the interest rates is 0.78%. However, the difference between the amount of the operating lease commitments for the year prior to the initial application date and the lease liability recognized on the initial application date (which may be reasonably determined to exercise the lease extension option) is not significant, therefore there is no adjustments to be made.

## 2. IFRIC 23 “Uncertainty of Income Tax Treatment”

The new interpretation clarifies that when assessing the impact of income tax treatment on taxable income (loss), taxable base, unused tax losses, tax credit of investment and tax rates, it should be assumed that the tax authority will review the relevant amount and has obtained all relevant information at the time of the review.

If the Consolidated Company considers that the tax authority is likely to accept an uncertain tax treatment after assessment, it shall determine the taxable income (loss), tax base, unused tax losses, tax credit of investment and tax rates in a manner consistent with the treatment used in the tax return declaration. Otherwise, the most likely amount or expected value which is more appropriate to reflect the impact of each uncertain tax treatment shall be adopted.

The above assessment did not have a significant impact on the Consolidated Company’s financial report.

### (II) The impact of IFRSs endorsed by the FSC but not yet applied

According to official document No.1080323028 announced by FSC on July 29, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Issued by IASB</u></b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The above assessment did not have a significant impact on the Consolidated Company’s financial report.

### (III) The new and revised standards and interpretations but not yet endorsed by the FSC

According to official document No.1080323028 announced by FSC on July 29, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Issued by IASB</u></b>
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

Amendments to IAS 1 “ Classification of Liabilities as Current of Non-current” January 1, 2022

#### **IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial report utilizes significant accounting policies summary as below. Following accounting policies are all applied to the period presented in this consolidated financial report.

##### **(I) Compliance Statement**

The consolidated financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as “the Regulations” hereinafter) and the international financial reporting standard, international accounting standards, interpretation, and bulletin (referred to as “the IFRS approved by the FSC” hereinafter) approved and issued by the FSC.

##### **(II) Basis of Preparation**

###### **1. Basis of measurement**

Except for the material items in the balance sheet as below, the consolidated financial reports have been prepared in accordance with the historical cost:

- (1) Financial assets at fair value through profit or loss;
- (2) Financial assets at fair value through other comprehensive income; and
- (3) Defined benefit liabilities (or assets) are recognized in accordance with the fair value of pension fund assets deducted by net present value of defined benefit obligation and maximum effects in Note 4(16).

###### **2. Functional currency and presentation currency**

Each vehicle of the Consolidated Company makes the currency of the primary economic environment its functional currency. The consolidated financial report is prepared in the Company’s functional currency, NT Dollar. All financial information expressed in New Taiwan Dollar is with the monetary unit of NT\$ Thousand.

##### **(III) Basis of Consolidation**

###### **1. Principle for the preparation of consolidated financial statements**

The Company and its subsidiaries are the business entity of the consolidated financial report prepared. The Company controls the investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are integrated into the consolidated

financial statements from the day acquired control over the subsidiaries until the day loss control over the subsidiaries. The inter-company transaction, balance amount, and unrealized income and expense of the Consolidated Company are eliminated from the quarterly consolidated financial statements prepared. The consolidated profit or loss of the subsidiaries should be attributable to owners of the parent and non-controlling equity even if the non-controlling equity is with a deficit balance.

Financial statements of subsidiaries have already been adjusted properly, so that of which accounting policy consists with that used by the Consolidated Company.

If the Consolidated Company's equity ownership change in a subsidiary does not result in loss of control, it is treated as equity transaction with the shareholders. The adjusted amount of non-controlling interests, which resulted in the difference between the fair value and consideration paid or received, is recognized directly in equity and attributed to owners of the Company.

## 2. Losing control of the subsidiaries

When the consolidated company lost control of the subsidiary, the consolidated financial report eliminated the assets (including goodwill) and liabilities and non-controlling interests of the former subsidiary by the amount of the loss control day and revalued the retention of the investment from former subsidiary through fair value of the loss control day. The differences of disposal of profit and loss:(1)the total amount of the fair value of the consideration received and the total value of the retention of the investment in the loss control day, and (2) the assets (including goodwill) of the subsidiary and the liabilities and non-controlling interests in the loss control day. For all amounts previously recognized in the other consolidated profits and losses affiliated to the subsidiary, the basis of its accounting methods is the same as the basis as if the consolidated company disposed of the related assets or liabilities.

## 3. The subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements include:

Investee	Name of subsidiary	Nature of business	Shareholding ratio		Remarks
			12.31.2019	12.31.2018	
The Company	Jin Huang Construction Co., Ltd.	Architecture and civil engineering	98.20%	98.20%	
The Company	Yuji Development Corp.	Funeral services	54.42%	54.42%	
The Company	Dahan Property Management Co.	Housing and development	80.00%	80.00%	
The Company	Sea Dragon Traders Ltd.(BVI)	Investment	100.00%	100.00%	
The Company	Singapore Lungyen Life Service	Funeral services	- %	100.00%	Note 4 (2), 5 (1)

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The Company	Lung An Company Limited.	Funeral services	- %	100.00%	Note 4 (2), 5 (2)
Yuji Development Corp.	Lung Fu Company Limited	Funeral services	100.00%	77.75%	Note 4 (2), 5 (3)

4. The subsidiaries that are not included in the consolidated financial statements: None.

5. Changes in subsidiary:

- (1) Singapore Lungyen Life Service Pte.Ltd had been under clearance process since June 2019 and received the approval from the authorities in October 2019.
- (2) Lung An Company Limited was discharged after a short-form merger on April 1, 2019.
- (3) Yuji Development Corp. acquired the shares of other shareholders of Lung Fu Company Limited in January 2019. The number of shares acquired was 6,030 thousand shares, and the purchase price was NT\$67,100,000. After the acquisition, the shareholding ratio of Yuji Development Corp. increased from 77.75% to 100.00%. In addition, Lung Fu Company Limited increased its capital by NT\$100,000 in February 2019, and Yuji Development Corp. subscribed in full.

(IV) Foreign Currency

1. Transactions in foreign currencies

Foreign currency transactions are translated in accordance with the exchange rate on the transactions date as the functional currency. Foreign currency monetary items are translated in accordance with the prevailing exchange rates into the functional currency on the end of reporting period.

The foreign currency non-monetary item measured at fair value is translated into functional currency in accordance with the exchange rate on the valuation date. The foreign currency non-monetary item valued at historical cost is translated in accordance with the exchange rates on the transaction date.

Except for non-monetary equity instrument at fair value through other comprehensive income (available-for-sale equity instrument), financial liabilities designated as hedges of foreign institution's net investment or qualified cash flow hedge, the foreign currency exchange difference arising from translation is recognized in "Other comprehensive profit or loss" while others are recognized in "Profit or loss."

2. Foreign operating agency

Foreign institution's assets and liabilities include goodwill arising on acquisition and fair value adjustments that are translated into the functional currency on the reporting date. Income and expenses are translated into the functional currency in accordance with the current average exchange rates; also, the resulted exchange differences are recognized in "Other comprehensive profit or loss."

When the disposal of a foreign operation causes a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is entirely reclassified as "Profit or loss." If some of the foreign institution's subsidiaries are disposed of, the related cumulative exchange difference is proportionally re-attributed to the non-controlling equity. If some of the foreign institution's affiliated enterprises or joint ventures are disposed of, the related cumulative exchange difference is proportionally re-attributed to the "Profit or loss".

For the foreign institution's monetary receivable or payable, if there is no settlement plan available and without possibility in the foreseeable future to be settled, the resulted foreign exchange gains and losses is deemed as the foreign institution's net investment and is recognized in "Other comprehensive profit or loss."

#### (V) Classification of Assets and Liabilities as Current and Non-current

Assets in compliance with one of the following conditions are classified as current assets. Assets other than current assets are classified as noncurrent assets:

1. Expected to realize in the normal business cycle of the Consolidated Company, or with intent to sell or consume.
2. Primarily for trading purposes.
3. Expected to be realized within 12 months after the financial report date.
4. Cash or cash equivalent, but does not include those to be used for exchange or settlement of liabilities within 12 months after the financial report date or the restricted cash or cash equivalent.

Liabilities in compliance with one of the following conditions are classified as current liabilities. Liabilities other than current liabilities are classified as noncurrent liabilities:

1. Expected to be settled in the normal business cycle of the Consolidated Company.
2. Primarily for trading purposes.
3. Expected to be settled within 12 months after the financial report date.
4. The Consolidated Company cannot unconditionally have the settlement period extended for at least 12 months after the financial report date. The classification of

the liabilities that are settled with equity instrument issued at the choice of the counterparty is not affected thereafter.

## (VI) Cash and Cash Equivalent

Cash and cash equivalent include cash on hand, demand deposits, and short-term with high liquidity investment that is readily convertible to known amounts of cash with insignificant risk of changes in value.

## (VII) Financial Instruments

### 1. Financial Assets

Financial assets of the Consolidated Company are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss.

Only when the operation model of financial asset management has been changed, the Consolidated Company will reclassify financial assets which are affected by the change.

#### (1) Financial asset at amortized cost:

Financial asset shall be measured at amortized cost when it meets the conditions simultaneously and not designated as measured at fair value through profit and loss.

- Financial asset held due to the business model of earning contractual cash flows.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then use effective interest rate method, which is calculated through amortized cost minus impairment loss. Interest revenue, profit and loss of foreign currency exchange, and impairment loss are recognized in profits and losses. Gains or losses will be in profit or loss during derecognition. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

#### (2) Financial assets measured at fair value through other comprehensive income.

If investment in debt instrument meet the following conditions simultaneously, and not designated as measured at fair value through profit and loss, will be measured at fair value through other comprehensive income.

- Financial asset held due to the business model of earning contractual cash flows and being sold.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

The Consolidated Company has the choice of being irrevocable during initial recognition, the subsequent changes of fair value for investment in equity instrument not held for trading will be recognized in other comprehensive income. The above choice is on the basis of instrument-by-instrument approach.

If the initial recognition is measured at fair value plus transaction cost which is

directly attributable, then measured at fair value, except investments in debt instruments below: profits and losses of foreign currency exchanges, and interest revenue, impairment loss, dividend revenue of investment in equity instrument (unless representing recovery of the cost of the investment significantly) using effective interest method will be recognized in profit and loss, other changes in book value will be recognized in other comprehensive income, and accumulated to unrealized profit and loss of financial assets measured at fair value through other comprehensive income in equity. Accumulated amount of gains or losses under equity will be reclassified to income if belongs to investments in debt instruments, and accumulated amount of gains or losses under equity will be reclassified to retained earnings instead of income if belongs to investments in equity instruments during derecognition. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

Dividend revenue of investments in equity will generally be recognized on the date that the Consolidated Company has the right to earn dividends (Usually equals to ex-dividend date).

### (3) Financial assets measured at fair value through profit or loss

Financial assets that aren't belong to above mentioned (measured at amortized cost or measured at fair value through other comprehensive income) will be measured at fair value through profit or loss, including derivative financial assets. To eliminate or reduce accounting mismatch significantly, the Consolidated Company is able to appoint financial assets that conform to be measured at amortized cost or measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss irrevocably during initial recognition.

If being measured at fair value in initial recognition, and recognized in income when transaction cost occurs, will be measured at fair value later, the profit or loss generated from remeasurement (including related dividend revenue and interest revenue) will be recognized to income. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

### (4) Financial assets impairment

For financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, finance lease receivable, refundable deposit and other financial asset...etc.), investments in debt instruments measured at fair value through other comprehensive income, accounts receivables measured at fair value through other comprehensive income, forecast loss of credit for contractual assets, the Consolidated Company recognizes in allowance for loss.

The allowance for losses of following financial assets are amount measured at 12-month expected credit losses, other amount will be measured at lifetime expected credit losses:

- Credit loss of debt securities on reporting date is low; And
- Credit loss of other debt securities and bank deposits (refer to the risk of being default during expected lifetime of the financial asset) haven't increased significantly since initial recognition.

The amounts of accounts receivables and allowance for loss of contractual

assets are measured at lifetime expected credit loss.

Lifetime expected credit loss refers to expected credit loss generated from possible default items during expected lifetime of financial instruments.

12-month expected credit loss refers to expected credit loss generated in 12 months from possible default items after reporting date of financial instruments (or shorter if the expected lifetime of the financial instrument is shorter than 12 months).

The longest period of measuring expected credit loss is the longest contractual period that the Consolidated Company being exposed to credit risk.

When determining if credit risk has increased significantly since initial recognition, the Consolidated Company considers rational and provable information (acquired with no undue cost or effort), including qualitative and quantitative information, and according to the Consolidated Company's past experiences, credit evaluation, analyses from forecasting information.

If the credit risk evaluation equals to global-defined investment grade (BBB- or higher by Standards & Poor's, Baa3 or higher by Moody's, twA or higher by Taiwan Ratings, the Consolidated Company regards the debt security as low credit risk.

If the contractual amount has expired for over 30 days, the Consolidated Company will assume that the credit risk of the financial asset has increased significantly.

If the contractual amount has expired for over 90 days, or the borrower is unlikely to execute the contract of paying total amount to the Consolidated Company, the Consolidated Company considers that default has occurred.

Expected credit loss is the estimation of probability-weighting of credit loss during expected life of the financial asset. Credit loss is measured by total present value of short pay cash payment, which equals the difference between actual contractual cash flows receivable for Consolidated Company and expected contractual cash flows receivable for Consolidated Company. Expected credit loss is discounted at effective interest of the financial asset.

The Consolidated Company will evaluate financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income on every reporting date to see if there is credit impairment. If one or more events that are adverse to the estimated future cash flows of the financial asset have occurred, the financial asset will be considered to be credit-impaired. The evident of credit impairment of the financial asset includes the following observable materials:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as default or being expired for over 90 days.
- For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Consolidated Company would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

Allowance for financial assets measured at amortized cost should be reduced from the book value of assets, allowance for debt securities measured at fair value through other comprehensive income should be recognized in other comprehensive income (which is not to reduce book value of the assets.). Loss allowance and reversal will be recognized in profit and loss.

When there is no reasonable expectation of recovery for part of or all of the

financial asset, the Consolidated Company will deduct the total book value for the financial asset directly. Which usually means that the Consolidated Company considers that assets or sources of income for the borrower aren't able to generate enough write-off amount. However, a write-off the financial asset can still be implemented to meet the procedure of recovering expired amount of the Consolidated Company.

(5) Elimination of financial assets

Consolidated Company derecognizes financial assets only when the contractual rights on the cash flows from the assets are terminated, or financial assets are transferred and the ownership, risk, and returns of the financial assets have been transferred to other companies.

When one financial asset is derecognized entirely, the difference between the book value and the total amount of the received or receivable plus the amount recognized in other comprehensive profit or loss and accumulated in "Other equity - unrealized gains and losses of financial assets measured at fair value through other comprehensive income" is recognized in "profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

When one investment in debt instrument is not derecognized entirely, the Consolidated Company based on the relative fair value of each portion on the transfer date has the original book value of the financial asset allocated to the continuingly recognized portion and the derecognized portion. The difference between the book value allocated to the derecognized portion and the total amount of the consideration received for the derecognized portion plus any cumulative gain or loss recognized in other comprehensive profit or loss that is allocated to the derecognized portion is recognized in "profit or loss;" also, it is reported in the "Other gains and losses" of the "Non-operating income and expenses." The cumulative gain or loss that is recognized in "Other comprehensive profit or loss" is allocated to the continuingly recognized portion and the derecognized portion.

## 2. Financial liabilities and equity instruments

### (1) Classification of liabilities or equity

The debt and equity instruments issued by the Consolidated Company are classified as financial liability or equity in accordance with the substance of contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments are the contracts commending the Consolidated Company's residual equity of assets net of liabilities. The equity instruments issued by the Consolidated Company are recognized at the purchase price net of the direct issue cost.

### (2) Other financial liabilities

For the financial liability that is not available-for-sale and is not measured at fair value through profit and (including long-term and short-term loans, accounts payable, and other payables), it was initially recognized at fair value plus any directly attributable transaction cost; also, it is subsequently measured with the effective interest rate method at amortized cost. Interest expense that is not capitalized as assets cost is reported in the "Finance cost" of the "Non-operating income and expenses."

(3) Elimination of financial liabilities

Consolidated Company will have financial liabilities derecognized when the contractual obligation is performed, discharged, or expired.

When financial liability is derecognized, the difference between the book value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in “Profit or loss” and is reported in the “Other gains and losses” of the “Non-operating income and expenses.”

(VIII) Inventories

1. Buildings for Sale

Inventories are measured at the lower of cost or net realizable value. Cost includes the necessary expense to prepare it in the condition available for use at the designated location and the capitalized loan cost.

Net realizable value is the estimated selling price in ordinary course of business less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. Net realizable value is determined as follows:

- (1) Construction Site: Net realizable value is by referring to the estimate made by the competent authorities in accordance with the prevailing market conditions.
- (2) Construction in progress: Net realizable value is the estimated selling price (prevailing market conditions) less the estimated cost and selling expense needed to complete.
- (3) Real estate for sale: Net realizable value is the estimated selling price (see the estimate made by the competent authorities in accordance with the prevailing market conditions) less the estimated cost and selling expense needed to sell the real estate.

2. Columbarium and Cemetery Invested and Built for Sale

Construction in progress includes the cost of land and construction, upon completion, the permanent right to use that has been transferred to the clients is recognized as current operating cost proportionally to the selling price of columbarium and cemetery; also, the others are recognized as columbarium and cemetery for sale. Deferred marketing expenses are the direct marketing costs incurred for the sale of columbarium and cemetery during the construction period and it will be booked as current expense when income is recognized upon completion.

Interest expense incurred to have the construction in progress (including land and construction in progress) available for use or completed shall be capitalized.

Columbarium and cemetery for sale is measured at the lower of cost or net realizable value.

#### (IX) Non-Current Assets Held for Sale

The Board of the Consolidated Company approved the resolution to offer part of the Consolidated Company's investment property for sale by public auction. As a result, accounting policies related to non-current assets held for sales have been applied since July 1, 2018.

The non-current assets (or the disposal groups which are composed of assets and liabilities) are reclassified as assets for sales or held for distribution to owners when the book value are expected to be recovered through sale or distribution to owners rather than continuing use. Those non-current assets or disposal groups met the criteria of the classification shall be available for immediate sale in their present condition and its sale must be highly probable within one year. Components of assets or disposal groups shall be reevaluated in accordance in the Company's accounting policies before being reclassified to held for sale or held for distribution for owners. After being classified to held for sale or held for distribution to owners, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Depreciation or amortization will no longer be accrued when properties, plants and equipment have been classified as assets held for sale or assets held for distribution to owners.

#### (X) Investments in affiliated enterprises

Affiliated enterprise is the one that the Consolidated Company has significant influence but not control over its financial and operating policies. If the Consolidated Company owns 20%~50% voting rights of the invested company, it is assumed to have significant influence.

Under equity method, the original acquisition is recognized at cost and the investment cost includes transaction cost. The book value of investments in affiliated enterprises includes the goodwill recognized in original investment net of any accumulated impairment loss.

The consolidated financial report includes the period from the date the significant influence received to the date the significant influence ceased. After adjusting the accounting policies to be consistent with the Consolidated Company's, the Consolidated Company recognizes the affiliated enterprise's profit or loss and other comprehensive profit or loss proportionally to equity.

The unrealized gains arising from the transactions conducted between the Consolidated Company and the affiliated enterprise has been written off within the range of the invested company's equity held by the Consolidated Company. The elimination method for unrealized losses is same as the one for unrealized gains, but limited to the case without evidence of impairment.

When the loss in the affiliated enterprise recognized proportionally by the Consolidated Company equals or exceeds its interest in the affiliated enterprise, stop recognizing loss; also, only recognizes additional loss and related liability upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

#### (XI) Joint Arrangements

Joint arrangements are arrangements jointly controlled by two or more parties and

include joint operation and joint venture. A joint arrangement has the following characteristics: (a) the parties are bound by a contractual arrangement, and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 “Joint Arrangement” defined the joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (namely activities have material impact on returns of the agreement) require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 unless the entity is exempted from applying the equity method as specified in that standard.

To evaluate the classification of the joint arrangement, the Consolidated Company considered the structure of the arrangement, the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances. The previous evaluation considered only the structure of the arrangement. The Consolidated Company reevaluated the joint arrangement it participated in and reclassified the “joint control entity” to “joint venture”. That investment though has been reclassified, the equity method will still be adopted as its accounting treatment. Thus assets, liabilities and comprehensive income which have already been recognized will not be affected.

## (XII) Investment Properties

Investment properties is held for earning rent income or for capital appreciation, or both, rather than for normal business operation, for sale, used in production, for supply of goods or services, or for administrative purposes. Investment property is initially recognized at cost and then subsequently measured at cost again. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property, plant, and equipment. Cost includes the expense that can be directly attributable to the real estate acquired. The cost of the self-constructed investment property includes materials, direct labor, and directly attributable cost and capitalized loan cost to have the investment property ready for use. The estimated endurance life of current and comparable period is 2~55 years.

If the intended use of an investment property is changed and it is then reclassified as property, plant, and equipment, the reclassification is made in accordance with the book value at the time of changing the intended use.

## (XIII) Property, plant, and equipment

### 1. Recognition and measurement

The property, plant, and equipment is recognized and measured in accordance with the cost model; also, it is measured in accordance with the cost net of accumulated depreciation and accumulated impairment. Cost includes the expense directly attributable to the assets acquired. The cost of the self-constructed asset includes the cost of materials and direct labor, directly attributable cost to have the asset ready for the intended use, item dismantling and removing and the location recovery cost, and the loan cost of the capitalized assets.

When property, plant, and equipment contains different parts and each part is

relatively significant comparing to the total cost of the project and the use of different depreciation rates or methods is more appropriate, it will be deemed and processed as a separate item from the property, plant, and equipment (major component).

The gain or loss from the disposition of property, plant, and equipment bases on the difference between the book value and the disposal amount; also, the net amount is recognized in the “Other gains and losses” of the “Non-operating income and expenses.”

## 2. Subsequent cost

If the expected future economic effect arising from the subsequent expenditures of the property, plant, and equipment will probable inflow to the Consolidated Company with an amount can be measured reliably, the expenditure is recognized as part of the book value of the item and the book value of the replaced part is then derecognized. The routine maintenance cost of the property, plant, and equipment is recognized in profit or loss upon incurred.

## 3. Depreciation

Depreciation is computed at the cost of an asset less its residual value over the estimated useful lives in accordance with the straight-line method. Also, it is assessed by the significant part of the asset. If the useful life of a part of the asset is different from the rest of the asset, the said part should be depreciated separately. The appropriated depreciation is recognized in profit or loss.

If the ownership of the lease asset can be acquired by the Consolidated Company on the expiry date of the lease, the depreciation can be appropriated in accordance with the estimated useful lives; the depreciation of other leased assets is appropriated in accordance with the lease term or the useful lives whichever is shorter.

Land is not depreciated.

The estimated service life of the current year and the comparative period is as follows:

(1) House and building	4~69 years
(2) Office equipment	5 years
(3) Transportation equipment	5 years
(4) Other equipment	4~9years
(5) Leasehold improvement	5~10 years

Depreciation methods, service life, and residual values are examined at the end of each financial year. If the expected value is different from the previous estimate, if necessary, it will be appropriately adjusted. The said changes made will be handled

in accordance with the requirements of accounting estimates.

#### 4. Reclassification to investment property

When property for own-use is changed to investment property, the book value of the property should be reclassified to investment property.

#### (XIV) Lease

##### 1. Lessor

The rental income from operating leases is recognized as income over the period of the lease in accordance with the straight-line method. The total incentives provided to the lessee for achieving the lease arrangement is recognized as decrease of rental income over the period of the lease in accordance with the straight-line method.

##### 2. Lessee

The rent payment for operating lease (excluding insurance and maintenance service cost) is recognized as expenses over the period of the lease in accordance with the straight-line method. The total incentive provided by the lessor for achieving the lease arrangement is debited to the rent expense over the period of the lease in accordance with the straight-line method.

#### (XV) Intangible Assets

##### 1. Goodwill

###### (1) Initial recognition

The Goodwill arising from the acquisition of subsidiaries is included in the intangible asset.

###### (2) Subsequent measurement

Goodwill is measured at cost net of the accumulated impairment. Regarding equity method investment, the book value of the goodwill is included in the book value of the investment, and the impairment loss of that investment will be treated as part of book value of the equity investment rather than be classified to goodwill and other assets.

##### 2. Other intangible assets

The intangible assets acquired by the Consolidated Company are measured at cost less accumulated amortization and accumulated impairment.

##### 3. Subsequent expense

Subsequent expense can be capitalized only when it is able to help increase the

future economic benefits of specific asset. All other expenses are recognized in profit or loss upon incurred, including internally developed goodwill and brands.

#### 4. Amortization

The amortizable amount is the cost of the asset less the residual value.

Other than goodwill and intangible assets with indefinite useful life, intangible assets are amortized in accordance with the straight-line method and the estimated useful life from the date it is available for use. Amortization amount is recognized in profit or loss:

Computer software      1~10 years

The residual value, amortization period, and amortization method of intangible assets are examined at least at the end of the fiscal year with the change deemed as changes in accounting estimates.

#### (XVI) Non-financial Assets Impairment

The Consolidated Company has inventories, deferred income tax assets, and non-financial assets other than biological asset assessed for impairment on each reporting date; also, estimates the recoverable amount of the assets with a sign of impairment. If the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit the asset belongs to in order to assess impairment.

For goodwill and intangible assets without certain useful life, an impairment loss assessment shall be proceeded annual no matter whether there is an indication of impairment.

The recoverable amount is the fair value of an individual asset or cash-generating unit less disposal cost and the value in use whichever is higher. When assessing the value in use, the estimated future cash flow shall be discounted at the pre-tax discount rate to calculate its present value. That discount rate shall reflect the market assessment of time value of money and certain unit risk generated by that asset or cash.

If the recoverable amount of an individual asset or cash-generating unit is less than the book value, the book value of the individual asset or cash-generating unit is adjusted down to the recoverable amount with impairment loss recognized. Impairment losses were recognized immediately in current profit or loss.

The Consolidated Company on each reporting date reassesses whether there are indications that the recognized impairment losses of non-financial assets other than goodwill may no longer exist or have decreased. If the estimates used to determine

the recoverable amount are changed, the impairment loss is reversed to increase the book value of an individual asset or cash-generating unit equivalent to its recoverable amount, but may not exceed the book value of an individual asset or cash-generating unit before recognizing impairment loss and after deducting depreciation and amortization.

For the purpose of impairment testing, the goodwill acquired in a business consolidation shall be allocated to the Consolidated Company's cash-generating units (or cash-generating group) that is expected to benefit from the synergies of the consolidation effort. If the recoverable amount of the cash-generating unit is less than its book value, an impairment loss is allocated to the cash-generating unit by reducing the book value of its goodwill and then to the book value of each asset within the unit proportionally. The recognized goodwill impairment loss shall not be reversed in the subsequent periods.

#### (XVII) Provision for Liabilities

The recognition of provision is the current obligation due to past events, so that the Consolidated Company will probably need to flow out economic resources to pay off obligations, and the obligations can be reliably estimated. Provision can reflect that current market discounts time value of money and the pre-tax discount rate of liability specific risk evaluation to present value, the amortization of discounting should be recognized as interest expense.

#### (XVIII) Income Recognition

##### 1. Revenue from Contracts with Customers

Revenue is measured by the right of receiving the transaction price after transferring goods or services. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. The main items for revenue of the Consolidated Company is as below:

##### (1) Construction and sale of columbarium and cemeteries

The Consolidated Company invests in and constructs columbarium and cemetery for sale, and sells before or during construction frequently. The Consolidated Company recognizes revenues when control of the product is transferred, which is when the permanent use right has been transferred to the customer after the construction is completed and all receivables are collected.

For columbarium, cemeteries, and preneed contracts that are sold in advance, and usually sign a contract that contains the installments until the good or service is transferred to the customer during the period, if the contract contains finance income, it will recognize interest revenue in accordance with payment period; the unconditional right for the transaction price will be

recognized as accounts receivable, the advance will be recognized as contract liabilities, and the accumulated amount of contract liabilities will be recognized as revenue at the time the good or service is transferred to the customer.

In Accordance with “Mandatory Provisions to be Included in and Prohibitory Provisions of Standard Form Purchase and Sale Contract for Bone Ashes Storage Entity” issued by the Ministry of the Interior, for all standard form contracts signed after the regulation effective date on April 1, 2013, relevant provisions for future rescission and refund and promise for the useful life shall be estimated according to historical experience.

(2) Funeral services

Funeral services revenues are recognized upon the completion of the labor service.

(3) Rental

The rental income arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The income generated from the sublease of property is recognized in the “Rental income” of the operating income.

(4) Land development and sale of properties

The Consolidated Company develops and sell residential real estate, and recognizes revenues when control of the real estate is transferred, therefore, the Consolidated Company recognizes revenues at the time when legal ownership has been transferred to the customer and the property has been delivered. However, revenue will still be recognized if only one criterion mentioned above has been completed before the reporting date and the other one has been actually completed after the reporting date.

Revenue is measured by the transaction price agreed in the contract. In most cases, if the one being sold is a readily available property, the transaction price can be collected at the time the legal ownership of the property transferring to the customer. In a few cases, payment could be deferred if agreed in the contract, however, the deferment shall be within twelve months. Therefore, no adjustment to transaction price will be made for the sake of reflecting the effect of significant financing component. If the one being sold is a presale real estate, it is usually signed under a contract that contains the installments until the real estate is transferred to the customer during the period, if the contract contains significant financing component, the transaction price will be adjusted according to the loan interest of construction projects to reflect the effect of time value of money during the period. The advance will be recognized as contract liabilities, adjustment for the effect of time value of money will be recognized as interest expense and contract liabilities. The accumulated amount of contract liabilities will be recognized as revenue at the time when the real estate is transferred to the customer.

(5) Construction contract

The Consolidated Company engages in the construction of houses, commercial buildings and public construction. For the reason that clients have the control right over the assets when construction is still in process, revenues are recognized based on the percentage of the actual costs incurred to date to the total expected contract costs. A contract contains both fixed consideration and variable consideration. Customers pay fixed consideration on the agreed schedule. Some variable considerations (such as penalties calculated based on days delayed and subsidy for price adjustment) are estimated based on historical expected value. The Consolidated Company recognizes variable consideration if it is highly probable that the recognition will not result in a significant revenue reversal. A contract asset will be recognized if the customer has not yet paid the related consideration and that contract asset will be reclassified as note receivables when the Consolidated Company owns unconditional rights to the consideration.

If the progress toward completion is not able to be assessed reasonably, the contract revenue can be recognized only within the range of estimated collectable costs.

When the Consolidated Company expects that the inevitable costs of an obligation of a construction contract will exceed the economic benefits expected to be gained from the contract, a contract provision for that onerous contract shall be presented.

If the situation changes, estimation to revenue, cost and completion progress will be adjusted. Relevant increase and decrease will be presented in the income statement when the management finds out the change and makes the adjustment.

## (XIX) Costs from Contracts with Customers

### 1. Incremental Costs of Obtaining a Contract

If the Consolidated Company expects that the incremental costs of obtaining a contract from customer are to be recovered, these costs are recognized as an asset. Incremental costs of obtaining a contract are costs that would not have been incurred had that individual contract not been obtained. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless whether the contract is obtained.

## (XX) Employee Welfare

### 1. Defined contribution plan

The defined contribution plan obligation is recognized as employee welfare expense during the labor service period.

### 2. Defined benefit plan

The retirement pension plan that is not a defined contribution plan is a defined benefit plan. The Consolidated Company's net obligation under

the defined benefit plan is the future benefits earned by employees currently or in the past and it is discounted to present value. Any unrecognized prior service cost and the fair value of the project assets is deducted or eliminated. Discount rate is based on the interest rate that is with a maturity date close to the net obligation deadline of the Consolidated Company and the currency of denomination same as the market yield rate of government bonds for the expected benefit payment on the reporting date.

Enterprise's annual net obligation is calculated by a qualified actuary with the use of a projected unit welfare method. When the calculation result is favorable to the Consolidated Company, the recognized asset is limited to the total amount of any unrecognized prior service cost and the present value of the total economic benefits available from the future refund of the plan or reduction of funding to the plan. The calculation of the present value of any economic benefits shall consider the minimum capital appropriation requirement applicable to any plan of the Consolidated Company. If the benefit can be realized during the project period or when the project liabilities settled, it means economic benefit to the Consolidated Company.

When the content of the planned welfare is improved, the welfare increase due to the service performed by the employees is recognized in profit or loss in accordance with the straight-line method over the average welfare vesting period. The associated expense of the vested benefit is recognized in profit or loss immediately.

The Consolidated Company's actuarial gains and losses of the defined benefit plans arising subsequently is recognized immediately in the "Other comprehensive profit or loss."

Net reconciliation of the welfare liabilities (assets) included (1) actual profit and loss; (2) plan assets remuneration, but not including the amount of net interest included in the net fixed liability (assets); and (3) any change in the number of assets, but not including the amount of net interest included in net fixed liability (assets). Net reconciliation of welfare liabilities (assets) is recognized under other comprehensive profit and loss items.

The reconciliation amount of the confirmed welfare plan of the consolidated company is continued to be recognized as retained earnings.

Consolidated Company shall have the curtailment or settlement gain or loss of the defined benefit plan recognized upon occurrence. Curtailment or settlement gain or loss includes any changes in the fair value of plan assets, changes in the present value of the defined benefit obligation, any previously unrecognized actuarial gain or loss, and prior service cost.

### 3. Short-term employee welfare

Short-term employee benefit obligation is measured on an undiscounted basis and is recognized as expense when the related services are provided.

For the short-term cash bonus or the amounts expected to be paid under the bonus plan, if the Consolidated Company has a present legal or constructive obligation to pay for the services rendered by employees before and the obligation can be estimated reliably, the amount is recognized as a liability.

## (XXI) Income tax

Income tax expense comprises current and deferred tax. In addition to the business combination are recognized directly in equity or in other comprehensive income related to the project, as the current income tax and deferred tax should be recognized in profit or loss.

Income tax includes current year taxable income (loss) of the reporting date at the statutory rate or the rate of substantive legislation expected tax payable or receivable tax refund calculation, and any adjustment to tax payable in previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base amount of measure to be recognized. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

1. Does not belong to a business combination and trading upon initial recognition of an asset or liability and, at the time of the transaction affects neither the accounting profit nor taxable income (loss) persons.
2. Equity investments in subsidiaries and joint ventures generated, and it is probable in the foreseeable future will not swing by.

### 3. Original goodwill recognized.

Deferred income tax is based on the expected tax asset is realized or the liability is settled the current measure and report the date of the statutory tax rate or rates based on substantive legislation.

When Consolidated Company will only meet the following conditions, before the deferred tax assets and deferred tax liabilities offsetting:

1. There is a legally enforceable right to set off current tax assets against current tax liabilities netted; and
2. Deferred tax assets and deferred tax liabilities and one of the following tax levied by the same taxation authority of the taxable entity;
  - (1) the same taxable entity; or
  - (2) different taxable entities, provided that each of the main intentions of each future period in which significant amounts of deferred tax assets and deferred tax liabilities are expected recovery is expected to be settled, the current income tax liabilities and assets in order to settle on a net basis, or to realize asset and settle the liability.

For unused tax losses and unused tax credits handed turn late, and deductible temporary differences, within the range of probable future taxable income available for use, are recognized as deferred income tax assets. And date to be re-assessed at each reporting be reduced on the related income tax benefit is likely to fall within the scope of non-realized.

### (XXII) Earnings Per Share

Consolidated Company lists the basic and diluted earnings per share of the common stock shareholders of the Company. The Consolidated Company's basic earnings per share is based on the profit or loss of the Company's common stock shareholder divided by the weighted average number of outstanding common stock shares of the period. The Consolidated Company's diluted earnings per share is to have the profit or loss of the Company's common stock shareholder and the weighted average number of outstanding common stock shares calculated after having the effect of the potential diluted common stock adjusted respectively. The Consolidated Company's potential diluted common stock includes the convertible bond and the estimated bonus to employees.

### (XXIII) Department Information

An operating segment is an integral part of the Consolidated Company,

engaged in the business activities that may earn income and incur expenses (including the income and expense of the transactions conducted with other divisions within the Consolidated Company). All operating segments' operating results are regularly reviewed by the chief operator of the Consolidated Company for decision-making in regard of the resource allocation to each division and evaluating its performance. Each operating division has independent financial information provided.

## **V. THE MAJOR SOURCES OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATIONS, ASSUMPTIONS FOR THE UNCERTAINTIES**

When the management has the consolidated financial statements prepared in accordance with the International Accounting Standard approved by the FSC, it is necessary to make judgments, estimates, and assumptions that are influential to the accounting policies adopted and the assets, liabilities, and income and expenses amount reported. Actual results may differ from those estimates.

The administering authority continually checks estimation and basic assumption. The accounting estimated changes are recognized in the changeable period and future period being impacted.

1. Accounting policy involving critical judgment and having significant effect on the amounts recognized in the consolidated financial statements

### (1) Classification of Joint Arrangement

Long Young Life (Cayman) Limited Co., a joint arrangement participated by the Consolidated Company, is structured as a single vehicle. The Consolidated Company owns the residual interests of the net asset of Long Young Life (Cayman) Limited Co, thus the Consolidated Company classified that joint arrangement as a joint venture and adopted equity method to treat relevant accounting recognition. Details can be found in Note 6 (6).

2. The following information is for the assumptions of uncertainty and the estimation having significant risks that will result in significant adjustments in the following year:

### (1) Impairment of receivables

The receivable provision of the Consolidated Company is estimated based on assumptions of default risk and expected loss ratio. The Consolidated Company considered historical experience, current market condition and forward-looking estimation to judge and calculate the assumption upon calculating the impairment and choose the input amount. Explanation to relevant assumption and input amount can be found in Note 6 (3).

### (2) Impairment of goodwill and trademark

The Consolidated Company conducts impairment test every year to determine whether the receivable amount is less than book value and recognize the difference as impairment loss. Goodwill acquired from corporate acquisition shall be allocated to cash generating units (or cash generating unit group) benefited by the merging synergy when conducting impairment test. If receivable amount of one cash generating unit is less than its book value, book value of goodwill allocated to the unit will be written-off first, then allocate book value of the unit's assets proportionally to each asset. However, important assumptions may vary with changes of market and economic condition. Explanation for related key assumptions can be found in Note 6 (11).

### (3) Measurement of defined benefit obligation

The defined benefit cost and defined benefit liabilities (assets) of a defined benefit plan are measured by the projected unit credit method, which adopts assumption including discount rate, employee separation rate and future salary increase rate, etc. If those assumptions change with changes of market and economic condition, recognized costs and liabilities may be effected significantly. Explanation for significant assumption adopted by the actuarial valuation and sensitivity analysis can be found in Note 6 (16).

### (4) Recognition of deferred income tax asset

A deferred income tax asset is recognized for deductible temporary differences and unused tax credit when it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilized. The Consolidate Company adopted tax deduction assumption based on future sale growth, margin, tax exemption period, usable tax deduction and tax plan to measure the feasibility of a deferred income tax asset. The changes of economy, industrial environment and regulations may cause significant effect on the deferred income tax asset. Details of the measurement of the deferred income tax asset can be found in Note 6 (17).

### Estimate Processes

The accounting policies of the Consolidated Company and disclosures include the conducting of fair value to measure their financial and nonfinancial assets and liabilities. The Consolidated Company establishes the relevant internal control system for the fair value measure. Including the establishment of an evaluation team to be responsible for reviewing all significant fair value measurements (including the third level of fair value) and reporting directly to the Chief Financial Officer.

The evaluation team regularly reviews significant and unobservable input values

and adjustments. If the input value used to measure the fair value is used from external third party information (such as broker or pricing service), the evaluation team will evaluate the evidence provided by the third party to support the input value to determine the rating and its fair value class is in compliance with the International Financial Reporting Standards.

The evaluation team also reports on major issues to the audit committee of the Consolidated Company. The investment property is appraised regularly by the Consolidated Company according to the evaluation method and the parameter hypothesis of the financial management committee.

Consolidated companies use their observing input value as much as possible when measuring their assets and liabilities. The level of fair value is based on the input value of the evaluation technique as follows:

Level 1: Public offer (unadjusted) of the same asset or liability in the active market.

Level 2: In addition to the public quotation at the first level, the input parameters of the asset or liability are observed directly (ie, price) or indirectly (ie derived from the price).

Level 3: Input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

In the event of a transfer of the fair value between the grades, the Consolidated Company shall indicate the transfer on the reporting date.

Please refer to the following notes in the relevant information on the assumptions used in measuring the fair value:

1. Note 6 (5) Non-current Assets Held for Sale
2. Note 6 (10) Investment Property
3. Note 6 (24) Financial Instruments

## VI. IMPORTANT ACCOUNTING ACCOUNTS

### (I) Cash and cash equivalent

	<u>12.31.2019</u>	<u>12.31.2018</u>
Cash and petty cash	\$ 2,556	3,966
Demand deposit	229,365	189,996
Check deposit	43	40
Cash and cash equivalent on the consolidated cash flow statement	<u>\$ 231,964</u>	<u>194,002</u>

For the interest rate risk and sensitivity analysis disclosure of the

Consolidated Company's financial assets and liabilities, please refer to Note 6(24).

(II) Financial assets

1. Current financial assets at fair value through profit and loss

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial assets mandatorily classified and measured at fair value through profits and losses:		
Domestic and foreign common stocks	\$ 77,439	115,590
Beneficiary certificates	<u>9,640,284</u>	<u>1,411,592</u>
Total	<u><b>\$ 9,717,723</b></u>	<u><b>1,527,182</b></u>

For profits and losses recognized from the reevaluation at fair value, please refer to Note 6(23).

2. Financial assets at fair value through other comprehensive income – non-current

	<u>12.31.2019</u>	<u>12.31.2018</u>
Liability instruments at fair value through other comprehensive income:		
Bonds	\$ 2,114,996	1,722,906
Equity instruments at fair value through other comprehensive income:		
Domestic and foreign common stocks	2,131,094	8,034,494
Beneficiary certificates	<u>297,250</u>	<u>291,450</u>
Total	<u><b>\$ 4,543,340</b></u>	<u><b>10,048,850</b></u>

(1) Liability instruments at fair value through other comprehensive income

The Consolidated Company held bond investment through cash flow from contract with customers and sales of financial assets, thus the Company categorized those investments in bonds as financial assets at fair value through other comprehensive income as follows:

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.30%~4.85% and 1.625%~4.50% as of December 31, 2019 and 2018. The maturity years were between 2020 to 2029 and 2020 to 2028.

For profits and losses from disposal of investment, please refer to Note 6 (23).

(2) Equity instruments at fair value through other comprehensive income

The Consolidated Company was for long-term strategic reason and not for trading to hold those equity instruments, thus recognized them at fair

through other comprehensive income.

In the year ended December 31, 2019 and 2018, the Consolidated Company made disposal of a portion of equity instruments at fair value through other comprehensive income with fair values at NT\$9,294,011 thousand and NT\$95,819 thousand and accumulated disposal profits of NT\$3,425,948 thousand and NT\$9,269 thousand, which have been transferred from other comprehensive income to retained earnings.

One of the Consolidated Company's investee, PK Venture Capital Corp, was liquidated on December 13, 2018 with a liquidation distribution of NT\$2,551 thousand. The difference between the distribution and book value was NT\$21,611 thousand. The foregoing accumulated liquidation loss has been transferred from other comprehensive income to retained earnings.

The Consolidated Company recognized an impairment loss of NT\$5,940 thousand of Creative Space Design Co.in 2018 due to its continuous losses.

Details of credit risks (including impairment of debt instrument investment) and market risks can be found in Note 6 (25).

None of foregoing financial assets are pledged as a collateral.

### 3. Financial assets at amortized cost – non-current

	<u>12.31.2019</u>	<u>12.31.2018</u>
Bond	<u>\$ 1,463,240</u>	<u>1,017,051</u>

- (1) The Consolidated Company held above investment to its maturity in order to collect the contract cash flow, which was purely for paying the principle and interests of outstanding principle, thus the Company cauterized those investments as financial assets carried at amortized cost.
  - (2) The coupon rates of the Consolidated Company's investments in financial assets at amortized cost were between 0.63%~3.000% and 0.625%~2.45% as of December 31, 2019 and 2018. The maturity years were from 2020 to 2028 and 2020 to 2027.
4. For details of trusting part of the Consolidated Company's financial assets as of December 31, 2019 and 2018, please refer to Note 9 (3).
  5. For details of the Consolidated Company's financial assets pledged as collateral as of December 31, 2019 and 2018, please refer to Note 8.
  6. Sensitivity analysis – risks from equity price change

The impact of the changes in equity price on the reporting date (the analysis of two terms are completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

Stock price on the reporting date	2019		2018	
	Other consolidated profit or loss after tax	Profit or loss after tax	Other consolidated profit or loss after tax	Profit or loss after tax

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Increased by 10%	\$	<u>187,307</u>	<u>6,400</u>	<u>786,000</u>	<u>11,109</u>
Decreased by 10%	\$	<u>(187,307)</u>	<u>(6,400)</u>	<u>(786,000)</u>	<u>(11,109)</u>

(III) Account Receivables and Note Receivable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Note receivables – from operation	\$ 778	6,345
Account receivables – at amortized cost	9,541,268	9,538,757
Less: allowance	(76,870)	(60,875)
Unrealized interest revenues	<u>(735,754)</u>	<u>(729,486)</u>
	<u>\$ 8,729,422</u>	<u>8,754,741</u>

The Consolidated Company estimated expected credit risk of all account receivables and note receivables by the simplified method, which evaluates the expected credit losses by the duration. The Consolidated Company's expected credit losses from account receivables and note receivables are analyzed below.

	December 31, 2019		
	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue(*)	\$ 9,471,551	0.00%~0.58%	9,217
Overdue for 31~90 days	8,991	72.58%	6,526
Overdue for 91~180 days	4,146	93.89%	3,893
Overdue for 181~270 days	3,203	96.15%	3,079
Overdue for 270 days and more	<u>54,155</u>	100.00%	<u>54,155</u>
<b>Total</b>	<u>\$ 9,542,046</u>		<u>76,870</u>

	December 31, 2018		
	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue	\$ 9,490,896	0.00%~0.22%	11,622
Overdue for 31~90 days	6,132	29.65%	1,818
Overdue for 91~180 days	2,160	78.08%	1,687
Overdue for 181~270 days	2,022	91.84%	1,856
Overdue for 270 days and more	<u>43,892</u>	100%	<u>43,892</u>
<b>Total</b>	<u>\$ 9,545,102</u>		<u>60,875</u>

\*Account receivables as of December 31, 2019 and 2018 included undue account receivables of NT\$7,371,382 thousand and NT\$8,500,476 thousand.

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 60,875	53,313
Recognized allowance loss	16,491	7,763
Bad debt written off	(496)	(201)
Ending balance	<u>\$ 76,870</u>	<u>60,875</u>

## (IV) Inventory

	<u>12.31.2019</u>	<u>12.31.2018</u>
Residential and building for sale	\$ 85,791	-
Columbarium and cemetery for sale	3,494,676	3,099,606
Construction Site	4,602,343	4,601,056
Residential and building under construction	-	92,118
Columbarium and cemetery under construction	7,521,166	7,647,985
	<u>\$ 15,703,976</u>	<u>15,440,765</u>
Expected to be recovered in more than twelve months	<u>\$ 15,672,750</u>	<u>15,419,793</u>

1. As of year 2019 and 2018, the interest which was recognized by the Consolidated Company and capitalized amount of residential and building under construction as well as columbarium and cemetery under construction is zero.
2. Parts of the land of the Company (refer to as “the principal”) were registered by the trustee’s name in order to deal with the land purchasing. The two sides signed the contract regulating after land consolidation has been completed, the property will 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 the promissory note with the same value of the land opened and registered under his/her name to the principal.
3. For the Consolidated Company’s inventories pledged as collateral as of December 31, 2019 and 2018, please refers to Note 8.

## (V) Non-current Assets Held for Sale

	<u>12.31.2019</u>	<u>12.31.2018</u>
Land held for sale	\$ -	1,762,998
Houses and buildings held for sale	-	802,685
	<u>\$ -</u>	<u>2,565,683</u>

1. The Consolidated Company’s Board meeting made resolution on August 10, 2018 to dispose part of its investment properties. Since no impairment occurred

when comparing the book value and the fair value minus disposal costs, those assets for sale were recognized at book value in non-current assets held for sale.

2. The Consolidated Company sold the non-current assets held-for-sale of the 2nd section, Dunhua South Road, Taipei City on November 7, 2018, and completed the ownership transfer procedure in January 2019. A net disposal profit of NT\$246,053 thousand was recognized as revenues for foregoing transaction. Details of the recognition can be found in Note 6 (20).
3. The Consolidated Company sold the non-current asset held-for-sale in Taipei Pacific Commercial Building on May 13, 2019, and completed the ownership transfer procedure of part of the floors in August 2019. A net disposal profit of NT\$381,275 thousand was recognized as revenues for the foregoing transaction during the period from January 1 to September 30, 2019. Details of the recognition can be found in Note 6 (20).
4. The Consolidated Company sold the non-current asset held-for-sale in 2<sup>nd</sup> Sec., Neihu, Taipei was sold on July 24, 2019 and the ownership transfer procedure is still under processing. Relevant information can be found in Note 9 (1).

(VI) The investment under equity method

	<u>12.31.2019</u>	<u>12.31.2018</u>
Affiliates	\$ 185,170	417,658
Joint venture	760,735	791,448
	<u>\$ 945,905</u>	<u>1,209,106</u>

• Affiliates

1. Affiliated enterprises having significant importance to the Company, the relevant information is as follow:

<u>Affiliates</u>	<u>Nature of the relationship with the Company</u>	<u>Major operating place/ Country</u>	<u>Ownership &amp; voting ratio</u>	
			<u>12.31.2019</u>	<u>12.31.2018</u>
Lung Ting Life Sciences Co. Ltd.	Flower cultivation, wholesales, and retail business	Taiwan	- %	49.00%

Note: The Consolidated Company disposed 49% of ownership in Lung Ting Life Services on August 13, 2019 and lost significant influence to the affiliate. The disposal amount of transaction was NT\$231,912 thousand, and the disposal profit of NT\$2,798 thousand was included in Non-operating income and expenses of the Income Statement. Detail can be found in Note 6 (23).

Summary of financial information of the affiliated enterprises having significant importance to the Company is as follows

- Financial information for Lung Ting Life Sciences Ltd:

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	<b>12.31.2018</b>
Current assets	\$ 222,526
Non-current assets	265,544
Current liabilities	(13,060)
Non-current liabilities	<u>(1,677)</u>
Net assets	<b><u>\$ 473,333</u></b>
Net Assets attributable to the controlling equity	<b><u>\$ 241,400</u></b>
Net Assets attributable to the owner of the investee	<b><u>\$ 231,933</u></b>
	<b>2018</b>
Operating Revenue	<b><u>\$ 110,879</u></b>
Current net loss	\$ (15,643)
Other comprehensive profit or loss	<u>-</u>
Total profit or loss	<b><u>\$ (15,643)</u></b>
Total comprehensive profit or loss attributable to the controlling equity	<b><u>\$ (7,978)</u></b>
Total comprehensive profit or loss attributable to the owner of the investee	<b><u>\$ (7,665)</u></b>
The share of the Company's net assets of affiliated enterprises at the beginning period	\$ 239,598
Total comprehensive profit or loss attributable to the Consolidated Company	<u>(7,665)</u>
The book value of the Company's equity in the affiliated enterprise of the Company	<b><u>\$ 231,933</u></b>

2. The Consolidated Company's share of the affiliated enterprise under equity method which is not significant individually is summarized as follows. The said financial information is the amount in the Company's individual financial report.

	<b>12.31.2019</b>	<b>12.31.2018</b>
Ending balance of affiliated enterprise under equity method which is not significant individually	<b><u>\$ 185,170</u></b>	<b><u>185,725</u></b>
Attribute to the Company:	<b>2019</b>	<b>2018</b>
Continuing operations' current loss		
Other comprehensive profit or loss	\$ (303)	(291)
Total comprehensive profit or loss	<u>(251)</u>	1,255
Ending balance of affiliated enterprise under equity method which is not significant individually	<b><u>\$ (554)</u></b>	<b><u>964</u></b>

3. As of December 31, 2019 and 2018, the Consolidated Company did not have its investment using equity method pledged as collateral.

#### 4. Joint Venture

The Consolidated Company, Bliss Knight Limited and SINO-OCEAN Group signed a joint-venture agreement on December 31, 2017 based on the cooperation framework of jointly developing, constructing and operating cemetery sites and also developing and marketing funeral related services and products. The JV uses one of the Consolidated Company's existing subsidiaries, Lungyen Cayman, and was renamed Long Young Cayman by US\$28,000 thousand in January, 2018, which decreased the Consolidated Company's ownership from 100% to 50%. Henceforth the Consolidated Company would never recognized LUNGYANG LIFE's profits and losses into consolidated financial statement but treat them with equity method since 2018 instead.

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

	<u>12.31.2019</u>	<u>12.31.2018</u>
Ownership	<u>50%</u>	<u>50%</u>
Non-current assets	\$ 1,524,492	1,562,292
Current assets	8,979	27,247
Current liabilities	(12,001)	(6,643)
Net assets	<u>\$ 1,521,470</u>	<u>1,582,896</u>
Cash and cash equivalents	<u>\$ 8,979</u>	<u>27,247</u>
Net assets attributable to the Consolidated Company	<u>\$ 760,735</u>	<u>791,448</u>
	<u>2019</u>	<u>2018</u>
Revenues	<u>\$ -</u>	<u>-</u>
Net losses	\$ -	-
Net losses from continuing operations	(98,515)	(68,573)
Other comprehensive income	(17,660)	(81,291)
Total comprehensive income	<u>\$ (116,175)</u>	<u>(149,864)</u>
Net income attributable to the Consolidated Company(*)	<u>\$ (49,257)</u>	<u>(34,285)</u>

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Other comprehensive income attributable to the Consolidated Company(\*) \$ (8,830) (40,646)

\*Ending exchange rate of US\$ on December 31, 2019: 30.106;  
average exchange rate of US\$ for the year 2019: 30.924

## (VII) Subsidiaries with Significant Non-controlling Interests

Name of subsidiaries	Main operation location/ Country of registration	Proportion of shareholdings held by non-controlling interest and voting rights	
		12.31.2019	12.31.2018
Yuji construction Co. Ltd.	Taiwan	45.58%	45.58%

Financial information of abovementioned subsidiary is summarized as the followings, in accordance with IFRS approved by FSC. The financial information is based on amount with the Consolidated Company before transaction eliminated:

### 1. Summarized financial information of Yuji:

	12.31.2019	12.31.2018
Current asset	\$ 3,193,469	3,422,653
Non-current asset	848,856	412,149
Current liability	(712,836)	(653,960)
Equity	<u>\$ 3,329,489</u>	<u>3,180,842</u>
Book value of ending non-controlling interests	<u>\$ 1,497,833</u>	<u>1,430,081</u>
	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 514,732	583,347
Net income	\$ 147,475	249,472
Other comprehensive income	7,390	5,230
Total comprehensive income	<u>\$ 154,865</u>	<u>254,702</u>
Net income, attributable to non-controlling interest	<u>\$ 67,342</u>	<u>113,710</u>
Total comprehensive income, attributable to non-controlling interest	<u>\$ 70,710</u>	<u>116,095</u>
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities	\$ 498,237	11,601
Cash flows from investing activities	(524,924)	(15,350)
Cash flows from financing activities	27,000	-
Net cash flow increase (decrease)	<u>\$ 313</u>	<u>(3,749)</u>

## (VIII) Property, Plant, and Equipment

	Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Cost or identified cost:								
Balance on January 1, 2019	\$ 2,415,999	2,829,630	94,199	56,502	4,100	187,108	952,226	6,539,764

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Additions	-	15,174	35,489	-	-	12,073	311,557	374,293
Disposal and scrap	-	-	(21,814)	(2,687)	-	(4,695)	-	(29,196)
Transfers from (to) unfinished construction	-	23,392	-	-	-	3,142	(26,534)	-
Transfers from (to) investment properties	-	-	-	-	-	-	(1,505)	(1,505)
Reclassification	-	-	-	-	-	-	(2,662)	(2,662)
Balance on Dec. 31, 2019	<b>\$ 2,415,999</b>	<b>2,868,196</b>	<b>107,874</b>	<b>53,815</b>	<b>4,100</b>	<b>197,628</b>	<b>1,233,082</b>	<b>6,880,694</b>
Balance on January 1, 2018	\$ 2,359,206	2,770,810	93,403	56,283	4,100	170,088	1,022,373	6,476,263
Additions	17	4,157	4,302	925	-	15,437	47,091	71,929
Disposal and scrap	-	(2,777)	(2,990)	(618)	-	(389)	-	(6,774)
Loss control of subsidiary	-	-	(1,516)	(88)	-	-	-	(1,604)
Reclassification	56,776	57,440	1,000	-	-	1,972	(117,238)	(50)
Balance on Dec. 31, 2018	<b>\$ 2,415,999</b>	<b>2,829,630</b>	<b>94,199</b>	<b>56,502</b>	<b>4,100</b>	<b>187,108</b>	<b>952,226</b>	<b>6,539,764</b>
Depreciation and impairment loss:								
Balance on January 1, 2019	\$ -	521,956	74,486	54,439	3,293	73,285	-	727,459
Current depreciation	-	76,668	6,520	555	180	20,227	-	104,150
Disposal and scrap	-	-	(21,814)	(2,687)	-	(4,572)	-	(29,073)
Balance on Dec. 31, 2019	<b>\$ -</b>	<b>598,624</b>	<b>59,192</b>	<b>52,307</b>	<b>3,473</b>	<b>88,940</b>	<b>-</b>	<b>802,536</b>
Balance on January 1, 2018	\$ -	449,850	69,761	54,066	3,113	54,508	-	631,298
Current depreciation	-	72,832	7,884	784	180	18,939	-	100,619
Disposal and scrap	-	(666)	(2,919)	(373)	-	(222)	-	(4,180)
Loss control of subsidiary	-	-	(240)	(38)	-	-	-	(278)
Balance on Dec. 31, 2018	-	(60)	-	-	-	60	-	-
Book value :	<b>\$ -</b>	<b>521,956</b>	<b>74,486</b>	<b>54,439</b>	<b>3,293</b>	<b>73,285</b>	<b>-</b>	<b>727,459</b>
January 1, 2019								
December 31, 2019	<b>\$ 2,415,999</b>	<b>2,269,572</b>	<b>48,682</b>	<b>1,508</b>	<b>627</b>	<b>108,688</b>	<b>1,233,082</b>	<b>6,078,158</b>
January 1, 2018	<b>\$ 2,359,206</b>	<b>2,320,960</b>	<b>23,642</b>	<b>2,217</b>	<b>987</b>	<b>115,580</b>	<b>1,022,373</b>	<b>5,844,965</b>
December 31, 2018	<b>\$ 2,415,999</b>	<b>2,307,674</b>	<b>19,713</b>	<b>2,063</b>	<b>807</b>	<b>113,823</b>	<b>952,226</b>	<b>5,812,305</b>

1. The Consolidated Company (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 agree 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 then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.
2. For details of assets pledged as collateral as of December 31, 2019 and 2018, please refer to Note 8.
3. For details of part of the property, plant and equipment trusted as of December 31, 2019 and 2018, please refer to Note 9 (3)

## (IX) Right-of-use Asset

	Land	Houses and Buildings	Transportation Equipment	Total
Cost of right-of-use asset :				
Balance on January 1, 2019	\$ -	-	-	-
Adjustment made for IFRS16	574	29,894	21,323	51,791

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Balance on June 30, 2019	<u>\$</u>	<u>574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Impairment loss on right-of-use asset :					
Balance on January 1, 2019	\$	-	-	-	-
Current depreciation		236	9,051	4,186	13,473
Balance on June 30, 2019	<u>\$</u>	<u>236</u>	<u>9,051</u>	<u>4,186</u>	<u>13,473</u>
Book value :					
June 30, 2019	<u>\$</u>	<u>338</u>	<u>20,843</u>	<u>17,137</u>	<u>38,318</u>

## (X) Investment Property

	<u>Land and Improvements</u>	<u>Buildings and Structure</u>	<u>Total</u>
Cost or identified cost :			
Balance on January 1, 2019	\$ 3,259,021	1,015,581	4,274,602
Additions	-	1,010	1,010
Transfers from property, plant and equipment	-	1,505	1,505
Reclassification to held-for-sale assets	(6,641)	(656)	(7,297)
Balance on December 31, 2019	<u>\$ 3,252,380</u>	<u>1,017,440</u>	<u>4,269,820</u>
Balance on January 1, 2018	\$ 5,022,148	1,992,136	7,014,284
Additions	-	675	675
Disposal	(129)	(167)	(296)
Reclassification	(1,762,998)	(977,063)	(2,740,061)
Balance on December 31, 2018	<u>\$ 3,259,021</u>	<u>1,015,581</u>	<u>4,274,602</u>
Depreciation and impairment loss :			
Balance on January 1, 2019	\$ 19,910	361,120	381,030
Current depreciation	-	24,551	24,551
Reclassification to held-for-sale assets	-	(294)	(294)
Balance on December 31, 2019	<u>\$ 19,910</u>	<u>385,377</u>	<u>405,287</u>
Balance on January 1, 2018	\$ 19,910	508,269	528,179
Current depreciation	-	27,301	27,301
Disposal	-	(72)	(72)
Reclassification	-	(174,378)	(174,378)
Balance on December 31, 2018	<u>\$ 19,910</u>	<u>361,120</u>	<u>381,030</u>
Book value :			
December 31, 2019	<u>\$ 3,232,470</u>	<u>632,063</u>	<u>3,864,533</u>
January 1, 2018	<u>\$ 5,002,238</u>	<u>1,483,867</u>	<u>6,486,105</u>
December 31, 2018	<u>\$ 3,239,111</u>	<u>654,461</u>	<u>3,893,572</u>
Fair value:			
Balance on January 1, 2019			<u>\$ 7,174,035</u>
December 31, 2018			<u>\$ 7,230,329</u>

- Investment property contains a number of commercial properties leased to others. Please refer to Note 6 (15).

2. Fair value of investment properties is estimated based on nearby transaction prices.
3. The Board Meeting of the Consolidated Company resolved to sell part of the investment properties and those properties to be sold are reclassified to non-current held-for-sale assets. Please refer to Note 6 (5).
4. With regards to real estate delivered to investment trust case as of December 31, 2019 and 2018, please refer to Note 9 (3).
5. For the investment property pledged for collateral on December 31, 2019 and 2018, please refer to Note 8.

## (XI) Intangible Assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Total</u>	<u>Goodwill</u>
Cost:					
Balance on January 1, 2019	\$ 542,428	192,750	134,115	-	869,293
Acquired separately	-	-	8,751	5,560	14,311
Reclassification	-	-	(2,384)	-	(2,384)
Balance on December 31, 2019	<b><u>\$ 542,428</u></b>	<b><u>192,750</u></b>	<b><u>140,482</u></b>	<b><u>5,560</u></b>	<b><u>881,220</u></b>
Balance on January 1, 2018	\$ 542,428	192,750	121,954	-	857,132
Acquired separately	-	-	12,161	-	12,161
Balance on December 31, 2018	<b><u>\$ 542,428</u></b>	<b><u>192,750</u></b>	<b><u>134,115</u></b>	<b><u>-</u></b>	<b><u>869,293</u></b>
Amortization and impairment loss:					
Balance on January 1, 2019	\$ -	-	109,928	-	109,928
Current Amortization	-	-	16,100	-	16,100
Reclassification	-	-	(745)	-	(745)
Balance on December 31, 2019	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>125,283</u></b>	<b><u>-</u></b>	<b><u>125,283</u></b>
Balance on January 1, 2019	\$ -	-	92,501	-	92,501
Current Amortization	-	-	17,427	-	17,427
Balance on December 31, 2018	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>109,928</u></b>	<b><u>-</u></b>	<b><u>109,928</u></b>
Book value:					
Balance on December 31, 2019	<b><u>\$ 542,428</u></b>	<b><u>192,750</u></b>	<b><u>15,199</u></b>	<b><u>5,560</u></b>	<b><u>755,937</u></b>
January 1, 2018	<b><u>\$ 542,428</u></b>	<b><u>192,750</u></b>	<b><u>29,453</u></b>	<b><u>-</u></b>	<b><u>764,631</u></b>
Balance on December 31, 2018	<b><u>\$ 542,428</u></b>	<b><u>192,750</u></b>	<b><u>24,187</u></b>	<b><u>-</u></b>	<b><u>759,365</u></b>

## (XII) Other Financial Assets - Current

	<u>12.31.2019</u>	<u>12.31.2018</u>
Time deposit – over three months	\$ 690,000	-
Time deposit – trust account	130,000	350,000
Current deposit – trust account	860,038	828,307
Current deposit – management fees account	891,890	853,870
Financial products	2,332	7,530
Other receivables	69,036	-
Bond interest receivables	25,044	20,551

Restricted assets	8,708	709
Receivables for sales of securities	-	42,865
Others	9,904	9,593
Total	<u>\$ 2,686,952</u>	<u>2,113,425</u>

## (XIII) Short-term loan

	<u>12.31.2019</u>	<u>12.31.2018</u>
Guaranteed bank loans	\$ -	2,762,000
Unguaranteed bank loans	154,300	403,300
Total	<u>\$ 154,300</u>	<u>3,165,300</u>
Unused credit lines	<u>\$ 5,003,700</u>	<u>3,302,700</u>
Range of interest rates	<u>1.10%</u>	<u>0.68%~1.15%</u>

1. For details of the Consolidated Company's exposure to exchange rate, foreign currency and liquidity risk, please refer to Note 6 (24).
2. For the Consolidated Company's assets pledged as collateral for bank loans, please refer to Note 8.

## (XIV) Bond Payable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Unsecured convertible bond	\$ 3,243,019	3,190,916
Less: due within one year	(3,243,019)	-
	<u>\$ -</u>	<u>3,190,916</u>
Equity component- convertible rights (booked as capital reserve)	<u>\$ 9,961</u>	<u>9,961</u>

Main rights and responsibilities for the domestic unsecured corporate bond issued by the Company on April, 2017 are as of follows:

Item	Content
Total amount of the issue	Total amount of the issuance is NT\$3,113,000,000, each face value is NT\$100,000. The actual issue price of the convertible bond through private placement is NT\$100,000.
Issue coupon rate	0%
Issue period	April 10, 2017, for 3 years.
Ways of return	In addition to writing off of the bond, the Company could repay 104.5% of the face value of the bond on maturity date.
Convertible price	NT\$59.30 per share.
Convertible period	The holder of the bond could be converted into ordinary shares of the Company at any time after one month of the date of issuance of the private convertible bonds (May 11, 2017) until the expiry date (March 31, 2020), except for the period from the date on which the Company has paid off the free shareholding, the cash dividend or the cash increase account, the date of the distribution of the rights distribution, 15

business days before the consolidated or division of the base date, and to the date of consolidation or division of the base date, the date of the reduction of the capital reduction from the date of the reduction of the stock to commemorate the day before the commencement of trading and other ordinary shares of the Company suspended by the transfer period.

Others

No redemption, put option and re-establishment

(XV) Operating Lease

	<u>12.31.2019</u>	<u>12.31.2018</u>
Within 1 year	\$ 170,856	190,813
1~5 years	616,666	642,567
Over 5 years	<u>1,390,552</u>	<u>1,568,232</u>
	<u><b>\$ 2,178,074</b></u>	<u><b>2,401,612</b></u>

The rent income arising from the investment property amounted to NT\$172,635 thousand and NT\$201,315 thousand as of year 2019 and 2018, respectively. The tax and depreciation expenses (booked in the “Operating cost”) incurred from investment property are as follows:

	<u>2019</u>	<u>2018</u>
Rent income generated	\$ 65,974	66,425
Rent income not generated	-	-
	<u><b>\$ 65,974</b></u>	<u><b>66,425</b></u>

(XVI) Employee Welfare

1. Defined benefit plan

The Consolidated Company’s recognized defined benefit obligation assets are as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total present value of obligations	\$ 40,990	38,665
The fair value of plan assets	<u>(8,389)</u>	<u>(7,979)</u>
Recognized defined benefit obligations liability (asset), net	<u><b>\$ 32,601</b></u>	<u><b>30,686</b></u>

Consolidated Company’s defined benefit plan is with fund appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

(1) Composition of plan assets

The pension fund appropriated by the Consolidated Company in accordance

with the Labor Standards Act is managed by the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan (referred to as the “Labor Pension Fund Supervisory Committee” hereinafter). According to the “Guidelines for Labor Pension Fund Safekeeping and Implementation,” the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank’s two-year time deposit.

The Consolidated Company’s labor pension fund account at the Bank of Taiwan is with a balance of NT\$7,979 thousand and NT\$7,633 thousand as of the report day. Labor Pension Fund Asset Management information includes fund yield rate and pension asset allocation. Please refer to the website of the Pension Fund Supervisory Committee of the Council of Labor.

## (2) Changes in value of defined benefit obligation

The Consolidated Company’s changes in value of defined benefit obligation for 2018 and 2017 as follows:

	<u>2019</u>	<u>2018</u>
Value of defined benefit obligation balance	\$ 38,665	38,896
January 1		
Current service cost and interest	513	619
Re-measurement of net defined benefit obligation liability		
— Actuarial loss (gain) adjusted based on experience	567	(1,807)
— Actuarial loss (gain) caused by change of demographic statistics assumption	65	79
— Actuarial loss (gain) caused by change of finance assumption	1,180	1,147
Previous service costs	-	(269)
Value of defined benefit obligation balance	<u>\$ 40,990</u>	<u>38,665</u>
December 31		

## (3) Changes in the present value of plan assets

	<u>2019</u>	<u>2018</u>
The fair value of plan assets on January 1	\$ 7,979	7,633
Interest income	77	98
Re-measurement of net defined benefit obligation liability (asset)		
— Expected return on plan assets (excluded current interest)	284	210

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Appropriated amount	49	38
The fair value of the plan assets is December 31	<u>\$ 8,389</u>	<u>7,979</u>

(4) Expenses through profit or loss

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 130	(135)
Net interest of net defined benefit obligation liability	306	386
	<u>\$ 436</u>	<u>251</u>
Operating costs	<u>\$ 436</u>	<u>251</u>

(5) Actuarial gains and losses recognized in other comprehensive (loss) income

	<u>2019</u>	<u>2018</u>
January 1 cumulative balance	\$ (8,394)	(9,185)
Recognition during this period	(1,528)	791
December 31 cumulative balance	<u>\$ (9,922)</u>	<u>(8,394)</u>

(6) Actuarial assumptions

	<u>12.31.2019</u>	<u>12.31.2018</u>
Discount rate	0.75%	1.00%
Future salary increase rete	2.00%	2.00%

The Consolidated Company expects to pay appropriated amount NT\$688 thousand to defined benefit plan within 1 year after report day of 2019.

The weighted average duration of defined benefit plan is 11 years.

(7) Sensitivity Analysis

	<u>Impact to defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Increase 0.25%</u>
December 31, 2019		
Discount rate (change 0.25%)	\$ (1,183)	1,231
Future wage increase (change 0.25%)	1,213	(1,172)
December 31, 2018		
Discount rate (change 0.25%)	(1,141)	1,189
Future wage increase (change 0.25%)	1,175	(1,133)

2. Defined contribution plans

Defined contribution plans of the Consolidated Company is in accordance with Labor Pension Act and appropriate 6% of monthly wage of labor to labor

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pension individual account of Bureau of Labor Insurance. Under this plan, the Consolidated Company appropriate fixed amount to Bureau of Labor Insurance and does not have legal or constructive obligation to pay extra amount.

As of 2018 and 2017, the Consolidated Company actual appropriated pension expense is NT\$20,126 thousand and NT\$18,722 thousand, respectively. The amount has already been appropriated to Bureau of Labor Insurance.

(XVII) Income Tax

1. Income tax expense

	<u>2019</u>	<u>2018</u>
Current income tax expenses		
Current generated	\$ 71,911	263,049
Overestimate (underestimate) of previous income tax	(27,790)	17,209
Land value increment tax	78,417	1,452
Additional 10% Surtax on Undistributed Retained Earnings	<u>101,003</u>	<u>127,885</u>
	<u>223,541</u>	<u>409,595</u>
Deferred income tax expenses (profits)		
Change in income tax rate	-	(137,898)
Temperate differences happened and reversal	<u>30,622</u>	<u>35,647</u>
	<u>30,622</u>	<u>(102,251)</u>
Income tax expenses	<u><u>\$ 254,163</u></u>	<u><u>307,344</u></u>

2. Income tax expenses (profits) recognized under other comprehensive income

	<u>2019</u>
Items not reclassified to profit and loss:	
Realized profit and loss from investment of equity tool at fair value through other comprehensive income	<u>\$ 164,770</u>
Income tax expenses (under retained earnings)	<u><u>\$ 164,770</u></u>

3. Adjustments for income tax expense and income before tax:

	<u>2019</u>	<u>2018</u>
Income before tax	<u>\$ 2,624,505</u>	<u>2,598,818</u>
Income tax calculated at the domestic tax rate	524,901	519,764
Income exempted and dividend revenues	(365,760)	(186,031)
Investment profits and losses under equity method	10,458	8,448
Restoration of temporary management fee received in advance	(2,409)	(5,949)
Overestimated income tax for the previous period	(27,790)	17,209

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Change in income tax rate	-	(137,898)
Land appreciation tax	78,417	1,452
10% of undistributed surplus tax	101,003	127,885
Others	(64,657)	(37,536)
	<u>\$ 254,163</u>	<u>307,344</u>

#### 4. Deferred tax assets and liabilities

##### (1) Unrecognized deferred tax assets and liabilities

	<u>12.31.2019</u>	<u>12.31.2018</u>
Temporary differences associated with investments in subsidiaries aggregated amount	<u>\$ (65,122)</u>	<u>(14,471)</u>
Amount not recognized as deferred tax (assets) liabilities	<u>\$ (13,024)</u>	<u>(2,894)</u>

##### (2) Unrecognized deferred tax assets

	<u>12.31.2019</u>	<u>12.31.2018</u>
Deductible temporary differences	\$ 889	889
Tax loss	8,697	18,847
	<u>\$ 9,586</u>	<u>19,736</u>

Department of taxable losses in accordance with the provisions of the Income Tax Act, the tax authorities until after ten years' losses derived from the current year net interest deduction, tax re-nuclear course. These items are not recognized as deferred tax assets was due to the Consolidated Company is not very probable that sufficient taxable income in the future for the use of temporary differences.

Ended December 31, 201, the Consolidated Company has not yet recognized as tax loss deferred tax asset, net of its period as follows:

<u>Deductible Year</u>	<u>Losses yet to be deducted</u>	<u>Last Deductible Year</u>
Authorized loss in 2011	\$ 101	2021
Authorized loss in 2012	15	2022
Authorized loss in 2013	16	2023
Authorized loss in 2014	16	2024
Authorized loss in 2015	6,954	2025
Authorized loss in 2016	6,399	2026
Authorized loss in 2017	6,158	2027

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Authorized loss in 2018	12,657	2028
Authorized loss in 2019	<u>11,170</u>	2029
	<u><b>\$ 43,486</b></u>	

### (3) Recognized deferred tax assets and liabilities

#### Deferred income tax liabilities:

	<b>Goodwill and trademark amortization</b>	<b>Other</b>	<b>Total</b>
<b>January 1, 2019</b>	\$ 12,454	3,665	16,119
Debit (credit) to income statement	<u>(12,454)</u>	-	<u>(12,454)</u>
<b>December 31, 2019</b>	<u>\$ -</u>	<u>3,665</u>	<u>3,665</u>
<b>January 1, 2018</b>	\$ 15,879	3,115	18,994
Debit (credit) to income statement	<u>(3,425)</u>	550	<u>(2,875)</u>
<b>December 31, 2018</b>	<u>\$ 12,454</u>	<u>3,665</u>	<u>16,119</u>

#### Deferred tax assets:

	<b>Cemetery Revenue</b>	<b>Contract Revenue</b>	<b>Other</b>	<b>Total</b>
<b>January 1, 2019</b>	\$ 658,773	120,366	120,656	899,795
(Debit) credit to income statement	<u>(27,505)</u>	<u>(7,267)</u>	<u>(8,304)</u>	<u>(43,076)</u>
<b>December 31, 2019</b>	<u>\$ 631,268</u>	<u>113,099</u>	<u>112,352</u>	<u>856,719</u>
<b>January 1, 2018</b>	\$ 622,472	104,162	79,266	805,900
(Debit) credit to income statement	36,301	16,204	46,871	99,376
Lost in control over subsidiaries	<u>-</u>	<u>-</u>	<u>(5,481)</u>	<u>(5,481)</u>
<b>December 31, 2018</b>	<u>\$ 658,773</u>	<u>120,366</u>	<u>120,656</u>	<u>899,795</u>

The Company's income tax returns have been audited by the tax authorities up to 2017, except 2015.

### (XVIII) Capital and Other Equity

The Company's authorized capital was NT\$6,000,000 thousand for 600,000 thousand shares to be issued at NT\$10 Par, and 420,084 thousand common stock shares issued as of December 31, 2019 and 2018 respectively.

## 1. Issuance of Ordinary shares

The Company resolved in special shareholders' meeting on January 25, 2017 to authorize the Board of Directors to increase paid-up capital and issue ordinary shares through private placement but not exceeding 21,000 thousand shares within a year after the interim. The Company has resolved after meeting of the Board of Directors to issue 21,000 thousand ordinary shares through private placement at NT\$62.1 per share, and NT\$10 par, so the total is NT\$1,304,100 thousand. March 29, 2017 is the date of capital increase, related regulated registration procedures have 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 or TWSE for issuance of standard letter in order to apply to the authorities for reimbursement, and to TPEX or TWSE to apply for the private placement of the ordinary shares for trading.

## 2. Additional paid-in capital

	<u>12.31.2019</u>	<u>12.31.2018</u>
Stock premium	\$ 2,486,172	2,486,172
Difference between disposal price and book value of subsidiaries' equity	20,972	20,972
Recognition changes in net equity of subsidiaries	2,849	2,849
Stock option for convertible bonds issued	9,961	9,961
Total	<u>\$ 2,519,954</u>	<u>2,519,954</u>

According to the Company Law amended in January 2012, additional paid-in capital must be applied to make up losses with priority before distributing new shares or cash to shareholders proportionally to their shareholding ratio. The realized additional paid-in capital referred to above includes stock premium and bestowed income received. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the additional paid-in capital that can be capitalized annually shall not exceed 10% of the total paid-in capital.

## 3. Retained earnings

According to the Company's Articles of Incorporation, the total annual earnings, if any, should be applied to pay tax, make up losses of prior years, then appropriated 10% legal reserve; however, this restriction does not apply in

the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock, and if necessary, appropriated special reserve, the remaining amount thereafter, if any, is deposited as retained earnings partially and the rest amount is allocated as follows; the remains except appointment of dividends, along with undistributed earnings at the beginning of the period, the Board shall proposed distribution plan and resolved by the shareholders' meeting.

Retained earnings can be distributed in the form of stock dividends for the purpose of protecting shareholders' equity and in response to the annual fund demands estimated in accordance with the Company's capital budget planning. The distribution of cash dividends may not be less than 10% of the dividend to shareholders.

### (1) Legal reserve

According to the Company Law amended in January 2012, companies are to appropriate 10% of the net income as legal reserve until it is equivalent to the total capital. If there is no deficit, companies with the resolution reached in the shareholders' meeting may distribute new shares or cash to shareholders with legal reserve and it is limited to the portion exceeding 25% paid-in capital.

### (2) Special reserve

According to the FSC.Cert. Far.Tzi No. 1010012865 Order dated April 6 2012 issued by the Financial Supervisory Commission, when the Company distributes the distributable earnings, for the net amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the current profit or loss and prior unappropriated earnings. For the cumulative amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the prior unappropriated earnings and it may not be distributed. The amount debited to "Other shareholder's equity" that is reversed subsequently can be distributed as earnings.

### (3) Distribution of earnings

The Company's distribution of 2018 earnings was resolved in the general shareholders' meeting on May 31, 2019, and the Company's distribution of 2017 earnings was resolved in the general shareholders' meeting on June 20, 2018. The distribution of dividends to shareholders is as follows:

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**2018**

**2017**

	<b>Dividend per share (NT\$)</b>		<b>Dividend per share (NT\$)</b>	
		<b>Amount</b>		<b>Amount</b>
Dividends distributed to common stock shareholders:				
Cash	\$	3.00 <u><b>1,260,253</b></u>	2.50	<u><b>1,050,210</b></u>

#### 4. Other equity

	<b>Exchange differences from the translation of foreign institution's financial statements</b>	<b>Investments at fair value through other comprehen- sive income</b>	<b>Available-for- -sale investment</b>
January 1, 2019	\$ (24,815)	713,268	688,453
The Consolidate Company	(21,275)	2,610,527	2,589,252
Reclassification of profits and losses from disposal of overseas operating entities	377	-	377
Exchange difference of affiliate company using equity method	(8,830)	-	(8,830)
Disposal of equity tools at fair value through other comprehensive income	-	(3,425,948)	(3,425,948)
Balance on December 31, 2019	<u><b>\$ (54,543)</b></u>	<u><b>(102,153)</b></u>	<u><b>(156,696)</b></u>

	<b>Exchange differences from the translation of foreign institution's financial statements</b>	<b>Investme nts at fair value through other comprehe nsive income</b>	<b>Available-f or -sale investment</b>	<b>Total</b>
January 1, 2018	\$ (13,825)	-	472,440	458,615
Retrospective adjustment due to new accounting standard	-	264,279	(472,440)	(208,161)
Re-estimated balance on January 1, 2018	(13,825)	264,279	-	250,454
The Consolidate Company	34,825	436,647	-	471,472
Exchange difference of affiliate company using equity method	(45,815)	-	-	(45,815)
Disposal of equity tools at fair value through other comprehensive income	-	12,342	-	12,342
Balance on December 31, 2018	<u><b>\$ (24,815)</b></u>	<u><b>713,268</b></u>	<u><b>-</b></u>	<u><b>688,453</b></u>

#### 5. Non-controlling equity

	<b>2019</b>	<b>2018</b>
Balance at beginning of period	\$ 1,490,620	1,377,297
Non-controlling equity		
Net profit of non-controlling equity	67,471	110,939

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Financial assets measured at fair value through other comprehensive income	3,368	2,384
Equity changes to subsidiaries	3,531	-
Acquisition of shares of subsidiaries to non-control equity	(67,100)	-
Balance at end of period	<u>\$ 1,497,890</u>	<u>1,490,620</u>

(XIX) Earnings per share

	<u>2019</u>	<u>2018</u>
<b>Basic earnings per share</b>		
Net income attributable to the Consolidated Company's common stock shareholders:	<u>\$ 2,302,871</u>	<u>2,180,535</u>
Weighted average outstanding common stock shares	<u>420,084</u>	<u>420,084</u>
	<u>\$ 5.48</u>	<u>5.19</u>
<b>Diluted earnings per share</b>		
Net income attributable to the Consolidated Company	\$ 2,302,871	2,180,535
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
Convertible Bond	<u>41,682</u>	<u>41,012</u>
Net income attributable to the Consolidated Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	<u>\$ 2,344,553</u>	<u>2,221,547</u>
Weighted average outstanding common stock shares	420,084	420,084
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
The impact of stock bonus to employees	470	517
The impact of convertible bond	<u>55,097</u>	<u>52,496</u>
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	<u>475,651</u>	<u>473,097</u>
	<u>\$ 4.93</u>	<u>4.70</u>

(XX) Revenues from Contracts with Customers

1. Details of revenues

	<u>2019</u>					
	<u>Sales of columbarium and cemetery</u>	<u>Funeral services</u>	<u>Property leasing</u>	<u>Cemetery operation and others</u>	<u>Construction(*)</u>	<u>Total</u>
Main market area:						
Taiwan	<u>\$ 1,666,937</u>	<u>1,601,340</u>	<u>172,635</u>	<u>211,042</u>	<u>907,394</u>	<u>4,559,348</u>
Revenues recognized at:						
Goods or services that are transferred at a certain point in time	<u>\$ 1,666,937</u>	<u>1,601,340</u>	<u>172,635</u>	<u>211,042</u>	<u>907,394</u>	<u>4,559,348</u>

\*Including net income from disposal of investment properties totaled NT\$834,167 thousand and sales

revenues from sale of building for sale totaled NT\$73,227 thousand.

	2018					Total
	Sales of columbarium and cemetery	Funeral services	Property leasing	Cemetery operation and others	Construction	
Main market area:						
Taiwan	<b>\$ 2,910,954</b>	<b>1,630,939</b>	<b>201,315</b>	<b>213,810</b>	-	<b>4,957,018</b>
Revenues recognized at:						
Goods or services that are transferred at a certain point in time	<b>\$ 2,910,954</b>	<b>1,630,939</b>	<b>201,315</b>	<b>213,810</b>	-	<b>4,957,018</b>

## 2. Outstanding contract amount

	12.31.2019	12.31.2018	1.12018
Account receivables and note receivables	\$ 9,542,045	9,545,102	9,545,089
Less: allowance	(76,870)	(60,875)	(53,313)
Unrealized interests revenues	(735,753)	(729,486)	(747,120)
Total	<b>\$ 8,729,422</b>	<b>8,754,741</b>	<b>8,744,656</b>
Contract liabilities – presale of columbarium and cemetery products and contracts of funeral services	<b>\$ 38,958,476</b>	<b>3,755,020</b>	<b>37,910,301</b>
Contract liabilities – prepaid from sale of building	<b>\$ 41,269</b>	-	-

For the disclosures of accounts receivables and allowances, please refer to Note 6(3).

NT\$2,381,381 thousand and NT\$3,537,547 thousand of the contract liabilities balance on January 1, 2019 and 2018 has been recognized as revenues during the year 2019 and 2018.

Those contract liabilities are from sales of pre-sale cemetery and columbarium and pre-need funeral contract which have not yet been completed, paid off or performed. Those contract liabilities will be recognized as revenue when the recognition criteria are met.

## (XXI) Remuneration to Employees, Directors, and Supervisors

According to the Company's Articles of association approved by the Board but not yet approved by the shareholder meeting, any earnings after the Company's fiscal year final settlement shall be allotted no less than 1% as the remuneration to employees, and no more than 2% as the remuneration to directors. However, if

there are still accumulated losses, certain amount shall be reserved to cover the deficit in advance. The preceding employees who receive stocks or cash include employees of subsidiaries under certain conditions.

The Company's remuneration to employees as of the year 2019 and 2018 were NT\$26,020 thousand and NT\$24,673, and the remuneration to directors and supervisors were NT\$52,040 thousand, NT\$49,345 thousand. The estimated basis is that after-tax net income of the specific period before deducting the remuneration to employees and directors multiplied by the distribution ratio of the Company's Articles of association, and is reported as operating expense during the period. When there is difference between the actual and estimated distribution amount in the next year, it will be conducted based on changes in accounting estimates, and recognized as profit or loss in the next year. If the Board resolves to pay stocks as employee remuneration, the calculation basis of the number of stock remuneration is in accordance with the closing price of the common stock on the day before the Board resolution.

In 2018 and 2017, the allowance amount of the remuneration to employees and directors and supervisors of the Consolidated Company had no difference with the actual apportion. For more information please refer to M.O.P.S.

(XXII) Net Other Gains or Losses

	<u>2019</u>	<u>2018</u>
Interest income	\$ 177,094	184,655
Marketing expenses	(37,757)	(39,037)
Management fees income	181,670	204,602
Management fees expenses	<u>(181,670)</u>	<u>(204,602)</u>
	<u>\$ 139,337</u>	<u>145,618</u>

(XXIII) Non-operating Income and Expense

1. Other income

	<u>2019</u>	<u>2018</u>
Interest income	\$ 109,958	93,106

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Dividend income	332,984	232,871
Fee income	10,890	12,291
Fines income	71,842	56,275
Other income	72,781	38,811
	<u>\$ 598,455</u>	<u>433,354</u>

## 2. Other profit and loss

	<u>2019</u>	<u>2018</u>
Foreign exchange gain (loss)	\$ (39,066)	50,108
Gains (losses) from disposal of financial assets at fair value through other comprehensive income	1,318	(27,734)
Net gains from net financial assets measured at fair value through income and loss	75,311	(12,347)
Gains (losses) from disposal of investment under equity method	2,331	(6,924)
Disposal of property, plant, and equipment	2,534	(1,780)
Disposal of investment property	-	525
Disposal of other non-current asset	-	347,626
Impairment loss	-	(5,940)
Other income (expense)	(978)	(5,257)
	<u>\$ 41,450</u>	<u>338,277</u>

## 3. Financial cost

	<u>2019</u>	<u>2018</u>
Interest expense	\$ 20,019	32,007
Amortization for discount on cooperate bond	52,103	51,266
	<u>\$ 72,122</u>	<u>83,273</u>

## (XXIV) Financial Instruments

### 1. Types of financial instruments

#### (1) Financial assets

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial assets at fair value through income and loss	\$ 9,717,723	1,527,182
Financial assets at fair value through other comprehensive income	4,543,340	10,048,850
Financial assets carried at amortized cost	1,463,240	1,017,051
Financial assets carried at amortized cost (lending and receivables):		
Cash and cash equivalent	231,964	194,002
Notes receivable and accounts receivable	8,729,422	8,754,741
Other financial assets (current & non-current)	3,037,954	2,169,263
Sub-total	<u>11,999,340</u>	<u>11,118,006</u>
Total	<u>\$ 27,723,643</u>	<u>23,711,089</u>

## (2) Financial liabilities

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial liabilities carried at amortized costs:		
Short term loans	\$ 154,300	3,165,300
Note, account and other payables	1,075,964	1,062,094
Corporate bond payable (due within one year)	3,243,019	3,190,916
Leasing liabilities	38,318	-
Guarantee deposit	44,135	71,542
Total	<u>\$ 4,555,736</u>	<u>7,489,852</u>

## 2. Credit risks

### (1) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

### (2) Concentration of credit risk

As the Company has a broad customer base, not with a significant focus on customer transactions and sales area scattered, thus credit risks of receivables are not concentrative. And in order to reduce credit risk, the Company also continued to regularly assess the financial condition of customers, but usually do not require customers to provide collateral.

### (3) Credit risks of account receivables and liabilities securities

For credit risk exposure to note receivables and account receivables, please refer to Note 6 (3). Other financial assets carried at amortized costs include other receivables.

Those mentioned above are all financial assets with low risks, thus the expected twelve-month credit loss amount is allied to evaluate the allowance during the reporting period (for details of how the Consolidated Company judges the credit risk, please refer to Note 4 (7)). Changes of allowance during 2019 and 2018 are as follows:

Other

	<u>receivables</u>
January 1, 2019	\$ 22,745
Impairment loss	-
December 31, 2019	<u>\$ 22,745</u>
January 1, 2018	\$ 22,745
Impairment loss	-
December 31, 2018	<u>\$ 22,745</u>

### 3. Liquidity risk

	<u>Book value</u>	<u>Contract Cash flow</u>	<u>6 months Within</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 154,300	154,300	154,300	-	-	-	-
Fixed rate instruments	3,243,019	3,243,019	3,243,019	-	-	-	-
Leasing liabilities	38,318	38,318	6,749	6,749	13,498	11,322	-
No interest-bearing liabilities	1,120,099	1,120,099	1,120,099	-	-	-	-
	<u>\$ 4,555,736</u>	<u>4,555,736</u>	<u>4,524,167</u>	<u>6,749</u>	<u>13,498</u>	<u>11,322</u>	<u>-</u>
<b>December 31, 2018</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 3,165,300	3,165,300	3,165,300	-	-	-	-
Fixed rate instruments	3,190,916	3,190,916	-	-	3,190,916	-	-
No interest-bearing liabilities	1,133,636	1,133,636	1,133,636	-	-	-	-
	<u>\$ 7,489,852</u>	<u>7,489,852</u>	<u>4,298,936</u>	<u>-</u>	<u>3,190,916</u>	<u>-</u>	<u>-</u>

The Consolidated Company does not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

### 4. Exchange rate risks

#### (1) Exposure to exchange rate risks

	<u>12.31.2019</u>			<u>12.31.2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>New Taiwan Dollar</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>New Taiwan Dollar</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB/NTD	\$ 18,409	4.294	79,055	17,144	4.452	76,327
RMB/USD	250	0.143	1,074	250	0.450	1,111
USD/NTD	47,670	30.106	1,435,156	39,718	30.733	1,229,661
JPY/NTD	100,670	0.276	27,795	95,918	0.279	26,742
HKD/NTD	26,428	3.857	101,921	21,875	3.902	85,343
SGD/NTD	13,725	22.285	305,872	21,503	22.420	482,094
AUD/NTD	8,730	21.089	184,100	106	21.54	2,288
<u>Non-monetary items</u>						
JPY/NTD	156,160	0.276	43,116	155,840	0.279	43,448

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USD/NTD	26,124	30.106	786,494	20,937	30.732	643,446
HKD/NTD	180,303	3.857	695,356	78,402	3.902	305,886
SGD/NTD	3,346	22.285	74,571	1,831	22.420	41,056

## (2) Sensitivity analysis

The Consolidated Company's exchange rate risk is mainly from foreign currency denominated cash and cash equivalent and financial assets measured at fair value through profit or loss. Foreign exchange gain and loss arises from the translation. When the exchange rate of the Consolidated Company's functional currency against main foreign currency depreciated or appreciated by 10% (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) of year 2019 and 2018, the net income was increased or decreased by NT\$190,176 thousand and by NT\$162,673 thousand, and the comprehensive income will increase or decrease NT\$108,585 thousand and by NT\$71,599 thousand, respectively.

Due to the variety of the Consolidated Company's functional currencies, the exchange gain or loss of currency items are disclosed in summary. For the year 2019 and 2018, the foreign currency exchange gain (loss) was NT\$(39,066) thousand and NT\$50,108, respectively.

## 5. Interest rate analysis

Please refer to the Note regarding liquidity risk management for the interest rate risk exposure of the Consolidated Company's financial assets and financial liabilities.

The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire 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 Consolidated Company's net income for 2019 and 2018 is going

to decreased or increased by NT\$617 thousand and NT\$12,661 thousand, respectively.

## 6. Fair value

### (1) Financial instruments category and fair value

Fair value of the Consolidated Company's financial assets and liabilities at fair value through profits and losses, debt and hedging financial assets and financial assets at fair value through other comprehensive income are assessed based on repeatability. The Consolidated Company's book value and fair value (including fair value hierarchy information, but the book value of financial instruments' which is not measured by fair value and reasonably similar to fair value, as well as the equity method investments without active market price and of which fair value cannot be reliably invested, it is not necessary to disclose their fair value information accordingly to regulation) of the financial assets and financial liabilities are listed as below:

	12.31.2019				
	Book value	Fair Value		Book value	Book value
		Class I	Class I		
Financial assets at fair value through profit or loss	\$ 9,717,723	9,717,723	-	-	9,717,723
Financial assets at fair value through other comprehensive income	4,543,340	4,534,458	-	8,882	4,543,340
Financial assets at amortized costs	1,463,240	1,463,240	-	-	1,463,240
Total	<b>\$ 15,724,303</b>	<b>15,715,421</b>	<b>-</b>	<b>8,882</b>	<b>15,724,303</b>
12.31.2018					
	Book value	Fair Value		Book value	Book value
		Class I	Class I		
Financial assets at fair value through profit or loss	\$ 1,527,182	1,527,182	-	-	1,527,182
Financial assets at fair value through other comprehensive income	10,048,850	10,039,968	-	8,882	10,048,850
Financial assets at amortized costs	1,017,051	1,017,051	-	-	1,017,051
Total	<b>\$ 12,593,083</b>	<b>12,584,201</b>	<b>-</b>	<b>8,882</b>	<b>12,593,083</b>

No financial assets and liabilities of each hierarchy were transferred during 2019 and 2018.

### (2) Fair value measurements of financial instruments not measured at fair value

The Company's methods and assumption for instruments not measured at fair value as the follows:

Financial assets at amortized costs (hold to maturity financial assets): If

there's quoted market prices in active markets, the fair value is based on market price; if there's no market prices for references, the evaluation methods or counterparts' price will be adopted.

(3) Fair value measurements of financial instruments measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices. Market prices announced by major stock exchanges are classified as fair value bases of TWSE/OTC listed equity instruments; while central government bonds' market prices which are announced by OTC and identified as on-the-run issues are classified as fair value base of debt instruments with active market quoted prices.

If able to promptly and usually acquire public quoted prices of financial instruments from stock exchanges, brokers, underwriters, industrial guilds, pricing services facilities and authorities, and the said prices represent actual and frequent incurring fair market transaction, then the financial instruments have active market quoted prices. If abovementioned conditions are not achieved, then the market is identified as inactive. In general, considerably large bid-ask spread, significantly increased bid-ask spread or extremely low transaction volume are indexes of inactive markets.

Listed companies' stocks, beneficial certificates and corporate bonds held by the Consolidated Company are financial assets and liabilities capable with standard terms and conditions and traded in active markets, of which fair values are determined in accordance with market quoted prices respectively.

Except foregoing financial instruments traded in active markets, fair value of other financial instruments is measured by evaluation technique or estimated base on the counterparty's quoted price. Current fair value of other financial instruments, cash flow discount method and other evaluation techniques, such as modeling with available market information (e.g. the yield rate issued by the Taipei Exchange or Reuters's quotes for commercial papers) on the reporting date, can be used as the reference when using evaluation technique to measure the fair value.

Financial instruments held by the Consolidated Company's without active market are classified based on classification and attribute as follows.

Equity instruments without public quote: the market comparable company method is adopted to measure the fair value. The investee's earnings

before interests, tax, depreciation and amortization are used as the calculating base, and a multiple, which is derived from the market price of the listed comparable company, is applied to calculate the fair value. The estimate has been adjusted by the discount of lack of market liquidity.

## (4) Details of changes in Class III

	Financial assets at fair value through other comprehensive income (available-for-sale) financial assets)		
	Equity instrument without public prices	Bonds	Total
January 1, 2019	<u>\$ 8,882</u>	<u>-</u>	<u>8,882</u>
December 31, 2019	<u>\$ 8,882</u>	<u>-</u>	<u>8,882</u>
January 1, 2018	\$ 18,992	-	18,992
Total profits or losses			
Recognized as profit or loss	(5,940)	-	(5,940)
Liquidation	(3,277)	-	(3,277)
Return of capital reduction	(893)	-	(893)
December 31, 2018	<u>\$ 8,882</u>	<u>-</u>	<u>8,882</u>

Total profits or losses mentioned above were recognized as “unrealized gains (losses) from financial assets at fair value through other comprehensive income”. Among which related asset still held as of December 31, 2019 and 2018 are:

	<u>2019</u>	<u>2018</u>
Total profits or losses		
Recognized in other comprehensive income (recognized as “unrealized gains (losses) from financial assets at fair value through other comprehensive income”)	<u>\$ -</u>	<u>-</u>

## (5) Quantitative information on the fair value measurement of significant unobservable input (class III)

The Consolidated Company’s fair value measurement which categorized in class III mainly includes financial asset at fair value through other comprehensive income.

Most of the Consolidated Company’s fair value measurement which categorized in class III equipped only one significant unobservable input; only equity instrument with active market has plural unobservable inputs. The significant unobservable inputs of investment in equity instrument without active market are mutually independent, thus no mutual relevance

exists.

Information of significant unobservable inputs are quantified in below table:

Item	Measurement method	Significant unobservable input	Relation between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	· P/E ratio (14.35 and 20.92 as of December 31, 2019 and 2018)	· The higher the multiplier and ownership premium, the higher the fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	· P/B ratio (1.77 and 1.46 as of December 31, 2019 and 2018)	Same as above
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Net assets value method	· Net asset value	Not applicable

(6) Sensitivity analysis of fair value to reasonable possible alternative hypotheses for the class III of fair value measurement

The Consolidated Company's measurement on the fair value of financial instrument was reasonable; however, the results of measurement may differ due to the application of different measurement model or parameters. For financial assets categorized in class III, impact resulted from change in measurement parameters to current net income or other comprehensive income are as follows:

	Input parameter	Upward or downward change	Change in fair value reflected in current net income		Change in fair value reflected in current other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2019						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments without active market	P/E ratio	10%	-	-	329	(329)
Investment in equity instruments without active market	P/B ratio	10%	-	-	745	(745)
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments	P/E ratio	10%	-	-	444	(444)

without active market							
Investment in equity instruments	P/B ratio	10%	-	-	541	(541)	
without active market							

## (XXV) Financial Risk Management

### 1. Summary

The Consolidated Company is exposed to the following risks due to the use of the financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

The Consolidated Company's risk exposure information and the Consolidated Company's measurement and risk management objectives, policies, and procedures are expressed in this Note. Please refer to the notes to the consolidated financial statements for the further quantified disclosure.

### 2. Risk management structure

The Consolidated Company's risk management policies are setup to identify and analyze the risk faced by the Consolidated Company, to define appropriate risk limits and controls, and to monitor risks and risk limits compliance. Risk management policies and systems are reviewed regularly to reflect market conditions and changes in the operation of the Consolidated Company. The Consolidated Company through training, management guidelines, and operating procedures develops a disciplined and constructive controlled environment to help all employees understand their roles and obligations.

The Consolidated Company's Audit Committee supervises how the management monitors the Consolidated Company's risk management policies and procedures compliance and reviews the appropriateness of the Consolidated Company's risk management structure in service. Internal audit staff assists the Consolidated

Company's Audit Committee to play a supervisory role. These personnel conduct regular and extraordinary review of risk management controls and procedures; also, have the outcome of the review reported to the Audit Committee.

### 3. Credit risk

Credit risk is the risk of financial losses faced by the Consolidated Company when the client or the counterparty of financial instruments trade is unable to meet its contractual obligations. It is mainly from the Consolidated Company's accounts receivables from customers and securities investment.

#### (1) Accounts receivable and other receivables

The Consolidated Company's credit risk exposure is mainly affected by the condition of each individual customer. However, the management also considers the statistical data of the Consolidated Company's customers, including the default risk of the industry and country the customer belongs to since it may affect credit risk.

The Consolidated Company has the allowance account setup to reflect the estimated losses of the accounts receivable, other receivables, and investments. The allowance account mainly includes specific loss related to individual significant exposure and the consolidated loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for consolidated loss is determined in accordance with the historical payment statistics of similar financial assets.

#### (2) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Finance Department of the Consolidated Company. The Consolidated Company's trade counterparty and performing party is all reputable banks, investing financial institutions, corporate organizations, and government agencies with no significant performance concerns; therefore, there is no significant credit risk.

#### (3) Guarantees

The Consolidated Company regulated by the company policies can only provide financial guarantee to the business-related companies. The Consolidated Company offers no endorsement and guarantee to

non-subsiary as of December 31, 2019 and 2018.

#### 4. Liquidity risk

Liquidity risk is the risk that the Consolidated Company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Consolidated Company's managing liquidity is to ensure that the Consolidated Company in general practice or under pressure has sufficient current fund to liquidate liabilities when due, without incurring unacceptable losses or causing harm to the Consolidated Company's reputation.

The Consolidated Company's unused loan facilities amounted to NT\$5,003,700 thousand and NT\$3,302,700 thousand as of December 31, 2019 and 2018.

#### 5. Market risk

Market risk is the risk the Consolidated Company's yield or financial instrument value affected by changes in market prices, such as exchange rates and interest rates. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

##### (1) Exchange rate risk

The Consolidated Company is exposed to exchange rate risk that is resulted from the investment transactions measured with a currency other than the company's functional currency. New Taiwan Dollar is the functional currency of the Group. These transactions are denominated in major currencies of New Taiwan Dollar, Singapore Dollar, U.S. Dollar, RMB, and Japanese Yen.

In addition, the Consolidated Company's principle is for natural hedge. The Consolidated Company bases on the capital demand in each currency and the net positions and the foreign exchange market condition to hedge exchange rate risk.

##### (2) Interest rate risk

The Consolidated Company's policy is to ensure that the interest rate risk exposure is assessed in accordance with the international economic situation and market interest rate.

## (XXVI) Capital management

The Consolidated Company's capital management objective is to safeguard the operating ability in order to provide investment returns to shareholders and profits to the related party; also, to maintain an optimal capital structure for reducing the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to pay off liabilities.

The Consolidated Company and the industry both have capital managed in accordance with the debt to equity ratio. This debt to equity ratio is calculated by having net debt divided by total capital. Net debt is the total liabilities less cash and cash equivalent on the balance sheet. Total capital is the entire equity (i.e. capital stock, additional paid-in capital, retained earnings, and other equity and non-controlling equity) plus net debt.

The debt to equity ratio on the reporting date is as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total liabilities	\$ 45,172,957	46,820,315
Less: Cash and cash equivalent	<u>(231,964)</u>	<u>(194,002)</u>
Net liabilities	44,940,993	46,626,313
Total equity	<u>18,435,961</u>	<u>14,982,373</u>
Adjusted capital	<u><b>\$ 63,376,954</b></u>	<u><b>61,608,686</b></u>
Debt to equity ratio	<u><b>70.91%</b></u>	<u><b>75.68%</b></u>

The Consolidated Company's capital management method has not been changed as of December 31, 2017 and 2016. Decrease in debt to equity ratio is mainly due to disposal of financial assets at fair value through other comprehensive income and repayment of short-term debt.

## (XXVII) Re-categorization of Components of Other Comprehensive Income

	<u>2019</u>	<u>2018</u>
Investment in debt instrument at fair value through other comprehensive income		
Net changes in fair value of current year	\$ 62,988	(56,674)
Net change in fair value re-categorized to profits and losses	<u>3,444</u>	<u>14,470</u>
Net change in fair value recognized in other comprehensive income	<u><b>\$ 66,432</b></u>	<u><b>(42,204)</b></u>

## VII. RELATED PARTY TRANSACTIONS

## (I) Related Parties' Names and Relations

The related parties with transaction relations during the period of consolidated report are as the follows:

<u>Related Parties</u>	<u>Relations with the Consolidated Company</u>
Lung Ting Life Science Co. Ltd.	Related party (Affiliated Company before August 13, 2019)
Xin Wei International Leasing Co. Ltd.	No longer a related party from June 20, 2018)
Fuyuan International Development Co. Ltd. Fuyang Development Co., Ltd	The chairman of Fuyuan is the director of the Company Director of Subsidiary (no long a related party from January 11, 2019)
Creative Space Design Co. Ltd.	Affiliated Company of the Company (no longer a related party from August. 2018)
Fe Huei Cp., Ltd	Related party
Other natural person	Major administrator of the Consolidated Company

## (II) Significant Transaction between Related Parties

Transaction price was determined by bilateral agreement, the payment terms agreed by signed contracts.

### 1. Purchase from related party

The Consolidated Company's purchase amount and the outstanding balances from the related parties are as follows:

	<u>Purchase</u>		<u>Payable to related parties</u>	
	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>
Other related party (originally a affiliate company)	<u>\$ -</u>	<u>587</u>	<u>-</u>	<u>9</u>

The purchase price was determined by bilateral agreement. Payment terms were 30 days after acceptance.

### 2. Lease

#### (1) Lessee

The Consolidated Company lease real estate from other related party with a leasing contract for five years at a comparable price in February 2014. The leasing expense for 2018 was NT\$6,109 thousand. The leasing transaction was recognized as use right assets of NT\$18,634 thousand and leasing liabilities of NT\$18,364 thousand when the IFRS 16 first applied on January 1, 2019. Interest expense of NT\$71 was recognized for 2019. The leasing liabilities was

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NT\$12,591 as of December 31, 2019.

The Consolidated Company leases transport equipment from the related party, and the rental expense for the year 2019 and 2018 were NT\$0 thousand and NT\$34 thousand respectively.

(2) Lessor

The Consolidated Company rents office building and parking space to the related party, and the rental income for the year 2019 and 2018 were NT\$0 thousand and NT\$34 thousand.

The terms and conditions of above lease contract are negotiated by both sides.

3. Others

(1) Other payable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Other related parties	\$ -	<u>57</u>

(2) Payment on behalf of others (recognized as other current assets)

	<u>12.31.2019</u>	<u>12.31.2018</u>
Other related parties	\$ -	<u>557</u>

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

	<u>12.31.2019</u>	<u>12.31.2018</u>
Other related parties	\$ 1,070	<u>961</u>

(4) Management fees

	<u>2019</u>	<u>2018</u>
Other related parties	\$ 442	<u>553</u>

4. Acquisition of other assets

(1) The Consolidated Company acquired other assets from related parties at below price:

<u>Type of related party</u>	<u>Item</u>	<u>2019</u>	<u>2018</u>
Affiliated company and other related party	Fixed assets	\$ -	<u>771</u>

(2) The Consolidated Company acquired land in Taoyuan (recognized as inventory) from other related party at NT\$173,250 thousand on January 1, 2019 and all transaction amount was paid and the transaction was completed as of December 31, 2019.

(3) The Consolidated Company acquired shares of Lung Fu Co., Ltd. For 4,710

thousand shares from other related party at NT\$47,100 thousand. All payment was paid as of December 31, 2019.

#### 5. Disposal of other assets

The Consolidated Company disposed shareholdings in Lung Ting Life Science Co., Ltd. for 25,970 thousand shares at NT\$231,912 thousand. All payment was paid as of December 31, 2019.

#### 6. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of other related party as of December, 2019. Please refer to Note 6(4) and 6(8) for details.

#### 7. Others

The Consolidated Company commissioned other related party to acquire land for construction for a total price below NT\$376,820 thousand as of December 31, 2019 and 2018. The discretionary trustee is to handle the land combination matter on behalf of the Company.

Other related parties purchased products from the consolidated company for a total price at NT\$6,107 thousand and NT\$6,815 thousand as of December 31, 2018 and 2017, respectively.

### (III) Main Manager Transaction

	<u>2019</u>	<u>2018</u>
Benefit for short-term employees	\$ 45,249	41,209
Post-employment benefits	1,531	1,371
	<u>\$ 46,780</u>	<u>42,580</u>

### VIII. PLEDGED ASSETS

<u>Assets name</u>	<u>Purpose of collateral</u>	<u>12.31.2019</u>	<u>12.31.2018</u>
Non-current assets to be sold	Guarantee for loans and corporate finance amount	\$ -	834,394
Other financial assets - current	Guarantee for mutual investment development and sales	8,832	1,302
Inventories	Guarantee for loans and corporate finance amount	3,163,260	3,162,166
Property, plant, and equipment	Collateral for loan	2,303,429	2,373,297
Investment property	Guarantee for loans and corporate finance amount	280,993	1,445,300
Available-for-sale financial assets – non-current	Collateral for loan	187,124	3,930,200
		<u>\$ 5,943,638</u>	<u>11,746,659</u>

### IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

## (I) Significant Unrecognized Contractual Commitments

## 1. Unrecognized contractual commitments

	<u>12.31.2019</u>	<u>12.31.2018</u>
Acquisition of columbarium and cemetery	\$ -	-
Construction contract	\$ 1,891,878	1,269,442

## 2. Sales of investment properties (under sale of non-current assets)

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total price for signed sales contracts	\$ -	2,007,350
Amount collected	\$ -	-

## 3. Pre-sale house contract

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total price for signed sales contracts	\$ 56,938	-
Amount collected	\$ 41,269	-

4. The Consolidated Company signed 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 construction period is three years and the operation period is 20 years. A fixed development royalty shall be paid upon the agreement of commencement. From the date of operation, a fixed royalty amount plus a fixed percentage of operating profit after tax shall be paid annually. NT\$5,560 thousand was paid as development royalty (under intangible assets) in July 2019.

5. In order to expand the Consolidated Company's cemetery business, its Board of Directors has passed the resolution in December 2018 to purchase land located in Hsinwu Section, Taoyuan Ciay from Fuyuan Development Limited at a price NT\$172,900 thousand. All payment was paid was of December 31, 2019.

## (II) Contingent Liabilities

1. The legislative purpose of Mortuary Service Administration Act Article 36 is to cope with repair and management costs when a major accident hits or abnormal operations occur due to poor management. In order to maintain and manage funeral facilities, the Company has set up an administration fee account for specific uses only, so that if any significant incidents occur in the future, subsequent general impairment and management of the facilities will not be affected. The application and enforcement of the current laws and regulations are still

controversial. At present, the government authority has not yet set up administrative procedures for the establishment of special funds and the related management system. Since relevant regulations are awaiting further discussion, the future possible obligation amount of the Company cannot be confirmed. The negotiation among parties is finished on October 18, 2017, thus the proposal is sent to the Legislative Yuan for further discussion on December 29, 2017; the 2<sup>nd</sup> and 3<sup>rd</sup> reading will start after completion of the discussion. After the amendment, the old fund system will be replaced by the new management system.

2. A small number of shareholders of Lungyen Service Co., Ltd. (was merged in 2011, hereinafter referred to as Lungyen), 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 Company Law. The Taipei District Court of the decided judicially in this civil ruling that the Company shall buy back all the shares held by the shareholders in an unreasonable price. Since the civil ruling was not authenticated in accordance with the provisions of the Enterprise Mergers and Acquisitions Law, and there existed a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set a separate NT\$77.79 per share as purchase price. The applicable regulations of the previous ruling are 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 is inconsistent with the law that the original judgement did not apply the share price on the resolution day of the shareholder's meeting to decide the purchase price.

### (III) Others

1. For enhancing the quality of funeral service and ensuring the ability of performance, the Consolidated Company (referred to as "the principal" hereinafter) had a trust contract signed with Taiwan Industrial Bank Co., Ltd. (referred to as "the trustee" hereinafter) in April 2010. According to the trust contract signed, 75% selling price (tax included) of each pre-need contract sold should 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 December 31, 2019 and 2018 are as follows :

	<u>12.31.2019</u>	<u>12.31.2018</u>
Bank deposits (booked as other financial assets – current)		
Demand deposits	\$ 860,038	828,307
Time deposits	130,000	350,000
Financial assets at fair value through profits or losses - current	1,195,179	1,036,529
Financial assets at fair value through other comprehensive income	3,659,237	2,843,388
Financial assets at amortized costs	1,463,240	1,017,051
Property, plant and equipment (*)	2,206,293	2,206,293
Investment property (*)	1,962,845	1,962,845
	<u>\$ 11,476,832</u>	<u>10,244,413</u>

\* The carrying value of the asset at the time of delivery of the Trust.

The above amounts have switched trust assets to purchase financial instruments and real estate delivery, transfer to the Trustee, the Trustee in accordance with the instructions so that the principal of, for the trust property, the designated uses for management action.

2. The Consolidated Company 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 was with a balance of NT\$891,890 thousand and NT\$853,870 thousand as of December 31 2019 and 2018, respectively; also, it is booked in the “Other financial assets – current.”
3. The Company had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2019 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total contract price (booked as contract liabilities) \$	38,566,937	37,522,150
Outstanding proceeds	<u>(7,663,542)</u>	<u>(7,613,138)</u>

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Advanced receipts	<b>\$ 30,903,395</b>	<b>29,909,012</b>
Incremental cost of contract acquisition	<b>\$ 8,024,093</b>	<b>7,910,905</b>
Expected to be reclassified for more than twelve months	<b>\$ 37,417,766</b>	<b>36,137,082</b>

4. Subsidiaries had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2019 and 2018. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<b>12.31.2019</b>	<b>12.31.2018</b>
Total contract price (booked as contract liabilities) \$	391,539	232,870
Outstanding proceeds	(43,390)	(17,112)
Advanced receipts	<b>\$ 348,149</b>	<b>215,758</b>
Incremental cost of contract acquisition	<b>\$ 100,146</b>	<b>58,429</b>
Expected to be reclassified for more than twelve months	<b>\$ 335,414</b>	<b>178,053</b>

## X. SIGNIFICANT DISASTER LOSS

None.

## XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

## XII. OTHERS

The followings are the summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function:

By function	2019				2018			
	Classified as operating costs	Classified as operating expenses	Other (*)	Total	Classified as operating costs	Classified as operating expenses	Other(*)	Total
Employee benefits								
Salary	208,251	277,836	89,975	576,062	220,598	272,520	122,476	615,594
Labor and health insurance	15,867	18,916	7,614	42,397	14,803	15,713	6,696	37,212
Pension	8,516	8,438	3,608	20,562	8,180	7,483	3,310	18,973
Others	6,908	11,827	4,278	23,013	6,686	9,510	3,958	20,154
Depreciation	62,469	67,953	11,752	142,174	62,422	49,329	16,169	127,920
Amortization	-	14,610	1,490	16,100	-	15,989	1,438	17,427

## XIII. OTHER DISCLOSURES

### (I) Information on significant transactions

The consolidated company should have the following material transactions disclosed as of the year 2019 in accordance with Regulations Governing the Preparation of

## Financial Reports by Securities Firms:

## 1. Fund financing to other parties

No.	Creditor	Debtor	Accounting Item	Related Party or Not	Current Maximum	Ending Balance	Amount Used	Interest Rate	Nature of the Financing (**)	Transaction Amount	Reason for the Need of Short-term Financing	Allowance	Collateral	Limitation to Single Debtor(*)	Financing Limitation (*)	
1	Yuji Construction Limited Co.	Sande Futian Miaoguo Limited Co.	Other financial asset-current	Not	392,163	362,163	-	3%	1	72,000	For use of working capital	-	Columbarium products owned by the debtor	405,800	665,898	1,331,796
1	Yuji Construction Limited Co.	Sande Futian Miaoguo Limited Co.	Other financial asset-current	Not	420,000	362,163	362,163	3%	1	72,000	For use of working capital	-	Columbarium products owned by the debtor	405,800	665,898	1,331,796

\* According to Yuji Construction Limited Co.'s "Procedure of Loaning of Funds", funds can only be loaned to parties with business transactions, and the total loan amount is limited to 40% of the company's recent book value. For single debtor, the loan amount is limited to 20 times of the transaction amount, and 20% of the company's recent book value.

Limitation on the total loan amount to other parties: 3,329,489 thousand  $\times$  40% = 1,331,796

thousand  
Limitation on the loan amount to single debtor: 3,329,489 thousand  $\times$  20% = 665,898 thousand

72,000 thousand  $\times$  20 times = 1,440,000 thousand

Limited to 665,898 thousand

\*\* Explanations for nature of the financing are as follows:

- i. Parties with business transactions
- ii. Parties with need of short-term financing.

## 2. Guarantees and endorsements provided for other parties

	Name of Lenders	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 on 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 Endorses /guarantees to third parties on behalf of subsidiary	Subsidiary Endorses /guarantees to third parties on behalf of Parent Company	Endorsements /guarantees to the third parties on behalf of the Companies in Mainland China
		Name of Company	Relationship										
0	Lungyen Life Service Corp.	LungAn Co.Ltd.	2	5,530,788	100,000	-	-	-	- %	-	Y	N	N
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	5,530,788	300,000	300,000	27,000	-	1.63%	9,217,981	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	2	5,530,788	300,000	300,000	127,300	-	1.63%	9,217,981	Y	N	N

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

Note 2: There are six kind of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- i. The Company has business with the receiving parties.
- ii. The Company holds directly more than 50% of the common stock of the subsidiaries.

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- iii. In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
- iv. In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 90% of the investee.
- v. The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
- vi. The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.

Note 3: Upon the board resolution on December 28, 2018, the maximum amount of endorsements to LungAn has been set to NT\$100,000 thousand. Lung An is discharged after a short-form merger on April 1, 2019.

Note 4: Upon the board resolution on December 28, 2018, the maximum amount of endorsements to Yuji has been set to NT\$300,000 thousand.

Note 5: Upon the Board resolution on December 28, 2018, the maximum amount of endorsements to Lung Fu has been set to NT\$300,000 thousand.

### 3. Information regarding securities held at balance sheet date (not including subsidiaries, associates, and joint control.)

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending Balance				Maximum shareholding or funding during the period	Remarks
				Shares/Units in Thousand	Book Value	% of Ownership	Fair Value		
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profits and losses - current	43,343	709,528	- %	709,528	- %	Trust
The Company	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profits and losses - current	9,794	118,158	- %	118,158	- %	Trust
The Company	Prudential Financial Money Market Fund	-	Financial assets at fair value through profits and losses - current	6,933	110,114	- %	110,114	- %	Trust
The Company	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profits and losses - current	9,642	100,078	- %	100,078	- %	Trust
The Company	FSITC Taiwan Money Market	-	Financial assets at fair value through profits and losses - current	5,865	90,103	- %	90,103	- %	Trust
The Company	Evenstar Sub-Fund I Segregated Portfolio	-	Financial assets at fair value through profits and losses - current	1	94,181	- %	94,181	- %	Company-owned
The Company	ABG-WTT Fund	-	Financial assets at fair value through profits and losses - current	-	44,648	- %	44,648	- %	Company-owned
The Company	Primavera Capital Fund III L.P.	-	Financial assets at fair value through profits and losses - current	-	103,401	- %	103,401	- %	Company-owned
The Company	CHENG SHIN	-	Financial assets at fair value through profits and losses - current	245	10,241	0.01 %	10,241	0.01 %	Company-owned
The Company	Qualcomm	-	Financial assets at fair value through profits and losses - current	13	34,186	- %	34,186	- %	Trust
The Company	CR GAS	-	Financial assets at fair value through profits and losses - current	200	33,012	- %	33,012	- %	Trust
The Company	Jih Sun Money Market Fund	-	Financial assets at fair value through profits and losses - current	154,024	2,291,514	- %	2,291,514	- %	Company-owned
The Company	FSITC Money Market	-	Financial assets at fair value through profits and losses - current	726	130,062	- %	130,062	- %	Company-owned
The Company	FSITC Taiwan Money Market	-	Financial assets at fair value through profits and losses - current	108,112	1,660,925	- %	1,660,925	- %	Company-owned
The Company	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profits and losses - current	375,720	4,156,292	- %	4,156,292	- %	Company-owned
The Company	Millerful No. 1 REIT	-	Financial assets at fair value through other comprehensive income – non-current	29,000	297,250	- %	297,250	- %	Trust
The Company	Chang Hwa Bank	-	Financial assets at fair value through other comprehensive income – non-current	1	20	- %	20	- %	Company-owned
The Company	Stocks of Taiyen	-	Financial assets at fair value through other comprehensive income – non-current	9,493	308,523	4.75 %	308,523	4.75 %	Company-owned

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The Company	Fubon Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,666	107,124	- %	107,124	- %	Company-owned
The Company	Cathay Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,250	80,000	- %	80,000	- %	Company-owned
The Company	Chinatrust Commercial Bank -Preferred Shares C	-	Financial assets at fair value through other comprehensive income – non-current	833	52,812	- %	52,812	- %	Company-owned
The Company	Fubon Financial Holding - Preferred Shares A	-	Financial assets at fair value through other comprehensive income – non-current	1,100	71,940	- %	71,940	- %	Company-owned
The Company	Cathay Financial Holding - Preferred Shares A	-	Financial assets at fair value through other comprehensive income – non-current	1,500	96,300	- %	96,300	- %	Company-owned
The Company	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E	-	Financial assets at fair value through other comprehensive income – non-current	485	26,433	- %	26,433	- %	Company-owned
The Company	Sun Life Holding Co Ltd	-	Financial assets at fair value through other comprehensive income – non-current	160	43,116	2.35 %	43,116	2.35%	Company-owned
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through other comprehensive income – non-current	210	8,650	0.02 %	8,650	0.02%	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through other comprehensive income – non-current	3,288	59,472	0.01 %	59,472	0.01%	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through other comprehensive income – non-current	450	72,282	0.01 %	72,282	0.01%	Trust
The Company	Stock of China Construction Bank	-	Financial assets at fair value through other comprehensive income – non-current	1,860	48,276	- %	48,276	- %	Trust
The Company	ST.SP	-	Financial assets at fair value through other comprehensive income – non-current	625	46,938	- %	46,938	- %	Trust
The Company	Frasers Logistics & Industrial Trust	-	Financial assets at fair value through other comprehensive income – non-current	1,000	27,633	0.04 %	27,633	0.04%	Trust
The Company	GlaxoSmithKline PLC	-	Financial assets at fair value through other comprehensive income – non-current	36	50,363	- %	50,363	- %	Trust
The Company	National Grid PLC	-	Financial assets at fair value through other comprehensive income – non-current	24	44,904	- %	44,904	- %	Trust
The Company	Electronic Business	-	Financial assets at fair value through other comprehensive income – non-current	166	36,491	0.01 %	36,491	0.01%	Trust
The Company	Preferred stock of HSBC	-	Financial assets at fair value through other comprehensive income – non-current	52	42,081	- %	42,081	- %	Trust
The Company	Preferred stock of AGNC	-	Financial assets at fair value through other comprehensive income – non-current	44	34,627	- %	34,627	- %	Trust
The Company	Stock of ICBC(Hong Kong)	-	Financial assets at fair value through other comprehensive income – non-current	1,820	42,114	- %	42,114	- %	Trust
The Company	Preferred stock of QTS	-	Financial assets at fair value through other comprehensive income – non-current	24	19,981	- %	19,981	- %	Trust
The Company	Preferred stock of TGP	-	Financial assets at fair value through other comprehensive income – non-current	32	24,796	- %	24,796	- %	Trust
The Company	Preferred stock of VEREIT	-	Financial assets at fair value through other comprehensive income – non-current	20	15,171	- %	15,171	- %	Trust

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The Company	Preferred stock of AXIS	-	Financial assets at fair value through other comprehensive income – non-current	51	39,448	- %	39,448	- %	Trust
The Company	Stock of China Molybdenum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	6,942	89,420	0.18 %	89,420	0.18%	Trust
The Company	Preferred stock of WFC	-	Financial assets at fair value through other comprehensive income – non-current	42	33,002	- %	33,002	- %	Trust
The Company	Stock of Cheung Kong Infrastructure Holdings Limited	-	Financial assets at fair value through other comprehensive income – non-current	210	44,801	0.01 %	44,801	0.01%	Trust
The Company	Stock of 3M	-	Financial assets at fair value through other comprehensive income – non-current	6	29,743	- %	29,743	- %	Trust
The Company	Preferred stock of ETP	-	Financial assets at fair value through other comprehensive income – non-current	94	68,707	- %	68,707	- %	Trust
The Company	Stock of Texas Instruments	-	Financial assets at fair value through other comprehensive income – non-current	10	37,851	- %	37,851	- %	Trust
The Company	Stock of LYB-LyondellBasell Industries	-	Financial assets at fair value through other comprehensive income – non-current	24	69,404	- %	69,404	- %	Trust
The Company	Stock of Bank of Communications	-	Financial assets at fair value through other comprehensive income – non-current	2,030	43,372	0.01 %	43,372	0.01%	Trust
The Company	Stock of Tencent Holdings. Co	-	Financial assets at fair value through other comprehensive income – non-current	59	85,174	- %	85,174	- %	Trust
The Company	Stock of CLP HOLDINGS	-	Financial assets at fair value through other comprehensive income – non-current	94	29,690	- %	29,690	- %	Trust
The Company	Shenzhou International Group Holdings Limited	-	Financial assets at fair value through other comprehensive income – non-current	97	42,389	0.01 %	42,389	0.01%	Trust
The Company	ENN ENERGY	-	Financial assets at fair value through other comprehensive income – non-current	122	39,965	0.01 %	39,965	0.01%	Trust
The Company	Ping An Insurance( Group ) Company of China, Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	57	20,246	- %	20,246	- %	Trust
The Company	051 Chailease Holding Company Limited-A	-	Financial assets at fair value through other comprehensive income – non-current	100,286	100,286	- %	100,286	- %	Trust
The Company	081 Chailease Holding Company Limited-A	-	Financial assets at fair value through other comprehensive income – non-current	190,000	190,000	- %	190,000	- %	Trust
The Company	104 Central Bond A5	-	Financial assets at fair value through other comprehensive income – non-current	100,000	105,373	- %	105,373	- %	Trust
The Company	The Export-Import Bank of China CNY Corporate Bond 4.15 20270618	-	Financial assets at fair value through other comprehensive income – non-current	5,000	22,472	- %	22,472	- %	Trust
The Company	Africa Finance Corporate Bond 4.375 20200429	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,994	- %	90,994	- %	Trust
The Company	ICBC RMB Corp. Bond 4.2 20270119	-	Financial assets at fair value through other comprehensive income – non-current	4,000	17,991	- %	17,991	- %	Trust
The Company	ICBC RMB Corp. Bond 4.5 20281113	-	Financial assets at fair value through other comprehensive income – non-current	5,000	23,138	- %	23,138	- %	Trust
The Company	China Comm Cons Corp. Bond 20200421	-	Financial assets at fair value through other comprehensive income – non-current	1,900	57,301	- %	57,301	- %	Trust

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The Company	Saudi Electricity Global - Bond 20230408	-	Financial assets at fair value through other comprehensive income – non-current	2,000	62,201	- %	62,201	- %	Trust
The Company	Saudi Electricity Global - Bond 20240408	-	Financial assets at fair value through other comprehensive income – non-current	1,000	31,802	- %	31,802	- %	Trust
The Company	Qatar Telecom USD corp. Bond 3.25 20230221	-	Financial assets at fair value through other comprehensive income – non-current	3,000	92,228	- %	92,228	- %	Trust
The Company	Standard Chattered USD corp. bond 4.05 20260412	-	Financial assets at fair value through other comprehensive income – non-current	3,000	96,369	- %	96,369	- %	Trust
The Company	Islamic Bank 20210531	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,508	- %	91,508	- %	Trust
The Company	China Railway USD Bond 20260728	-	Financial assets at fair value through other comprehensive income – non-current	2,500	75,957	- %	75,957	- %	Trust
The Company	Malaysia National Resource Bond 20261019	-	Financial assets at fair value through other comprehensive income – non-current	1,000	30,220	- %	30,220	- %	Trust
The Company	China Cinda USD Bond 20240309	-	Financial assets at fair value through other comprehensive income – non-current	1,500	47,294	- %	47,294	- %	Trust
The Company	Huarong USD Bond 20240309	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,599	- %	91,599	- %	Trust
The Company	DB USD Bond 20200515	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,326	- %	90,326	- %	Trust
The Company	Société Générale SGD Corp.Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,250	73,999	- %	73,999	- %	Trust
The Company	Société Générale SGD Corp.Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,500	81,720	- %	81,720	- %	Trust
The Company	SANTANDER CENTRAL HISPANO S.A. Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,063	- %	91,063	- %	Trust
The Company	Lloyds Banking Group Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	42,002	- %	42,002	- %	Trust
The Company	Goldman Sachs Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	42,261	- %	42,261	- %	Trust
The Company	Manulife Financial Corporation SGD Bond	-	Financial assets at fair value through other comprehensive income – non-current	750	17,068	- %	17,068	- %	Trust
The Company	Manulife Financial Corporation SGD Bond 20291121	-	Financial assets at fair value through other comprehensive income – non-current	4,000	89,400	- %	89,400	- %	Trust
The Company	Malaysia Electricity Bond 20281101	-	Financial assets at fair value through other comprehensive income – non-current	2,000	67,472	- %	67,472	- %	Trust
The Company	Anheuser-Busch InBev SA USD Bond 20290123	-	Financial assets at fair value through other comprehensive income – non-current	3,000	104,839	- %	104,839	- %	Trust
The Company	China Petroleum & Chemical Corporation Bond 20290808	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,706	- %	90,706	- %	Trust
The Company	Tencent Holdings. Co Bond 20290411	-	Financial assets at fair value through other comprehensive income – non-current	3,000	97,407	- %	97,407	- %	Trust
The Company	Trans globe Insurance	-	Financial assets at fair value through other comprehensive income – non-current	15	-	0.01 %	-	0.01 %	Company-owned

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The Company	Stocks of Creative Space Design	-	Financial assets at fair value through other comprehensive income – non-current	396	3,960	9.90%	3,960	9.90%	Company-owned
The Company	FORTUNE IC FUND I	-	Financial assets at fair value through other comprehensive income – non-current	600	4,030	4.86%	4,030	4.86%	Company-owned
The Company	Nan Ya Corp. Bond P02 Nan Ya 3B	-	Financial assets at amortized costs –non-current	100,000	105,177	- %	105,177	- %	Trust
The Company	China airline corporate bond	-	Financial assets at amortized costs –non-current	75,000	75,000	- %	75,000	- %	Trust
The Company	Taipower Corporate bond 20231230	-	Financial assets at amortized costs –non-current	150,000	154,110	- %	154,110	- %	Trust
The Company	02 Yang Ming1B 20201101	-	Financial assets at amortized costs –non-current	150,000	151,652	- %	151,652	- %	Trust
The Company	106 Central Bond 4	-	Financial assets at amortized costs –non-current	100,000	100,721	- %	100,721	- %	Trust
The Company	106 Central Bond 9	-	Financial assets at amortized costs –non-current	150,000	149,515	- %	149,515	- %	Trust
The Company	107 Central Bond 7	-	Financial assets at amortized costs –non-current	100,000	99,637	- %	99,637	- %	Trust
The Company	104 Central Bond 12	-	Financial assets at amortized costs –non-current	100,000	101,521	- %	101,521	- %	Trust
The Company	107 Central Bond 7	-	Financial assets at amortized costs –non-current	100,000	101,327	- %	101,327	- %	Trust
The Company	93 Central Bond 9	-	Financial assets at amortized costs –non-current	100,000	110,947	- %	110,947	- %	Trust
The Company	94 Central Bond 3	-	Financial assets at amortized costs –non-current	100,000	108,445	- %	108,445	- %	Trust
The Company	02 China Steel 1B 20230712	-	Financial assets at amortized costs –non-current	100,000	102,746	- %	102,746	- %	Trust
The Company	02 TSMC 2C 20230206	-	Financial assets at amortized costs –non-current	100,000	102,442	- %	102,442	- %	Trust

1. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital: None.
2. The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.
3. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital:

Unit : Thousand NTD

Name of the company	Name of the Property	Disposal date	Acquisition date	Book value	Amount	Payment status	Profit (Loss)	Name of transaction partner	Relationship with the company	Purpose	Price reference	Remark.
The Company	Pacific Commercial Building	108.05.13	11.2014	834,394	1,420,000	Not received yet	519,000,000	Wanhai Lines	None	Asset activation	Valuation report	-

4. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital:

Subject	Security	Accounting Account	Counterparty	Relationship	Beginning Balance		Purchase		Sale		Ending Balance			
					Share	Amount	Share	Amount	Share	Amount	Book Value	Disposal Profit/Loss	Share	Amount(*)
The Company	JIH SUN MONEY MARKET FUN	Financial assets at fair value through profit and loss - current	-	None	-	-	154,024	2,290,000	-	-	-	-	154,024	2,290,000
The	FSITC Money	Financial assets	-	None	-	-	108,112	1,660,000	-	-	-	-	108,112	1,660,000

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Company	Market	at fair value through profit and loss - current												
The Company	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit and loss - current	-	None	-	-	641,171	7,088,000	265,451	2,935,000	2,934,402	598	375,720	4,153,598
The Company	Chang Hwa Bank	Financial assets at fair value through other comprehensive income – non-current	-	None	383,810	5,599,293	7,676	-	391,486	9,021,001	5,599,281	3,421,720	1	12

5. The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.

6. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital:

Unit : Thousand NTD

Name of the company	Name of the Property	Disposal date	Acquisition date	Book value	Amount	Payment status	Profit (Loss)	Name of transaction partner	Relationship with the company	Purpose	Price reference	Remark.
The Company	Pacific Commercial Building	108.05.13	11.2014	834,394	1,420,000	Not received yet	519,000,000	Wanhai Lines	None	Asset activation	Valuation report	-

7. Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties:

Name of Company	Name of transaction partner	Relationship	Transaction details				Situation and cause of different transaction condition compared with general transaction		Accountable receivable (payable)		Remark
			Purchase (Sales)	Amount	% of total purchase (sales)	Credit period	Unit price	Credit period	Balance	% of Accounts receivable (payable)	
The Company	Fuyang Development Ltd.Co	Legal representative	Purchase	173,250	99.20 %	Per contract	-	-	-	-%	

8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.

9. Engage in derivatives trading: None.

10. Business relationships and significant intercompany transactions:

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction Details			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	Lungyen Life Service Co.	Yuji Development Co	1	Other financial assets – current	\$ 5,809	Equal to transaction with non-related parties	0.01%
0	"	"	1	Account payable	41,095	-	0.06%
0	"	"	1	Prepayments	20,805	-	0.03%
0	"	"	1	Other revenue	40,374	-	0.89%
0	"	"	1	Other liabilities-current	21,616	-	0.03%
0	"	Lung Fu Compa Limited	1	Other financial assets – current	2,791	-	0.06%
0	"	"	1	Other revenue	8,415	-	0.18%
1	Yuji Development Co.	Lungyen Life Service Co	2	Account receivable	62,711	-	0.10%
1	"	"	2	Advance receipts	20,805	-	0.03%

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1	"	"	2	Other payable accounts	5,809	-	0.01%
1	"	"	2	Management expenses	40,374	-	0.89%
2	Lung Fu Company Limited	Lungyen Life Service Co.	2	Account payable	2,791	-	0.06%
2	"	"	2	Management expenses	8,415	-	0.18%

Note 1: Said transactions shall be numbered as follows:

1. "0" for parent company
2. Subsidiaries are numbered from "1"

Note 2: Transactions with stakeholders are divided into three categories as follows:

1. Parent company to subsidiaries;
2. Subsidiaries to parent company;
3. Subsidiaries to subsidiaries

## (II) Information on investees:

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Current gain/loss of investees	Current recognized Investment gains and losses	Note
				Ending balance	Last year	Shares	Ratio of shares	Book value			
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20%	(4,045)	98.20%	7,922	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	110,723	54.42%	1,789,794	54.42%	147,745	Subsidiary
The Company	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential areas and building	3,870	3,870	400	80.00%	330	80.00%	(71)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	1,057,099 (USD34,210)	1,010,536 (USD32,710)	3,421	100.00%	991,977	100.00%	(49,467)	Subsidiary
The Company	Singapore Lungyen Life Services Pte., Ltd.	Singapore	Funeral Service	-	11,990 (SGD500)	-	- %	-	- %	16,807	Subsidiary
The Company	Lung Ting Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	-	259,700	-	- %	-	- %	(5,569)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	-	716,656	-	- %	-	- %	(3,374)	Affiliated Company
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	29,520	49.00%	813	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	377,800	210,700	37,100	100.00%	282,267	100.00%	(9,876)	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited(BVI)	British Virgin Islands	Investment	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32%	155,650	26.32%	(2,664)	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	910,026 (USD29,500)	863,463 (USD28,000)	2,950	50.00%	760,735	50.00%	(98,515)	Joint-venture

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

Note 2: USD exchange rate: 30.106 (closing) and 30.924 (average)

Note 3: Long An Co., was merged in the Consolidated Company from April 1, 2019.

Note 4: Singapore Lungyen Life Services Pte. Ltd handled settlements in June, 2019 and got approval in October from the authorities.

Note 5: The Consolidate Company disposed 49% shareholdings in Lung Ting Life Science Co., Ltd. on August 13, 2019.

## (III) Information on investment in Mainland China

## 1. China investee company name, business operation, and related information:

Unit: Thousand NTD/Foreign Currency

China Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Percentage of Ownership	Share of Profits / Losses (Note 2)	Carry Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow					

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Lungyen Cemetery (Wenzhou) Co. Ltd	Funeral services	1,481,215 USD49,200	Sea Dragon Traders Ltd. (BVI)	863,463 USD28,000	40,643 USD1,350	-	904,470 USD29,350	50.00%	50.00%	(19,070)	-
Long Young Life (China) Holding Co. Ltd.	Investment holding	270,954 USD9,000	Sea Dragon Traders Ltd. (BVI)-	-	-	-	-	50.00%	50.00%	(21,685)	-
Shijiazhuang Taifu Cemetery Management Co, Ltd	Cemetery management, construction and sales	73,174 RMB17,041	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	40.00%	40.00%	(1,416)	-

## 2. Limitation on investment in Mainland China:

Ending balance of the accumulated amount of investment from Taiwan to Mainland China	Investment amount approved by Ministry of Economic Affairs	Limitation on investment in Mainland China in accordance with the provisions of the Investment Commission of Ministry of Economic Affairs (Note 4)
904,470	2,483,745 USD82,500	11,061,577

US Dollar exchange rate: closing rate: 30.106 RMB exchange rate: 4.308

Note 1: An investment is divided into the following three ways, list out the type of the category:

- (A) Directly engaged in investment in Mainland China
- (B) Re-invest in the mainland through a third country company (please specify in the third area of investment companies)
- (C) Other methods.

Note 2: the current investment income recognized:

- (A) During the stage of preparations, note that there is no investment income.
- (B) The gain or loss recognized on the basis of the investment is divided into the following two types with note:
  - 1 Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.
  - 2 By the parent company in Taiwan audited financial statements.

Note 3: The corresponding currency should be NT dollars. Those involving foreign currency, the exchange rate for the reporting period amounted to NT accounts.

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

## 3. Significant transactions of the mainland China investment: None.

## XIV. DEPARTMENT INFORMATION

### (I) General Information

The Consolidated Company consist of five departments, namely Columbarium Sales Dept., Funeral Service Dept., Property Lease Dept., Cemetery Operation Dept., and other departments and construction sales department. Columbarium Sales Dept. is primarily engaged in columbarium-related business. Funeral Service Dept. is engaged in funeral service business. Property Lease Dept. is engaged in lease of real property. Cemetery Operation Dept. and other departments are engaged in management and operation of cemeteries. Construction Sales Dept. is engaged in building construction business.

The Consolidated Company' departments shall be the units dedicated to strategic business to provide different products and services. Given that the technique and marketing strategies as needed vary according to each strategic business unit, it is necessary to manage the units separately. Most of the business units are acquired separately, and the competent management teams are retained.

## (II) Departmental profit and loss, assets, liabilities, measurements and adjustment should be reported

The before tax profit and loss (excluding non-recurring gains and losses and exchange gains and losses) is based on the Consolidated Company within the department's chief operating decision making report as a basis for the management of resource allocation and assessment of performance. As the income tax, non-recurring gains and losses and exchange gains and losses are based on a group basis to manage, so the Consolidated Company unallocated income tax expense (benefit), exchange gain or loss and non-recurring gains and losses to reportable segments. In addition, not all departmental profit and loss contains depreciation and amortization non-cash items. The reported amounts should be consistent with the operating decision making report.

The Consolidated Company's operating segments and adjustment are as follows:

	2019						Total
	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	
Income:							
Income from external customers	\$ 1,666,937	1,601,340	172,635	211,042	907,394	-	4,559,348
Inter-segment income	29	-	247	-	-	(276)	-
Total income	<b>\$ 1,666,966</b>	<b>1,601,340</b>	<b>172,882</b>	<b>211,042</b>	<b>907,394</b>	<b>(276)</b>	<b>4,559,348</b>
Interest expenses	\$ -	-	-	(72,122)	-	-	(72,122)
Depreciation and amortization	-	(35,670)	(25,863)	(96,741)	-	-	(158,274)
Portion for profits and losses from affiliated company under equity method and joint venture	-	-	-	(52,289)	-	-	(52,289)
<b>Reportable department profits or losses</b>	<b>\$ 764,009</b>	<b>409,782</b>	<b>83,730</b>	<b>618,610</b>	<b>748,650</b>	<b>(276)</b>	<b>2,624,505</b>
Investment under equity method	\$ -	-	-	945,905	-	-	945,905
<b>Reportable department assets</b>	<b>\$ 23,040,524</b>	<b>9,660,042</b>	<b>3,864,533</b>	<b>23,965,056</b>	<b>4,688,134</b>	<b>(111,481)</b>	<b>65,106,808</b>
<b>Reportable department liabilities</b>	<b>\$ 16,876,358</b>	<b>21,626,418</b>	<b>40,558</b>	<b>6,677,489</b>	<b>41,269</b>	<b>(89,135)</b>	<b>45,172,957</b>
	2018						Total
	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	
Income:							
Income from external customers	\$ 2,910,954	1,630,939	201,315	213,810	-	-	4,957,018
Inter-segment income	2,866	-	4,725	-	-	(7,591)	-
Total income	<b>\$ 2,913,820</b>	<b>1,630,939</b>	<b>206,040</b>	<b>213,810</b>	<b>-</b>	<b>(7,591)</b>	<b>4,957,018</b>
Interest expenses	\$ -	-	-	(83,273)	-	-	(83,273)
Depreciation and amortization	-	(42,985)	(32,605)	(69,757)	-	-	(145,347)
Portion for profits and losses from affiliated company under equity method and joint venture	-	-	-	(42,241)	-	-	(42,241)
<b>Reportable department profits or losses</b>	<b>\$ 1,311,986</b>	<b>431,666</b>	<b>117,377</b>	<b>745,469</b>	<b>(89)</b>	<b>(7,591)</b>	<b>2,598,818</b>
Investment under equity method	\$ -	-	-	1,209,106	-	-	1,209,106
<b>Reportable department assets</b>	<b>\$ 17,552,446</b>	<b>9,612,615</b>	<b>6,459,256</b>	<b>25,112,081</b>	<b>4,693,174</b>	<b>(136,264)</b>	<b>63,293,308</b>
<b>Reportable department liabilities</b>	<b>\$ 16,636,314</b>	<b>20,261,395</b>	<b>68,343</b>	<b>9,968,181</b>	<b>-</b>	<b>(113,918)</b>	<b>46,820,315</b>

(III) Geographic Information

<u>Geography</u>	<u>2019</u>	<u>2018</u>
Revenues from external customers:		
Taiwan	<u>\$ 4,559,348</u>	<u>4,957,018</u>
Non-current assets		
Taiwan	<u>\$ 11,523,108</u>	<u>11,238,906</u>

(IV) Major Customers Information

The Consolidated Company had no customer representing at least 10% of net revenue.

**Lungyen Life Service Corp.  
Individual Financial Statements**

**For The Year Ended December 31, 2019 and 2018  
(Including an Independent Auditor's Audit Report)**

**Address: 1F., No. 166, Sec. 2, Minguan E. Rd., Taipei City  
Tel. No.: (02)2712-1628**

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## **INDEPENDENT AUDITOR’S REPORT**

To Board of Directors and Shareholders  
Lungyen Life Service Corp.

### **Opinion**

We have audited the accompanying financial statements of Lungyen Life Service Corporation (the “Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed

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

### 3. Revenues Recognition

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

Explanation for key audit matters:

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

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

Adaptive auditing processes:

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

### 4. Goodwill and Goodwill Impairment

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

Explanation of key auditing matters:

The Company's goodwill and trademark were resulted from corporate acquisition; receivable amounts related to goodwill and trademark were estimated based on managers' subjective judgment thus including high uncertainty, which may result in material risks of inaccurate

expression. For this reason, examination on goodwill and goodwill impairment is one of our key audit matters when auditing the Company's financial reports.

Adaptive auditing processes:

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

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

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

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

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

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

Our objective are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

7. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG

CPA: *Zeng, Guo-Yang*

*Lai, Li-Zeng*

Approval issued by the competent securities authority:

FSC VI. Tzi No. 0940129108

February 25, 20120

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp.**

**INDIVIDUAL BALANCE SHEETS**

**December 31, 2019 and 2018**

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

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

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**

**INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME**

**For The Year Ended December 31, 2019 and 2018**

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

		2019		2018	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6 (13), (18) &amp; 7)</b>	\$ 4,027,197	100	4,378,482	100
5000	<b>Operating cost(Note 6 (13))</b>	1,146,307	28	1,552,236	36
5900	<b>Operating gross profit (loss)</b>	2,880,890	72	2,826,246	64
	<b>Operating expenses :</b>				
6100	Selling expenses	544,225	14	877,929	20
6200	Administration expenses(Note 6 (19) & 7)	539,521	13	485,396	11
6450	Expected credit losses (gains) (Note 6 (3))	16,491	-	7,763	-
6000		1,100,237	27	1,371,088	31
6500	<b>Other income and expenses (Note 6 (20))</b>	129,021	3	138,011	3
6900	<b>Operating income (loss)</b>	1,909,674	48	1,593,169	36
	<b>Non-operating income and expenses :</b>				
7010	Other income(Note 6 (21) & 7)	592,935	15	463,243	11
7020	Other gains and losses(Note 6 (2) &(21))	41,269	1	346,825	8
7050	Financial costs(Note 6 (21))	(69,663)	(2)	(79,419)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	49,761	1	69,751	2
		614,302	15	800,400	19
	<b>Operating income before tax</b>	2,523,976	63	2,393,569	55
7950	<b>Less: Income tax expense (Note 6 (15))</b>	221,105	5	213,034	5
	<b>Net income</b>	2,302,871	58	2,180,535	50
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be subsequently reclassified to profit or loss:</b>				
8311	Remeasurements of defined benefits plans (Note 6 (14))	(1,528)	-	791	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	2,704,843	67	476,006	11
8330	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may not be reclassified to profit or loss	4,022	-	2,845	-
8349	Less: Income taxes related to items not reclassified (Note 6 (15))	(164,770)	(4)	-	-
	<b>Total items not reclassified to profit or loss</b>	2,542,567	63	479,642	11
8360	<b>Items that may be subsequently reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign statements	(20,898)	(1)	34,825	1
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	66,432	2	(42,204)	(1)
8380	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	(8,830)	-	(45,815)	(1)
8399	Less: Income taxes related to items may be reclassified	-	-	-	-
	<b>Total items that may be subsequently reclassified to profit or loss</b>	36,704	1	(53,194)	(1)
8300	<b>Other comprehensive income, net</b>	2,579,271	64	426,448	10
	<b>Total comprehensive income</b>	\$ 4,882,147	122	2,606,983	60
	<b>Earnings per share (Note 6 (17))</b>				
9750	<b>Basic earnings per share (NTD)</b>	\$ 5.48		\$ 5.19	
9850	<b>Diluted earnings per share (NTD)</b>	\$ 4.93		\$ 4.70	

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**Lungyen Life Service Corp. and Subsidiaries**  
**INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY**  
**For The Year Ended December 31, 2019 and 2018**

	Capital Stock		Retained Earnings			Exchange Differences On Foreign Translation	Other Equity Interest		Total	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
<b>Balance – January 1, 2018</b>	\$ 4,200,842	2,519,954	1,095,601	4,253,894	5,349,495	(13,825)	-	472,440	458,615	12,528,906
Retrospective adjustment due to new accounting standard	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600
Net profit	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535
Other comprehensive income	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448
Total comprehensive income	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983
Earning allocation and distribution:										
Legal capital reserve	-	-	184,400	(184,400)	-	-	-	-	-	-
Cash dividends on shareholders (NT\$2.5/share)	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-
<b>Balance – December 31, 2018</b>	4,200,842	2,519,954	1,280,001	6,293,123	7,573,124	(24,815)	713,268	-	688,453	14,982,373
<b>Balance – January 1, 2019</b>	-	-	-	2,302,871	2,302,871	-	-	-	-	2,302,871
Net income	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	-	2,580,799	2,579,271
Other comprehensive income	-	-	-	2,301,343	2,301,343	(29,728)	2,610,527	-	2,580,799	4,882,142
Earning allocation and distribution:										
Legal capital reserve	-	-	218,054	(218,054)	-	-	-	-	-	-
Cash dividends on shareholders (NT\$3/share)	-	-	-	(1,260,253)	(1,260,253)	-	-	-	-	(1,260,253)
From share of changes in equities of subsidiaries	-	-	-	(3,531)	(3,531)	-	-	-	-	(3,531)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	3,261,178	3,261,178	-	(3,425,948)	-	(3,425,948)	(164,770)
<b>Balance – December 31, 2019</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,498,055</b>	<b>10,373,806</b>	<b>11,871,861</b>	<b>(54,543)</b>	<b>(102,153)</b>	<b>-</b>	<b>(156,696)</b>	<b>18,435,961</b>

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**INDIVIDUAL STATEMENTS OF CASH FLOWS**  
**For The Year Ended December 31, 2019 and 2018**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
<b>Profit (loss) before tax</b>	\$ 2,523,976	2,393,569
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	130,332	120,228
Amortization expense	16,100	17,427
Allowance expense	16,491	7,763
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(75,080)	13,868
Interest expense	69,663	79,419
Interest income	(265,657)	(269,358)
Dividend income	(327,869)	(228,582)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(49,761)	(69,751)
Gain on disposal of non-current asset to be sold	(834,167)	-
Loss (gain) on disposal and scrap of property, plant and equipment	(2,534)	606
Gain on disposal of investment property	-	(525)
Gain on disposal of other assets	-	(347,626)
Gain (loss) of disposal of investment using equity method	(2,331)	-
Loss on impairment of financial assets	-	5,940
Exchange loss on financial assets or liabilities at fair value through other comprehensive income	29,860	(51,860)
Disposal loss on financial assets or liabilities at fair value through other comprehensive income	(1,318)	27,734
Total adjustments to reconcile profit (loss)	<u>(1,206,661)</u>	<u>(577,294)</u>
Changes in operating assets and liabilities:		
Decrease (Increase) on financial assets at fair value through income	(4,304,065)	72,442
Decrease (Increase) on notes receivable and account receivable	34,577	154,589
Increase on inventories	(133,831)	(348,981)
Decrease on prepayments	38,991	130,511
Disposal of non-current asset to be sold	3,406,853	-
Decrease (Increase) on other financial assets	27,200	39,733
Increase on other current assets	(4,764)	(5,690)
Increase on incremental cost of contract acquisition	(111,624)	215,682
Increase (Decrease) on contract liabilities	1,086,056	(347,397)
Increase (Decrease) on accounts payable	90,809	120,241
Decrease on other payable	17,636	54,696
Increase (Decrease) on advance receipts	37,850	5,418
Increase on other current liabilities	4,976	(8,524)
Increase on defined benefit liabilities	387	214
Total net change in operating assets and liabilities	<u>191,051</u>	<u>82,934</u>
Total Adjustments	<u>(1,105,220)</u>	<u>(611,783)</u>
Cash inflow (outflow) generated from operations	1,418,756	1,781,786
Interest received	229,748	269,488
Dividend received	327,869	228,582
Interest paid	(5,961)	(22,021)
Income taxes (paid)	(344,260)	(240,910)
<b>Net cash flows from (used in) operating activities</b>	<u>1,626,152</u>	<u>2,016,925</u>

**Cash flows from (used in) investing activities:**

Acquisition of financial assets at fair value through other comprehensive income	(1,484,960)	(1,857,468)
Disposal of financial assets at fair value through other comprehensive income	9,574,028	929,099
Liquidating distribution from financial assets at fair value through other comprehensive income	-	2,551
Acquisition of financial assets at amortized cost	(530,342)	(607,084)
Redemption of due financial assets at amortized cost	75,000	-
Acquisition of financial assets at fair value through profit and loss	(4,080,000)	-
Acquisition of investments accounted for using equity method	(46,563)	-
Disposal of investments accounted for using equity method	231,912	-
Proceeds from return of capital of investee under equity method	127	-
Acquisition of property, plant and equipment	(364,341)	(62,245)
Disposal of property, plant and equipment	2,657	318
Acquisition of intangible assets	(12,930)	(12,161)
Cash inflow due to merger	1,456	-
Acquisition of investment property	(1,010)	(675)
Disposal of investment property	-	749
Decrease (increase) in other financial assets - current	(526,416)	69,303
Decrease (increase) in other financial assets - non current	(3,752)	15
Decrease in other non-current assets	-	604,302
Decrease (increase) in acquisition of other non-current assets	(12,502)	(293,430)
<b>Net cash flows from (used in) investing activities</b>	<b>2,822,364</b>	<b>(1,226,726)</b>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	11,682,500	8,435,000
Decrease in short-term loans	(14,790,000)	(8,138,000)
Decrease in guarantee deposits received	(27,407)	10,611
Repayment of the principal portion of lease liabilities	(13,670)	-
Cash dividends	(1,260,253)	(1,050,210)
<b>Net cash flows from (used in) financing activities</b>	<b>(4,408,830)</b>	<b>(742,599)</b>
Net increase in cash and cash equivalents	39,686	47,600
Cash and cash equivalents at beginning of period	107,666	60,066
Cash and cash equivalents at end of period	<b>\$ 147,352</b>	<b>107,666</b>

## NOTES TO INDIVIDUAL FINANCIAL STATEMENTS

### I. COMPANY PROFILE

Lungyen Life Service Corp. (Original Da Han Construction; hereinafter referred to as the “Company”) was incorporated in March 27, 1987. The Company is primarily engaged in funeral service, development and lease of interment premises, and development and lease of residential areas and buildings.

### II. APPROVAL AND PROCEDURES OF THE INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements were accepted and published by the Board of Directors on February 25, 2020.

### III. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

(IV) New and revised standards and interpretations approved by Financial Supervisory Commission

The Individual financial report has fully adopted IFRS approved by Financial Supervisory Commission (hereinafter referred to as the “FSC”) and effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<u>E</u> New/ Amended/ Revised Standards and Interpretations	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty of Income Tax Treatment”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in affiliated companies and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

or the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of significance changes are as follows:

#### 3. IFRS 16 “Leases”

IFRS 16 “Leases” (hereinafter referred to as IFRS 16) replaces the current IAS 17 “Leases” (hereinafter referred to as IAS 17), IFRIC 4 “Determining whether an arrangement includes a lease” (hereinafter referred to as IFRIC 4), SIC 15 “Business Leasing: Incentives” and SIC 27 “Evaluation the nature of the transaction involving leases in legal form”

The Company adopts IFRS 16 retrospectively and adjusts the cumulative impact of

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the initial application to the retained earnings of January 1, 2019. The nature and impact of the changes in the relevant accounting policies are as follows:

(1) Definition of a Lease

The Company previously determined whether an agreement is or includes a lease based on the IFRIC 4 on the contract beginning date. After changing the accounting policy, it is assessed whether the contract is or includes a lease in accordance with the lease definition of IFRS 16. The relevant accounting policies are detailed in Note 4 (14).

In the transition to IFRS 16, the Company has chosen to use the expediency exemption to assess whether the transaction before the initial application date is a lease, that is, the contract previously identified as a lease is directly applicable to IFRS 16. Contracts that have previously been identified as non-lease in accordance with IAS 17 and IFRIC 4 are not reassessed as leases. Therefore, the lease definitions required by IFRS 16 apply only to contracts signed or changed on and after the initial application date.

(2) Lessee

A transaction in which the Company is a lessee is previously assessed based on whether the lease contract has transferred almost all of the risks and payments attached to the underlying asset ownership. Under IFRS 16, the right-of-use assets and lease liabilities are recognized on the balance sheet for the lease contract.

The Company chooses to apply the exemption for the lease of office and other equipment for short-term leases:

- Contract previously classified as an operating lease under IAS 17:

At the time of the transition, the lease liability is measured by the present value of the remaining lease payments and discounted using the borrowing rate of the Company on the initial application date. Right-of-use assets are measured in one of the following methods:

- i. The carrying amount of the right-of-use asset is the same as of the date of IFRS 16 commencement, but is discounted using the lessee's incremental borrowing rate on the initial application date. The Company applies this method to its large real estate lease.
- ii. The amount of the lease liability is adjusted for all prepaid or payable lease payments related to the lease. The Company applies all other leases in this method other than the foregoing case.

In addition, the Company has transitioned to IFRS 16 using the following expedient practices:

- vi. Single discount rate for lease combinations with similar characteristics.
- vii. As an alternative to the impairment assessment of the right-of-use asset,

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based on the results of the assessment of the loss-making contract according to the IAS 37 “Liabilities Reserve, Contingent Liabilities and Contingent Assets” before the date of initial application.

viii. For leases that are matured within 12 months after the initial application date, the right-of-use asset and lease liability are not recognized.

ix. The original direct cost is not included in the measurement of the right-of-use asset on the initial application date.

x. In the case of a lease contract that includes a lease extension or termination option, the use of the hindsight is adopted when the lease term is determined.

- Contract previously classified as a finance lease:

For the contract previously classified as a finance lease under the IAS 17, the carrying amount of the right-of-use asset and the lease liability on the initial application date is the amount of leased asset and lease liability measured in accordance with IAS 17.

**(3) Lessor**

Except for sub-leasing, the Company is not required to make any adjustments to the transaction as a lessor in the transition to IFRS 16, and the IFRS 16 applies to the lease from the date of initial application.

Under IFRS 16, the classification of sub-leasing should be assessed based on the right-of-use asset rather than the underlying asset. At the time of the transition, the Company reassesses its classification for the sub-lease classified as operating lease under the earlier application of IAS 17 and considers that the sublease should be classified as a finance lease under IFRS 16.

**(4) Impact on financial reporting**

In the transition to IFRS 16, the Company recognizes the right-of-use assets and lease liabilities of NT\$51,791 thousand on the initial application date. The lease liability is discounted at the incremental borrowing rate on the initial application date of the Company. The weighted average of the interest rates is 0.78%. However, the difference between the amount of the operating lease commitments for the year prior to the initial application date and the lease liability recognized on the initial application date (which may be reasonably determined to exercise the lease extension option) is not significant, therefore there is no adjustments to be made.

**4. IFRIC 23 “Uncertainty of Income Tax Treatment”**

The new interpretation clarifies that when assessing the impact of income tax treatment on taxable income (loss), taxable base, unused tax losses, tax credit of

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investment and tax rates, it should be assumed that the tax authority will review the relevant amount and has obtained all relevant information at the time of the review.

If the Company considers that the tax authority is likely to accept an uncertain tax treatment after assessment, it shall determine the taxable income (loss), tax base, unused tax losses, tax credit of investment and tax rates in a manner consistent with the treatment used in the tax return declaration. Otherwise, the most likely amount or expected value which is more appropriate to reflect the impact of each uncertain tax treatment shall be adopted.

The above assessment did not have a significant impact on the Company's financial report.

(V) The impact of IFRSs endorsed by the FSC but not yet applied

According to official document No.1080323028 announced by FSC on July 29, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The above assessment did not have a significant impact on the Company's financial report.

(VI) The new and revised standards and interpretations but not yet endorsed by the FSC

According to official document No.1080323028 announced by FSC on July 29, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 1 "Classification of Liabilities as Current of Non-current"	January 1, 2022

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The individual financial report utilizes significant accounting policies summary as below.

Following accounting policies are all applied to the period presented in this individual financial report.

**(XXIV) Compliance Statement**

The individual financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as “the Regulations” hereinafter) and the international financial reporting standard, international accounting standards, interpretation, and bulletin (referred to as “the IFRS approved by the FSC” hereinafter) approved and issued by the FSC.

**(XXV) Basis of Preparation**

**1. Basis of measurement**

Except for the material items in the balance sheet as below, the individual financial reports have been prepared in accordance with the historical cost:

- (4) Financial assets at fair value through profit or loss;
- (5) Financial assets at fair value through other comprehensive income; and
- (6) Defined benefit liabilities (or assets) are recognized in accordance with the fair value of pension fund assets deducted by net present value of defined benefit obligation and maximum effects in Note 4(16).

**2. Functional currency and presentation currency**

Each vehicle of the Company makes the currency of the primary economic environment its functional currency. The individual financial report is prepared in the Company’s functional currency, NT Dollar. All financial information expressed in New Taiwan Dollar is with the monetary unit of NT\$ Thousand.

**(XXVI) Foreign Currency**

**3. Transactions in foreign currencies**

Foreign currency transactions are translated in accordance with the exchange rate on the transactions date as the functional currency. Foreign currency monetary items are translated in accordance with the prevailing exchange rates into the functional currency on the end of reporting period.

The foreign currency non-monetary item measured at fair value is translated into functional currency in accordance with the exchange rate on the valuation date. The foreign currency non-monetary item valued at historical cost is translated in accordance with the exchange rates on the transaction date.

Except for non-monetary equity instrument at fair value through other

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comprehensive income (available-for-sale equity instrument), financial liabilities designated as hedges of foreign institution's net investment or qualified cash flow hedge, the foreign currency exchange difference arising from translation is recognized in "Other comprehensive profit or loss" while others are recognized in "Profit or loss."

4. Foreign operating agency

Foreign institution's assets and liabilities include goodwill arising on acquisition and fair value adjustments that are translated into the functional currency on the reporting date. Income and expenses are translated into the functional currency in accordance with the current average exchange rates; also, the resulted exchange differences are recognized in "Other comprehensive profit or loss."

When the disposal of a foreign operation causes a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is entirely reclassified as "Profit or loss." If some of the foreign institution's subsidiaries are disposed of, the related cumulative exchange difference is proportionally re-attributed to the non-controlling equity. If some of the foreign institution's affiliated enterprises or joint ventures are disposed of, the related cumulative exchange difference is proportionally re-attributed to the "Profit or loss".

For the foreign institution's monetary receivable or payable, if there is no settlement plan available and without possibility in the foreseeable future to be settled, the resulted foreign exchange gains and losses is deemed as the foreign institution's net investment and is recognized in "Other comprehensive profit or loss."

**(XXVII) Classification of Assets and Liabilities as Current and Non-current**

Assets in compliance with one of the following conditions are classified as current assets. Assets other than current assets are classified as noncurrent assets:

1. Expected to realize in the normal business cycle of the Company, or with intent to sell or consume.
2. Primarily for trading purposes.
3. Expected to be realized within 12 months after the financial report date.
4. Cash or cash equivalent, but does not include those to be used for exchange or settlement of liabilities within 12 months after the financial report date or the restricted cash or cash equivalent.

Liabilities in compliance with one of the following conditions are classified as current liabilities. Liabilities other than current liabilities are classified as noncurrent

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liabilities:

5. Expected to be settled in the normal business cycle of the Company.
6. Primarily for trading purposes.
7. Expected to be settled within 12 months after the financial report date.
8. The Company cannot unconditionally have the settlement period extended for at least 12 months after the financial report date. The classification of the liabilities that are settled with equity instrument issued at the choice of the counterparty is not affected thereafter.

(XXVIII) Cash and Cash Equivalent

Cash and cash equivalent include cash on hand, demand deposits, and short-term with high liquidity investment that is readily convertible to known amounts of cash with insignificant risk of changes in value.

(XXIX) Financial Instruments

3. Financial Assets

Financial assets of the Company are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss.

Only when the operation model of financial asset management has been changed, the Company will reclassify financial assets which are affected by the change.

(6) Financial asset at amortized cost:

Financial asset shall be measured at amortized cost when it meets the conditions simultaneously and not designated as measured at fair value through profit and loss.

- Financial asset held due to the business model of earning contractual cash flows.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then use effective interest rate method, which is calculated through amortized cost minus impairment loss. Interest revenue, profit and loss of foreign currency exchange, and impairment loss are recognized in profits and losses. Gains or losses will be in profit or loss during derecognition. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

(7) Financial assets measured at fair value through other comprehensive income.

If investment in debt instrument meet the following conditions simultaneously, and not designated as measured at fair value through profit and loss, will be measured at fair value through other comprehensive income.

- Financial asset held due to the business model of earning contractual cash flows and being sold.

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- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

The Company has the choice of being irrevocable during initial recognition, the subsequent changes of fair value for investment in equity instrument not held for trading will be recognized in other comprehensive income. The above choice is on the basis of instrument-by-instrument approach.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then measured at fair value, except investments in debt instruments below: profits and losses of foreign currency exchanges, and interest revenue, impairment loss, dividend revenue of investment in equity instrument (unless representing recovery of the cost of the investment significantly) using effective interest method will be recognized in profit and loss, other changes in book value will be recognized in other comprehensive income, and accumulated to unrealized profit and loss of financial assets measured at fair value through other comprehensive income in equity. Accumulated amount of gains or losses under equity will be reclassified to income if belongs to investments in debt instruments, and accumulated amount of gains or losses under equity will be reclassified to retained earnings instead of income if belongs to investments in equity instruments during derecognition. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

Dividend revenue of investments in equity will generally be recognized on the date that the Company has the right to earn dividends (Usually equals to ex-dividend date).

**(8) Financial assets measured at fair value through profit or loss**

Financial assets that aren't belong to above mentioned (measured at amortized cost or measured at fair value through other comprehensive income) will be measured at fair value through profit or loss, including derivative financial assets. To eliminate or reduce accounting mismatch significantly, the Company is able to appoint financial assets that conform to be measured at amortized cost or measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss irrevocably during initial recognition.

If being measured at fair value in initial recognition, and recognized in income when transaction cost occurs, will be measured at fair value later, the profit or loss generated from remeasurement (including related dividend revenue and interest revenue) will be recognized to income. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

**(9) Financial assets impairment**

For financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, finance lease receivable, refundable deposit and other financial asset...etc.), investments in debt instruments measured at fair value through other comprehensive income, accounts receivables measured at fair value through other comprehensive income, forecast loss of credit for contractual assets, the Company recognizes in allowance for loss.

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The allowance for losses of following financial assets are amount measured at 12-month expected credit losses, other amount will be measured at lifetime expected credit losses:

- Credit loss of debt securities on reporting date is low; And
- Credit loss of other debt securities and bank deposits (refer to the risk of being default during expected lifetime of the financial asset) haven't increased significantly since initial recognition.

The amounts of accounts receivables and allowance for loss of contractual assets are measured at lifetime expected credit loss.

Lifetime expected credit loss refers to expected credit loss generated from possible default items during expected lifetime of financial instruments.

12-month expected credit loss refers to expected credit loss generated in 12 months from possible default items after reporting date of financial instruments (or shorter if the expected lifetime of the financial instrument is shorter than 12 months).

The longest period of measuring expected credit loss is the longest contractual period that the Company being exposed to credit risk.

When determining if credit risk has increased significantly since initial recognition, the Company considers rational and provable information (acquired with no undue cost or effort), including qualitative and quantitative information, and according to the Company's past experiences, credit evaluation, analyses from forecasting information.

If the credit risk evaluation equals to global-defined investment grade (BBB- or higher by Standards & Poor's, Baa3 or higher by Moody's, twA or higher by Taiwan Ratings, the Company regards the debt security as low credit risk.

If the contractual amount has expired for over 30 days, the Company will assume that the credit risk of the financial asset has increased significantly.

If the contractual amount has expired for over 90 days, or the borrower is unlikely to execute the contract of paying total amount to the Company, the Company considers that default has occurred.

Expected credit loss is the estimation of probability-weighting of credit loss during expected life of the financial asset. Credit loss is measured by total present value of short pay cash payment, which equals the difference between actual contractual cash flows receivable for Company and expected contractual cash flows receivable for Company. Expected credit loss is discounted at effective interest of the financial asset.

The Company will evaluate financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income on every reporting date to see if there is credit impairment. If one or more events that are adverse to the estimated future cash flows of the financial asset have occurred, the financial asset will be considered to be credit-impaired. The evident of credit impairment of the financial asset includes the following observable materials:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as default or being expired for over 90 days.
- For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Company would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of

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financial difficulties.

Allowance for financial assets measured at amortized cost should be reduced from the book value of assets, allowance for debt securities measured at fair value through other comprehensive income should be recognized in other comprehensive income (which is not to reduce book value of the assets.). Loss allowance and reversal will be recognized in profit and loss.

When there is no reasonable expectation of recovery for part of or all of the financial asset, the Company will deduct the total book value for the financial asset directly. Which usually means that the Company considers that assets or sources of income for the borrower aren't able to generate enough write-off amount. However, a write-off the financial asset can still be implemented to meet the procedure of recovering expired amount of the Company.

(10) Elimination of financial assets

Company derecognizes financial assets only when the contractual rights on the cash flows from the assets are terminated, or financial assets are transferred and the ownership, risk, and returns of the financial assets have been transferred to other companies.

When one financial asset is derecognized entirely, the difference between the book value and the total amount of the received or receivable plus the amount recognized in other comprehensive profit or loss and accumulated in "Other equity - unrealized gains and losses of financial assets measured at fair value through other comprehensive income" is recognized in "profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

When one investment in debt instrument is not derecognized entirely, the Company based on the relative fair value of each portion on the transfer date has the original book value of the financial asset allocated to the continuingly recognized portion and the derecognized portion. The difference between the book value allocated to the derecognized portion and the total amount of the consideration received for the derecognized portion plus any cumulative gain or loss recognized in other comprehensive profit or loss that is allocated to the derecognized portion is recognized in "profit or loss;" also, it is reported in the "Other gains and losses" of the "Non-operating income and expenses." The cumulative gain or loss that is recognized in "Other comprehensive profit or loss" is allocated to the continuingly recognized portion and the derecognized portion.

4. Financial liabilities and equity instruments

(4) Classification of liabilities or equity

The debt and equity instruments issued by the Company are classified as financial liability or equity in accordance with the substance of contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments are the contracts commending the Company's residual equity of assets net of liabilities. The equity instruments issued by the Company are recognized at the purchase price net of the direct issue cost.

(5) Equity Transaction

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Equity tool refers to contracts representing the Company's remaining equity.

The Company recognized those issued equity tools at acquisition proceeds less issuing costs.

**(6) Financial liabilities**

For the financial liability that is not available-for-sale and is not measured at fair value through profit and (including long-term and short-term loans, accounts payable, and other payables), it was initially recognized at fair value plus any directly attributable transaction cost; also, it is subsequently measured with the effective interest rate method at amortized cost. Interest expense that is not capitalized as assets cost is reported in the "Finance cost" of the "Non-operating income and expenses."

**(7) Elimination of financial liabilities**

Company will have financial liabilities derecognized when the contractual obligation is performed, discharged, or expired.

When financial liability is derecognized, the difference between the book value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in "Profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

**(8) Financial assets and liabilities offsetting**

The Company's financial assets and liabilities will only be offset when it is legally available and the Company aims to make net settlement, or liquidate assets and reimburse liabilities at the same time.

**(XXX) Inventories**

**3. Buildings for Sale**

Inventories are measured at the lower of cost or net realizable value. Cost includes the necessary expense to prepare it in the condition available for use at the designated location and the capitalized loan cost.

Net realizable value is the estimated selling price in ordinary course of business less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. Net realizable value is determined as follows:

- (1) Construction Site: Net realizable value is by referring to the estimate made by the competent authorities in accordance with the prevailing market conditions.
- (2) Construction in progress: Net realizable value is the estimated selling price (prevailing market conditions) less the estimated cost and selling expense needed to complete.
- (3) Real estate for sale: Net realizable value is the estimated selling price (see the

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estimate made by the competent authorities in accordance with the prevailing market conditions) less the estimated cost and selling expense needed to sell the real estate.

**4. Columbarium and Cemetery Invested and Built for Sale**

Construction in progress includes the cost of land and construction, upon completion, the permanent right to use that has been transferred to the clients is recognized as current operating cost proportionally to the selling price of columbarium and cemetery; also, the others are recognized as columbarium and cemetery for sale. Deferred marketing expenses are the direct marketing costs incurred for the sale of columbarium and cemetery during the construction period and it will be booked as current expense when income is recognized upon completion.

Interest expense incurred to have the construction in progress (including land and construction in progress) available for use or completed shall be capitalized. Columbarium and cemetery for sale is measured at the lower of cost or net realizable value.

**(XXXI) Investments in affiliated enterprises**

Affiliated enterprise is the one that the Company has significant influence but not control over its financial and operating policies. If the Company owns 20%~50% voting rights of the invested company, it is assumed to have significant influence.

Under equity method, the original acquisition is recognized at cost and the investment cost includes transaction cost. The book value of investments in affiliated enterprises includes the goodwill recognized in original investment net of any accumulated impairment loss.

The individual financial report includes the period from the date the significant influence received to the date the significant influence ceased. After adjusting the accounting policies to be consistent with the Company's, the Company recognizes the affiliated enterprise's profit or loss and other comprehensive profit or loss proportionally to equity.

The unrealized gains arising from the transactions conducted between the Company and the affiliated enterprise has been written off within the range of the invested

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company's equity held by the Company. The elimination method for unrealized losses is same as the one for unrealized gains, but limited to the case without evidence of impairment.

When the loss in the affiliated enterprise recognized proportionally by the Company equals or exceeds its interest in the affiliated enterprise, stop recognizing loss; also, only recognizes additional loss and related liability upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

**(XXXII) Investment in Subsidiaries**

The Company adopts equity method over investees which the Company has controlling power when composing the individual financial reports.

**(XXXIII) Joint Arrangements**

Joint arrangements are arrangements jointly controlled by two or more parties and include joint operation and joint venture. A joint arrangement has the following characteristics: (a) the parties are bound by a contractual arrangement, and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangement" defined the joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (namely activities have material impact on returns of the agreement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 unless the entity is exempted from applying the equity method as specified in that standard.

To evaluate the classification of the joint arrangement, the Company considered the

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structure of the arrangement, the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances. The previous evaluation considered only the structure of the arrangement. The Company reevaluated the joint arrangement it participated in and reclassified the “joint control entity” to “joint venture”. That investment though has been reclassified, the equity method will still be adopted as its accounting treatment. Thus assets, liabilities and comprehensive income which have already been recognized will not be affected.

(XXXIV) Investment Properties

Investment properties is held for earning rent income or for capital appreciation, or both, rather than for normal business operation, for sale, used in production, for supply of goods or services, or for administrative purposes. Investment property is initially recognized at cost and then subsequently measured at cost again. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property, plant, and equipment. Cost includes the expense that can be directly attributable to the real estate acquired. The cost of the self-constructed investment property includes materials, direct labor, and directly attributable cost and capitalized loan cost to have the investment property ready for use. The estimated endurance life of current and comparable period is 2~55 years.

If the intended use of an investment property is changed and it is then reclassified as property, plant, and equipment, the reclassification is made in accordance with the book value at the time of changing the intended use.

(XXXV) Property, plant, and equipment

1. Recognition and measurement

The property, plant, and equipment is recognized and measured in accordance with the cost model; also, it is measured in accordance with the cost net of accumulated depreciation and accumulated impairment. Cost includes the expense directly

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attributable to the assets acquired. The cost of the self-constructed asset includes the cost of materials and direct labor, directly attributable cost to have the asset ready for the intended use, item dismantling and removing and the location recovery cost, and the loan cost of the capitalized assets.

When property, plant, and equipment contains different parts and each part is relatively significant comparing to the total cost of the project and the use of different depreciation rates or methods is more appropriate, it will be deemed and processed as a separate item from the property, plant, and equipment (major component).

The gain or loss from the disposition of property, plant, and equipment bases on the difference between the book value and the disposal amount; also, the net amount is recognized in the “Other gains and losses” of the “Non-operating income and expenses.”

## 2. Subsequent cost

If the expected future economic effect arising from the subsequent expenditures of the property, plant, and equipment will probable inflow to the Company with an amount can be measured reliably, the expenditure is recognized as part of the book value of the item and the book value of the replaced part is then derecognized. The routine maintenance cost of the property, plant, and equipment is recognized in profit or loss upon incurred.

## 3. Depreciation

Depreciation is computed at the cost of an asset less its residual value over the estimated useful lives in accordance with the straight-line method. Also, it is assessed by the significant part of the asset. If the useful life of a part of the asset is different from the rest of the asset, the said part should be depreciated separately. The appropriated depreciation is recognized in profit or loss.

If the ownership of the lease asset can be acquired by the Company on the expiry date of the lease, the depreciation can be appropriated in accordance with the estimated useful lives; the depreciation of other leased assets is appropriated in accordance with the lease term or the useful lives whichever is shorter.

Land is not depreciated.

The estimated service life of the current year and the comparative period is as follows:

(1) House and building	4~69 years
(2) Office equipment	5 years
(3) Transportation equipment	5 years
(4) Other equipment	4~9years

Depreciation methods, service life, and residual values are examined at the end of each financial year. If the expected value is different from the previous estimate, if necessary, it will be appropriately adjusted. The said changes made will be handled in accordance with the requirements of accounting estimates.

#### 4. Reclassification to investment property

When property for own-use is changed to investment property, the book value of the property should be reclassified to investment property.

#### (XXXVI) Lease

##### 1. Lessor

The rental income from operating leases is recognized as income over the period of the lease in accordance with the straight-line method. The total incentives provided to the lessee for achieving the lease arrangement is recognized as decrease of rental income over the period of the lease in accordance with the straight-line method.

##### 2. Lessee

The rent payment for operating lease (excluding insurance and maintenance service cost) is recognized as expenses over the period of the lease in accordance with the straight-line method. The total incentive provided by the lessor for achieving the lease arrangement is debited to the rent expense over the period of the lease in accordance with the straight-line method.

#### (XXXVII) Intangible Assets

##### 1. Goodwill

###### (1) Initial recognition

The Goodwill arising from the acquisition of subsidiaries is included in the intangible asset.

###### (2) Subsequent measurement

Goodwill is measured at cost net of the accumulated impairment. Regarding equity method investment, the book value of the goodwill is included in the book value of the investment, and the impairment loss of that investment will be treated as part of book value of the equity investment rather than be classified to goodwill and other assets.

##### 2. Subsequent expense

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Subsequent expense can be capitalized only when it is able to help increase the future economic benefits of specific asset. All other expenses are recognized in profit or loss upon incurred, including internally developed goodwill and brands.

3. Amortization

The amortizable amount is the cost of the asset less the residual value.

Other than goodwill and intangible assets with indefinite useful life, intangible assets are amortized in accordance with the straight-line method and the estimated useful life from the date it is available for use. Amortization amount is recognized in profit of loss:

Computer software            1~10 years

Development royalty            20 years

The residual value, amortization period, and amortization method of intangible assets are examined at least at the end of the fiscal year with the change deemed as changes in accounting estimates.

(XXXVIII) Non-financial Assets Impairment

The Company has inventories, deferred income tax assets, and non-financial assets other than biological asset assessed for impairment on each reporting date; also, estimates the recoverable amount of the assets with a sign of impairment. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit the asset belongs to in order to assess impairment.

For goodwill and intangible assets without certain useful life, an impairment loss assessment shall be proceeded annual no matter whether there is an indication of impairment.

The recoverable amount is the fair value of an individual asset or cash-generating unit less disposal cost and the value in use whichever is higher. When assessing the value in use, the estimated future cash flow shall be discounted at the pre-tax discount rate to calculate its present value. That discount rate shall reflect the market assessment of time value of money and certain unit risk generated by that asset or cash.

If the recoverable amount of an individual asset or cash-generating unit is less than the book value, the book value of the individual asset or cash-generating unit is adjusted down to the recoverable amount with impairment loss recognized. Impairment losses were recognized immediately in current profit or loss.

The Company on each reporting date reassesses whether there are indications that the

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recognized impairment losses of non-financial assets other than goodwill may no longer exist or have decreased. If the estimates used to determine the recoverable amount are changed, the impairment loss is reversed to increase the book value of an individual asset or cash-generating unit equivalent to its recoverable amount, but may not exceed the book value of an individual asset or cash-generating unit before recognizing impairment loss and after deducting depreciation and amortization.

For the purpose of impairment testing, the goodwill acquired in a business consolidation shall be allocated to the Company's cash-generating units (or cash-generating group) that is expected to benefit from the synergies of the consolidation effort. If the recoverable amount of the cash-generating unit is less than its book value, an impairment loss is allocated to the cash-generating unit by reducing the book value of its goodwill and then to the book value of each asset within the unit proportionally. The recognized goodwill impairment loss shall not be reversed in the subsequent periods.

**(XXXIX) Provision for Liabilities**

The recognition of provision is the current obligation due to past events, so that the Company will probably need to flow out economic resources to pay off obligations, and the obligations can be reliably estimated. Provision can reflect that current market discounts time value of money and the pre-tax discount rate of liability specific risk evaluation to present value, the amortization of discounting should be recognized as interest expense.

**(XL) Revenue Recognition**

**1. Revenue from Contracts with Customers**

Revenue is measured by the right of receiving the transaction price after transferring goods or services. The Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer.

The main items for revenue of the Company is as below:

**(6) Construction and sale of columbarium and cemeteries**

The Company invests in and constructs columbarium and cemetery for sale, and sells before or during construction frequently. The Company recognizes revenues when control of the product is transferred, which is when the permanent use right has been transferred to the customer after the construction is completed and all receivables are collected.

For columbarium, cemeteries, and preneed contracts that are sold in advance, and usually sign a contract that contains the installments until the good or service is transferred to the customer during the period, if the contract contains finance income, it will recognize interest revenue in accordance with payment period; the unconditional right for the transaction price will be

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recognized as accounts receivable, the advance will be recognized as contract liabilities, and the accumulated amount of contract liabilities will be recognized as revenue at the time the good or service is transferred to the customer.

In Accordance with “Mandatory Provisions to be Included in and Prohibitory Provisions of Standard Form Purchase and Sale Contract for Bone Ashes Storage Entity” issued by the Ministry of the Interior, for all standard form contracts signed after the regulation effective date on April 1, 2013, relevant provisions for future rescission and refund and promise for the useful life shall be estimated according to historical experience.

**(7) Funeral services**

Funeral services revenues are recognized upon the completion of the labor service.

**(8) Rental**

The rental income arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The income generated from the sublease of property is recognized in the “Rental income” of the operating income.

**(9) Land development and sale of properties**

The Company develops and sell residential real estate, and recognizes revenues when control of the real estate is transferred, therefore, the Company recognizes revenues at the time when legal ownership has been transferred to the customer and the property has been delivered. However, revenue will still be recognized if only one criterion mentioned above has been completed before the reporting date and the other one has been actually completed after the reporting date.

Revenue is measured by the transaction price agreed in the contract. In most cases, if the one being sold is a readily available property, the transaction price can be collected at the time the legal ownership of the property transferring to the customer. In a few cases, payment could be deferred if agreed in the contract, however, the deferment shall be within twelve months. Therefore, no adjustment to transaction price will be made for the sake of reflecting the effect of significant financing component. If the one being sold is a presale real estate, it is usually signed under a contract that contains the installments until the real estate is transferred to the customer during the period, if the contract contains significant financing component, the transaction price will be adjusted according to the loan interest of construction projects to reflect the effect of time value of money during the period. The advance will be recognized as contract liabilities, adjustment for the effect of time value of money will be recognized as interest expense and contract liabilities. The accumulated amount of contract liabilities will be recognized as revenue at the time when the real estate is transferred to the customer.

**(XLI) Costs from Contracts with Customers**

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1. Incremental Costs of Obtaining a Contract

If the Company expects that the incremental costs of obtaining a contract from customer are to be recovered, these costs are recognized as an asset. Incremental costs of obtaining a contract are costs that would not have been incurred had that individual contract not been obtained. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless whether the contract is obtained.

(XLII) Non-current assets for sale

The Company's Board of Directors resolved in the 3<sup>rd</sup> quarter to sale part of its investment properties thus the accounting policies related to non-current assets for sales have been applied since July 1, 2018.

(XLIII) Employee Welfare

1. Defined contribution plan

The defined contribution plan obligation is recognized as employee welfare expense during the labor service period.

2. Defined benefit plan

The retirement pension plan that is not a defined contribution plan is a defined benefit plan. The Company's net obligation under the defined benefit plan is the future benefits earned by employees currently or in the past and it is discounted to present value. Any unrecognized prior service cost and the fair value of the project assets is deducted or eliminated. Discount rate is based on the interest rate that is with a maturity date close to the net obligation deadline of the Company and the currency of denomination same as the market yield rate of government bonds for the expected benefit payment on the reporting date.

Enterprise's annual net obligation is calculated by a qualified actuary with the use of a projected unit welfare method. When the calculation result is favorable to the Company, the recognized asset is limited to the total amount of any unrecognized prior service cost and the present value of the total economic benefits available from the future refund of the plan or reduction of funding to the plan. The calculation of the present value of any economic benefits shall consider the minimum capital appropriation requirement applicable to any plan of the Company. If the benefit can be realized during the project period or

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when the project liabilities settled, it means economic benefit to the Company.

When the content of the planned welfare is improved, the welfare increase due to the service performed by the employees is recognized in profit or loss in accordance with the straight-line method over the average welfare vesting period. The associated expense of the vested benefit is recognized in profit or loss immediately.

The Company's actuarial gains and losses of the defined benefit plans arising subsequently is recognized immediately in the "Other comprehensive profit or loss."

Net reconciliation of the welfare liabilities (assets) included (1) actual profit and loss; (2) plan assets remuneration, but not including the amount of net interest included in the net fixed liability (assets); and (3) any change in the number of assets, but not including the amount of net interest included in net fixed liability (assets). Net reconciliation of welfare liabilities (assets) is recognized under other comprehensive profit and loss items.

The reconciliation amount of the confirmed welfare plan of the Company is continued to be recognized as retained earnings.

Company shall have the curtailment or settlement gain or loss of the defined benefit plan recognized upon occurrence. Curtailment or settlement gain or loss includes any changes in the fair value of plan assets, changes in the present value of the defined benefit obligation, any previously unrecognized actuarial gain or loss, and prior service cost.

### 3. Short-term employee welfare

Short-term employee benefit obligation is measured on an undiscounted basis and is recognized as expense when the related services are provided.

For the short-term cash bonus or the amounts expected to be paid under the bonus plan, if the Company has a present legal or constructive obligation to pay for the services rendered by employees before and the obligation can be estimated reliably, the amount is recognized as a liability.

## (XLIV) Income tax

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Income tax expense comprises current and deferred tax. In addition to the business combination are recognized directly in equity or in other comprehensive income related to the project, as the current income tax and deferred tax should be recognized in profit or loss.

Income tax includes current year taxable income (loss) of the reporting date at the statutory rate or the rate of substantive legislation expected tax payable or receivable tax refund calculation, and any adjustment to tax payable in previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base amount of measure to be recognized. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

1. Does not belong to a business combination and trading upon initial recognition of an asset or liability and, at the time of the transaction affects neither the accounting profit nor taxable income (loss) persons.
2. Equity investments in subsidiaries and joint ventures generated, and it is probable in the foreseeable future will not swing by.
3. Original goodwill recognized.

Deferred income tax is based on the expected tax asset is realized or the liability is settled the current measure and report the date of the statutory tax rate or rates based on substantive legislation.

When Company will only meet the following conditions, before the deferred tax assets and deferred tax liabilities offsetting:

3. There is a legally enforceable right to set off current tax assets against current tax liabilities netted; and
4. Deferred tax assets and deferred tax liabilities and one of the following tax levied by the same taxation authority of the taxable entity;
  - (1) the same taxable entity; or
  - (2) different taxable entities, provided that each of the main intentions of each future period in which significant amounts of deferred tax assets and deferred tax liabilities are expected recovery is expected to be settled, the current income tax liabilities and assets in order to settle on a net basis, or to realize asset and settle the liability.

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For unused tax losses and unused tax credits handed turn late, and deductible temporary differences, within the range of probable future taxable income available for use, are recognized as deferred income tax assets. And date to be re-assessed at each reporting be reduced on the related income tax benefit is likely to fall within the scope of non-realized.

**(XLV) Earnings Per Share**

Company lists the basic and diluted earnings per share of the common stock shareholders of the Company. The Company's basic earnings per share is based on the profit or loss of the Company's common stock shareholder divided by the weighted average number of outstanding common stock shares of the period. The Company's diluted earnings per share is to have the profit or loss of the Company's common stock shareholder and the weighted average number of outstanding common stock shares calculated after having the effect of the potential diluted common stock adjusted respectively. The Company's potential diluted common stock includes the convertible bond and the estimated bonus to employees.

**(XLVI) Department Information**

An operating segment is an integral part of the Company, engaged in the business activities that may earn income and incur expenses (including the income and expense of the transactions conducted with other divisions within the Company). All operating segments' operating results are regularly reviewed by the chief operator of the Company for decision-making in regard of the resource allocation to each division and evaluating its performance. Each operating division has independent financial information provided.

**V. THE MAJOR SOURCES OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATIONS, ASSUMPTIONS FOR THE UNCERTAINTIES**

When the management has the individual financial statements prepared in accordance with the International Accounting Standard approved by the FSC, it is necessary to make judgments, estimates, and assumptions that are influential to the accounting policies adopted and the assets, liabilities, and income and expenses amount reported. Actual results may differ from those estimates.

The administering authority continually checks estimation and basic assumption. The accounting estimated changes are recognized in the changeable period and future period being impacted.

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3. Accounting policy involving critical judgment and having significant effect on the amounts recognized in the individual financial statements

(2) Regarding the Company has actual controlling power over subsidiaries, please refer to the consolidated financial reports.

(3) Lease period

Details can be found in Note 6 (8).

4. The following information is for the assumptions of uncertainty and the estimation having significant risks that will result in significant adjustments in the following year:

(5) Impairment of receivables

The receivable provision of the Company is estimated based on assumptions of default risk and expected loss ratio. The Company considered historical experience, current market condition and forward-looking estimation to judge and calculate the assumption upon calculating the impairment and choose the input amount. Explanation to relevant assumption and input amount can be found in Note 6 (10).

(6) Impairment of goodwill and trademark

The Company conducts impairment test every year to determine whether the receivable amount is less than book value and recognize the difference as impairment loss. Goodwill acquired from corporate acquisition shall be allocated to cash generating units (or cash generating unit group) benefited by the merging synergy when conducting impairment test. If receivable amount of one cash generating unit is less than its book value, book value of goodwill allocated to the unit will be written-off first, then allocate book value of the unit's assets proportionally to each asset. However, important assumptions may vary with changes of market and economic condition. Explanation for related key assumptions can be found in Note 6 (10).

(7) Measurement of defined benefit obligation

The defined benefit cost and defined benefit liabilities (assets) of a defined benefit plan are measured by the projected unit credit method, which adopts assumption including discount rate, employee separation rate and future salary increase rate, etc. If those assumptions change with changes of market and economic condition, recognized costs and liabilities may be effected significantly. Explanation for significant assumption adopted by the actuarial valuation and sensitivity analysis can be found in Note 6 (14).

(8) Recognition of deferred income tax asset

A deferred income tax asset is recognized for deductible temporary differences and

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unused tax credit when it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilized. The Consolidate Company adopted tax deduction assumption based on future sale growth, margin, tax exemption period, usable tax deduction and tax plan to measure the feasibility of a deferred income tax asset. The changes of economy, industrial environment and regulations may cause significant effect on the deferred income tax asset. Details of the measurement of the deferred income tax asset can be found in Note 6 (15).

**Estimate Processes**

The accounting policies of the Company and disclosures include the conducting of fair value to measure their financial and nonfinancial assets and liabilities. The Company establishes the relevant internal control system for the fair value measure. Including the establishment of an evaluation team to be responsible for reviewing all significant fair value measurements (including the third level of fair value) and reporting directly to the Chief Financial Officer.

The evaluation team regularly reviews significant and unobservable input values and adjustments. If the input value used to measure the fair value is used from external third party information (such as broker or pricing service), the evaluation team will evaluate the evidence provided by the third party to support the input value to determine the rating and its fair value class is in compliance with the International Financial Reporting Standards.

The evaluation team also reports on major issues to the audit committee of the Company. The investment property is appraised regularly by the Company according to the evaluation method and the parameter hypothesis of the financial management committee.

Consolidated companies use their observing input value as much as possible when measuring their assets and liabilities. The level of fair value is based on the input value of the evaluation technique as follows:

Level 1: Public offer (unadjusted) of the same asset or liability in the active market.

Level 2: In addition to the public quotation at the first level, the input parameters of the asset or liability are observed directly (ie, price) or indirectly (ie derived from the price).

Level 3: Input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

In the event of a transfer of the fair value between the grades, the Company shall

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indicate the transfer on the reporting date.

Please refer to the following notes in the relevant information on the assumptions used in measuring the fair value:

1. Note 6 (5) Non-current Assets Held for Sale
2. Note 6 (10) Investment Property
3. Note 6 (24) Financial Instruments

**VI. IMPORTANT ACCOUNTING ACCOUNTS**

(XXVIII) Cash and cash equivalent

	<u>12.31.2019</u>	<u>12.31.2018</u>
Cash and petty cash	\$ 2,341	3,491
Demand deposit	144,971	104,136
Check deposit	40	39
Cash and cash equivalent on the consolidated cash flow statement	<u>\$ 147,352</u>	<u>107,666</u>

For the interest rate risk and sensitivity analysis disclosure of the Company's financial assets and liabilities, please refer to Note 6(24).

(XXIX) Financial assets

1. Current financial assets at fair value through profit and loss

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial assets mandatorily classified and measured at fair value through profits and losses:		
Domestic and foreign common stocks	\$ 77,439	115,590
Beneficiary certificates	9,609,004	1,111,708
Total	<u>\$ 9,686,443</u>	<u>1,227,298</u>

For profits and losses recognized from the reevaluation at fair value, please refer to Note 6(21).

2. Financial assets at fair value through other comprehensive income – non-current

	<u>12.31.2019</u>	<u>12.31.2018</u>
Liability instruments at fair value through other comprehensive income:		
Bonds	\$ 2,114,996	1,722,906
Equity instruments at fair value through other		

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comprehensive income:

Domestic and foreign common stocks	2,041,249	7,952,038
Beneficiary certificates	297,250	291,450
Total	<u>\$ 4,453,495</u>	<u>9,966,394</u>

(3) Liability instruments at fair value through other comprehensive income

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

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.30%~4.85% and 1.625%~4.50% as of December 31, 2019 and 2018. The maturity years were between 2020 to 2029 and 2020 to 2028.

For profits and losses from disposal of investment, please refer to Note 6 (21).

(4) Equity instruments at fair value through other comprehensive income

The Company was for long-term strategic reason and not for trading to hold those equity instruments, thus recognized them at fair through other comprehensive income.

In the year ended December 31, 2019 and 2018, the Company made disposal of a portion of equity instruments at fair value through other comprehensive income with fair values at NT\$9,294,011 thousand and NT\$95,373 thousand and accumulated disposal profits of NT\$3,425,948 thousand and NT\$9,269 thousand, which have been transferred from other comprehensive income to retained earnings.

One of the Company's investee, PK Venture Capital Corp, was liquidated on

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December 13, 2018 with a liquidation distribution of NT\$2,551 thousand.

The difference between the distribution and book value was NT\$21,611 thousand. The foregoing accumulated liquidation loss has been transferred from other comprehensive income to retained earnings.

The Company recognized an impairment loss of NT\$5,940 thousand of Creative Space Design Co.in 2018 due to its continuous losses.

Details of credit risks (including impairment of debt instrument investment) and market risks can be found in Note 6 (25).

None of foregoing financial assets are pledged as a collateral.

3. Financial assets at amortized cost – non-current

	<u>12.31.2019</u>	<u>12.31.2018</u>
Bond	<u>\$ 1,463,240</u>	<u>1,017,051</u>

(3) The Company held above investment to its maturity in order to collect the contract cash flow, which was purely for paying the principle and interests of outstanding principle, thus the Company cauterized those investments as financial assets carried at amortized cost.

(4) The coupon rates of the Company's investments in financial assets at amortized cost were between 0.63%~3.000% and 0.625%~2.45% as of December 31, 2019 and 2018. The maturity years were from 2020 to 2028 and 2020 to 2027.

4. For details of trusting part of the Company's financial assets as of December 31, 2019 and 2018, please refer to Note 9 (3).

5. For details of the Company's financial assets pledged as collateral as of December 31, 2019 and 2018, please refer to Note 8.

6. Sensitivity analysis – risks from equity price change

The impact of the changes in equity price on the reporting date (the analysis of two terms are completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

Stock price on the reporting date	2019		2018	
	Other consolidated profit or loss after tax	Profit or loss after tax	Other consolidated profit or loss after tax	Profit or loss after tax

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Increased by 10%	\$ 178,323	6,400	777,754	11,109
Decreased by 10%	\$ (178,323)	(6,400)	(777,754)	(11,109)

(XXX) Account Receivables and Note Receivable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Note receivables – from operation	\$ 777	6,345
Account receivables – at amortized cost	8,902,832	8,895,264
Less: allowance	(61,046)	(45,051)
Unrealized interest revenues	<u>(735,754)</u>	<u>(729,486)</u>
	<u>\$ 8,106,809</u>	<u>8,127,072</u>

The Company estimated expected credit risk of all account receivables and note receivables by the simplified method, which evaluates the expected credit losses by the duration. The Company's expected credit losses from account receivables and note receivables are analyzed below.

	December 31, 2019		
	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue(*)	\$ 8,847,843	0.00%~0.58%	6,840
Overdue for 31~90 days	4,915	72.58%	3,567
Overdue for 91~180 days	2,319	93.89%	2,177
Overdue for 181~270 days	1,798	96.15%	1,728
Overdue for 270 days and more	<u>46,734</u>	100.00%	<u>46,734</u>
<b>Total</b>	<u>\$ 8,903,609</u>		<u>61,046</u>

	December 31, 2018		
	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue	\$ 8,854,407	0.00%~0.22%	790
Overdue for 31~90 days	3,574	29.65%	1,060
Overdue for 91~180 days	1,456	78.08%	1,137
Overdue for 181~270 days	1,318	91.84%	1,210
Overdue for 270 days and more	<u>40,854</u>	100%	<u>40,854</u>
<b>Total</b>	<u>\$ 8,901,609</u>		<u>45,051</u>

\*Account receivables as of December 31, 2019 and 2018 included undue

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account receivables of NT\$7,423,611 thousand and NT\$8,495,464 thousand.

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 45,051	37,489
Recognized allowance loss	16,491	7,763
Bad debt written off	(496)	(201)
Ending balance	<u>\$ 61,046</u>	<u>45,051</u>

(XXXI) Inventory

	<u>12.31.2019</u>	<u>12.31.2018</u>
Residential and building for sale	\$ 85,791	-
Columbarium and cemetery for sale	2,476,402	2,060,321
Construction Site	4,602,343	4,601,056
Residential and building under construction	-	92,118
Columbarium and cemetery under construction	5,826,686	5,371,893
	<u>\$ 12,991,222</u>	<u>12,125,388</u>
Expected to be recovered in more than twelve months	<u>\$ 12,965,073</u>	<u>12,105,859</u>

4. As of year 2019 and 2018, the interest which was recognized by the Company and capitalized amount of residential and building under construction as well as columbarium and cemetery under construction is zero.

5. Parts of the land of the Company (refer to as “the principal”) were registered by the trustee’s name in order to deal with the land purchasing. The two sides signed the contract regulating after land consolidation has been completed, the property will 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 the promissory note with the same value of the land opened and registered under his/her name to the principal.

6. For the Company’s inventories pledged as collateral as of December 31, 2019 and 2018, please refers to Note 8.

(XXXII) Non-current Assets Held for Sale

	<u>12.31.2019</u>	<u>12.31.2018</u>
Land held for sale	\$ -	1,762,998
Houses and buildings held for sale	-	802,685

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Notes to the financial statements of Lungyen Life Service Corp.

\$ - 2,565,683

5. The Company's Board meeting made resolution on August 10, 2018 to dispose part of its investment properties. Since no impairment occurred when comparing the book value and the fair value minus disposal costs, those assets for sale were recognized at book value in non-current assets held for sale.
6. The Company sold the non-current assets held-for-sale of the 2nd section, Dunhua South Road, Taipei City on November 7, 2018, and completed the ownership transfer procedure in January 2019. A net disposal profit of NT\$246,053 thousand was recognized as revenues for foregoing transaction. Details of the recognition can be found in Note 6 (20).
7. The Company sold the non-current asset held-for-sale in Taipei Pacific Commercial Building on May 13, 2019, and completed the ownership transfer procedure of part of the floors in August 2019. A net disposal profit of NT\$567,153 thousand was recognized as revenues for the foregoing transaction during the period from January 1 to September 30, 2019. Details of the recognition can be found in Note 6 (18).
8. The Company sold the non-current asset held-for-sale in 2<sup>nd</sup> Sec., Neihu, Taipei was sold on July 24, 2019 and the ownership transfer procedure is still under processing. Relevant information can be found in Note 6 (18).

(XXXIII) The investment under equity method

	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiaries	\$ 2,778,056	3,390,888
Affiliated company	<u>29,520</u>	<u>261,306</u>
	<u>\$ 2,807,576</u>	<u>3,652,194</u>

• Subsidiaries

1. Please refer to the consolidated financial reports
2. Sea Dragon made reinvestment in Lungyen (Cayman) and Lungyen (Hong Kong) in sequence to establish Lungyen (Wenzhou) for US\$11,000 thousand with a shareholding of 100%. The Company increased investment in Lungyen (Wenzhou) through above mentioned vehicles for US\$17,000 thousand. The post money shareholding remained 100%. Sea Dragon signed a joint-venture agreement with SINO-OCEAN Group (joint venture party) on December 31, 2017. The joint venture partner increased the capital of Lungyen (Cayman) by US\$28,000 in cash in January 2018. At the same time, it changed its name to Long Young Cayman, and the shareholding ratio decreased from 100% to 50% after the capital increase.
3. The Company increased investment in Sea Dragon for US\$15,000 thousand in

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Notes to the financial statements of Lungyen Life Service Corp.

June, July 2018. Shareholding after the capital increase remained the same.

4. Singapore Lungyen Life Service Pte.Ltd had been under clearance process since June 2019 and received the approval from the authorities in October 2019.
  5. Lung An Company Limited was discharged after a short-form merger on April 1, 2019.
- Affiliates
1. Affiliated enterprises having significant importance to the Company, the relevant information is as follow:

<u>Affiliates</u>	<u>Nature of the relationship with the Company</u>	<u>Major operating place/ Country</u>	<u>Ownership &amp; voting ratio</u>	
			<u>12.31.2019</u>	<u>12.31.2018</u>
Lung Ting Life Sciences Co. Ltd.	Flower cultivation, wholesales, and retail business	Taiwan	- %	49.00%

Note: The Company disposed 49% of ownership in Lung Ting Life Services on August 13, 2019 and lost significant influence to the affiliate. The disposal amount of transaction was NT\$231,912 thousand, and the disposal profit of NT\$2,798 thousand was included in Non-operating income and expenses of the Income Statement. Detail can be found in Note 6 (21) and Note 7.

Summary of financial information of the affiliated enterprises having significant importance to the Company is as follows

- Financial information for Lung Ting Life Sciences Ltd:

	<b>12.31.2018</b>
Current assets	\$ 222,526
Non-current assets	265,544
Current liabilities	(13,060)
Non-current liabilities	<u>(1,677)</u>
Net assets	<b>\$ 473,333</b>
Net Assets attributable to the controlling equity	<b>\$ 241,400</b>
Net Assets attributable to the owner of the investee	<b>\$ 231,933</b>
	<b>2018</b>
Operating Revenue	<b>\$ 110,879</b>
Current net loss	\$ (15,643)
Other comprehensive profit or loss	<u>-</u>
Total profit or loss	<b>\$ (15,643)</b>
Total comprehensive profit or loss attributable to the controlling equity	<b>\$ (7,978)</b>
Total comprehensive profit or loss attributable to the owner of	<b>\$ (7,665)</b>

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Notes to the financial statements of Lungyen Life Service Corp.

the investee

The share of the Company's net assets of affiliated enterprises at the beginning period	\$	239,598
Total comprehensive profit or loss attributable to the Company		<u>(7,665)</u>
The book value of the Company's equity in the affiliated enterprise of the Company	\$	<u><b>231,933</b></u>

2. The Company's share of the affiliated enterprise under equity method which is not significant individually is summarized as follows. The said financial information is the amount in the Company's individual financial report.

	<u>12.31.2019</u>	<u>12.31.2018</u>
Ending balance of affiliated enterprise under equity method which is not significant individually	<u>\$ 29,520</u>	<u>29,373</u>
Attribute to the Company:	<u>2019</u>	<u>2018</u>
Continuing operations' current loss		
Other comprehensive profit or loss	\$ 398	342
Total comprehensive profit or loss	<u>-</u>	<u>-</u>
Ending balance of affiliated enterprise under equity method which is not significant individually	<u>\$ 398</u>	<u>342</u>

3. As of December 31, 2019 and 2018, the Company did not have its investment using equity method pledged as collateral.

(XXXIV) Property, Plant, and Equipment

	Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Cost or identified cost:								
Balance on January 1, 2019	\$ 2,374,291	2,714,542	92,301	56,025	1,078	175,500	964,358	6,378,095
Additions	-	13,402	35,175	-	-	8,768	306,996	364,341
Disposal and scrap	-	-	(21,814)	(2,687)	-	(4,695)	-	(29,196)
Acquisition through short-form merger	-	2,547	500	-	-	1,903	1,055	6,005
Transfers from (to) unfinished construction	-	17,293	-	-	-	2,872	(20,165)	-
Transfers from (to) investment properties	-	-	-	-	-	-	(1,505)	(1,505)
Reclassification	-	-	-	-	-	-	(1,281)	(1,281)
Balance on Dec. 31, 2019	<u>\$ 2,374,291</u>	<u>2,747,784</u>	<u>106,162</u>	<u>53,338</u>	<u>1,078</u>	<u>184,348</u>	<u>1,249,458</u>	<u>6,716,459</u>
Balance on January 1, 2018	\$ 2,358,836	2,708,793	90,208	55,177	1,078	162,520	942,512	6,319,124
Additions	16	3,373	4,074	926	-	11,892	41,964	62,245
Disposal and scrap	-	(826)	(1,981)	(78)	-	(389)	-	(3,274)
Reclassification	15,439	3,202	-	-	-	1,477	(20,118)	-
Balance on Dec. 31, 2018	<u>\$ 2,374,291</u>	<u>2,714,542</u>	<u>92,301</u>	<u>56,025</u>	<u>1,078</u>	<u>175,500</u>	<u>964,358</u>	<u>6,378,095</u>

Depreciation and impairment loss:

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**Notes to the financial statements of Lungyen Life Service Corp.**

Balance on January 1, 2019	\$ -	500,939	73,878	54,111	985	68,779	-	698,692
Current depreciation	-	66,902	6,307	476	37	18,586	-	92,308
Disposal and scrap	-	-	(21,814)	(2,687)	-	(4,572)	-	(29,073)
Acquisition through short-form merger	-	234	104	-	-	490	-	828
Balance on Dec. 31, 2019	<b>\$ -</b>	<b>568,075</b>	<b>58,475</b>	<b>51,900</b>	<b>1,022</b>	<b>83,283</b>	<b>-</b>	<b>762,755</b>
Balance on January 1, 2018	\$ -	433,667	68,368	53,494	948	51,637	-	608,114
Current depreciation	-	67,421	7,491	675	37	17,304	-	92,928
Disposal and scrap	-	(89)	(1,981)	(58)	-	(222)	-	(2,350)
Reclassification	-	(60)	-	-	-	60	-	-
Balance on Dec. 31, 2018	<b>\$ -</b>	<b>500,939</b>	<b>73,878</b>	<b>54,111</b>	<b>985</b>	<b>68,779</b>	<b>-</b>	<b>698,692</b>
Book value :								
December 31, 2019	<b>\$ 2,374,291</b>	<b>2,179,709</b>	<b>47,687</b>	<b>1,438</b>	<b>56</b>	<b>101,065</b>	<b>1,249,458</b>	<b>5,953,704</b>
January 1, 2018	<b>\$ 2,358,836</b>	<b>2,275,126</b>	<b>21,840</b>	<b>1,683</b>	<b>130</b>	<b>110,883</b>	<b>942,512</b>	<b>5,711,010</b>
December 31, 2018	<b>\$ 2,374,291</b>	<b>2,213,603</b>	<b>18,423</b>	<b>1,914</b>	<b>93</b>	<b>106,721</b>	<b>964,358</b>	<b>5,679,403</b>

4. The Company (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 agree 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 then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.
5. For details of assets pledged as collateral as of December 31, 2019 and 2018, please refer to Note 8.
6. For details of part of the property, plant and equipment trusted as of December 31, 2019 and 2018, please refer to Note 9 (3)

**(XXXV) Right-of-use Asset**

	<b>Land</b>	<b>Houses and Buildings</b>	<b>Transportation Equipment</b>	<b>Total</b>
Cost of right-of-use asset :				
Balance on January 1, 2019	\$ -	-	-	-
Adjustment made for IFRS16	574	29,894	21,323	51,791
Balance on June 30, 2019	<b>\$ 574</b>	<b>29,894</b>	<b>21,323</b>	<b>51,791</b>
Impairment loss on right-of-use asset :				
Balance on January 1, 2019	\$ -	-	-	-
Current depreciation	236	9,051	4,186	13,473
Balance on June 30, 2019	<b>\$ 236</b>	<b>9,051</b>	<b>4,186</b>	<b>13,473</b>
Book value :				

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Notes to the financial statements of Lungyen Life Service Corp.

June 30, 2019

\$ 338 20,843 17,137 38,318

(XXXVI) Investment Property

	<u>Land and Improvements</u>	<u>Buildings and Structure</u>	<u>Total</u>
Cost or identified cost :			
Balance on January 1, 2019	\$ 3,251,185	1,015,673	4,266,858
Additions	-	1,010	1,010
Transfers from property, plant and equipment	-	1,505	1,505
Reclassification to held-for-sale assets	(6,641)	(656)	(7,297)
Balance on December 31, 2019	<u>\$ 3,244,544</u>	<u>1,017,532</u>	<u>4,262,076</u>
Balance on January 1, 2018	\$ 5,014,312	1,992,228	7,006,540
Additions	-	676	676
Disposal	(129)	(168)	(297)
Reclassification	(1,762,998)	(977,063)	(2,740,061)
Balance on December 31, 2018	<u>\$ 3,251,185</u>	<u>1,015,673</u>	<u>4,266,858</u>
Depreciation and impairment loss :			
Balance on January 1, 2019	\$ 19,001	361,119	380,120
Current depreciation	-	24,551	24,551
Reclassification to held-for-sale assets	-	(294)	(294)
Balance on December 31, 2019	<u>\$ 19,001</u>	<u>385,376</u>	<u>404,377</u>
Balance on January 1, 2018	\$ 19,001	508,269	527,270
Current depreciation	-	27,300	27,300
Disposal	-	(72)	(72)
Reclassification	-	(174,378)	(174,378)
Balance on December 31, 2018	<u>\$ 19,001</u>	<u>361,119</u>	<u>380,120</u>
Book value :			
December 31, 2019	<u>\$ 3,225,543</u>	<u>632,156</u>	<u>3,857,699</u>
January 1, 2018	<u>\$ 4,995,311</u>	<u>1,483,959</u>	<u>6,479,270</u>
December 31, 2018	<u>\$ 3,232,184</u>	<u>654,554</u>	<u>3,886,738</u>
Fair value:			
Balance on January 1, 2019			<u>\$ 7,163,206</u>
December 31, 2018			<u>\$ 7,217,578</u>

- Investment property contains a number of commercial properties leased to others. Please refer to Note 6 (13).
- Fair value of investment properties is estimated based on nearby transaction prices.
- The Board Meeting of the Company resolved to sell part of the investment properties and those properties to be sold are reclassified to non-current held-for-sale assets. Please refer to Note 6 (5).

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Notes to the financial statements of Lungyen Life Service Corp.

9. With regards to real estate delivered to investment trust case as of December 31, 2019 and 2018, please refer to Note 9 (3).

10. For the investment property pledged for collateral on December 31, 2019 and 2018, please refer to Note 8.

(XXXVII) Intangible Assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Development Royalty</u>	<u>Total</u>
Cost:					
Balance on January 1, 2019	\$ 542,428	192,750	134,453	-	869,631
Acquired separately	-	-	7,370	5,560	12,930
Reclassification	-	-	(258)	-	(258)
Balance on December 31, 2019	<u>\$ 542,428</u>	<u>192,750</u>	<u>140,565</u>	<u>5,560</u>	<u>881,303</u>
Balance on January 1, 2018	\$ 542,428	192,750	121,292	-	856,470
Acquired separately	-	-	12,161	-	12,161
Balance on December 31, 2018	<u>\$ 542,428</u>	<u>192,750</u>	<u>133,453</u>	-	<u>868,631</u>
Amortization and impairment loss:					
Balance on January 1, 2019	\$ -	-	109,266	-	109,266
Current Amortization	-	-	16,100	-	16,100
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>125,366</u>	-	<u>125,366</u>
Balance on January 1, 2019	\$ -	-	91,839	-	91,839
Current Amortization	-	-	17,427	-	17,427
Balance on December 31, 2018	<u>\$ -</u>	<u>-</u>	<u>109,266</u>	-	<u>109,266</u>
Book value:					
Balance on December 31, 2019	<u>\$ 542,428</u>	<u>192,750</u>	<u>15,199</u>	<u>5,560</u>	<u>755,937</u>
January 1, 2018	<u>\$ 542,428</u>	<u>192,750</u>	<u>29,453</u>	-	<u>764,631</u>
Balance on December 31, 2018	<u>\$ 542,428</u>	<u>192,750</u>	<u>24,187</u>	-	<u>759,365</u>

(XXXVIII) Short-term loan

	<u>12.31.2019</u>	<u>12.31.2018</u>
Guaranteed bank loans	\$ -	2,762,000
Unguaranteed bank loans	-	327,000
Total	<u>\$ -</u>	<u>3,089,000</u>
Unused credit lines	<u>\$ 4,558,000</u>	<u>2,979,000</u>
Range of interest rates	<u>-</u>	<u>0.68%~1.15%</u>

3. For details of the Company's exposure to exchange rate, foreign currency and liquidity risk, please refer to Note 6 (22).

4. For the Company's assets pledged as collateral for bank loans, please refer to Note 8.

(XXXIX) Bond Payable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Unsecured convertible bond	\$ 3,243,019	3,190,916

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Less: due within one year	(3,243,019)	-
	<u>\$ -</u>	<u>3,190,916</u>
Equity component- convertible rights (booked as capital reserve)	<u>\$ 9,961</u>	<u>9,961</u>

Main rights and responsibilities for the domestic unsecured corporate bond issued by the Company on April, 2017 are as of follows:

Item	Content
Total amount of the issue	Total amount of the issuance is NT\$3,113,000,000, each face value is NT\$100,000. The actual issue price of the convertible bond through private placement is NT\$100,000.
Issue coupon rate	0%
Issue period	April 10, 2017, for 3 years.
Ways of return	In addition to writing off of the bond, the Company could repay 104.5% of the face value of the bond on maturity date.
Convertible price	NT\$59.30 per share.
Convertible period	The holder of the bond could be converted into ordinary shares of the Company at any time after one month of the date of issuance of the private convertible bonds (May 11, 2017) until the expiry date (March 31, 2020 ), except for the period from the date on which the Company has paid off the free shareholding, the cash dividend or the cash increase account, the date of the distribution of the rights distribution, 15 business days before the consolidated or division of the base date, and to the date of consolidation or division of the base date, the date of the reduction of the capital reduction from the date of the reduction of the stock to commemorate the day before the commencement of trading and other ordinary shares of the Company suspended by the transfer period.
Others	No redemption, put option and re-establishment

(XL) Operating Lease

	<u>12.31.2019</u>	<u>12.31.2018</u>
Within 1 year	\$ 171,036	190,957
1~5 years	617,026	642,567
Over 5 years	<u>1,390,552</u>	<u>1,568,232</u>
	<u>\$ 2,178,614</u>	<u>2,401,756</u>

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The rent income arising from the investment property amounted to NT\$172,882 thousand and NT\$206,040 thousand as of year 2019 and 2018, respectively. The tax and depreciation expenses (booked in the “Operating cost”) incurred from investment property are as follows:

	<u>2019</u>	<u>2018</u>
Rent income generated	\$ 65,974	66,425
Rent income not generated	-	-
	<u>\$ 65,974</u>	<u>66,425</u>

(XLI) Employee Welfare

1. Defined benefit plan

The Company’s recognized defined benefit obligation assets are as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total present value of obligations	\$ 40,990	38,665
The fair value of plan assets	(8,389)	(7,979)
Recognized defined benefit obligations liability (asset), net	<u>\$ 32,601</u>	<u>30,686</u>

Company’s defined benefit plan is with fund appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

(8) Composition of plan assets

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed by the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan (referred to as the “Labor Pension Fund Supervisory Committee” hereinafter). According to the “Guidelines for Labor Pension Fund Safekeeping and Implementation,” the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank’s two-year time deposit.

The Company’s labor pension fund account at the Bank of Taiwan is with a balance of NT\$7,979 thousand and NT\$7,633 thousand as of the report day. Labor Pension Fund Asset Management information includes fund yield rate and pension asset allocation. Please refer to the website of the Pension Fund Supervisory Committee of the Council of Labor.

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Notes to the financial statements of Lungyen Life Service Corp.

(9) Changes in value of defined benefit obligation

The Company's changes in value of defined benefit obligation for 2018 and 2017 as follows:

	<u>2019</u>	<u>2018</u>
Value of defined benefit obligation balance	\$ 38,665	38,896
January 1		
Current service cost and interest	513	619
Re-measurement of net defined benefit obligation liability		
— Actuarial loss (gain) adjusted based on experience	567	(1,807)
— Actuarial loss (gain) caused by change of demographic statistics assumption	65	79
— Actuarial loss (gain) caused by change of finance assumption	1,180	1,147
Previous service costs	-	(269)
Value of defined benefit obligation balance	<u>\$ 40,990</u>	<u>38,665</u>
December 31		

(10) Changes in the present value of plan assets

	<u>2019</u>	<u>2018</u>
The fair value of plan assets on January 1	\$ 7,979	7,633
Interest income	77	98
Re-measurement of net defined benefit obligation liability (asset)		
— Expected return on plan assets (excluded current interest)	284	210
Appropriated amount	49	38
The fair value of the plan assets is	<u>\$ 8,389</u>	<u>7,979</u>
December 31		

(11) Expenses through profit or loss

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 130	(135)
Net interest of net defined benefit obligation liability	306	386
	<u>\$ 436</u>	<u>251</u>
Operating costs	<u>\$ 436</u>	<u>251</u>

(12) Actuarial gains and losses recognized in other comprehensive (loss) income

<u>2019</u>	<u>2018</u>
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Notes to the financial statements of Lungyen Life Service Corp.

January 1 cumulative balance	\$	(8,394)	(9,185)
Recognition during this period		<u>(1,528)</u>	<u>791</u>
December 31 cumulative balance	\$	<u><b>(9,922)</b></u>	<u><b>(8,394)</b></u>

(13) Actuarial assumptions

	<u>12.31.2019</u>	<u>12.31.2018</u>
Discount rate	0.75%	1.00%
Future salary increase rete	2.00%	2.00%

The Company expects to pay appropriated amount NT\$688 thousand to defined benefit plan within 1 year after report day of 2019.

The weighted average duration of defined benefit plan is 11 years.

(14) Sensitivity Analysis

	<u>Impact to defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Increase 0.25%</u>
December 31, 2019		
Discount rate (change 0.25%)	\$ (1,183)	1,231
Future wage increase (change 0.25%)	1,213	(1,172)
December 31, 2018		
Discount rate (change 0.25%)	(1,141)	1,189
Future wage increase (change 0.25%)	1,175	(1,133)

2. Defined contribution plans

Defined contribution plans of the Company is in accordance with Labor Pension Act and appropriate 6% of monthly wage of labor to labor pension individual account of Bureau of Labor Insurance. Under this plan, the Company appropriate fixed amount to Bureau of Labor Insurance and does not have legal or constructive obligation to pay extra amount.

As of 2018 and 2017, the Company actual appropriated pension expense is NT\$20,126 thousand and NT\$18,722 thousand, respectively. The amount has already been appropriated to Bureau of Labor Insurance.

(XLII) Income Tax

1. Income tax expense

<u>2019</u>	<u>2018</u>
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Notes to the financial statements of Lungyen Life Service Corp.

Current income tax expenses			
Current generated	\$	58,536	222,834
Overestimate (underestimate) of previous income tax		74,115	1,364
Land value increment tax		89,777	60,872
Additional 10% Surtax on Undistributed Retained Earnings		(24,718)	7,102
		<u>197,710</u>	<u>292,172</u>
Deferred income tax expenses (profits)			
Change in income tax rate		23,395	54,760
Temperate differences happened and reversal		-	(133,898)
		<u>23,395</u>	<u>(79,138)</u>
Income tax expenses	\$	<u><b>221,105</b></u>	<u><b>213,034</b></u>

2. Income tax expenses (profits) recognized under other comprehensive income

	<u>2019</u>
Items not reclassified to profit and loss:	
Realized profit and loss from investment of equity tool at fair value through other comprehensive income	\$ <u>164,770</u>
Income tax expenses (under retained earnings)	<u><b>\$ 164,770</b></u>

3. Adjustments for income tax expense and income before tax:

	<u>2019</u>	<u>2018</u>
Income before tax	\$ 2,523,976	2,393,569
Income tax calculated at the domestic tax rate	504,795	478,714
Income exempted and dividend revenues	(342,408)	(159,859)
Investment profits and losses under equity method	(9,952)	(13,950)
Land appreciation tax	74,115	1,364
Restoration of temporary management fee received in advance	1,554	(318)
10% of undistributed surplus tax	89,777	60,872
Overestimated income tax for the previous period	(24,718)	7,102
Gain on valuation of financial asset	(15,016)	-
Change in income tax rate	-	(133,898)
Others	(45,434)	(26,993)
Unrecognized tax allowance	(11,608)	-
	<u><b>\$ 221,105</b></u>	<u><b>213,034</b></u>

4. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets and liabilities

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	<u>12.31.2019</u>	<u>12.31.2018</u>
Temporary differences associated with investments in subsidiaries aggregated amount	\$ <u>(65,122)</u>	<u>(14,471)</u>
Amount not recognized as deferred tax (assets) liabilities	\$ <u>(13,024)</u>	<u>(2,894)</u>

(2) Recognized deferred tax assets and liabilities

Deferred income tax liabilities:

	<b>Goodwill and trademark amortization</b>	<b>Other</b>	<b>Total</b>
<b>January 1, 2019</b>	\$ 12,454	3,665	16,119
Debit (credit) to income statement	<u>(12,454)</u>	<u>-</u>	<u>(12,454)</u>
<b>December 31, 2019</b>	<u>\$ -</u>	<u>3,665</u>	<u>3,665</u>
<b>January 1, 2018</b>	\$ 15,879	3,115	18,994
Debit (credit) to income statement	<u>(3,425)</u>	<u>550</u>	<u>(2,875)</u>
<b>December 31, 2018</b>	<u>\$ 12,454</u>	<u>3,665</u>	<u>16,119</u>

Deferred tax assets:

	<b>Cemetery Revenue</b>	<b>Contract Revenue</b>	<b>Other</b>	<b>Total</b>
<b>January 1, 2019</b>	\$ 611,276	120,366	122,372	854,014
(Debit) credit to income statement	<u>(20,278)</u>	<u>(7,267)</u>	<u>(8,304)</u>	<u>(35,849)</u>
<b>December 31, 2019</b>	<u>\$ 590,998</u>	<u>113,099</u>	<u>114,068</u>	<u>818,165</u>
<b>January 1, 2018</b>	\$ 599,803	104,162	73,786	777,751
(Debit) credit to income statement	<u>11,473</u>	<u>16,204</u>	<u>48,586</u>	<u>76,263</u>
<b>December 31, 2018</b>	<u>\$ 611,276</u>	<u>120,366</u>	<u>122,372</u>	<u>854,014</u>

The Company's income tax returns have been audited by the tax authorities up to 2017, except 2015.

(XLIII) Capital and Other Equity

The Company's authorized capital was NT\$6,000,000 thousand for 600,000 thousand shares to be issued at NT\$10 Par, and 420,084 thousand common stock shares issued as of December 31, 2019 and 2018 respectively.

Notes to the financial statements of Lungyen Life Service Corp.

6. Issuance of Ordinary shares

The Company resolved in special shareholders' meeting on January 25, 2017 to authorize the Board of Directors to increase paid-up capital and issue ordinary shares through private placement but not exceeding 21,000 thousand shares within a year after the interim. The Company has resolved after meeting of the Board of Directors to issue 21,000 thousand ordinary shares through private placement at NT\$62.1 per share, and NT\$10 par, so the total is NT\$1,304,100 thousand. March 29, 2017 is the date of capital increase, related regulated registration procedures have 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 or TWSE for issuance of standard letter in order to apply to the authorities for reimbursement, and to TPEX or TWSE to apply for the private placement of the ordinary shares for trading.

7. Additional paid-in capital

	<u>12.31.2019</u>	<u>12.31.2018</u>
Stock premium	\$ 2,486,172	2,486,172
Difference between disposal price and book value of subsidiaries' equity	20,972	20,972
Recognition changes in net equity of subsidiaries	2,849	2,849
Stock option for convertible bonds issued	9,961	9,961
Total	<u>\$ 2,519,954</u>	<u>2,519,954</u>

According to the Company Law amended in January 2012, additional paid-in capital must be applied to make up losses with priority before distributing new shares or cash to shareholders proportionally to their shareholding ratio. The realized additional paid-in capital referred to above includes stock premium and bestowed income received. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the additional paid-in capital that can be capitalized annually shall not exceed 10% of the total paid-in capital.

8. Retained earnings

According to the Company's Articles of Incorporation, the total annual earnings, if any, should be applied to pay tax, make up losses of prior years, then appropriated 10% legal reserve; however, this restriction does not apply in

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the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock, and if necessary, appropriated special reserve, the remaining amount thereafter, if any, is deposited as retained earnings partially and the rest amount is allocated as follows; the remains except appointment of dividends, along with undistributed earnings at the beginning of the period, the Board shall proposed distribution plan and resolved by the shareholders' meeting.

Retained earnings can be distributed in the form of stock dividends for the purpose of protecting shareholders' equity and in response to the annual fund demands estimated in accordance with the Company's capital budget planning. The distribution of cash dividends may not be less than 10% of the dividend to shareholders.

**(4) Legal reserve**

According to the Company Law amended in January 2012, companies are to appropriate 10% of the net income as legal reserve until it is equivalent to the total capital. If there is no deficit, companies with the resolution reached in the shareholders' meeting may distribute new shares or cash to shareholders with legal reserve and it is limited to the portion exceeding 25% paid-in capital.

**(5) Special reserve**

According to the FSC.Cert. Far.Tzi No. 1010012865 Order dated April 6 2012 issued by the Financial Supervisory Commission, when the Company distributes the distributable earnings, for the net amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the current profit or loss and prior unappropriated earnings. For the cumulative amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the prior unappropriated earnings and it may not be distributed. The amount debited to "Other shareholder's equity" that is reversed subsequently can be distributed as earnings.

**(6) Distribution of earnings**

The Company's distribution of 2018 earnings was resolved in the general shareholders' meeting on May 31, 2019, and the Company's distribution of 2017 earnings was resolved in the general shareholders' meeting on June 20, 2018. The distribution of dividends to shareholders is as follows:

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**2018**

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**2017**

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	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to common stock shareholders:				
Cash	\$ 3.00	<u>1,260,253</u>	2.50	<u>1,050,210</u>
 9. Other equity				
	Exchange differences from the translation of foreign institution's financial statements	Investments at fair value through other comprehensiv e income	Available-fo r-sale investment	Total
January 1, 2019	\$ (24,815)	713,268	-	688,453
Unrealized gain/(loss) from financial assets at fair value through other comprehensive income	-	2,606,505	-	2,606,505
Reclassification of profits and losses from disposal of overseas operating entities	377	-	-	377
Exchange difference of affiliate company using equity method	(30,105)	-	-	(30,105)
Unrealized gain/(loss) of financial assets at fair value through other comprehensive income owned by subsidiaries, affiliate company or joint ventures	-	4,022	-	4,022
Disposal of equity tools at fair value through other comprehensive income — The Company	-	(3,425,948)	-	(3,425,948)
December 31, 2019	<u>\$ (54,543)</u>	<u>(102,153)</u>	-	<u>(156,696)</u>
 January 1, 2018				
January 1, 2018	\$ (13,825)	-	472,440	458,615
Retrospective adjustment due to new accounting standard	-	264,279	(472,440)	(208,161)
January 1, 2019	(13,825)	264,279	-	250,454
Unrealized gain/(loss) from financial assets at fair value through other comprehensive income	-	433,802	-	433,802
Exchange difference of affiliate company using equity method	(10,990)	-	-	(10,990)
Unrealized gain/(loss) of financial assets at fair value through other comprehensive income owned by subsidiaries, affiliate company or joint ventures	-	2,845	-	2,845
Disposal of equity tools at fair value through other comprehensive income — The company	-	12,343	-	12,343

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## Notes to the financial statements of Lungyen Life Service Corp.

— Subsidiary	-	(1)	-	(1)
December 31, 2018	\$ (24,815)	713,268	-	688,453

## (XLIV) Earnings per share

	2019	2018
<b>Basic earnings per share</b>		
Net income attributable to the Company's common stock shareholders:	<u>\$ 2,302,871</u>	<u>2,180,535</u>
Weighted average outstanding common stock shares	<u>420,084</u>	<u>420,084</u>
	<u>\$ 5.48</u>	<u>5.19</u>
<b>Diluted earnings per share</b>		
Net income attributable to the Company	\$ 2,302,871	2,180,535
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
Convertible Bond	41,682	41,012
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	<u>\$ 2,344,553</u>	<u>2,221,547</u>
Weighted average outstanding common stock shares	420,084	420,084
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
The impact of stock bonus to employees	470	517
The impact of convertible bond	55,097	52,496
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	<u>475,651</u>	<u>473,097</u>
	<u>\$ 4.93</u>	<u>4.70</u>

## (XLV) Revenues from Contracts with Customers

## 1. Details of revenues

	2019					
	Sales of columbarium and cemetery	Funeral services	Property leasing	Cemetery operation and others	Construction(*)	Total
Main market area:						
Taiwan	<u>\$ 1,208,304</u>	<u>1,601,340</u>	<u>172,882</u>	<u>137,277</u>	<u>907,394</u>	<u>4,027,197</u>
Revenues recognized at:						
Goods or services that are transferred at a certain point in time	<u>\$ 1,208,304</u>	<u>1,601,340</u>	<u>172,882</u>	<u>137,277</u>	<u>907,394</u>	<u>4,027,197</u>

\*Including net income from disposal of investment properties totaled NT\$834,167 thousand and sales revenues from sale of building for sale totaled NT\$73,227 thousand.

	2018					
	Sales of columbarium	Funeral	Property	Cemetery operation	Construction	Total

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Notes to the financial statements of Lungyen Life Service Corp.

	<u>m and</u>	<u>services</u>	<u>leasing</u>	<u>and others</u>	<u>on(*)</u>
	<u>cemetery</u>				
Main market area:					
Taiwan	\$ 2,409,399	1,630,939	206,040	132,104	4,378,482 \$ 2,409,399
Revenues recognized at:					
Goods or services that are transferred at a certain point in time	\$ 2,409,399	1,630,939	206,040	132,104	4,378,482 \$ 2,409,399

2. Outstanding contract amount

	<u>12.31.2019</u>	<u>12.31.2018</u>	<u>1.12018</u>
Account receivables and note receivables	\$ 8,903,609	8,901,609	9,058,768
Less: allowance	(61,046)	(45,051)	(37,489)
Unrealized interests revenues	(735,754)	(729,486)	(747,120)
Total	<u>\$ 8,106,809</u>	<u>8,127,072</u>	<u>8,274,159</u>
Contract liabilities – presale of columbarium and cemetery products and contracts of funeral services	<u>\$ 38,566,937</u>	<u>37,522,150</u>	<u>37,910,301</u>
Contract liabilities – prepaid from sale of building	<u>\$ 41,269</u>	<u>-</u>	<u>-</u>

For the disclosures of accounts receivables and allowances, please refer to Note 6(3).

NT\$2,295,910 thousand and NT\$3,537,547 thousand of the contract liabilities balance on January 1, 2019 and 2018 has been recognized as revenues during the year 2019 and 2018.

Those contract liabilities are from sales of pre-sale cemetery and columbarium and pre-need funeral contract which have not yet been completed, paid off or performed. Those contract liabilities will be recognized as revenue when the recognition criteria are met.

(XLVI) Remuneration to Employees, Directors, and Supervisors

According to the Company's Articles of association approved by the Board but not yet approved by the shareholder meeting, any earnings after the Company's fiscal year final settlement shall be allotted no less than 1% as the remuneration to employees, and no more than 2% as the remuneration to directors. However, if there are still accumulated losses, certain amount shall be reserved to cover the deficit in advance. The preceding employees who receive stocks or cash include employees of subsidiaries under certain conditions.

The Company's remuneration to employees as of the year 2019 and 2018 were NT\$26,020 thousand and NT\$24,673, and the remuneration to directors and supervisors were NT\$52,040 thousand, NT\$49,345 thousand. The estimated basis is that after-tax net income of the specific period before deducting the remuneration to employees and directors multiplied by the distribution ratio of the Company's

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Articles of association, and is reported as operating expense during the period. When there is difference between the actual and estimated distribution amount in the next year, it will be conducted based on changes in accounting estimates, and recognized as profit or loss in the next year. If the Board resolves to pay stocks as employee remuneration, the calculation basis of the number of stock remuneration is in accordance with the closing price of the common stock on the day before the Board resolution.

In 2018 and 2017, the allowance amount of the remuneration to employees and directors and supervisors of the Company had no difference with the actual apportion. For more information please refer to M.O.P.S.

(XLVII) Net Other Gains or Losses

	<u>2019</u>	<u>2018</u>
Interest income	\$ 166,779	177,048
Marketing expenses	(37,758)	(39,037)
Management fees income	118,766	135,218
Management fees expenses	<u>(118,766)</u>	<u>(135,218)</u>
	<u>\$ 129,021</u>	<u>138,011</u>

(XLVIII) Non-operating Income and Expense

1. Other income

	<u>2019</u>	<u>2018</u>
Interest income	\$ 98,878	92,310
Dividend income	327,869	228,582
Fee income	8,180	9,865
Fines income	71,842	56,275
Other income	<u>86,166</u>	<u>76,211</u>
	<u>\$ 592,935</u>	<u>463,243</u>

2. Other profit and loss

	<u>2019</u>	<u>2018</u>
Foreign exchange gain (loss)	\$ (39,066)	50,261
Gains (losses) from disposal of financial assets at fair value through income and loss	75,080	(13,868)
Net gains from net financial assets measured at fair value through other comprehensive income	1,318	(27,734)
Gains (losses) from disposal of investment under equity method	2,331	-
Disposal of property, plant, and equipment	2,534	(606)
Impairment loss	-	(5,940)
Disposal of other non-current asset	-	347,626
Other income (expense)	<u>(928)</u>	<u>(2,914)</u>
	<u>\$ 41,269</u>	<u>346,825</u>

3. Financial cost

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	<u>2019</u>	<u>2018</u>
Interest expense	\$ 17,560	28,153
Amortization for discount on cooperate bond	52,103	51,266
	<u>\$ 69,663</u>	<u>79,419</u>

(XLIX) Financial Instruments

1. Types of financial instruments

(3) Financial assets

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial assets at fair value through income and loss	\$ 9,686,443	1,227,298
Financial assets at fair value through other comprehensive income	4,453,495	9,966,394
Financial assets carried at amortized cost	1,463,240	1,017,051
Financial assets carried at amortized cost (lending and receivables):		
Cash and cash equivalent	147,352	107,666
Notes receivable and accounts receivable	8,106,809	8,127,072
Other financial assets (current & non-current)	2,662,991	2,191,210
Sub-total	<u>10,917,152</u>	<u>10,425,948</u>
Total	<u>\$ 26,520,330</u>	<u>22,636,691</u>

(4) Financial liabilities

	<u>12.31.2019</u>	<u>12.31.2018</u>
Financial liabilities carried at amortized costs:		
Short term loans	\$ -	3,089,000
Note, account and other payables	865,419	798,576
Corporate bond payable (due within one year)	3,243,019	3,190,916
Leasing liabilities	38,318	-
Guarantee deposit	44,135	71,542
Total	<u>\$ 4,190,891</u>	<u>7,150,034</u>

2. Credit risks

(4) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

(5) Concentration of credit risk

As the Company has a broad customer base, not with a significant focus on customer transactions and sales area

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scattered, thus credit risks of receivables are not concentrative. And in order to reduce credit risk, the Company also continued to regularly assess the financial condition of customers, but usually do not require customers to provide collateral.

(6) Credit risks of account receivables and liabilities securities

For credit risk exposure to note receivables and account receivables, please refer to Note 6 (3). Other financial assets carried at amortized costs include other receivables.

Those mentioned above are all financial assets with low risks, thus the expected twelve-month credit loss amount is allied to evaluate the allowance during the reporting period (for details of how the Company judges the credit risk, please refer to Note 4 (6)). Changes of allowance during 2019 and 2018 are as follows:

	Other receivables
January 1, 2019	\$ 18,302
Impairment loss	-
December 31, 2019	<u>\$ 18,302</u>
January 1, 2018	\$ 18,302
Impairment loss	-
December 31, 2018	<u>\$ 18,302</u>

3. Liquidity risk

	<b>Book value</b>	<b>Contract Cash flow</b>	<b>6 months Within</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Fixed rate instruments	\$ 3,243,019	3,243,019	3,243,019	-	-	-	-
No interest-bearing liabilities	909,554	909,554	909,554	-	-	-	-
Leasing liabilities	38,318	38,318	6,749	6,749	13,498	11,322	-
	<u>\$ 4,190,891</u>	<u>4,190,891</u>	<u>4,159,322</u>	<u>6,749</u>	<u>13,498</u>	<u>11,322</u>	<u>-</u>
<b>December 31, 2018</b>							

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Non-derivative financial liabilities

Floating rate instruments	\$ 3,089,000	3,089,000	3,089,000	-	-	-	-
Fixed rate instruments	3,190,916	3,190,916	-	-	3,190,916	-	-
No interest-bearing liabilities	870,118	870,118	870,118	-	-	-	-
	<u>\$ 7,150,034</u>	<u>7,150,034</u>	<u>3,959,118</u>	<u>-</u>	<u>3,190,916</u>	<u>-</u>	<u>-</u>

The Company does not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

4. Exchange rate risks

(3) Exposure to exchange rate risks

	12.31.2019			12.31.2018		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB/NTD	\$ 18,409	4.294	79,055	17,144	4.452	76,327
USD/NTD	47,670	30.106	1,435,156	39,718	30.733	1,229,661
JPY/NTD	100,670	0.276	27,795	95,918	0.279	26,742
HKD/NTD	26,428	3.857	101,921	21,875	3.902	85,343
SGD/NTD	13,725	22.285	305,872	21,503	22.420	482,094
AUD/NTD	8,730	21.089	184,100	106	21.54	2,288
<u>Non-monetary items</u>						
JPY/NTD	156,160	0.276	43,116	155,840	0.279	43,448
USD/NTD	26,124	30.106	786,494	20,937	30.732	643,446
HKD/NTD	180,303	3.857	695,356	78,402	3.902	305,886
SGD/NTD	3,346	22.285	74,571	1,831	22.420	41,056

(4) Sensitivity analysis

The Company's exchange rate risk is mainly from foreign currency denominated cash and cash equivalent and financial assets measured at fair value through profit or loss. Foreign exchange gain and loss arises from the translation. When the exchange rate of the Company's functional currency against main foreign currency depreciated or appreciated by 10% (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) of year 2019 and 2018, the net income was increased or decreased by NT\$190,090 thousand and by NT\$162,584 thousand, and the comprehensive income will increase or decrease NT\$108,585 thousand and by NT\$71,599 thousand, respectively.

Due to the variety of the Company's functional currencies, the exchange gain or loss of currency items are disclosed in summary. For the year 2019 and 2018, the foreign currency exchange gain (loss) was NT\$(39,066) thousand and NT\$50,261, respectively.

5. Interest rate analysis

Please refer to the Note regarding liquidity risk management for the interest rate risk exposure of the Company's financial assets and financial liabilities.

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The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire 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 Company's net income for 2019 and 2018 is going to decreased or increased by NT\$0 thousand and NT\$12,356 thousand, respectively.

6. Fair value

(7) Financial instruments category and fair value

Fair value of the Company's financial assets and liabilities at fair value through profits and losses, debt and hedging financial assets and financial assets at fair value through other comprehensive income are assessed based on repeatability. The Company's book value and fair value (including fair value hierarchy information, but the book value of financial instruments' which is not measured by fair value and reasonably similar to fair value, as well as the equity method investments without active market price and of which fair value cannot be reliably invested, it is not necessary to disclose their fair value information accordingly to regulation) of the financial assets and financial liabilities are listed as below:

	12.31.2019				
	Book value	Fair Value		Book value	Book value
		Class I	Class I		
Financial assets at fair value through profit or loss	\$ 9,686,443	9,686,443	-	-	9,686,443
Financial assets at fair value through other comprehensive income	4,453,495	4,445,505	-	7,990	4,453,495
Financial assets at amortized costs	1,463,240	1,463,240	-	-	1,463,240
Total	<u>\$ 15,603,178</u>	<u>15,595,188</u>	<u>-</u>	<u>7,990</u>	<u>15,603,178</u>

	12.31.2018				
	Book value	Fair Value		Book value	Book value
		Class I	Class I		
Financial assets at fair value through profit or loss	\$ 1,227,298	1,227,298	-	-	1,227,298
Financial assets at fair value through other comprehensive income	9,966,394	9,958,404	-	7,990	9,966,394
Financial assets at amortized costs	1,017,051	1,017,051	-	-	1,017,051
Total	<u>\$ 12,210,743</u>	<u>12,202,753</u>	<u>-</u>	<u>7,990</u>	<u>12,210,743</u>

No financial assets and liabilities of each hierarchy were transferred during 2019 and 2018.

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- (8) Fair value measurements of financial instruments not measured at fair value

The Company's methods and assumption for instruments not measured at fair value as the follows:

Financial assets at amortized costs (hold to maturity financial assets): If there's quoted market prices in active markets, the fair value is based on market price; if there's no market prices for references, the evaluation methods or counterparts' price will be adopted.

- (9) Fair value measurements of financial instruments measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices. Market prices announced by major stock exchanges are classified as fair value bases of TWSE/OTC listed equity instruments; while central government bonds' market prices which are announced by OTC and identified as on-the-run issues are classified as fair value base of debt instruments with active market quoted prices.

If able to promptly and usually acquire public quoted prices of financial instruments from stock exchanges, brokers, underwriters, industrial guilds, pricing services facilities and authorities, and the said prices represent actual and frequent incurring fair market transaction, then the financial instruments have active market quoted prices. If abovementioned conditions are not achieved, then the market is identified as inactive. In general, considerably large bid-ask spread, significantly increased bid-ask spread or extremely low transaction volume are indexes of inactive markets.

Listed companies' stocks, beneficial certificates and corporate bonds held by the Company are financial assets and liabilities capable with standard terms and conditions and traded in active markets, of which fair values are determined in accordance with market quoted prices respectively.

Except foregoing financial instruments traded in active markets, fair value of other financial instruments is measured by evaluation technique or estimated base on the counterparty's quoted price. Current fair value of other financial instruments, cash flow discount method and other evaluation techniques, such as modeling with available market information (e.g. the yield rate issued by the Taipei Exchange or Reuters's quotes for commercial papers) on the reporting date, can be used as the reference when using evaluation technique to measure the fair value.

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Financial instruments held by the Company's without active market are classified based on classification and attribute as follows.

Equity instruments without public quote: the market comparable company method is adopted to measure the fair value. The investee's earnings before interests, tax, depreciation and amortization are used as the calculating base, and a multiple, which is derived from the market price of the listed comparable company, is applied to calculate the fair value. The estimate has been adjusted by the discount of lack of market liquidity.

(10) Details of changes in Class III

	Financial assets at fair value through other comprehensive income (available-for-sale) financial assets)		
	Equity instrument without public prices	Bonds	Total
January 1, 2019	\$ 7,990	-	7,990
December 31, 2019	\$ 7,990	-	7,990
January 1, 2018	17,207	-	17,207
Total profits or losses			
Recognized as profit or loss	(5,940)	-	(5,940)
Liquidation	(3,277)	-	(3,277)
December 31, 2018	7,990	-	7,990

Total profits or losses mentioned above were recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income". Among which related asset still held as of December 31, 2019 and 2018 are:

	2019	2018
Total profits or losses		
Recognized in other comprehensive income (recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income")	\$ -	-

(11) Quantitative information on the fair value measurement of significant unobservable input (class III)

The Company's fair value measurement which categorized in class III mainly includes financial asset at fair value through other comprehensive income.

Most of the Company's fair value measurement which categorized in class

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III equipped only one significant unobservable input; only equity instrument with active market has plural unobservable inputs. The significant unobservable inputs of investment in equity instrument without active market are mutually independent, thus no mutual relevance exists.

Information of significant unobservable inputs are quantified in below table:

<u>Item</u>	<u>Measurement method</u>	<u>Significant unobservable input</u>	<u>Relation between significant unobservable input and fair value</u>
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	· P/E ratio (1.77 and 1.46 as of December 31, 2019 and 2018)	· The higher the multiplier and ownership premium, the higher the fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	· P/B ratio (1.77 and 1.46 as of December 31, 2019 and 2018)	Same as above
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Net assets value method	· Net asset value	Not applicable

(12) Sensitivity analysis of fair value to reasonable possible alternative hypotheses for the class III of fair value measurement

The Company's measurement on the fair value of financial instrument was reasonable; however, the results of measurement may differ due to the application of different measurement model or parameters. For financial assets categorized in class III, impact resulted from change in measurement parameters to current net income or other comprehensive income are as follows:

	Input parameter	Upward or downward change	Change in fair value reflected in current net income		Change in fair value reflected in current other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2019						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments without active market	P/E ratio	10%	-	-	745	(745)
December 31, 2018						

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Financial assets at fair value through  
other comprehensive income

Investment in equity instruments without active market	P/E ratio	10%	-	-	541	(541)
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(L) Financial Risk Management

6. Summary

The Company is exposed to the following risks due to the use of the financial instruments:

(4) Credit risk

(5) Liquidity risk

(6) Market risk

The Company's risk exposure information and the Company's measurement and risk management objectives, policies, and procedures are expressed in this Note. Please refer to the notes to the individual financial statements for the further quantified disclosure.

7. Risk management structure

The Company's risk management policies are setup to identify and analyze the risk faced by the Company, to define appropriate risk limits and controls, and to monitor risks and risk limits compliance. Risk management policies and systems are reviewed regularly to reflect market conditions and changes in the operation of the Company. The Company through training, management guidelines, and operating procedures develops a disciplined and constructive controlled environment to help all employees understand their roles and obligations.

The Company's Audit Committee supervises how the management monitors the Company's risk management policies and procedures compliance and reviews the appropriateness of the Company's risk management structure in service. Internal audit staff assists the Company's Audit Committee to play a supervisory role. These personnel conduct regular and extraordinary review of risk

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management controls and procedures; also, have the outcome of the review reported to the Audit Committee.

## 8. Credit risk

Credit risk is the risk of financial losses faced by the Company when the client or the counterparty of financial instruments trade is unable to meet its contractual obligations. It is mainly from the Company's accounts receivables from customers and securities investment.

### (4) Accounts receivable and other receivables

The Company's credit risk exposure is mainly affected by the condition of each individual customer. However, the management also considers the statistical data of the Company's customers, including the default risk of the industry and country the customer belongs to since it may affect credit risk.

The Company has the allowance account setup to reflect the estimated losses of the accounts receivable, other receivables, and investments. The allowance account mainly includes specific loss related to individual significant exposure and the consolidated loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for consolidated loss is determined in accordance with the historical payment statistics of similar financial assets.

### (5) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Finance Department of the Company. The Company's trade counterparty and performing party is all reputable banks, investing financial institutions, corporate organizations, and government agencies with no significant performance concerns; therefore, there is no significant credit risk.

### (6) Guarantees

The Company regulated by the company policies can only provide financial guarantee to the business-related companies. The Company offers no endorsement and guarantee to non-subsidiary as of December 31, 2019 and 2018.

## 9. Liquidity risk

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Liquidity risk is the risk that the Company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Company's managing liquidity is to ensure that the Company in general practice or under pressure has sufficient current fund to liquidate liabilities when due, without incurring unacceptable losses or causing harm to the Company's reputation.

The Company's unused loan facilities amounted to NT\$4,558,000 thousand and NT\$2,979,000 thousand as of December 31, 2019 and 2018.

10. Market risk

Market risk is the risk the Company's yield or financial instrument value affected by changes in market prices, such as exchange rates and interest rates. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

(3) Exchange rate risk

The Company is exposed to exchange rate risk that is resulted from the investment transactions measured with a currency other than the company's functional currency. New Taiwan Dollar is the functional currency of the Group. These transactions are denominated in major currencies of New Taiwan Dollar, Singapore Dollar, U.S. Dollar, RMB, and Japanese Yen.

In addition, the Company's principle is for natural hedge. The Company bases on the capital demand in each currency and the net positions and the foreign exchange market condition to hedge exchange rate risk.

(4) Interest rate risk

The Company's policy is to ensure that the interest rate risk exposure is assessed in accordance with the international economic situation and market interest rate.

(LI) Capital management

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The Company's capital management objective is to safeguard the operating ability in order to provide investment returns to shareholders and profits to the related party; also, to maintain an optimal capital structure for reducing the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to pay off liabilities.

The Company and the industry both have capital managed in accordance with the debt to equity ratio. This debt to equity ratio is calculated by having net debt divided by total capital. Net debt is the total liabilities less cash and cash equivalent on the balance sheet. Total capital is the entire equity (i.e. capital stock, additional paid-in capital, retained earnings, and other equity and non-controlling equity) plus net debt.

The debt to equity ratio on the reporting date is as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total liabilities	\$ 44,350,815	46,126,162
Less: Cash and cash equivalent	<u>(147,352)</u>	<u>(107,666)</u>
Net liabilities	44,203,463	46,018,496
Total equity	<u>18,435,961</u>	<u>14,982,373</u>
Adjusted capital	<u><b>\$ 62,639,424</b></u>	<u><b>61,000,869</b></u>
Debt to equity ratio	<u><b>70.57%</b></u>	<u><b>75.44%</b></u>

The Company's capital management method has not been changed as of December 31, 2019 and 2018. Decrease in debt to equity ratio is mainly due to disposal of financial assets at fair value through other comprehensive income and repayment of short-term debt.

(LII) Re-categorization of Components of Other Comprehensive Income

	<u>2019</u>	<u>2018</u>
Investment in debt instrument at fair value through other comprehensive income		
Net changes in fair value of current year	\$ 62,988	(56,674)
Net change in fair value re-categorized to profits and losses	<u>3,444</u>	<u>14,470</u>
Net change in fair value recognized in other comprehensive income	<u><b>\$ 66,432</b></u>	<u><b>(42,204)</b></u>

VII. RELATED PARTY TRANSACTIONS

(IV) Related Parties' Names and Relations

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The related parties with transaction relations during the period of consolidated report are as the follows:

<u>Related Parties</u>	<u>Relations with the Company</u>
Jin Huang Construction Co., Ltd. (Jin Huang)	Subsidiary of the Company
Dahan Property Management Co., Ltd. (Dahan)	Subsidiary of the Company
Yuji Development Corp. (Yuji)	Subsidiary of the Company
Sea Dragon Traders Ltd. (BVI) (Sea Dragon)	Subsidiary of the Company
SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD. (SINGAPORE LUNGYEN)	Subsidiary of the Company (liquidated in October, 2019)
Long An Company Ltd. (Long An)	Subsidiary of the Company (merged by the Company on April 1, 2019)
Lung Fu Company Limited (Lung Fu)	Subsidiary of the Company
Lung Ting Life Science Co. Ltd.	Affiliated Company of the Company (before August 12, 2019) Related party (from August 13, 2019)
Xin Wei International Leasing Co. Ltd.	The corporate director is the same as the Company (Since June 20, 2018, it has not been included in the relationship)
Fuyuan International Development Co. Ltd.	The chairman of Fuyuan is one of the directors of the Company
Fuhuei Development Co., Ltd	Director of Subsidiary
Creative Space Design Co. Ltd.	Affiliated Company of the Company (Since August, 2018, it has not been included in the relationship)
Other natural person	Director, supervisor and major administrator of the Company and related affiliates

(V) Significant Transaction between Related Parties

Transaction price was determined by bilateral agreement, the payment terms agreed by signed contracts.

8. Purchase from related party

The Company's purchase amount and the outstanding balances from the related parties are as follows:

	<u>Purchase</u>		<u>Payable to related parties</u>	
	<u>2019</u>	<u>2018</u>	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiary	\$ -	2,866	41,095	41,095
Affiliated Company	-	587	-	9

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\$ -      3,453      41,095      41,104

The purchase price was determined by bilateral agreement. Payment terms were 30 days after acceptance.

9. Lease

(3) Lessee

The Company lease real estate from other related party with a leasing contract for five years at a comparable price in February 2014. The leasing expense for 2018 was NT\$6,109 thousand. The leasing transaction was recognized as use right assets of NT\$18,634 thousand and leasing liabilities of NT\$18,364 thousand when the IFRS 16 first applied on January 1, 2019. Interest expense of NT\$71 was recognized for 2019. The leasing liabilities was NT\$12,591 as of December 31, 2019.

The Company leases transport equipment from the related party, and the rental expense for the year 2019 and 2018 were NT\$0 thousand and NT\$34 thousand respectively.

(4) Lessor

	<u>2019</u>	<u>2018</u>
Subsidiary	\$ 247	4,728
Other related party	-	34
	<u>\$ 247</u>	<u>4,762</u>

The terms and conditions of above lease contract are negotiated by both sides.

10. Others

(1) Other receivable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiary	\$ 8,600	36,458

(2) Other payable

	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiary	\$ -	1,589
Other related party	-	57
	<u>\$ -</u>	<u>1,646</u>

(3) Prepayment

	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiary	\$ 20,805	20,805

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

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	<u>12.31.2019</u>	<u>12.31.2018</u>
Other related parties	\$ 1,070	961

(5) Other current liabilities

	<u>12.31.2019</u>	<u>12.31.2018</u>
Subsidiary	\$ 21,951	16,007

(6) Management fees

	<u>2019</u>	<u>2018</u>
Other related parties	\$ 442	553

11. Acquisition of other assets

(4) The Company acquired other assets from related parties at below price:

<u>Type of related party</u>	<u>Item</u>	<u>2019</u>	<u>2018</u>
Affiliated company and other related party	Fixed assets	\$ -	505

12. Disposal of other assets

The Company disposed shareholdings in Lung Ting Life Science Co., Ltd. for 25,970 thousand shares at NT\$231,912 thousand. All payment was paid as of December 31, 2019.

13. Endorsement

In the year of 2019 and 2018, the Company provided endorsement for subsidiaries and grandson companies and recognized the fee income of NT\$12,715 thousand and NT\$3,222 thousand, respectively, which was accounted for under “other income”.

In addition, the endorsement information as of December 31, 2019 and 2018 is as follows:

<u>Related parties</u>	<u>12.31.2018</u>		<u>12.31.2018</u>	
	<u>Guaranteed Amount</u>	<u>Used Amount</u>	<u>Guaranteed Amount</u>	<u>Used Amount</u>
Subsidiary- Long An	\$ -	-	200,000	12,300
Subsidiary- Yuji	300,000	27,000	500,000	-
Subsidiary- Lung Fu	300,000	127,300	400,000	64,000
Total	<u>\$ 600,000</u>	<u>154,300</u>	<u>1,100,000</u>	<u>76,300</u>

14. Trust contract

Part of the Company’s land is trusted and registered in the name of other related party as of December, 2019. Please refer to Note 6(4) and 6(7) for details.

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15. Others

- (1) The Company commissioned other related party to acquire land for construction for a total price below NT\$376,820 thousand as of December 31, 2019 and 2018. The discretionary trustee is to handle the land combination matter on behalf of the Company.
- (2) The Company recognized revenues of NT\$61,776 and NT\$64,800 as “other income” for operation and management consulting and assisting services to subsidiaries as of 2018 and 2017.
- (3) Other related parties purchased products from the Company for a total price at NT\$6,107 thousand and NT\$6,815 thousand as of December 31, 2018 and 2017, respectively.

(VI) Main Manager Transaction

	<u>2019</u>	<u>2018</u>
Benefit for short-term employees	\$ 45,249	41,209
Post-employment benefits	1,531	1,371
	<u>\$ 46,780</u>	<u>42,580</u>

VIII. PLEDGED ASSETS

<u>Assets name</u>	<u>Purpose of collateral</u>	<u>12.31.2019</u>	<u>12.31.2018</u>
Non-current assets to be sold	Guarantee for loans and corporate finance amount	\$ -	834,394
Inventories	Guarantee for loans and corporate finance amount	3,163,260	3,162,166
Property, plant, and equipment	Collateral for loan	2,303,429	2,373,297
Investment property	Guarantee for loans and corporate finance amount	280,993	1,445,300
Available-for-sale financial assets – non-current	Collateral for loan	187,124	3,930,200
		<u>\$ 5,934,806</u>	<u>11,745,357</u>

IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

(I) Significant Unrecognized Contractual Commitments

1. Unrecognized contractual commitments

	<u>12.31.2019</u>	<u>12.31.2018</u>
Construction contract	<u>\$ 1,790,688</u>	<u>1,110,344</u>

2. Sales of investment properties (under sale of non-current assets)

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total price for signed sales contracts	<u>\$ -</u>	<u>2,007,350</u>
Amount collected	<u>\$ -</u>	<u>-</u>

3. Pre-sale house contract

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	<u>12.31.2019</u>	<u>12.31.2018</u>
Total price for signed sales contracts	<u>\$ 56,938</u>	<u>-</u>
Amount collected	<u>\$ 41,269</u>	<u>-</u>

4. The Company signed 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 construction period is three years and the operation period is 20 years. A fixed development royalty shall be paid upon the agreement of commencement. From the date of operation, a fixed royalty amount plus a fixed percentage of operating profit after tax shall be paid annually. NT\$5,560 thousand was paid as development royalty (under intangible assets) in July 2019.

(II) Contingent Liabilities

3. The legislative purpose of Mortuary Service Administration Act Article 36 is to cope with repair and management costs when a major accident hits or abnormal operations occur due to poor management. In order to maintain and manage funeral facilities, the Company has set up an administration fee account for specific uses only, so that if any significant incidents occur in the future, subsequent general impairment and management of the facilities will not be affected. The application and enforcement of the current laws and regulations are still controversial. At present, the government authority has not yet set up administrative procedures for the establishment of special funds and the related management system. Since relevant regulations are awaiting further discussion, the future possible obligation amount of the Company cannot be confirmed. The negotiation among parties is finished on October 18, 2017, thus the proposal is sent to the Legislative Yuan for further discussion on December 29, 2017; the 2<sup>nd</sup> and 3<sup>rd</sup> reading will start after completion of the discussion. After the amendment, the old fund system will be replaced by the new management system.

4. A small number of shareholders of Lungyen Service Co., Ltd. (was merged in 2011, hereinafter referred to as Lungyen), 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 Company Law. The

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Taipei District Court of the decided judicially in this civil ruling that the Company shall buy back all the shares held by the shareholders in an unreasonable price. Since the civil ruling was not authenticated in accordance with the provisions of the Enterprise Mergers and Acquisitions Law, and there existed a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set a separate NT\$77.79 per share as purchase price. The applicable regulations of the previous ruling are 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 is inconsistent with the law that the original judgement did not apply the share price on the resolution day of the shareholder's meeting to decide the purchase price.

(III) Others

5. For enhancing the quality of funeral service and ensuring the ability of performance, the Company (referred to as “the principal” hereinafter) had a trust contract signed with Taiwan Industrial Bank Co., Ltd. (referred to as “the trustee” hereinafter) in April 2010. According to the trust contract signed, 75% selling price (tax included) of each pre-need contract sold should 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 December 31, 2019 and 2018 are as follows :

	<u>12.31.2019</u>	<u>12.31.2018</u>
Bank deposits (booked as other financial assets – current)		
Demand deposits	\$ 860,038	828,307
Time deposits	130,000	350,000
Financial assets at fair value through profits or losses - current	1,195,179	1,036,529
Financial assets at fair value through other comprehensive income	3,659,237	2,843,388
Financial assets at amortized costs	1,463,240	1,017,051
Property, plant and equipment (*)	2,206,293	2,206,293
Investment property (*)	1,962,845	1,962,845
	<u>\$ 11,476,832</u>	<u>10,244,413</u>

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\* The carrying value of the asset at the time of delivery of the Trust.

The above amounts have switched trust assets to purchase financial instruments and real estate delivery, transfer to the Trustee, the Trustee in accordance with the instructions so that the principal of, for the trust property, the designated uses for management action.

6. The Company 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 was with a balance of NT\$889,271 thousand and NT\$852,414 thousand as of December 31 2019 and 2018, respectively; also, it is booked in the “Other financial assets – current.”
7. The Company had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2019 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>12.31.2019</u>	<u>12.31.2018</u>
Total contract price (booked as contract liabilities) \$	38,566,937	37,522,150
Outstanding proceeds	<u>(7,663,542)</u>	<u>(7,613,138)</u>
Advanced receipts	<u>\$ 30,903,395</u>	<u>29,909,012</u>
Incremental cost of contract acquisition	<u>\$ 8,024,093</u>	<u>7,910,905</u>
Expected to be reclassified for more than twelve months	<u>\$ 37,417,766</u>	<u>36,137,082</u>

**X. SIGNIFICANT DISASTER LOSS**

None.

**XI. SIGNIFICANT SUBSEQUENT EVENTS**

None.

**XII. OTHERS**

(I) The followings are the summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function:

By item	2019				2018			
	Classified as operating	Classified as operating	Other (*)	Total	Classified as operating	Classified as operating	Other(*)	Total

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	costs	expenses			costs	expenses		
Employee benefits								
Salary	208,251	221,880	67,278	497,409	220,598	208,773	100,708	530,079
Labor and health insurance	15,867	18,363	5,100	39,330	14,803	15,571	4,604	34,978
Pension	8,517	8,385	2,323	19,225	8,180	7,439	2,170	17,789
Director's remuneration	-	52,040	-	52,040	-	49,345	-	49,345
Others	6,908	11,588	2,823	21,319	6,686	9,434	2,760	18,880
Depreciation	62,469	58,209	9,654	130,332	62,422	47,047	10,759	120,228
Amortization	-	14,609	1,491	16,100	-	15,989	1,438	17,427

Information of The Company's employee number and employee benefit expense is as follows:

	<b>2019</b>	<b>2018</b>
Number of employees	<u>543</u>	<u>502</u>
Number of non-employee Directors	<u>6</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 1,075</u>	<u>1,213</u>
Average employee salary expenses	<u>\$ 926</u>	<u>1,069</u>
Change of average employee salary expenses	<u>(13.38)%</u>	

(II) Seasonality of operations

The Company's operations are not affected by seasonal or cyclical factors.

**XIII. OTHER DISCLOSURES**

(I) Information on significant transactions

The Company should have the following material transactions disclosed as of the year 2019 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties

No.	Creditor	Debtor	Accounting Item	Related Party or Not	Current Maximum	Ending Balance	Amount Used	Interest Rate	Nature of the Financing (**)	Transaction Amount	Reason for the Need of Short-term Financing	All-own-ance	Collateral	Limitation to Single Debtor(*)	Financing Limitation (*)	
1	Yuji Construction Limited Co.	Sande Futian Miaoguo Limited Co.	Other financial asset-current	Not	392,163	362,163	-	3%	1	72,000	For use of working capital	-	Columbarium products owned by the debtor	405,800	665,898	1,331,796
1	Yuji Construction Limited Co.	Sande Futian Miaoguo Limited Co.	Other financial asset-current	Not	420,000	362,163	362,163	3%	1	72,000	For use of working capital	-	Columbarium products owned by the debtor	405,800	665,898	1,331,796

\* According to Yuji Construction Limited Co.'s "Procedure of Loaning of Funds", funds can only be loaned to parties with business transactions, and the total loan amount is limited to 40% of the company's recent book value. For single debtor, the loan amount is limited to 20 times of the transaction amount, and 20% of the company's recent book value.

Limitation on the total loan amount to other parties: 3,329,489 thousand × 40% = 1,331,796

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thousand Limitation on the loan amount to single debtor: 3,329,489 thousand  $\times$  20% = 665,898 thousand

72,000 thousand  $\times$  20 times = 1,440,000

thousand

Limited to 665,898 thousand

\*\* Explanations for nature of the financing are as follows:

- iii. Parties with business transactions
- iv. Parties with need of short-term financing.

**2. Guarantees and endorsements provided for other parties**

Name of Lenders	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 on 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 Endorses /guarantees to third parties on behalf of subsidiary	Subsidiary Endorses /guarantees to third parties on behalf of Parent Company	Endorsements /guarantees to the third parties on behalf of the Companies in Mainland China
	Name of Company	Relationship										
0 Lungyen Life Service Corp.	LungAn Co.Ltd.	2	5,530,788	100,000	-	-	-	- %	-	Y	N	N
0 Lungyen Life Service Corp.	Yuji Development Corp.	2	5,530,788	300,000	300,000	27,000	-	1.63%	9,217,981	Y	N	N
0 Lungyen Life Service Corp.	Lung Fu Company Limited	2	5,530,788	300,000	300,000	127,300	-	1.63%	9,217,981	Y	N	N

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

Note 2: There are six kind of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- vii. The Company has business with the receiving parties.
- viii. The Company holds directly more than 50% of the common stock of the subsidiaries.
- ix. In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
- x. In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 90% of the investee.
- xi. The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
- xii. The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.

Note 3: Upon the board resolution on December 28, 2018, the maximum amount of endorsements to LungAn has been set to NT\$100,000 thousand. Lung An is discharged after a short-form merger on April 1, 2019.

Note 4: Upon the board resolution on December 28, 2018, the maximum amount of endorsements to Yuji has been set to NT\$300,000 thousand.

Note 5: Upon the Board resolution on December 28, 2018, the maximum amount of endorsements to Lung Fu has been set to NT\$300,000 thousand.

**3. Information regarding securities held at balance sheet date (not including subsidiaries, associates, and joint control.)**

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending Balance				Maximum shareholding or funding during the period	Remarks
				Shares/Units in Thousand	Book Value	% of Ownership	Fair Value		
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profits and losses - current	43,343	709,528	- %	709,528	- %	Trust
The Company	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profits and	9,794	118,158	- %	118,158	- %	Trust

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## Notes to the financial statements of Lungyen Life Service Corp.

The Company	Prudential Financial Money Market Fund	-	losses - current Financial assets at fair value through profits and losses - current	6,933	110,114	- %	110,114	- %	Trust
The Company	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profits and losses - current	9,642	100,078	- %	100,078	- %	Trust
The Company	FSITC Taiwan Money Market	-	Financial assets at fair value through profits and losses - current	5,865	90,103	- %	90,103	- %	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profits and losses - current	1	94,181	- %	94,181	- %	Company-owned
The Company	ABG-WTT Fund	-	Financial assets at fair value through profits and losses - current	-	44,648	- %	44,648	- %	Company-owned
The Company	Primavera Capital Fund III L.P.	-	Financial assets at fair value through profits and losses - current	-	103,401	- %	103,401	- %	Company-owned
The Company	CHENG SHIN	-	Financial assets at fair value through profits and losses - current	245	10,241	0.01 %	10,241	0.01 %	Company-owned
The Company	Qualcomm	-	Financial assets at fair value through profits and losses - current	13	34,186	- %	34,186	- %	Trust
The Company	CR GAS	-	Financial assets at fair value through profits and losses - current	200	33,012	- %	33,012	- %	Trust
The Company	Jih Sun Money Market Fund	-	Financial assets at fair value through profits and losses - current	154,024	2,291,514	- %	2,291,514	- %	Company-owned
The Company	FSITC Money Market	-	Financial assets at fair value through profits and losses - current	726	130,062	- %	130,062	- %	Company-owned
The Company	FSITC Taiwan Money Market	-	Financial assets at fair value through profits and losses - current	108,112	1,660,925	- %	1,660,925	- %	Company-owned
The Company	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profits and losses - current	375,720	4,156,292	- %	4,156,292	- %	Company-owned
The Company	Millerful No. 1 REIT	-	Financial assets at fair value through other comprehensive income – non-current	29,000	297,250	- %	297,250	- %	Trust
The Company	Chang Hwa Bank	-	Financial assets at fair value through other comprehensive income – non-current	1	20	- %	20	- %	Company-owned
The Company	Stocks of Taiyen	-	Financial assets at fair value through other comprehensive income – non-current	9,493	308,523	4.75 %	308,523	4.75 %	Company-owned
The Company	Fubon Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,666	107,124	- %	107,124	- %	Company-owned
The Company	Cathay Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,250	80,000	- %	80,000	- %	Company-owned
The Company	Chinatrust Commercial Bank -Preferred Shares C	-	Financial assets at fair value through other comprehensive income – non-current	833	52,812	- %	52,812	- %	Company-owned
The Company	Fubon Financial Holding - Preferred Shares A	-	Financial assets at fair value through other comprehensive income – non-current	1,100	71,940	- %	71,940	- %	Company-owned
The Company	Cathay Financial Holding - Preferred Shares A	-	Financial assets at fair value through other comprehensive income – non-current	1,500	96,300	- %	96,300	- %	Company-owned
The Company	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E	-	Financial assets at fair value through other comprehensive income – non-current	485	26,433	- %	26,433	- %	Company-owned
The Company	Sun Life Holding Co Ltd	-	Financial assets at fair value through other comprehensive income – non-current	160	43,116	2.35 %	43,116	2.35 %	Company-owned
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through other comprehensive income – non-current	210	8,650	0.02 %	8,650	0.02 %	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through other comprehensive income –	3,288	59,472	0.01 %	59,472	0.01 %	Trust

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**Notes to the financial statements of Lungyen Life Service Corp.**

The Company	Stock of Sands China Limited	-	non-current Financial assets at fair value through other comprehensive income – non-current	450	72,282	0.01 %	72,282	0.01%	Trust
The Company	Stock of China Construction Bank	-	Financial assets at fair value through other comprehensive income – non-current	1,860	48,276	- %	48,276	- %	Trust
The Company	ST.SP	-	Financial assets at fair value through other comprehensive income – non-current	625	46,938	- %	46,938	- %	Trust
The Company	Frasers Logistics & Industrial Trust	-	Financial assets at fair value through other comprehensive income – non-current	1,000	27,633	0.04 %	27,633	0.04%	Trust
The Company	GlaxoSmithKline PLC	-	Financial assets at fair value through other comprehensive income – non-current	36	50,363	- %	50,363	- %	Trust
The Company	National Grid PLC	-	Financial assets at fair value through other comprehensive income – non-current	24	44,904	- %	44,904	- %	Trust
The Company	Electronic Business	-	Financial assets at fair value through other comprehensive income – non-current	166	36,491	0.01 %	36,491	0.01%	Trust
The Company	Preferred stock of HSBC	-	Financial assets at fair value through other comprehensive income – non-current	52	42,081	- %	42,081	- %	Trust
The Company	Preferred stock of AGNC	-	Financial assets at fair value through other comprehensive income – non-current	44	34,627	- %	34,627	- %	Trust
The Company	Stock of ICBC(Hong Kong)	-	Financial assets at fair value through other comprehensive income – non-current	1,820	42,114	- %	42,114	- %	Trust
The Company	Preferred stock of QTS	-	Financial assets at fair value through other comprehensive income – non-current	24	19,981	- %	19,981	- %	Trust
The Company	Preferred stock of TGP	-	Financial assets at fair value through other comprehensive income – non-current	32	24,796	- %	24,796	- %	Trust
The Company	Preferred stock of VEREIT	-	Financial assets at fair value through other comprehensive income – non-current	20	15,171	- %	15,171	- %	Trust
The Company	Preferred stock of AXIS	-	Financial assets at fair value through other comprehensive income – non-current	51	39,448	- %	39,448	- %	Trust
The Company	Stock of China Molybdenum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	6,942	89,420	0.18 %	89,420	0.18%	Trust
The Company	Preferred stock of WFC	-	Financial assets at fair value through other comprehensive income – non-current	42	33,002	- %	33,002	- %	Trust
The Company	Stock of Cheung Kong Infrastructure Holdings Limited	-	Financial assets at fair value through other comprehensive income – non-current	210	44,801	0.01 %	44,801	0.01%	Trust
The Company	Stock of 3M	-	Financial assets at fair value through other comprehensive income – non-current	6	29,743	- %	29,743	- %	Trust
The Company	Preferred stock of ETP	-	Financial assets at fair value through other comprehensive income – non-current	94	68,707	- %	68,707	- %	Trust
The Company	Stock of Texas Instruments	-	Financial assets at fair value through other comprehensive income – non-current	10	37,851	- %	37,851	- %	Trust
The Company	Stock of LYB-LyondellBasell Industries	-	Financial assets at fair value through other comprehensive income – non-current	24	69,404	- %	69,404	- %	Trust
The Company	Stock of Bank of Communications	-	Financial assets at fair value through other	2,030	43,372	0.01 %	43,372	0.01%	Trust

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**Notes to the financial statements of Lungyen Life Service Corp.**

			comprehensive income – non-current						
The Company	Stock of Tencent Holdings. Co	-	Financial assets at fair value through other comprehensive income – non-current	59	85,174	- %	85,174	- %	Trust
The Company	Stock of CLP HOLDINGS	-	Financial assets at fair value through other comprehensive income – non-current	94	29,690	- %	29,690	- %	Trust
The Company	Shenzhou International Group Holdings Limited	-	Financial assets at fair value through other comprehensive income – non-current	97	42,389	0.01 %	42,389	0.01%	Trust
The Company	ENN ENERGY	-	Financial assets at fair value through other comprehensive income – non-current	122	39,965	0.01 %	39,965	0.01%	Trust
The Company	Ping An Insurance( Group ) Company of China, Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	57	20,246	- %	20,246	- %	Trust
The Company	051 Chailease Holding Company Limited-A	-	Financial assets at fair value through other comprehensive income – non-current	100,286	100,286	- %	100,286	- %	Trust
The Company	081 Chailease Holding Company Limited-A	-	Financial assets at fair value through other comprehensive income – non-current	190,000	190,000	- %	190,000	- %	Trust
The Company	104 Central Bond A5	-	Financial assets at fair value through other comprehensive income – non-current	100,000	105,373	- %	105,373	- %	Trust
The Company	The Export-Import Bank of China CNY Corporate Bond 4.15 20270618	-	Financial assets at fair value through other comprehensive income – non-current	5,000	22,472	- %	22,472	- %	Trust
The Company	Africa Finance Corporate Bond 4.375 20200429	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,994	- %	90,994	- %	Trust
The Company	ICBC RMB Corp. Bond 4.2 20270119	-	Financial assets at fair value through other comprehensive income – non-current	4,000	17,991	- %	17,991	- %	Trust
The Company	ICBC RMB Corp. Bond 4.5 20281113	-	Financial assets at fair value through other comprehensive income – non-current	5,000	23,138	- %	23,138	- %	Trust
The Company	China Comm Cons Corp. Bond 20200421	-	Financial assets at fair value through other comprehensive income – non-current	1,900	57,301	- %	57,301	- %	Trust
The Company	Saudi Electricity Global - Bond 20230408	-	Financial assets at fair value through other comprehensive income – non-current	2,000	62,201	- %	62,201	- %	Trust
The Company	Saudi Electricity Global - Bond 20240408	-	Financial assets at fair value through other comprehensive income – non-current	1,000	31,802	- %	31,802	- %	Trust
The Company	Qatar Telecom USD corp. Bond 3.25 20230221	-	Financial assets at fair value through other comprehensive income – non-current	3,000	92,228	- %	92,228	- %	Trust
The Company	Standard Chattered USD corp. bond 4.05 20260412	-	Financial assets at fair value through other comprehensive income – non-current	3,000	96,369	- %	96,369	- %	Trust
The Company	Islamic Bank 20210531	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,508	- %	91,508	- %	Trust
The Company	China Railway USD Bond 20260728	-	Financial assets at fair value through other comprehensive income – non-current	2,500	75,957	- %	75,957	- %	Trust
The Company	Malaysia National Resource Bond 20261019	-	Financial assets at fair value through other comprehensive income – non-current	1,000	30,220	- %	30,220	- %	Trust
The Company	China Cinda USD Bond 20240309	-	Financial assets at fair value through other comprehensive income – non-current	1,500	47,294	- %	47,294	- %	Trust
The Company	Huarong USD Bond	-	Financial assets at fair	3,000	91,599	- %	91,599	- %	Trust

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**Notes to the financial statements of Lungyen Life Service Corp.**

	20240309		value through other comprehensive income – non-current						
The Company	DB USD Bond 20200515	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,326	- %	90,326	- %	Trust
The Company	Société Générale SGD Corp.Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,250	73,999	- %	73,999	- %	Trust
The Company	Société Générale SGD Corp.Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,500	81,720	- %	81,720	- %	Trust
The Company	SANTANDER CENTRAL HISPANO S.A. Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,063	- %	91,063	- %	Trust
The Company	Lloyds Banking Group Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	42,002	- %	42,002	- %	Trust
The Company	Goldman Sachs Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	42,261	- %	42,261	- %	Trust
The Company	Manulife Financial Corporation SGD Bond	-	Financial assets at fair value through other comprehensive income – non-current	750	17,068	- %	17,068	- %	Trust
The Company	Manulife Financial Corporation SGD Bond 20291121	-	Financial assets at fair value through other comprehensive income – non-current	4,000	89,400	- %	89,400	- %	Trust
The Company	Malaysia Electricity Bond 20281101	-	Financial assets at fair value through other comprehensive income – non-current	2,000	67,472	- %	67,472	- %	Trust
The Company	Anheuser-Busch InBev SA USD Bond 20290123	-	Financial assets at fair value through other comprehensive income – non-current	3,000	104,839	- %	104,839	- %	Trust
The Company	China Petroleum & Chemical Corporation Bond 20290808	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,706	- %	90,706	- %	Trust
The Company	Tencent Holdings. Co Bond 20290411	-	Financial assets at fair value through other comprehensive income – non-current	3,000	97,407	- %	97,407	- %	Trust
The Company	Trans globe Insurance	-	Financial assets at fair value through other comprehensive income – non-current	15	-	0.01 %	-	0.01 %	Company-owned
The Company	Stocks of Creative Space Design	-	Financial assets at fair value through other comprehensive income – non-current	396	3,960	9.90 %	3,960	9.90 %	Company-owned
The Company	FORTUNE IC FUND I	-	Financial assets at fair value through other comprehensive income – non-current	600	4,030	4.86 %	4,030	4.86 %	Company-owned
The Company	Nan Ya Corp. Bond P02 Nan Ya 3B	-	Financial assets at amortized costs –non-current	100,000	105,177	- %	105,177	- %	Trust
The Company	China airline corporate bond	-	Financial assets at amortized costs –non-current	75,000	75,000	- %	75,000	- %	Trust
The Company	Taipower Corporate bond 20231230	-	Financial assets at amortized costs –non-current	150,000	154,110	- %	154,110	- %	Trust
The Company	02 Yang Ming1B 20201101	-	Financial assets at amortized costs –non-current	150,000	151,652	- %	151,652	- %	Trust
The Company	106 Central Bond 4	-	Financial assets at amortized costs –non-current	100,000	100,721	- %	100,721	- %	Trust
The Company	106 Central Bond 9	-	Financial assets at amortized costs –non-current	150,000	149,515	- %	149,515	- %	Trust
The Company	107 Central Bond 7	-	Financial assets at amortized costs –non-current	100,000	99,637	- %	99,637	- %	Trust
The Company	104 Central Bond 12	-	Financial assets at amortized costs –non-current	100,000	101,521	- %	101,521	- %	Trust

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**Notes to the financial statements of Lungyen Life Service Corp.**

The Company	107 Central Bond 7	-	Financial assets at amortized costs –non-current	100,000	101,327	- %	101,327	- %	Trust
The Company	93 Central Bond 9	-	Financial assets at amortized costs –non-current	100,000	110,947	- %	110,947	- %	Trust
The Company	94 Central Bond 3	-	Financial assets at amortized costs –non-current	100,000	108,445	- %	108,445	- %	Trust
The Company	02 China Steel 1B 20230712	-	Financial assets at amortized costs –non-current	100,000	102,746	- %	102,746	- %	Trust
The Company	02 TSMC 2C 20230206	-	Financial assets at amortized costs –non-current	100,000	102,442	- %	102,442	- %	Trust

**4. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital:**

Subject	Security	Accounting Account	Counterparty	Relationship	Beginning Balance		Purchase		Sale				Ending Balance	
					Share	Amount	Share	Amount	Share	Amount	Book Value	Disposal Profit/Loss	Share	Amount(*)
The Company	JIH SUN MONEY MARKET FUN	Financial assets at fair value through profit and loss - current	-	None	-	-	154,024	2,290,000	-	-	-	-	154,024	2,290,000
The Company	FSITC Money Market	Financial assets at fair value through profit and loss - current	-	None	-	-	108,112	1,660,000	-	-	-	-	108,112	1,660,000
The Company	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit and loss - current	-	None	-	-	641,171	7,088,000	265,451	2,935,000	2,934,402	598	375,720	4,153,598
The Company	Chang Hwa Bank	Financial assets at fair value through other comprehensive income – non-current	-	None	383,810	5,599,293	7,676	-	391,486	9,021,001	5,599,281	3,421,720	1	12

5. The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.

6. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital:

Unit : Thousand NTD

Name of the company	Name of the Property	Disposal date	Acquisition date	Book value	Amount	Payment status	Profit (Loss)	Name of transaction partner	Relationship with the company	Purpose	Price reference	Remark.
The Company	Pacific Commercial Building	108.05.13	11.2014	834,394	1,420,000	Not received yet	519,000,000	Wanhai Lines	None	Asset activation	Valuation report	-

7. Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties:

Name of Company	Name of transaction partner	Relationship	Transaction details				Situation and cause of different transaction condition compared with general transaction		Accountable receivable (payable)		Remark
			Purchase (Sales)	Amount	% of total purchase (sales)	Credit period	Unit price	Credit period	Balance	% of Accounts receivable (payable)	
The Company	Fuyang Development Ltd.Co	Legal representative	Purchase	173,250	99.20 %	Per contract	-	-	-	-%	

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**Notes to the financial statements of Lungyen Life Service Corp.**

8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.

9. Engage in derivatives trading: None.

**(II) Information on investees:**

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Current gain/loss of investees	Current recognized investment gains and losses	Note
				Ending balance	Last year	Shares	Ratio of shares	Book value			
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20%	(4,045)	98.20%	7,922	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	110,723	54.42%	1,789,794	54.42%	147,745	Subsidiary
The Company	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential areas and building	3,870	3,870	400	80.00%	330	80.00%	(71)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	1,057,099 (USD34,210)	1,010,536 (USD32,710)	3,421	100.00%	991,977	100.00%	(49,467)	Subsidiary
The Company	Singapore Lungyen Life Services Pte., Ltd.	Singapore	Funeral Service	-	11,990 (SGD500)	-	- %	-	- %	16,807	Subsidiary
The Company	Lung Ting Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	-	259,700	-	- %	-	- %	(5,569)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	-	716,656	-	- %	-	- %	(3,374)	Affiliated Company
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	29,520	49.00%	813	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	377,800	210,700	37,100	100.00%	282,267	100.00%	(9,876)	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited(BVI)	British Virgin Islands	Investment	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32%	155,650	26.32%	(2,664)	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	910,026 (USD29,500)	863,463 (USD28,000)	2,950	50.00%	760,735	50.00%	(98,515)	Joint-venture

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

Note 2: USD exchange rate: 30.106 (closing) and 30.924 (average)

Note 3: Long An Co., was merged in the Company from April 1, 2019.

Note 4: Singapore Lungyen Life Services Pte. Ltd handled settlements in June, 2019 and got approval in October from the authorities.

Note 5: The Consolidate Company disposed 49% shareholdings in Lung Ting Life Science Co., Ltd. on August 13, 2019.

**(III) Information on investment in Mainland China**

**4. China investee company name, business operation, and related information:**

Unit: Thousand NTD/Foreign Currency

China Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Percentage of Ownership	Share of Profits / Losses (Note 2)	Carry Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow					
Lungyen Cemetery (Wenzhou) Co. Ltd.	Funeral services	1,481,215 USD49,200	Sea Dragon Traders Ltd. (BVI)	863,463 USD28,000	40,643 USD1,350	-	904,470 USD29,350	50.00%	(19,070)	650,342	-
Long Young Life (China) Holding Co. Ltd.	Investment holding	270,954 USD9,000	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	50.00%	(21,685)	111,413	-
Shijiazhuang Taifu Cemetery Managenebt Co, Ltd	Cemetery management, construction	73,174 RMB17,041	Sea Dragon Traders Ltd.	-	-	-	-	40.00%	(1,416)	91,467	-

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Notes to the financial statements of Lungyen Life Service Corp.

	and sales		(BVI)								
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5. Limitation on investment in Mainland China:

Ending balance of the accumulated amount of investment from Taiwan to Mainland China	Investment amount approved by Ministry of Economic Affairs	Limitation on investment in Mainland China in accordance with the provisions of the Investment Commission of Ministry of Economic Affairs (Note 4)
904,470	2,483,745 USD82,500	11,061,577

US Dollar exchange rate: closing rate: 30.106 RMB exchange rate: 4.308

Note 1: An investment is divided into the following three ways, list out the type of the category:

- (A) Directly engaged in investment in Mainland China
- (B) Re-invest in the mainland through a third country company (please specify in the third area of investment companies)
- (C) Other methods.

Note 2: the current investment income recognized:

- (A) During the stage of preparations, note that there is no investment income.
- (B) The gain or loss recognized on the basis of the investment is divided into the following two types with note:
  - 1 Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.
  - 2 By the parent company in Taiwan audited financial statements.

Note 3: The corresponding currency should be NT dollars. Those involving foreign currency, the exchange rate for the reporting period amounted to NT accounts.

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

6. Significant transactions of the mainland China investment: None.

**XIV. DEPARTMENT INFORMATION**

Please refer to the consolidated report for year 2019.