

LUNGYEN LIFE SERVICE CORP.**Parent-company-only Financial Statements**

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: 1F., No. 166, Sec. 2, Minquan E. Rd., Taipei City
Telephone: (02)6615-9999

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Non-Consolidated Balance Sheets	4
5. Non-Consolidated Statements of Comprehensive Income	5
6. Non-Consolidated Statements of Changes in Equity	6
7. Non-Consolidated Statements of Cash Flows	7
8. Notes to the Non-Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the non-consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~28
(5) Critical accounting judgments and major sources of estimation and assumption uncertainty	28~30
(6) Description of significant accounts	31~65
(7) Related-party transactions	66~70
(8) Pledged assets	70
(9) Commitments and contingencies	70~73
(10) Losses due to major disasters	73
(11) Significant subsequent events	73
(12) Others	73~75
(13) Other disclosures	
(a) Information on significant transactions	76~80
(b) Information on investees	80
(c) Information on investment in Mainland China	81
(d) Major shareholders	82
(14) Segment information	82
9. Statement of significant accounts	83~94



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Lungyen Life Service Corp.:

Opinion

We have audited the non-consolidated financial statements of Lungyen Life Service Corp. ("the Company"), which comprise the non-consolidated balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as of December 31, 2020 and 2019, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 non-consolidated Financial Statements section of our report. We are independent of Lungyen Life Service Corp. in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(r) and Note 6(r) of the non-consolidated financial statements for accounting policy and detailed disclosure of revenue, respectively.

Description of key audit matter:

The Company sells columbarium and cemetery products, and provides funeral services, for which prepayments are paid in cash or installments. Timing of revenue recognition is judged by the management team. Besides, as a listed entity, the Company may be affected by the expectation of external investors or creditors, and internal pressure to pursue revenue performance, all of which may bring risks to the timing of revenue recognition. Testing of revenue recognition has been determined to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included:

- examining whether revenues were recognized based on internal control process;
- conducting selective examination of sales orders, contracts and collection records to ascertain whether revenues were recognized at a proper timing.

2. Goodwill and Trademark Impairment

For accounting policies on goodwill and trademark impairment, please refer to Note (4)(o) “Intangible Assets”; for estimation and uncertainty of assumption of goodwill and goodwill impairment, please see Note (5)(b); for explanation of goodwill and trademark impairment, please refer to Note 6(j) “Intangible Assets” of the consolidated financial report.

Description of key audit matter:

The Company’s goodwill and trademark resulted from corporate acquisition; receivable amounts related to goodwill and trademark were estimated based on managers’ subjective judgment with high uncertainty, which may lead to material risks of inaccurate expression. For this reason, testing of goodwill and trademark impairment has been determined to be one of the key audit matters in our audit of the Company’s non-consolidated financial reports.

How the matter was addressed in our audit:

Our principal audit procedures included:

- assessing the rationality of evaluation method adopted by management to evaluate receivable amounts; assessing the accuracy of previous forecasts made by management; examining calculation and accounting records of receivable amounts of cash unit evaluated by management; assessing parameters used to estimate cash flow and receivable amounts (eg. sales growth rate); examining weighted-average cost of capital and parameters used in the impairment tests.

Other Matter

We did not audit the financial statements of some the Company’s equity-accounted investees. These statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for some of the Company’s equity-accounted investees, is based solely on the report of another auditor. The recognized investment in some equity-accounted investees constituted 2.15% of the total assets as of December 31, 2020, and the recognized share of profit or loss accounted for using the equity method constituted 3.02% of profit before tax for the year ended December 31, 2020.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 non-consolidated financial non-consolidated statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-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 operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the non-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 non-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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, 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 non-consolidated financial statements of the current period 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 determine 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.

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

KPMG

Taipei, Taiwan (Republic of China)

March 29, 2021

Notes to Readers

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

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

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Non-Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to non-consolidated financial statements.

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (Note 6(m)(r))	\$ 3,126,233	100	4,027,197	100
5000 Operating costs (Note 6(m))	<u>1,159,092</u>	<u>37</u>	<u>1,146,307</u>	<u>28</u>
5900 Gross profit	<u>1,967,141</u>	<u>63</u>	<u>2,880,890</u>	<u>72</u>
Operating expenses :				
6100 Selling expenses	521,737	17	544,225	14
6200 Administrative expenses (Note 6(s) and 7)	494,470	16	539,521	13
6450 Impairment loss determined in accordance with IFRS 9 (Note 6(c))	<u>4,451</u>	<u>-</u>	<u>16,491</u>	<u>-</u>
	<u>1,020,658</u>	<u>33</u>	<u>1,100,237</u>	<u>27</u>
6500 Net other income (expenses) (Note 6(t))	<u>120,365</u>	<u>4</u>	<u>129,021</u>	<u>3</u>
6900 Net operating income	<u>1,066,848</u>	<u>34</u>	<u>1,909,674</u>	<u>48</u>
Non-operating income and expenses:				
7100 Interest income (Note 6(u) and 7)	88,579	3	98,878	3
7010 Other income (Note 6(u) and 7)	256,531	8	494,057	12
7020 Other gains and losses (Note 6(b)(u))	(19,125)	-	41,269	1
7050 Finance costs (Note 6(u) and 7)	(22,486)	(1)	(69,663)	(2)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(f))	196,193	6	49,761	1
	<u>499,692</u>	<u>16</u>	<u>614,302</u>	<u>15</u>
Profit before tax from continuing operations	<u>1,566,540</u>	<u>50</u>	<u>2,523,976</u>	<u>63</u>
Less: Income tax expenses (Note 6(o))	<u>321,978</u>	<u>10</u>	<u>221,105</u>	<u>5</u>
Profit for the year ended December 31, 2020	<u>1,244,562</u>	<u>40</u>	<u>2,302,871</u>	<u>58</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (Note 6(n))	98	-	(1,528)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	449,438	15	2,704,843	67
8330 Share of other comprehensive income of subsidiaries, associates, and joint ventures under equity method, components of other comprehensive income that will not be reclassified to profit or loss	407	-	4,022	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(o))	41,945	1	(164,770)	(4)
8360 Items that will not be reclassified subsequently to profit or loss	<u>491,888</u>	<u>16</u>	<u>2,542,567</u>	<u>63</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(54,477)	(2)	(20,898)	(1)
8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 6(aa))	9,165	-	66,432	2
8380 Share of other comprehensive income of subsidiaries, associates, and joint ventures under equity method, components of other comprehensive income that will not be reclassified to profit or loss	57,213	2	(8,830)	-
8399 Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
8300 Items that may be reclassified subsequently to profit or loss	<u>11,901</u>	<u>-</u>	<u>36,704</u>	<u>1</u>
8300 Other comprehensive income for the year ended December 31, 2020	<u>503,789</u>	<u>16</u>	<u>2,579,271</u>	<u>64</u>
Comprehensive income for the year ended December 31, 2020	<u>\$ 1,748,351</u>	<u>56</u>	<u>4,882,142</u>	<u>122</u>
Earnings per share (in dollar) (Note 6(q)):				
9750 Basic earnings per share (in New Taiwan dollars)	<u>\$ 2.96</u>		<u>5.48</u>	
9850 Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 2.88</u>		<u>4.93</u>	

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest			
	Shares capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
Balance at January 1, 2019	\$ 4,200,842	2,519,954	1,280,001	-	6,293,123	7,573,124	(24,815)	713,268	688,453	14,982,373
Profit for the year ended December 31, 2019	-	-	-	-	2,302,871	2,302,871	-	-	-	2,302,871
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	2,580,799	2,579,271
Comprehensive income for the year ended December 31, 2019	-	-	-	-	2,301,343	2,301,343	(29,728)	2,610,527	2,580,799	4,882,142
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	218,054	-	(218,054)	-	-	-	-	-
Cash dividends of ordinary shares-\$3 per share	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)
Changes in ownership interests in subsidiaries	-	-	-	-	(3,531)	(3,531)	-	-	-	(3,531)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	3,261,178	3,261,178	-	(3,425,948)	(3,425,948)	(164,770)
Balance at December 31, 2019	4,200,842	2,519,954	1,498,055	-	10,373,806	11,871,861	(54,543)	(102,153)	(156,696)	18,435,961
Profit for the year ended December 31, 2020	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	98	98	2,736	500,955	503,691	503,789
Comprehensive income for the year ended December 31, 2020	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-
Cash dividends of ordinary shares-\$3 per share	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	47,164	47,164	-	(47,164)	(47,164)	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	-	1,206	1,206	-	(1,206)	(1,206)	-
Balance at December 31, 2020	\$ 4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,566,540	2,523,976
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	136,532	130,332
Amortization expense	12,637	16,100
Impairment loss determined in accordance with IFRS 9	4,451	16,491
Net profit from financial assets or liabilities at fair value through profit or loss	(55,380)	(75,080)
Interest expense	22,486	69,663
Interest income	(243,180)	(265,657)
Dividend income	(125,975)	(327,869)
Share of profit (loss) of subsidiaries and associates under the equity method	(196,193)	(49,761)
Gain on disposal of property, plant and equipment	(83)	(2,534)
Proceeds from disposal of non-current assets classified as held for sale (investment property)	(22,486)	(834,167)
Gain on disposal of investments	-	(2,331)
Exchange loss on financial assets at fair value through other comprehensive income	56,543	31,986
Exchange loss on financial assets at fair value through other comprehensive income	(24,064)	(3,444)
Total adjustments to reconcile profit (loss)	(434,712)	(1,296,271)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	2,183,781	(4,304,065)
Notes and accounts receivable, net	(422,965)	34,577
Inventories	(228,260)	(133,831)
Prepayments	(3,992)	38,991
Other current financial assets	(35,918)	27,200
Other current assets	(5,004)	(4,764)
Incremental costs of obtaining a contract	(116,098)	(111,624)
Proceeds from disposal of non-current assets classified as held for sale (investment property)	56,488	3,406,853
Total changes in operating assets	1,428,032	(1,046,663)
Changes in operating liabilities:		
Contract liabilities	1,338,786	1,086,056
Notes and accounts receivable (including related parties)	(49,174)	90,809
Other payables	5,716	17,636
Advance receipts	1,788	37,850
Other current liabilities	(600)	4,976
Net defined benefit liabilities	(11,485)	387
Total changes in operating liabilities	1,285,031	1,237,714
Total changes in operating assets and liabilities	2,713,063	191,051
Total adjustments	2,278,351	(1,105,220)
Cash inflow generated from operations	3,844,891	1,418,756
Interest received	249,060	229,748
Dividends received	126,969	327,869
Interest paid	(140,701)	(5,961)
Income taxes paid	(11,523)	(344,260)
Net cash flows from operating activities	4,068,696	1,626,152

See accompanying notes to non-consolidated financial statements.

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Non-Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(6,038,082)	(1,484,960)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,800,084	9,574,028
Acquisition of financial assets at amortised cost	-	(530,342)
Proceeds from repayments of financial assets at amortised cost	225,000	75,000
Acquisition of financial assets at fair value through profit or loss	-	(4,080,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,462,273	-
Acquisition of investments accounted for using equity method	(457,897)	(46,563)
Proceeds from disposal of investments accounted for using equity method	-	231,912
Proceeds from liquidation of investees accounted for using equity method	-	127
Acquisition of property, plant and equipment	(533,882)	(364,341)
Proceeds from disposal of property, plant and equipment	95	2,657
Acquisition of intangible assets	(4,821)	(12,930)
Net cash inflows from business combination	-	1,456
Acquisition of investment properties	(5,762)	(1,010)
Other current financial assets	1,047,216	(526,416)
Other non-current financial assets	4,696	(3,752)
Acquisition of other non-current assets	(283,247)	(12,502)
Net cash flows from investing activities	215,673	2,822,364
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	-	11,682,500
Decrease in short-term borrowings	-	(14,790,000)
Repayments of bonds	(3,113,000)	-
(Decrease) increase in guarantee deposits received	449	(27,407)
Payments of lease liabilities	(13,697)	(13,670)
Cash dividends paid	(1,260,253)	(1,260,253)
Net cash flows used in financing activities	(4,386,501)	(4,408,830)
Net increase (decrease) in cash and cash equivalents	(102,132)	39,686
Cash and cash equivalents at beginning of period	147,352	107,666
Cash and cash equivalents at end of period	\$ 45,220	147,352

See accompanying notes to non-consolidated financial statements.

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)
LUNGYEN LIFE SERVICE CORP.

Notes to the Non-Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

Lungyen Life Service Corp. (previously known as Da Han Construction; hereinafter referred to as the “Company”) was incorporated in March 1987. The Company primarily engages in the business of funeral facilities and services, along with the development and lease of residential and commercial buildings.

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

The accompanying non-consolidated financial statements were authorized for issuance by the Board of Directors on March 29, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its non-consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its non-consolidated financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these non-consolidated financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these non-consolidated financial statements.

(a) Statement of compliance

These non-consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and the SIC Interpretations endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The non-consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 6(p).

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The non-consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company entity at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company’s functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company’s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial assets

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date and settle date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus/minus the cumulative amortization using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets at fair value through profit or loss ("FVTPL")

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

Financial assets that are held for trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Due to the counter parties and the performing parties of the Company's time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 270 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. the Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. the Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

(i) Buildings for Sale

Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes expenditures incurred in bringing them to their existing location and condition, and capitalization of interest.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The methods of determining the net realizable value are as follows:

- 1) Land held for construction site: Net realizable value is determined with reference to the estimate made by management based on the prevailing market conditions.
- 2) Construction in progress: Net realizable value is the estimated selling price (based on prevailing market conditions) less the estimated cost of completion and selling expense.
- 3) Real estate for sale: Net realizable value is the estimated selling price (see the estimate of management in accordance with the prevailing market conditions), less the estimated cost and selling expense needed to sell the real estate.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(ii) Columbariums and Cemeteries built for Sale

Construction in progress entails the cost of land and construction. The completed construction with the permanent right of use transferred to clients is recognized as operating cost for the period, proportionally to the selling price of columbariums and cemeteries, while the remaining portion is recognized as columbariums and cemeteries for sale. Deferred marketing expenses are the direct marketing costs incurred for the sale of columbarium and cemetery during the construction period and they will be transferred to current expense when income is recognized upon completion.

Interest expense of construction in progress (including the land and the construction) is capitalized before the construction is available for use or is completed. Columbarium and cemetery for sale is measured at the lower of cost or net realizable value.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, whose carrying amount are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining balance of impairment loss is allocated to assets and liabilities on a pro rata basis, except for the assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss; nevertheless, the reversal gains shall not exceed any cumulative impairment losses that have been recognized.

Once classified as held for sale, property, plant and equipment, are no longer amortized or depreciated.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control over their financial and operating policies.

If the Company owns 20%~50% voting rights in the investee, it is assumed to have significant influence.

Investments in associates are accounted for using the equity method and are recognized initially at cost. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The non-consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized within the scope of non-related investor's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in an associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investments in subsidiaries

In the preparation of the non-consolidated financial statements, the Company assessed investees it has control over using the equity method. Under the equity method, the profit (loss) and other comprehensive income in the non-consolidated financial statements are tantamount to the parent company's share of profit (loss) and other comprehensive income in the consolidated financial statements. Besides, owners' equity in the non-consolidated financial statements equals to equity attributable to owners of the parent company in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(k) Joint arrangements

Joint arrangement is the agreement of two or multiple parties with joint controls over a delegated entity. Joint arrangement includes joint operations and joint venture. Its traits are as follows: (a) All parties are bound by the arrangement (b) Joint arrangement would suggest that at least two parties possess joint control over the arrangements. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint venturers) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venturer 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 "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that Standard. Please refer to Note 6(f) for accounting treatment using the equity method.

When assessing whether a joint arrangement is a joint operation or a joint venture, the Company considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(l) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for property, plant, and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as rental revenue within operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are measured at cost, which includes capitalized borrowing cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant, and equipment are as follows:

1) Buildings and improvements	4~69 years
2) Office equipment	5 years
3) Transportation equipment	5 years
4) Others	4~19 years
5) Lease improvements	5 years

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and appropriately adjusted if necessary.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(n) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset-this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified: and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how, and for what purpose, the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception of the lease or when reassessing whether a contract contained a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the assessment of whether it will have the option to exercise a purchase; or
- 4) there is a change in its assessment of whether it will exercise an extension or termination option; or
- 5) there is any lease modification in lease subject, scope of the lease, or other terms.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment and other equipment of low value assets, The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

For sale and leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS 15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS 15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-ease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(o) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including computer software and development royalties purchased by the Company, are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure was capitalized only when it would increase the future economic benefits embodied in the specific asset to which it related. All other expenditures, including expenditure on internally generated goodwill and brands, was recognized in profit or loss as incurred.

(iii) Amortization

Amortization was calculated over the cost of the asset, less its residual value, and was recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they were available for use.

The estimated useful lives for the current and comparative years of significant items of property, plant, and equipment are as follows :

Computer software 1 ~ 10 years

Development royalties 20 years

Amortization methods, useful lives, and residual values are reviewed at the end of each financial period, and adjusted if needed.

(p) Impairment – non-financial assets

On each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or a CGU is the higher of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset’s carrying amount that would have been determined (net of depreciation or amortization), had no impairment loss been recognized for the assets in prior years.

(q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(r) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The following is a description of the Company’s major revenues:

1) Construction and sale of columbariums and cemeteries

The Company invests in and constructs columbariums and cemeteries for sale, which are usually sold before or during construction. 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.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

For presold columbarium niches, burial plots, and preneed contracts, normally the payment is collected in installments during the period starting from the signing of the contract to the transfer of goods or the rendering of service. If the contract entails financing income, interest revenues are recognized according to the payment period. Besides, the unconditional rights to consideration are treated as accounts receivable, advance receipts are recognized as contract liabilities, and accumulated contract liabilities are reclassified as revenue upon the transfer of goods or rendering of service.

2) Funeral services

Funeral services revenues are recognized upon the completion of services.

3) Rent income

The rent income arising from investment property is recognized using the straight-line method over the lease period; also, the given lease incentives is deemed as a part of the overall rent income and is recognized as rent income using 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 real estate

The Company develops and sells residential properties, and the revenue derived therefrom is recognized when control over the properties has been transferred to the customer. Therefore, the Company recognizes revenues at the time when legal ownership has been transferred to the customer and the property has been delivered.

Revenue is measured by the transaction price agreed as per the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a 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. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

5) Construction contracts

The Company enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment 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 Company recognizes variable consideration if it is highly probable that the recognition will not result in a significant revenue reversal. If the Company has recognized revenue, but not issued a bill, then the

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional public constructions.

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(s) Costs from contracts with customers

(i) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(t) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(u) Income taxes

Income taxes include both current taxes and deferred taxes. Except for expenses related to business combinations, or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS 37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they arise, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(v) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to its ordinary shareholders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise convertible bonds and the estimate of employee bonus.

(w) Operating segments

The Company has disclosed information on operating segments in the consolidated financial statements, therefore, such information is not disclosed in the non-consolidated financial statements.

(5) Critical accounting judgments and major sources of estimation and assumption uncertainty:

The preparation of the non-consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates are recognized during the period and the impact of those changes in accounting estimates are recognized in the following period.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(a) Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the non-consolidated financial statements is as follows:

- (i) For information on subsidiaries, please refer to the consolidated financial statements for the year ended 2020.
- (ii) Lease term

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably certain to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; please refer to Note 6(h) for details.

(b) Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- (i) Loss allowances for accounts receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For relevant assumptions and input values, please refer to Note 6(c).

- (ii) Impairment assessment of goodwill and trademark

The Company performs impairment test on an annual basis and impairment loss is recognized if the recoverable amount is less than the carrying amount. The impairment assessment of goodwill and trademark requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Please refer to Note 6(j) for description of impairment assessment.

- (iii) Measurement of defined benefit obligations

The defined benefit cost and defined benefit liabilities (assets) of a defined benefit plan are measured by the projected unit credit method, which adopts assumptions including discount rate, employee turnover rate, and future salary increase rate, etc. If those assumptions vary as market and economic condition change, recognized costs and liabilities may be affected significantly. Please refer to Note 6(n) for details of the material actuarial assumptions and sensitivity analysis used in actuarial calculations.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iv) Recognition of deferred tax assets

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The Company adopted tax deduction assumption based on future sale growth, margin, tax exemption period, unused loss carryforward, and tax plan to measure the feasibility of a deferred income tax asset. Changes in economy, industrial environment and regulations may cause significant effect on the deferred income tax asset. Please refer to Note 6(o) for the estimate of deferred income tax assets.

Valuation process

The accounting policy and disclosure of the Company include that measuring the financial assets and financial liabilities at fair value. The Company establishes the relevant internal control system for the fair value measure. In addition, the Company established its financial instrument valuation group to be responsible for reviewing the significant fair value measurement (including level 3 inputs) and reporting the results 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.

Any significant valuation issue will be reported to the audit committee of the Company by the valuation team. The value of investment properties was appraised by external qualified appraisers in accordance with the measurement methods and parametric hypothesis which announced by the FSC.

The Company strives to use market observable inputs when measuring assets and liabilities. Fair values are based on the degree to which the fair value can be observed and are Grouped into Level 1 to Level 3 as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the asset or liability is not based on the observable market information (non-observable parameters).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Further information about the assumptions made in measuring fair values is included in the following notes:

- (i) Note 6(e) “Non-current assets held for sale”
- (ii) Note 6(i) “Investment property”
- (iii) Note 6(v) “Financial instruments”

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(6) Description of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and petty cash	\$ 1,836	2,341
Demand and foreign currency deposits	43,368	144,971
Checking account deposits	16	40
Cash and cash equivalents in the statement of cash flows	<u>\$ 45,220</u>	<u>147,352</u>

Please refer to Note 6(v) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets

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

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Domestic and foreign ordinary shares	\$ -	77,439
Bond investments	55,577	-
Beneficiary certificate	<u>5,041,332</u>	<u>9,609,004</u>
Total	<u>\$ 5,096,909</u>	<u>9,686,443</u>

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

(ii) Non-current financial assets at FVOCI

	December 31, 2020	December 31, 2019
Investment in debt instrument at fair value through other comprehensive income:		
Bond investments	\$ 1,420,853	2,114,996
Investment in equity investment at fair value through other comprehensive income:		
Domestic and foreign listed common stock	5,233,119	2,041,249
Beneficiary certificate	<u>461,556</u>	<u>297,250</u>
Total	<u>\$ 7,115,528</u>	<u>4,453,495</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- 1) Investments in debt instruments designated 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 the following investments in bonds as financial assets at fair value through other comprehensive income.

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.3%~4.5% and 1.300%~4.85% as of December 31, 2020 and 2019. The maturity years are between 2021 to 2030 and 2020 to 2029. Please refer to Note 6(u) for gain or loss on disposal of investments.

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

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

In the year ended December 31, 2020 and 2019, the Consolidated Company made disposal of a portion of equity instruments at FVOCI with fair values at NT\$ 2,933,885 thousand and NT\$ 9,294,011 thousand and accumulated disposal profits (losses) of NT\$ 17,715 thousand and NT\$ 3,425,948 thousand, which have been transferred from other equity interest to retained earnings.

One of the Company's investees, Fortune IC Fund I, was liquidated on July 28, 2020 with a liquidation distribution of NT\$ 34 thousand. The difference between the distribution and book value was NT\$ 12,496 thousand. The foregoing accumulated liquidation loss has been transferred from other comprehensive income to retained earnings.

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

The aforementioned financial assets were not pledged as collateral.

- (iii) Non-current financial assets at amortized cost

	December 31, 2020	December 31, 2019
Bond investments	\$ 1,228,727	1,463,240

- 1) The Company held the abovementioned investment to its maturity so as to collect the contract cash flow comprising the interest on the principal and the principal amount outstanding, which was presented within financial assets at amortized cost.
- 2) The coupon rates of the Company's investments in financial assets at amortized cost were between 0.625%~3% and 0.63%~3% as of December 31, 2020 and 2019. The maturity years are from 2023 to 2028 and 2020 to 2028.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (iv) For details on the Company's trust financial assets as of December 31, 2020 and 2019, please refer to Note 9(c).
- (v) For details on the Company's financial assets pledged as collateral as of December 31, 2020 and 2019, please refer to Note 8.
- (vi) Sensitivity analysis-equity price risk

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

	For the Years Ended December 31			
	2020		2019	
	Other comprehensive income, net of tax	Post-tax profit or loss	Other comprehensive income, net of tax	Post-tax profit or loss
Securities price on the reporting date				
10% increase	\$ 483,433	-	178,323	6,400
10% decrease	\$ (483,433)	-	(178,323)	(6,400)

- (c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable – from operation	\$ 4,198	777
Accounts receivable – measured at amortized cost	9,323,842	8,902,832
Less: loss allowance	(64,279)	(61,046)
Unrealized interest income	(738,442)	(735,754)
	\$ 8,525,319	8,106,809

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

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Allowance for lifetime expected credit losses
Current (Note)	\$ 9,262,014	0.00%~0.27%	745
31 to 90 days past due	5,647	34.76%~76.88%	3,417
91 to 180 days past due	4,043	93.18%~96.66%	3,855
181 to 270 days past due	3,462	97.23%~98.28%	3,388
More than 270 days past due	52,874	100.00%	52,874
Total	\$ 9,328,040		64,279

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Allowance for lifetime expected credit losses
Current (Note)	\$ 8,847,843	0.00%~0.58%	6,840
31 to 90 days past due	4,915	72.58%	3,567
91 to 180 days past due	2,319	93.89%	2,177
181 to 270 days past due	1,798	96.15%	1,728
More than 270 days past due	46,734	100.00%	46,734
Total	<u>\$ 8,903,609</u>		<u>61,046</u>

Note: As of December 31, 2020 and 2019, the accounts receivable including accounts receivable not overdue amounted to NT\$ 7,847,795 thousand, and NT\$ 7,663,542 thousand, respectively.

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

	For the Years Ended December 31	
	2020	2019
Beginning balance	\$ 61,046	45,051
Impairment losses recognized	4,451	16,491
Write-offs of uncollectible amount for the period	(1,218)	(496)
Ending balance	<u>\$ 64,279</u>	<u>61,046</u>

(d) Inventories

	December 31, 2020	December 31, 2019
Residential and building for sale	\$ 30,426	85,791
Columbarium and cemetery for sale	2,393,333	2,476,402
Land held for construction site	4,606,498	4,602,343
Residential and building under construction	84,066	-
Columbarium and cemetery under construction	6,105,159	5,826,686
Expected to be collected after more than 12 months	<u>\$ 13,219,482</u>	<u>12,991,222</u>
	<u>\$ 13,197,564</u>	<u>12,965,073</u>

- (i) For both 2020 and 2019, the capitalization of interest recognized by the Company for residential and commercial buildings, columbariums, and cemeteries under construction amounted to NT\$ 0.
- (ii) A portion of the land of the Company (hereafter referred to as “the Principal”) were registered by the trustee’s name in order to deal with the purchase of the land. The two sides entered into the contract, whereby after the completion of land assembly, the ownership shall be transferred to the Company unconditionally. The trustee shall, at the same time, hand over the documents required for the transfer of the right to the Principal. In addition, the entrusted shall hand over to the Principal an issued promissory note with the same value of the land registered under his/her name; please refer to Note 7 for details.

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iii) For inventory pledged as collateral as of December 31, 2020 and 2019 by the Company, please refer to Note 8.

(e) Non-current Assets Held for Sale

	December 31, 2020
Land held for sale	\$ 77,348
Houses and buildings held for sale	<u>27,891</u>
	<u><u>\$ 105,239</u></u>

- (i) During 2020, the Company disposed of a portion of its investment properties, which was not impaired after being measured at the lower of carrying amount and the fair value less costs to sell; therefore, those assets were recognized as assets held for sale at their carrying amounts.
- (ii) The 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 in January 2019. A net disposal profit of NT\$ 246,053 thousand was recognized in the line item of operating revenue; please refer to Note 6(r) for details.
- (iii) The Company sold the non-current asset held for sale in Taipei Pacific Commercial Building on May 13, 2019, and completed the ownership transfer in August and October 2019. Consequently, a net gain on disposal of some floors therein, amounting to NT\$ 567,153 thousand, was presented within operating revenue; please refer to Note 6(r) for details.
- (iv) The Company sold the non-current asset held for sale at 2nd Sec., Neihu, Taipei on July 24, 2019, and the ownership was transferred in October 2019. The gain on disposal of NT\$ 20,961 thousand was recognized as operating revenue; please refer to Note 6(r) for details.

(f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	December 31, 2020	December 31, 2019
Subsidiary	\$ 2,952,881	2,778,056
Associates	<u>507,376</u>	<u>29,520</u>
	<u><u>\$ 3,460,257</u></u>	<u><u>2,807,576</u></u>

(i) Subsidiaries

- 1) Please refer to the consolidated financial statements for the year ended December 31, 2020.
- 2) In December 2020 and October 2019, the Company increased capital contribution to Sea Dragon Traders Ltd. (BVI), a subsidiary, by respectively US\$ 1.3 million (NT\$ 37,471 thousand) and US\$ 15 million (NT\$ 46,563 thousand), after which the ownership percentage remained unchanged.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- 3) Singapore Lungyen Life Service has been under clearance process since June 2019 and received the approval from the authorities in October 2019.
 - 4) Lung An Company Limited was dissolved after a short-form merger with the Company on April 1, 2019.
- (ii) Associates
- 1) On July 27, 2020, the Company acquired 30.93% of ownership in The Law Co., Ltd. at a price of NT\$ 420,426 thousand, thereby obtaining significant control over The Law Co., Ltd..
 - 2) Associates material to the Company were as follows:

Associates investor	the Company Principal activity	Main businesses Country in which the company is registered	Percentage of ownership interest	
			December 31, 2020	December 31, 2019
Lung Ting Life Sciences Co., Ltd.	Flower cultivation, wholesales, and retail business	Taiwan	- %	- %

Note: The Company disposed of 49% of ownership in Lung Ting Life Services on August 13, 2019 and lost significant influence over the affiliate. The disposal amount of transaction was NT\$ 231,912 thousand, and the disposal profit of NT\$ 2,708 thousand was presented within “non-operating income and expenses” in the statement of comprehensive income; please refer to Note 6(u) and 7 for details.

- (iii) The Company's financial information on individually insignificant associates accounted for using the equity method that was included in the non-consolidated financial statements was as follows:

	December 31, 2020	December 31, 2019
The carrying amount of the equity interests in all individually insignificant joint ventures	\$ <u><u>507,376</u></u>	\$ <u><u>29,520</u></u>
<hr/>		
	For the Years Ended December 31	
	2020	2019
Attributable to the Company:		
Profit from continuing operation for the year	\$ 58,812	398
Other comprehensive income	(4)	-
Total comprehensive income	\$ <u><u>58,808</u></u>	\$ <u><u>398</u></u>

- (iv) As of December 31, 2020 and 2019, none of the investments accounted for using the equity method had been pledged as collateral.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for 2020 and 2019 were detailed as follows:

	<u>Land</u>	<u>Buildings and improvements</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Lease assets and improvements</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Cost or deemed cost:								
Balance on January 1, 2020	\$ 2,374,291	2,747,784	106,162	53,338	1,078	184,348	1,249,458	6,716,459
Additions	324	2,261	5,406	224	-	14,564	511,103	533,882
Disposal and write-offs	-	-	(10,143)	(633)	-	(1,212)	-	(11,988)
Transferred from (to) unfinished construction	882,293	1,466	24,361	-	-	-	(908,120)	-
Transferred to investment property	(223,340)	(145,833)	-	-	-	(881)	-	(370,054)
Reclassification	-	-	-	-	-	-	(3,953)	(3,953)
Balance on December 31, 2020	\$ 3,033,568	2,605,678	125,786	52,929	1,078	196,819	848,488	6,864,346
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 write-offs	-	-	(21,814)	(2,687)	-	(4,695)	-	(29,196)
Acquired through short-form merger	-	2,547	500	-	-	1,903	1,055	6,005
Transferred from (to) unfinished construction	-	17,293	-	-	-	2,872	(20,165)	-
Transferred to investment property	-	-	-	-	-	-	(1,505)	(1,505)
Reclassifications	-	-	-	-	-	-	(1,281)	(1,281)
Balance on December 31, 2019	\$ 2,374,291	2,747,784	106,162	53,338	1,078	184,348	1,249,458	6,716,459
Depreciation and impairment losses:								
Balance on January 1, 2020	\$ -	568,075	58,475	51,900	1,022	83,283	-	762,755
Depreciation for the year	-	64,602	13,406	418	38	19,074	-	97,538
Disposal and write-offs	-	-	(10,143)	(633)	-	(1,200)	-	(11,976)
Transferred to investment property	-	(22,725)	-	-	-	(415)	-	(23,140)
Balance on December 31, 2020	\$ -	609,952	61,738	51,685	1,060	100,742	-	825,177
Balance on January 1, 2019	\$ -	500,939	73,878	54,111	985	68,779	-	698,692
Depreciation for the year	-	66,902	6,307	476	37	18,586	-	92,308
Disposal and write-offs	-	-	(21,814)	(2,687)	-	(4,572)	-	(29,073)
Acquired through short-form merger	-	234	104	-	-	490	-	828
Balance on December 31, 2019	\$ -	568,075	58,475	51,900	1,022	83,283	-	762,755
Book value:								
Balance on December 31, 2020	\$ 3,033,568	1,995,726	64,048	1,244	18	96,077	848,488	6,039,169
Balance on January 1, 2019	\$ 2,374,291	2,213,603	18,423	1,914	93	106,721	964,358	5,679,403
Balance on December 31, 2019	\$ 2,374,291	2,179,709	47,687	1,438	56	101,065	1,249,458	5,953,704

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (i) 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 agreed to have the land ownership transferred back to the Principal unconditionally upon the completion of land consolidation. The Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and have them delivered to the Principal for recording purpose. In addition, a promissory note issued by the trustee for an amount equivalent to the land value shall be delivered to the Principal for records, please refer to Note 7.
 - (ii) For inventory pledged as collateral for line of credit as of December 31, 2020 and 2019, please refer to Note 8.
 - (iii) For the portion of the trust property, plant, and equipment as of December 31, 2020 and 2019, please refer to Note 9(c).
 - (iv) In 2020, the Company elected to lease out one building previously used as business premises to a third party, and transferred the property to investment property according to its cost and accumulated depreciation upon the change of use; please refer to Note 6(i) for details.
- (h) Right-of-use assets

The movements in cost, depreciation, and impairment loss of leased land, buildings, and transportation equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2020	\$ 574	29,894	21,323	<u>51,791</u>
Balance on December 31, 2020	<u>\$ 574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Balance on January 1, 2019	\$ 574	29,894	21,323	<u>51,791</u>
Balance on December 31, 2019	<u>\$ 574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2020	\$ 236	9,051	4,186	13,473
Depreciation for the year	<u>236</u>	<u>9,076</u>	<u>4,186</u>	<u>13,498</u>
Balance on December 31, 2020	<u>\$ 472</u>	<u>18,127</u>	<u>8,372</u>	<u>26,971</u>
Balance on January 1, 2019	\$ -	-	-	-
Depreciation for the year	<u>236</u>	<u>9,051</u>	<u>4,186</u>	<u>13,473</u>
Balance on December 31, 2019	<u>\$ 236</u>	<u>9,051</u>	<u>4,186</u>	<u>13,473</u>
Book value:				
Balance on December 31, 2020	<u>\$ 102</u>	<u>11,767</u>	<u>12,951</u>	<u>24,820</u>
Balance on January 1, 2019	<u>\$ 574</u>	<u>29,894</u>	<u>21,323</u>	<u>51,791</u>
Balance on December 31, 2019	<u>\$ 338</u>	<u>20,843</u>	<u>17,137</u>	<u>38,318</u>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(i) Investment property

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

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

	Owner-occupied assets		
	Land and improvements	Buildings and improvements	Total
Cost or deemed cost:			
Balance on January 1, 2020	\$ 3,244,544	1,017,532	4,262,076
Additions	-	5,762	5,762
Disposal	(24,630)	(18,827)	(43,457)
Transferred from property, plant and equipment	223,340	146,714	370,054
Reclassified to assets held for sale	<u>(77,348)</u>	<u>(40,510)</u>	<u>(117,858)</u>
Balance on December 31, 2020	<u>\$ 3,365,906</u>	<u>1,110,671</u>	<u>4,476,577</u>
Balance on January 1, 2019	\$ 3,251,185	1,015,673	4,266,858
Additions	-	1,010	1,010
Transferred from property, plant and equipment	-	1,505	1,505
Reclassified to assets held for sale	<u>(6,641)</u>	<u>(656)</u>	<u>(7,297)</u>
Balance on December 31, 2019	<u>\$ 3,244,544</u>	<u>1,017,532</u>	<u>4,262,076</u>
Depreciation and impairment losses:			
Balance on January 1, 2020	\$ 19,001	385,376	404,377
Depreciation for the year	-	25,496	25,496
Disposal	-	(9,455)	(9,455)
Transferred from property, plant and equipment	-	23,140	23,140
Reclassified to assets held for sale	<u>-</u>	<u>(12,619)</u>	<u>(12,619)</u>
Balance on December 31, 2020	<u>\$ 19,001</u>	<u>411,938</u>	<u>430,939</u>
Balance on January 1, 2019	\$ 19,001	361,119	380,120
Depreciation for the year	-	24,551	24,551
Reclassified to assets held for sale	<u>-</u>	<u>(294)</u>	<u>(294)</u>
Balance on December 31, 2019	<u>\$ 19,001</u>	<u>385,376</u>	<u>404,377</u>
Carrying amount:			
Balance on December 31, 2020	<u>\$ 3,346,905</u>	<u>698,733</u>	<u>4,045,638</u>
Balance on January 1, 2019	<u>\$ 3,232,184</u>	<u>654,554</u>	<u>3,886,738</u>
Balance on December 31, 2019	<u>\$ 3,225,543</u>	<u>632,156</u>	<u>3,857,699</u>
Fair value:			
Balance on December 31, 2020			<u>\$ 5,896,756</u>
Balance on December 31, 2019			<u>\$ 7,163,206</u>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (i) Investment property comprises a number of commercial properties that are leased to third parties. Please refer to Note 6(m) for details.
 - (ii) The fair value of the investment property is assessed based on the transaction price of property in the vicinity.
 - (iii) During 2018 and 2019, the Company's Board of Directors' resolved to sell a portion of its investment property; therefore, land, buildings and improvements were reclassified as non-current assets held for sale. Please refer to Note 6(e) for details.
 - (iv) As the Neihu office was no longer in use, the Company decided to lease out the office, which was transferred from property, plant and equipment to investment property, please refer to Note 6(g).
 - (v) For details on trust property, plant, and equipment as of December 31, 2020 and 2019, please refer to Note 9(c).
 - (vi) For details on inventory pledged as collateral for line of credit as of December 31, 2020 and 2019, please refer to Note 8.
- (j) Intangible assets

The costs, amortization, and impairment loss of intangible assets of the Company for 2020 and 2019 were as follows:

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Computer software</u>	<u>Development royalties</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 542,428	192,750	140,565	5,560	881,303
Additions	-	-	4,821	-	4,821
Balance on December 31, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>145,386</u>	<u>5,560</u>	<u>886,124</u>
Balance on January 1, 2019	\$ 542,428	192,750	133,453	-	868,631
Additions	-	-	7,370	5,560	12,930
Reclassifications	-	-	(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>
Amortization and impairment losses:					
Balance on January 1, 2020	\$ -	-	125,366	-	125,366
Amortization for the period	-	-	12,637	-	12,637
Balance on December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>138,003</u>	<u>-</u>	<u>138,003</u>
Balance on January 1, 2019	\$ -	-	109,266	-	109,266
Amortization for the period	-	-	16,100	-	16,100
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>125,366</u>	<u>-</u>	<u>125,366</u>
Book value:					
Balance on December 31, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>7,383</u>	<u>5,560</u>	<u>748,121</u>
Balance on January 1, 2019	<u>\$ 542,428</u>	<u>192,750</u>	<u>24,187</u>	<u>-</u>	<u>759,365</u>
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>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (i) The amortization expenses of intangible assets were recognized in the following line items of the statement comprehensive income:

	<u>For the Years Ended December 31</u>	
	2020	2019
Operating expenses	\$ <u>12,637</u>	<u>16,100</u>

- (ii) The Company entered into the investment contract with the Kaohsiung City Government in July 2018 for “the construction and operation of the funeral home located in Dingjin Section, Sanmin District, Kaohsiung City”. The operation period is 20 years and a development royalty of NT\$ 5,560 thousand shall be paid upon the commencement of the construction.
- (iii) The Company carried out annually impairment assessment of goodwill and trademark rights, and no impairment loss on goodwill and trademark rights had been recognized as of 31 December 2020 and 2019. A summary of the key assumptions used in the calculation of the recoverable amount is provided below:
- 1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years.
 - 2) Pretax discount rate used in calculating the value in use was determined from weighted-average cost of capital (WACC) of the Company.
- (k) Other current financial assets

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

	December 31, 2020	December 31, 2019
Time deposit more than three months	\$ 88,177	690,000
Time deposit—trust account	427,620	130,000
Demand deposits—trust account	122,893	860,038
Demand deposits—management fee account	891,738	889,271
Other receivables	39,951	13,124
Interest receivable on bonds	19,176	25,044
Dividends receivable	3,557	-
Restricted assets	358	358
Others	6,730	7,121
Total	<u>\$ 1,600,200</u>	<u>2,614,956</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(I) Bonds payable

The Company's bonds payable were as follows:

	December 31, 2020	December 31, 2019
Unsecured convertible corporate bonds	\$ -	3,243,019
Less: current portion	- <hr/>	(3,243,019) <hr/>
	<hr/> <hr/>	<hr/> <hr/>
Equity components—conversion option (recognized as capital surplus)	<hr/> <hr/> \$ -	<hr/> <hr/> 9,961

The above corporate bonds payable were due on April 9, 2020, and the repayment, calculated as the principal amount plus interest, had been made by the Company.

As of April 2017, the key rights and obligations of the unsecured convertible bonds issued by the Company were as follows:

Item	Content
Total amount	The amount of the issued shares totaled NT\$ 3,113 million with a par value of NT\$ 100 thousand, and the actual issue price of the domestic private convertible corporate bond was NT\$ 100 thousand.
Coupon rate	0%
Duration	The issuance date was April 10, 2017, and the issuance period was three years.
Method of repayment	In addition to cancellation of the convertible corporate debt, the issuing entity will repay the principal with 104.5% par value of the bond on the maturity date.
Conversion price	NT\$ 56.50 per share
Conversion period	Holders are entitled to request the conversion of the corporate bond into ordinary shares in the Company at any time after one month of the issuance date of the private convertible bond (May 11, 2017) until the expiry date (March 31, 2020), except for the following periods: the period starting from 15 business days prior to the book closure date for issuance of bonus shares, cash dividends, and cash capital increase, to the record date of right/benefit distribution; the period between the record date of merger or consolidation and 15 business days before the date; the period from the record date of capital reduction to one day before the reissuance of the trading of shares after the capital reduction; and the period wherein the transfer of the Company's common stock is suspended.
Others	No right of redemption, put option, and reset.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(m) Operating lease

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

	December 31, 2020	December 31, 2019
Less than one year	\$ 171,835	171,036
Between one and five years	632,279	617,026
Over five years	<u>1,263,711</u>	<u>1,390,552</u>
	\$ 2,067,825	2,178,614

For the years ended December 31, 2020 and 2019, the rent income generated from real estate amounted to NT\$ 166,818 thousand and NT\$ 172,882 thousand, respectively. Expenses of tax and depreciation arising from investment property (presented within “operating costs”) were as follows:

	For the Years Ended December 31	
	2020	2019
Income generating property	\$ 58,168	65,974
Vacant property	-	-
	\$ 58,168	65,974

(n) Employee benefits

(i) Defined benefit plans

The reconciliation of defined benefit obligations at present value and plan assets at fair value was as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 41,660	40,990
Fair value of plan assets	<u>(20,642)</u>	<u>(8,389)</u>
Net defined benefit liabilities	\$ 21,018	32,601

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan, which provides pensions for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

1) Composition of plan assets

Pursuant to the ROC Labor Standards Act, the Company contributes an amount based on a certain percentage of employees' total salaries and wages paid every month to its pension fund (the "Fund"), which is administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan committee (the "Committee") and deposited in the Committee's name with Bank of Taiwan. Under the ROC Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum return on the plan assets should not be lower than the average interest rate on two-year time deposits published by the local banks. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

As of the years ended December 31, 2020 and 2019, the Company's contributions to the pension funds were deposited with Bank of Taiwan, and the balance had amounted to NT\$ 20,642 thousand, and NT\$ 8,389 thousand, respectively. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Defined benefit obligations at January 1	\$ 40,990	38,665
Current service cost and interest	444	513
Remeasurement loss (gain):		
– Actuarial loss (gain) arising from experience adjustments	(1,678)	567
– Actuarial gains and losses arising from changes in demographic assumptions	4	65
– Actuarial gains and losses arising from changes in financial assumptions	1,900	1,180
Defined benefit obligations at December 31	<u>\$ 41,660</u>	<u>40,990</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

3) Movements in fair value of the plan assets

The movements in the fair value of the defined benefit plan assets for 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Fair value of plan assets at January 1	\$ 8,389	7,979
Interest income	63	77
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets (excluding interest income)	324	284
Contribution paid by the employer	<u>11,866</u>	<u>49</u>
Fair value of plan assets at December 31	<u><u>\$ 20,642</u></u>	<u><u>8,389</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized for the years ended December 31, 2020 and 2019 were as follows:

	For the Years Ended December 31	
	2020	2019
Current and past service cost	\$ 139	130
Net interest of net liabilities for defined benefit obligations	<u>242</u>	<u>306</u>
	<u><u>\$ 381</u></u>	<u><u>436</u></u>
Operating expenses	<u><u>\$ 381</u></u>	<u><u>436</u></u>

5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement values of net defined benefit liabilities (assets), presented within other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	For the Years Ended December 31	
	2020	2019
Cumulative amount at January 1	\$ (9,922)	(8,394)
Recognized for the period	<u>98</u>	<u>(1,528)</u>
Cumulative amount at December 31	<u><u>\$ (9,824)</u></u>	<u><u>(9,922)</u></u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions on the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.35 %	0.75 %
Increasing rate of future compensation levels	2.00 %	2.00 %

The expected contribution to be made by the Company to the defined benefit plans within one year after the reporting date is NT\$ 732 thousand.

The weighted-average duration of the defined benefit plan is 11 years.

7) Sensitivity Analysis

As of December 31, 2020 and 2019, the changes in main actuarial assumptions might have the following impact on the present value of the defined benefit obligation:

	Impact on the defined benefit obligations	
	0.25% increase	0.25% decrease
December 31, 2020		
Discount rate (0.25% change)	\$ (1,202)	1,251
Future salary increase rate (0.25% change)	1,228	(1,186)
December 31, 2019		
Discount rate (0.25% change)	(1,183)	1,231
Future salary increase rate (0.25% change)	1,213	(1,172)

The sensitivity analysis above assumed all other assumptions remained constant during the measurement. In practice, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis was consistent with the calculation of the defined benefit liabilities on the balance sheet.

The approach and assumptions used for current sensitivity analysis were the same as those of the prior period.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

The Company's pension costs under the defined contribution method for 2020 and 2019 amounted to NT\$ 18,355 thousand and NT\$ 18,789 thousand, respectively. Payments to the Bureau of Labor Insurance have been made.

(o) Income taxes

(i) Income tax expense

The components of income tax expense for the years ended 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Current income tax expense:		
Current period	\$ 92,158	58,536
Land value increment tax	3,405	74,115
5% additional tax on undistributed earnings	234,726	89,777
Adjustment for prior periods	<u>(59,273)</u>	<u>(24,718)</u>
	<u>271,016</u>	<u>197,710</u>
Deferred tax expense		
Origination and reversal of temporary differences	50,962	23,395
Income tax expense	<u>\$ 321,978</u>	<u>221,105</u>

(ii) The amounts of income tax expense (gains), recognized in other comprehensive income for 2020 and 2019, were as follows:

	For the Year Ended December 31	
	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	\$ (41,945)	164,770
Income tax (benefit) expense (presented within retained earnings)	<u>\$ (41,945)</u>	<u>164,770</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iii) Reconciliation of income tax expense and profit before tax for 2020 and 2019 was as follows:

	For the Years Ended December 31	
	2020	2019
Profit before income tax	\$ 1,566,540	2,523,976
Income tax using the Company's domestic tax rate	313,308	504,795
Non-taxable and dividend income	(101,267)	(342,408)
Profit (loss) on investments accounted for using equity method	(39,239)	(9,952)
Land value increment tax	3,405	74,115
Write-downs of advance on temporary management fee to the original amount	3,711	1,554
5% additional tax on undistributed earnings	234,726	89,777
Adjustment for prior periods	(59,273)	(24,718)
Valuation gains on financial assets	(11,076)	(15,016)
Others	(22,317)	(45,434)
Unrecognized carry forward of unused tax losses	-	(11,608)
	\$ 321,978	221,105

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company had the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Related amounts were as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investment in subsidiaries	\$ (86,465)	(65,122)
Unrecognized amounts of deferred tax assets and liabilities	\$ (17,293)	(13,024)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

2) Recognized deferred income tax assets and liabilities

Changes in deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax liabilities:

	Amortization of goodwill and trademarks	Others	Total
January 1, 2020	\$ -	<u>3,665</u>	<u>3,665</u>
December 31, 2020	\$ -	<u>3,665</u>	<u>3,665</u>
January 1, 2019	\$ 12,454	3,665	16,119
Debit (credit) on income statement	(12,454)	-	(12,454)
December 31, 2019	\$ -	<u>3,665</u>	<u>3,665</u>

Deferred income tax assets:

	Cemetery	Contract	Others	Total
January 1, 2020	\$ 590,998	113,099	114,068	818,165
(Debit) credit on income statement	(11,429)	(4,147)	(35,386)	(50,962)
December 31, 2020	<u>\$ 579,569</u>	<u>108,952</u>	<u>78,682</u>	<u>767,203</u>
January 1, 2019	\$ 611,276	120,366	122,372	854,014
(Debit) credit on income statement	(20,278)	(7,267)	(8,304)	(35,849)
December 31, 2019	<u>\$ 590,998</u>	<u>113,099</u>	<u>114,068</u>	<u>818,165</u>

(v) The Company's income tax returns for the years as of 2018 have been approved by the R.O.C. tax authorities.

(p) Capital and other equity interests

As of both December 31, 2020 and 2019, the Company's authorized share capital comprised 600,000 thousand shares with a par value of NT\$ 10 per share, amounting to NT\$ 6,000,000 thousand. The total number of issued shares were 420,084 thousand ordinary shares.

(i) Issuance of ordinary shares

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

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

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

(ii) Capital surplus

The components of the Company's capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 2,486,172	2,486,172
Difference between consideration and carrying amount of subsidiaries disposed of	20,972	20,972
Changes in ownership interests in subsidiaries	2,849	2,849
Share option –convertible bonds issued	-	9,961
Lapsed stock options	9,961	-
Total	<u>\$ 2,519,954</u>	<u>2,519,954</u>

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

(iii) Retained earnings

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

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

1) Legal reserve

When a company incurs no loss and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may, pursuant to a resolution reached in a shareholders' meeting, be used to increase the common stock or be distributed as cash dividends.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

2) Special reserve

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

3) Earnings distribution

On May 29, 2020 and May 31, 2019, the appropriation of the earnings for 2019 and 2018 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the Years Ended December 31			
	2019		2018	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.00	<u>1,260,253</u>	3.00	<u>1,260,253</u>

(iv) Other equity interests

	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total
	Exchange differences on translation of foreign financial statements	
Balance on January 1, 2020	\$ (54,543)	(102,153)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	500,548
Share of exchange differences on subsidiaries, associates, and joint ventures under equity method	2,736	2,736
Share of unrealized gains (losses) on financial assets at FVOCI of equity-accounted subsidiaries, associates, and joint ventures	-	407
Disposal of investments in equity instruments at fair value through other comprehensive income	-	(47,164)
– the Company	-	(47,164)
– Subsidiary	-	(1,206)
Balance on December 31, 2020	<u>\$ (51,807)</u>	<u>350,432</u>
		<u>298,625</u>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (24,815)	713,268	688,453
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	2,606,505	2,606,505
Gain (loss) on disposal of foreign operations reclassified to profit or loss	377	-	377
Share of exchange differences on subsidiaries, associates, and joint ventures under equity method	(30,105)	-	(30,105)
Share of unrealized gains (losses) on financial assets at FVOCI of equity-accounted subsidiaries, associates, and joint ventures	-	4,022	4,022
Disposal of investments in equity instruments at fair value through other comprehensive income			
– the Company	-	(3,425,948)	(3,425,948)
Balance on December 31, 2019	<u>\$ (54,543)</u>	<u>(102,153)</u>	<u>(156,696)</u>

(q) Earnings per share

For the years ended December 31, 2020 and 2019, the Company's basic and diluted earnings per share were calculated as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit attributable to ordinary equity holders	<u>\$ 1,244,562</u>	<u>2,302,871</u>
Weighted-average number of ordinary shares outstanding	<u>420,084</u>	<u>420,084</u>
	<u>\$ 2.96</u>	<u>5.48</u>
Diluted earnings per share		
Profit attributable to the Company	\$ 1,244,562	2,302,871
Effect of dilutive potential ordinary shares		
Convertible bonds	8,053	41,682
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	<u>\$ 1,252,615</u>	<u>2,344,553</u>
Weighted-average number of ordinary shares outstanding	420,084	420,084
Effect of dilutive potential ordinary shares		
Effect of employee stock bonus	369	470
Effect of the conversion of convertible bonds	15,054	55,097
Weighted-average number of ordinary shares outstanding (after adjusting the effect of dilutive potential ordinary share)	<u>\$ 435,507</u>	<u>475,651</u>
	<u>\$ 2.88</u>	<u>4.93</u>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(r) Revenue from contracts with customer

(i) Disaggregation of revenue

	For the Year Ended December 31, 2020					
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction revenue (Note)	Total
Primary geographical markets:						
Taiwan	\$ 1,035,947	1,658,806	166,818	130,278	134,384	3,126,233
Timing of revenue recognition:						
Products or services transferred at a point in time	\$ 1,035,947	1,658,806	166,818	130,278	134,384	3,126,233

Note: Net gain on disposal of investment property of NT\$ 22,486 thousand calculated as the proceeds of NT\$ 56,488 thousand less related costs and expenses of NT\$ 34,002 thousand, and the proceeds from selling real estate held for sale of NT\$ 111,898 thousand.

	For the Year Ended December 31, 2019					
	Sale of columbarium and cemetery products	Funeral services	Property lease	Cemetery operation and others	Construction revenue (Note)	Total
Primary geographical markets:						
Taiwan	\$ 1,208,304	1,601,340	172,882	137,277	907,394	4,027,197
Timing of revenue recognition						
Products or services transferred at a point in time	\$ 1,208,304	1,601,340	172,882	137,277	907,394	4,027,197

Note: Net gain on disposal of investment property of NT\$ 834,167 thousand calculated as the proceeds of NT\$ 3,432,014 thousand less related costs and expenses of NT\$ 2,597,847 thousand, and the proceeds from selling real estate held for sale of NT\$ 73,227 thousand.

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts and notes receivable	\$ 9,328,040	8,903,609	8,901,609
Unrealized interest income	(64,279)	(61,046)	(45,051)
	<u>(738,442)</u>	<u>(735,754)</u>	<u>(729,486)</u>
Total	<u><u>\$ 8,525,319</u></u>	<u><u>8,106,809</u></u>	<u><u>8,127,072</u></u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities—presale of columbariums and cemetery products, and funeral service contracts	<u>\$ 39,934,515</u>	<u>38,566,937</u>	<u>37,522,150</u>
Contract liabilities—advance real estate receipts	<u>\$ 12,477</u>	<u>41,269</u>	<u>-</u>

For disclosure of notes and accounts receivable, and the impairment thereof, please refer to Note 6(c).

For 2020 and 2019, the opening balance of contract liabilities recognized as revenue amounted to NT\$ 2,106,830 thousand and NT\$ 2,295,910 thousand, respectively.

Contract liabilities are mainly the received advance on cemetery and columbarium products, and preneed funeral contracts that have not been completed or performed, which will be transferred to revenue upon completion of construction or performance of obligations.

(s) Compensation to employees and directors

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

For 2020 and 2019, the Company estimated its employee compensation at respectively NT\$ 16,150 thousand and NT\$ 26,020 thousand, and director compensation at respectively NT\$ 32,300 thousand and NT\$ 52,040 thousand. The estimates recognized as operating costs or operating expense were based on the profit before tax of each respective ending period before deducting the amount of the employee and director compensation, multiplied by the percentage of employee and director compensation as specified in the Company's Articles of Incorporation. Related information is available on the website of the Market Observation Post System.

There is no difference between distributed amount of employee and director compensation and the estimates disclosed in the non-consolidated financial statement for 2019.

(t) Net other income (expenses)

The Company's net other income and expenses are detailed as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest income	\$ 154,601	166,779
Selling expenses	(34,236)	(37,758)
Management fee income	104,208	118,766
Management fee expense	<u>(104,208)</u>	<u>(118,766)</u>
	<u>\$ 120,365</u>	<u>129,021</u>

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(u) Non-operating income and expense

(i) Interest income

The details of the Company's interest income were as follows:

	For the Year Ended December 31	
	2020	2019
Interest income from bank deposits	\$ 3,525	5,322
Other interest income	282	6,333
Interest income from financial assets	<u>84,772</u>	<u>87,223</u>
	<u>88,579</u>	<u>98,878</u>

(ii) Other income

The details of the Company's other income were as follows:

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 125,975	327,869
Service fee income	7,613	8,180
Income from fines and penalties	35,377	71,842
Other income	<u>87,566</u>	<u>86,166</u>
	<u>256,531</u>	<u>494,057</u>

(iii) Other gains and losses

The details of the Company's other gains and losses were as follows:

	For the Year Ended December 31	
	2020	2019
Foreign exchange loss	\$ (98,240)	(41,192)
Net profit from financial assets or liabilities at fair value through profit or loss	55,380	75,080
Loss on disposal of financial assets at fair value through other comprehensive income—debt instrument	24,064	3,444
Disposal of long-term investment	-	2,331
Gains on disposal of property, plant, and equipment	83	2,534
Other expenses	<u>(412)</u>	<u>(928)</u>
	<u>(19,125)</u>	<u>41,269</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iv) Finance costs

The Company's finance costs are detailed as follows:

	For the Year Ended December 31	
	2020	2019
Interest expense	\$ 12,420	17,560
Discount amortization of corporate bonds	10,066	52,103
	\$ 22,486	69,663

(v) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss	\$ 5,096,909	9,686,443
Financial assets at fair value through other comprehensive income	7,115,528	4,453,495
Financial assets at amortized cost	1,228,727	1,463,240
Financial assets at amortized cost (loans and receivables)		
Cash and cash equivalents	45,220	147,352
Notes and accounts receivable	8,525,319	8,106,809
Other financial assets (including current and non-current)	1,643,539	2,662,991
Subtotal	10,214,078	10,917,152
Total	\$ 23,655,242	26,520,330

2) Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Notes and accounts payable and other payables	\$ 1,195,035	1,234,036
Corporate bonds payable (including current portion)	-	3,243,019
Lease liabilities	24,820	38,318
Guarantee deposits received	44,584	44,135
Total	\$ 1,264,439	4,559,508

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(ii) Credit risks

1) Exposure to credit risk

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

2) Concentration of credit risk

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

3) Credit risk of receivables and debt securities

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

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

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

Changes in loss allowance as of December 31, 2020 and 2019 were as follows

	Other receivables
Balance on January 1, 2020	\$ 18,302
Write-offs of uncollectible amount for the period	<u>(1,072)</u>
Balance on December 31, 2020	<u><u>\$ 17,230</u></u>
Balance on January 1, 2019	\$ 18,302
Impairment losses recognized	<u>-</u>
Balance on December 31, 2019	<u><u>\$ 18,302</u></u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iii) Liquidity risk

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

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>6 months 1 year</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Balance on December 31, 2020							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 1,239,619	1,239,619	1,239,619	-	-	-	-
Lease liabilities	24,820	24,820	6,749	6,749	11,322	-	-
	<u>\$ 1,264,439</u>	<u>1,264,439</u>	<u>1,246,368</u>	<u>6,749</u>	<u>11,322</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2019							
Non-derivative financial liabilities							
Fixed-rate instrument	\$ 3,243,019	3,243,019	3,243,019	-	-	-	-
Non-interest-bearing liabilities	1,278,171	1,278,171	1,278,171	-	-	-	-
Lease liabilities	38,318	38,318	6,749	6,749	13,498	11,322	-
	<u>\$ 4,559,508</u>	<u>4,559,508</u>	<u>4,527,939</u>	<u>6,749</u>	<u>13,498</u>	<u>11,322</u>	<u>-</u>

The Company is not expecting the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to currency risk

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

	December 31, 2020			December 31, 2019		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
<u>Monetary items</u>						
CNY/USD	\$ 15,688	4.320	67,776	18,409	4.294	79,055
USD/TWD	48,775	28.508	1,390,481	47,670	30.106	1,435,156
JPY/TWD	18,545	0.272	5,043	100,670	0.276	27,795
HKD/TWD	1,919	3.500	7,004	26,428	3.857	101,921
SGD/TWD	12,143	21.264	258,205	13,725	22.285	305,872
AUD/TWD	18	21.772	390	8,730	21.089	184,100
<u>Non-monetary items</u>						
USD/TWD	74,825	28.508	2,133,111	26,124	30.106	786,494
JPY/TWD	114,400	0.272	31,105	156,160	0.276	43,116
HKD/TWD	35,043	3.650	127,904	180,303	3.857	695,356
SGD/TWD	-	-	-	3,346	22.285	74,571

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

2) Sensitivity analysis

The Company's exchange rate risk comes mainly from translation gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. When the exchange rate of the Company's functional currency against main foreign currency depreciated or appreciated by 2% (the analysis of two periods was conducted using the same basis, assuming all other variables held constant) on December 31, 2020 and 2019, the net income would increase or decrease by NT\$ 40,541 thousand and by NT\$ 47,523 thousand, and the comprehensive income would increase or decrease by NT\$ 39,879 thousand and by NT\$ 27,146 thousand, respectively.

Due to the variety of the Company's functional currencies, the exchange gain or loss on currency items are disclosed in summary. For the year 2020 and 2019, the foreign currency exchange loss amounted to NT\$ 98,240 thousand and NT\$ 41,192 thousand, respectively.

(v) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. During 2020 and 2019, the Company had no borrowings at variable interest.

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	December 31, 2020				
	Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 5,096,909	5,096,909	-	-	5,096,909
Financial assets at fair value through other comprehensive income	7,115,528	7,111,568	-	3,960	7,115,528
Financial assets at amortized cost	1,228,727	1,228,727	-	-	1,228,727
Total	\$ 13,441,164	13,437,204	-	3,960	13,441,164

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

	December 31, 2019				
	Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total
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 cost	<u>1,463,240</u>	<u>1,463,240</u>	<u>-</u>	<u>-</u>	<u>1,463,240</u>
Total	<u>\$15,603,178</u>	<u>15,595,188</u>	<u>-</u>	<u>7,990</u>	<u>15,603,178</u>

There were no transfers between financial assets and liabilities for the years ended December 31, 2020 and 2019.

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

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

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

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

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

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

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

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

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

The categories and nature of the fair value for the Company's financial instruments which without an active market are as below:

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

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income		
	at fair value		
	through other comprehensive income	Bond investments	Total
January 1, 2020	\$ 7,990	-	7,990
Liquidation	(4,030)	-	(4,030)
December 31, 2020	\$ 3,960	-	3,960
January 1, 2019	\$ 7,990	-	7,990
December 31, 2019	\$ 7,990	-	7,990

The aforementioned total gains or losses were classified as "unrealized losses from financial assets at fair value through other comprehensive income". The assets held as of December 31, 2020 and 2019 year were follows:

	For the Year Ended December 31	
	2020	2019
Total gains and losses		
Recognized in other comprehensive income (classified as "unrealized losses from financial assets at fair value through other comprehensive income")	\$ -	-

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

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

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

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Quantified information on significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	· P/B ratio (1.67 and 1.77 as of December 31, 2020 and 2019, respectively)	Ibid.
Financial assets at fair value through other comprehensive income – equity investments without an active market	Net Asset Value Method	· Net asset value	N/A

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

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

	Inputs	Upward or downward movement	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
			Favorable	Unfavorable	Favorable	Unfavorable
Balance on December 31, 2020						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments without active market	P/B ratio	10%	-	-	572	(572)
Balance on December 31, 2019						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	P/B ratio	10%	-	-	745	(745)

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(w) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Company. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk were mainly from receivables due from customers and investments in securities.

1) Accounts receivable and other receivables

Exposure to credit risk of the Company is mainly influenced by the condition of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Company has established an allowance account for bad debts that reflects its estimate of incurred losses in respect of accounts receivables, other receivables, and investment. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

2) Investments

The credit risk exposure for bank deposits, fixed-income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company only deals with banks with good credit rating as well as other external parties, corporate organizations, government agencies and financial institutions above investment grade, contract performance shall not be in significant doubt, hence no significant credit risk.

3) Guarantees

The Company's policy stipulates that financial guarantees shall only be provided for trading counterparties. The Company had not provided any endorsement or guarantee for non-subsidiary entities as of December 31, 2020 and 2019.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's unused line of credit had amounted to NT\$ 3,448,000 thousand and NT\$ 4,558,000 thousand as of December 31, 2020 and 2019, respectively.

(v) 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 manage and control market risk exposures within acceptable range, while optimizing the return on investment.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Company is exposed to currency risk for investment transactions denominated in a currency other than the functional currencies of the Company entities. The primary functional currency of the Company entities is TWD. These transactions are denominated in major currencies of New Taiwan Dollar, Singapore Dollar, U.S. Dollar, Chinese Yuan, and Japanese Yen.

On the principle of natural hedge, the Company hedged exchange rate risk according to capital demand on each currency, the net positions, and the conditions of foreign exchange market.

2) Interest rate risk

The Company's policy is to ensure that the interest rate risk exposure is assessed in accordance with the global economic climate and market rate of interest.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(x) Capital management

The Company sets its objectives for managing capital to sustain the future development of the business, to continue to provide returns to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Group also issues new shares or sell assets to settle any liabilities.

The Company uses the debt-to-capital ratio to manage its capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. Total capital is the entire equity (i.e. capital stock, additional paid-in capital, retained earnings, other equity, and non-controlling equity) plus net debt.

The debt to equity ratio on the reporting date was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 42,601,794	44,350,815
Less: Cash and cash equivalents	<u>(45,220)</u>	<u>(147,352)</u>
Net debts	42,556,574	44,203,463
Total equity	<u>18,924,059</u>	<u>18,435,961</u>
Adjusted capital	<u>\$ 61,480,633</u>	<u>62,639,424</u>
Debt-to-equity ratio	<u>69.22%</u>	<u>70.57%</u>

The Company's capital management method had not changed as of December 31, 2020 and 2019.

(y) Reclassification adjustments of components of other comprehensive income

Details on the reclassification adjustments of other comprehensive income for 2020 and 2019 are summarized as follows:

	For the Years Ended December 31	
	2020	2019
Investment in debt instrument at fair value through other comprehensive income		
Net movements in fair value for the current year	\$ 33,229	69,876
Net movements in fair value reclassified to profit or loss	<u>(24,064)</u>	<u>(3,444)</u>
Net changes in fair value recognized in other comprehensive income	<u>\$ 9,165</u>	<u>66,432</u>

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Name of related party Company
Jin Huang Construction Co., Ltd. (Jin Huang)	Subsidiary
Dahan Property Management Co. (Dahan)	Subsidiary
Yuji Development Corp. (Yuji)	Subsidiary
Sea Dragon Traders Ltd.(BVI) (Sea Dragon)	Subsidiary
Singapore Lungyen Life Service (Singapore Lungyen)	Subsidiary (liquidated and dissolved in October, 2001)
Lung An Company Limited. (Lung An)	Subsidiary (dissolved after a short-form merger with the Company on April 1, 2019.)
Lung Fu Company Limited (Lung Fu)	Sub-subsidiary
Fuyuan International Development Co., Ltd.	Substantive related party
Fe Huei Cp., Ltd.	Substantive related party
Fe Huei Cp., Ltd.	Substantive related party
Xin Wei International Leasing Co., Ltd.	Substantive related party
Other natural persons	Directors, supervisors, and key management personnel of the Company and its associates

(b) Significant transactions with related parties

The transaction prices were determined by bilateral agreement and the receipts of payment were pursuant to the terms specified in the contracts

(i) Purchases from related parties

The Company's purchase amounts from related parties and the outstanding balances were as follows:

	Purchase		Payables to related parties	
	For the Year Ended December 31,			
	2020	2019	December 31, 2020	December 31, 2019
Subsidiary	\$ 12,339	-	-	41,095

The prices of purchases from related parties were determined by bilateral agreement. Payment term was 30 days after acceptance.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(ii) Construction contracts

Name of related party	Project name	Total contract value	Amount recognized for the current period	Accumulated Amount	Unrecognized amount
For the Year Ended December 31, 2020					
Jing Huang Construction	Kaohsiung Gate of the Light Funeral Parlor (BOO)	\$ 1,750	1,750	1,750	-
For the Year Ended December 31, 2019					
Jing Huang Construction	Kaohsiung Gate of the Light Funeral Parlor (BOO)	\$ 123	-	-	123

The contract prices of construction projects outsourced to related parties by the Company were calculated based on project budget, plus reasonable management fees and profit, and were finalized by the authorities concerned.

(iii) Lease

1) As a lessee

The Company leased buildings and offices from other related parties. Upon the Company's initial application of IFRS16 on January 1, 2019 recognized the following right-of-use assets and lease liabilities.

Name of related party	Duration	Interest expense For the Year Ended December 31, 2020	Lease liabilities December 31, 2020
Other related parties	January 31, 2019~ January 31, 2024	\$ 71	6,547
For the Year Ended December 31, 2019			
Name of related party	Duration	Interest expense For the Year Ended December 31, 2019	Lease liabilities December 31, 2019
Other related parties	January 31, 2019~ January 31, 2022	\$ 71	12,591

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

2) As a lessor

The Company leased out office buildings and parking space to related parties, and the rental income for 2019 and 2018 was as follows:

	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 171	247
Other related parties	34	-
	\$ 205	247

The terms of the aforementioned leases were agreed upon by both parties.

(iv) Others

1) Other receivables (recognized as other current financial assets)

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 5,452	8,600

2) Prepayments (recognized as prepayments)

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 8,466	20,805

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

	December 31, 2020	December 31, 2019
Other related parties	\$ 1,070	1,070

Refundable deposit is a deposit made by the Company to one of other related parties to lease a building, which along with imputed interests, had amounted to NT\$ 13 thousand and NT\$ 8 thousand respectively as of December 31, 2020 and 2019.

4) Other current liabilities

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 19,549	21,951

5) Administrative expenses

	For the Year Ended December 31	
	2020	2019
Other related parties	\$ 528	442

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

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(v) Disposal of other assets

The Company sold 25,970 thousand shares in Lung Ting Life Science Co., Ltd. to other related parties at NT\$ 231,912 thousand, all of which had been paid as of December 31, 2019.

(vi) Guarantee

During 2020 and 2019, the endorsement and guarantee provided for subsidiaries and subsubsidiaries by the Company, amounting respectively to NT\$ 4,661 thousand and NT\$ 12,715 thousand, were presented within "other income". For the years ended December 31, 2020 and 2019, the endorsements and guarantees for related parties:

Counterparty	December 31, 2020		December 31, 2019	
	Guarantee credits	Actual Borrowing Amount	Guarantee credits	Actual Borrowing Amount
Subsidiary—Yuji	\$ 300,000	-	300,000	27,000
Sub-subsidiary—Lung Fu	300,000	-	300,000	127,300
Total	<u><u>\$ 600,000</u></u>	<u><u>-</u></u>	<u><u>600,000</u></u>	<u><u>154,300</u></u>

(vii) Trust contract

A portion of the Company's land was entrusted and registered in the name of other related parties as of December 31, 2020 and 2019; please refer to Note 6(d) and 6(g) for details.

(viii) Others

- 1) The Company commissioned one of other related parties to acquire land for construction projects for a total price below NT\$ 376,820 thousand as of December 31, 2020 and 2019. The discretionary trustee is to handle the land integration for construction projects on behalf of the Company.
- 2) In December 2020 and October 2019, the Company increased capital contribution to Sea Dragon Traders Ltd. (BVI), a subsidiary by US\$ 1.3 million (NT\$ 37,471 thousand) and US\$ 15 million (NT\$ 46,563 thousand), respectively.
- 3) The revenue from proffering advisory and management consultancy to subsidiaries and sub-subsidiaries during 2020 and 2019, amounting to NT\$ 62,304 thousand and NT\$ 61,776 thousand, were included within "other income".
- 4) The price of the products purchased by the Company from other related parties totaled NT\$ 804 thousand and NT\$ 6,107 thousand as of December 31, 2020 and 2019, respectively.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (c) Compensation to key management personnel

Compensation to key management personnel comprised:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 55,156	45,249
Post-employment benefits	1,760	1,531
	\$ 56,916	46,780

(8) Pledged assets:

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

Asset Name	Purpose	December 31, 2020	December 31, 2019
Other financial assets current	Performance guarantee for joint development investment and sales business	\$ 358	358
Inventories	Guarantee for loans and corporate finance	3,167,415	3,163,260
Property, plant and equipment	Collateral for loans	2,277,555	2,303,429
Investment property	Guarantee for loans and corporate finance	281,304	280,993
Financial assets at fair value through other comprehensive income	Collateral for loans	-	187,124
		\$ 5,726,632	5,935,164

(9) Commitments and contingencies:

- (a) Significant unrecognized commitments

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

	December 31, 2020	December 31, 2019
Construction contract	\$ 1,930,643	1,790,688

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

	December 31, 2020	December 31, 2019
Price of sales contracts signed	\$ 124,772	-
Amount collected as per the contract	\$ 12,477	-

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (iii) Prices of presale house contracts entered into between the Company and clients were as follows:

	December 31, 2020	December 31, 2019
Price of sales contracts signed	\$ -	56,938
Amount collected as per the contract	\$ -	41,269

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

(b) Contingent liabilities:

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

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

pursuant to the law.

(c) Others

- (i) 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 2002. The Company (referred to as “the principal” hereinafter) had a trust contract entered into with Taiwan Industrial Bank Co., Ltd. (referred to as “the trustee” hereinafter) in April 2010. From the commencement of the contract, 75% selling price (tax included) of each preneed contract sold shall be transferred to the trustee, including the delivery and transfer of the trust property. However, the trustee referred to above was replaced by Chang Hwa Commercial Bank Co., Ltd. on December 28, 2012. In addition, the trust assets as of December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Bank deposits (recognized as other current financial assets)		
Demand deposits	\$ 122,893	860,038
Time deposits	427,620	130,000
Current financial assets at fair value through profit or loss	2,525,766	1,195,179
Financial assets at fair value through other comprehensive income	3,845,270	3,659,237
Financial assets at amortized cost	1,228,727	1,463,240
Property, plant and equipment (Note)	2,206,293	2,206,293
Investment property (Note)	<u>1,949,863</u>	<u>1,962,845</u>
	\$ 12,306,432	<u>11,476,832</u>

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

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

- (ii) The 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 cleanliness, and to organize ceremony activities and internal administration. The management fee account had respectively amounted to NT\$ 891,738 thousand and NT\$ 889,271 thousand as of December 31, 2020 and 2019, which were recognized as the “Other financial assets – current.”

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

- (iii) The Company entered into contracts with clients for the sale of columbarium and funeral service as of December 31, 2020 and 2019. The preneed contract entered into and related deferred marketing expenses were as follows:

	December 31, 2020	December 31, 2019
Total contract price (recognized as contract liabilities)	\$ 39,934,515	38,566,937
Uncollected proceeds	(7,847,795)	(7,663,542)
Advance receipts	<u>\$ 32,086,720</u>	<u>30,903,395</u>
Current assets recognized as incremental costs to obtain contract with customers	<u>\$ 8,144,643</u>	<u>8,024,093</u>
Expected to be reclassified for more than twelve months	<u>\$ 38,729,650</u>	<u>37,417,766</u>

(10) Losses due to major disasters: None

(11) Significant subsequent events: None

(12) Others:

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

By item	For the years ended December 31							
	2020				2019			
	Cost of Sale	Operating Expense	Other (Note)	Total	Cost of Sale	Operating Expense	Other (Note)	Total
Employee benefits								
Salary	221,920	193,390	89,549	504,859	208,251	221,880	67,278	497,409
Labor and health insurance	15,723	14,751	7,180	37,654	15,867	18,363	5,100	39,330
Pension	8,352	10,384	-	18,736	8,517	8,385	2,323	19,225
Remuneration of directors	-	32,300	-	32,300	-	52,040	-	52,040
Others	6,851	7,863	3,454	18,168	6,908	11,588	2,823	21,319
Depreciation	67,643	67,321	1,568	136,532	62,469	58,209	9,654	130,332
Amortization	14	12,623	-	12,637	-	14,609	1,491	16,100

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

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Additional information on the number of employees and employee benefit expenses for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Number of employees	539	543
Number of non-employee directors	6	6
The average employee benefit	\$ 1,087	\$ 1,075
The average salaries and wages	\$ 947	\$ 926
Average adjustment to salary	2.27 %	
Remuneration to supervisors	\$ -	-

The Company's compensation policy (for directors, executive officers, and employees) is as follows:

[Director Compensation]

- (i) Policies, procedures, and operating performance regarding director compensation (including independent directors) are implemented as per the Articles of Incorporation and Board resolutions. Compensation is divided into remuneration, earnings distribution, and general allowance:
 - 1) Remuneration: The Compensation Committee shall assess remuneration according to each director's expertise, participation, and contribution to align with domestic and foreign industry peers, after which the amounts shall be submitted to the Board of Directors for approval.
 - 2) Earnings distribution, pursuant to the Articles of Incorporation, shall be prorated according to the profit for the year, so as to demonstrate high correlation between operating performance and earnings distribution.
 - 3) General allowance is mainly travel expense reimbursed with reference to the standards of other enterprises.
- (ii) The Company's Compensation Committee shall regularly assess the policies, systems, standards, and structure of director compensation. In pursuit of reasonableness, transparency, and systematization, recommendations shall be submitted to the Board of Directors for approval, with a view to ensuring sustainable operations.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

[Executive Compensation]

- (i) Executive compensation is divided into salary, incentives, and employee bonus:
 - 1) Salary is based on factors such as responsibilities, the overall environment, and market standards, so as to reflect the position's value.
 - 2) Incentives and bonus are prorated according to operating performance of the year pursuant to the Articles of Incorporation.
- (ii) To attract excellent professional talents, the Company offers executives a competitive compensation package determined with reference to domestic and foreign industry peers. The distribution standards, structure, and system shall be reviewed timely, taking into account actual operating conditions and changes in pertinent statutory requirements, so as to prevent executives from pursuing compensation by exceeding the Company's risk appetite.
- (iii) The Company's Compensation Committee regularly assesses the compensation to executives and submits recommendations to the Board of Directors for approval.

[Employee Compensation]

- (i) The Company's employee compensation policy was formulated based on factors such as incentive and of talent retention. The details are as follows:
 - 1) Salary shall be determined according to internal standards and procedures, taking into account job responsibilities, overall environment, as well as market standards and positioning.
 - 2) Incentive and employee bonus, pursuant to the Articles of Incorporation, shall be distributed in proportion to operating performance for the year, with reference to team and individual performance .
 - 3) Other rewards are governed by relevant laws or internal regulations.
- (ii) For long-term talent retention, the Company regularly reviews employee salaries, in order to maintain competitiveness and encourage employees to pursue excellence at ease.

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” of the Company for the as of December 31,2020:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yuji Development	Sande Futian Miaoguo Limited	Other financial assets (current and non-current)	No	362,163	302,163	302,163	3%	1	72,000	Operating capital	-	Columbarium products held by the debtor	377,120	725,440	1,450,880

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

Maximum amount of loans to other parties: NT\$ 3,627,201 thousand × 40% = NT\$ 1,450,880 thousand

Maximum amount of loans to an individual party: NT\$ 3,627,201 thousand × 20% = NT\$ 725,440 thousand

NT\$ 72,000 thousand × 20 = NT\$ 1,440,000 thousand

The limit is NT\$ 725,440 thousand.

Note 2: Financing purposes:

1) Trading counterparty

2) Entity with short-term financing needs

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)														
No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China	
		Name	Relationship with the Company											
0	Lungyen Life Service Corp.	Yuji Development	2	5,677,218	300,000	300,000	-	-	1.59 %	9,462,030	Y	N	N	
0	Lungyen Life Service Corp.	Lung Fu Company Limited	2	5,677,218	300,000	300,000	-	-	1.59 %	9,462,030	Y	N	N	

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

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

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

1) Trading counterparty

2) The Company holds more than 50% of the voting shares in the entity, directly and indirectly.

3) The entity holds more than 50% of voting shares in the Company, directly and indirectly.

4) The Company holds more than 90% of voting shares in the entity, directly and indirectly.

5) An entity in the construction industry mutually guaranteed pursuant to a project contract.

6) The stockholders of the Company provide guarantees or endorsements for the entity in proportion to percentage of ownership the sake of joint investment.

7) Performance guarantees for presale contracts for entities in the same industry pursuant to the Consumer Protection Act.

Note 3: Pursuant to the board resolution on February 25, 2020, the maximum amount of endorsements to Yuji has been set to NT\$ 300,000 thousand, and the expiry date is March 31, 2021.

Note 4: Pursuant to the board resolution on February 25, 2020, the maximum amount of endorsements to Lung Fu has been set to NT\$ 300,000 thousand, and the expiry date is March 31, 2021.

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
the Company	Yuanta De-Li Money Market Fund	—	Current financial assets at fair value through profit or loss	33,910	557,448	- %	557,448	Trust
the Company	Yuanta De-Bao Money Market Fund	—	Current financial assets at fair value through profit or loss	43,725	529,502	- %	529,502	Trust
the Company	Franklin Templeton Sinoam Money Market	—	Current financial assets at fair value through profit or loss	70,023	730,224	- %	730,224	Trust
the Company	FSITC Taiwan Money Market Fund	—	Current financial assets at fair value through profit or loss	5,865	90,516	- %	90,516	Trust
the Company	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	23,109	345,474	- %	345,474	Trust
the Company	Cathay Taiwan Money Market Fund	—	Current financial assets at fair value through profit or loss	17,315	217,025	- %	217,025	Trust
the Company	ABG-WTT Fund	—	Current financial assets at fair value through profit or loss	-	89,180	- %	89,180	Owner-occupied
the Company	Primavera Capital Fund III L.P.	—	Current financial assets at fair value through profit or loss	-	144,691	- %	144,691	Owner-occupied
the Company	LCP IX. L.P.	—	Current financial assets at fair value through profit or loss	-	64,282	- %	64,282	Owner-occupied
the Company	U.S. Treasury Securities 20300815	—	Current financial assets at fair value through profit or loss	2,000	55,577	- %	55,577	Trust
the Company	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	129,396	1,934,470	- %	1,934,470	Owner-occupied
the Company	CTBC Hwa-win Money Market Fund	—	Current financial assets at fair value through profit or loss	30,477	338,520	- %	338,520	Owner-occupied
the Company	Millerful No.1 REIT	—	Non-current financial assets at FVOCI	33,000	347,820	- %	347,820	Trust
the Company	Cathay No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	3,835	71,753	- %	71,753	Trust
the Company	Fubon No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	542	9,957	- %	9,957	Trust
the Company	Cathay No.2 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	401	7,980	- %	7,980	Trust
the Company	Shin Kong No.1 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	450	8,784	- %	8,784	Trust
the Company	Fubon No.2 Real Estate Investment Trust	—	Non-current financial assets at FVOCI	892	15,262	- %	15,262	Trust
the Company	Taiyen	—	Non-current financial assets at FVOCI	5,743	187,796	2.87 %	187,796	Owner-occupied
the Company	Fubon Financial Holding - Preferred Shares B	—	Non-current financial assets at FVOCI	2,396	149,750	- %	149,750	Owner-occupied
the Company	Cathay Financial Holding - Preferred Shares B	—	Non-current financial assets at FVOCI	2,530	159,137	- %	159,137	Owner-occupied
the Company	CTBC Financial Holding - Preferred Shares C	—	Non-current financial assets at FVOCI	1,540	94,864	- %	94,864	Owner-occupied
the Company	Fubon Financial Holding - Preferred Stock	—	Non-current financial assets at FVOCI	3,006	187,274	- %	187,274	Owner-occupied
the Company	Cathay Financial Holding - Preferred Stock A	—	Non-current financial assets at FVOCI	3,065	189,417	- %	189,417	Owner-occupied
the Company	TaiShin Financial Holding - Class E Preferred Shares II	—	Non-current financial assets at FVOCI	955	49,087	- %	49,087	Owner-occupied
the Company	CTBC Financial Holding - Preferred Shares B	—	Non-current financial assets at FVOCI	529	33,539	- %	33,539	Owner-occupied

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
the Company	TaiShin Financial Holding - Preferred Stock E	—	Non-current financial assets at FVOCI	1,597	84,002	- %	84,002	Owner-occupied
the Company	LARGAN Precision	—	Non-current financial assets at FVOCI	145	463,275	0.11 %	463,275	Owner-occupied
the Company	TSMC	—	Non-current financial assets at FVOCI	1,423	754,190	0.01 %	754,190	Owner-occupied
the Company	Chailease	—	Non-current financial assets at FVOCI	1,945	326,794	0.14 %	326,794	Owner-occupied
the Company	Asia Cement	—	Non-current financial assets at FVOCI	4,559	196,949	0.14 %	196,949	Owner-occupied
the Company	Chenbro Micom	—	Non-current financial assets at FVOCI	2,280	186,960	1.89 %	186,960	Owner-occupied
the Company	PCSC	—	Non-current financial assets at FVOCI	646	172,159	0.06 %	172,159	Owner-occupied
the Company	Sun life Corporation	—	Non-current financial assets at FVOCI	160	31,105	2.35 %	31,105	Owner-occupied
the Company	AGNC preferred stock	—	Non-current financial assets at FVOCI	44	32,208	- %	32,208	Trust
the Company	QTS preferred stock	—	Non-current financial assets at FVOCI	24	19,254	- %	19,254	Trust
the Company	TGP preferred stock	—	Non-current financial assets at FVOCI	32	22,618	- %	22,618	Trust
the Company	VEREIT preferred stock	—	Non-current financial assets at FVOCI	12	8,662	- %	8,662	Trust
the Company	ETP preferred stock	—	Non-current financial assets at FVOCI	264	155,698	- %	155,698	Trust
the Company	Sunny Optical Technology (Group) Company Limited	—	Non-current financial assets at FVOCI	207	127,904	0.02 %	127,904	Trust
the Company	Berkshire Hathaway	—	Non-current financial assets at FVOCI	78	517,442	0.01 %	517,442	Trust
the Company	Alphabet	—	Non-current financial assets at FVOCI	7	346,602	- %	346,602	Trust
the Company	Microsoft	—	Non-current financial assets at FVOCI	35	218,813	- %	218,813	Trust
the Company	Intel	—	Non-current financial assets at FVOCI	208	295,416	0.01 %	295,416	Trust
the Company	Visa	—	Non-current financial assets at FVOCI	35	218,244	- %	218,244	Trust
the Company	104 Central Bond A5	—	Non-current financial assets at FVOCI	100,000	106,072	- %	106,072	Trust
the Company	081 Chailease Holding Company Limited-A	—	Non-current financial assets at FVOCI	190,000	190,000	- %	190,000	Trust
the Company	CEXIM CNY Corp. Bond 4.15 20270618	—	Non-current financial assets at FVOCI	5,000	22,802	- %	22,802	Trust
the Company	ICBC CNY Corp. Bond 4.2 20270119	—	Non-current financial assets at FVOCI	4,000	18,274	- %	18,274	Trust
the Company	ICBC CNY Corp. Bond 4.5 20281113	—	Non-current financial assets at FVOCI	5,000	23,485	- %	23,485	Trust
the Company	Saudi Electricity Global - Bond 20230408	—	Non-current financial assets at FVOCI	2,000	60,224	- %	60,224	Trust
the Company	Saudi Electricity Global - Bond 20240408	—	Non-current financial assets at FVOCI	1,000	31,010	- %	31,010	Trust
the Company	Qatar Telecom USD Corp. Bond 3.25 20230221	—	Non-current financial assets at FVOCI	3,000	89,612	- %	89,612	Trust
the Company	Standard Chattered USD Corp. Bond 4.05 20260412	—	Non-current financial assets at FVOCI	3,000	96,845	- %	96,845	Trust
the Company	Islamic Bank 20210531	—	Non-current financial assets at FVOCI	3,000	86,707	- %	86,707	Trust
the Company	Societe Generale SGD Corp. Bond	—	Non-current financial assets at FVOCI	3,250	69,896	- %	69,896	Trust
the Company	Malaysia National Resource Bond 20261019	—	Non-current financial assets at FVOCI	1,000	31,081	- %	31,081	Trust
the Company	China Cinda USD Bond 20240309	—	Non-current financial assets at FVOCI	1,500	46,043	- %	46,043	Trust
the Company	Huarong USD Bond 20240309	—	Non-current financial assets at FVOCI	3,000	85,541	- %	85,541	Trust
the Company	BNP Paribas SGD Corp. Bond	—	Non-current financial assets at FVOCI	3,500	79,899	- %	79,899	Trust
the Company	HISPANO S.A. Financial Bond	—	Non-current financial assets at FVOCI	3,000	86,282	- %	86,282	Trust

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
the Company	Manulife Financial Corporation SGD Bond	—	Non-current financial assets at FVOCI	750	16,102	- %	16,102	Trust
the Company	Manulife Financial Corporation SGD Bond 20291121	—	Non-current financial assets at FVOCI	4,000	87,739	- %	87,739	Trust
the Company	BMW Bond 20300409	—	Non-current financial assets at FVOCI	4,000	138,033	- %	138,033	Trust
the Company	State Grid Bond 20300805	—	Non-current financial assets at FVOCI	2,000	55,206	- %	55,206	Trust
the Company	Trans globe Insurance	—	Non-current financial assets at FVOCI	15	-	0.01 %	-	Owner-occupied
the Company	Creative Space Design	—	Non-current financial assets at FVOCI	396	3,960	19.80 %	3,960	Owner-occupied
the Company	Nan Ya Corp. Bond P02 Nan Ya 3B	—	Non-current financial assets at amortized cost	100,000	104,244	- %	104,244	Trust
the Company	Taipower Corporate bond 20231230	—	Non-current financial assets at amortized cost	150,000	153,087	- %	153,087	Trust
the Company	106 Central Bond 4	—	Non-current financial assets at amortized cost	100,000	100,622	- %	100,622	Trust
the Company	106 Central Bond 9	—	Non-current financial assets at amortized cost	150,000	149,576	- %	149,576	Trust
the Company	107 Central Bond 7	—	Non-current financial assets at amortized cost	100,000	99,739	- %	99,739	Trust
the Company	104 Central Bond 12	—	Non-current financial assets at amortized cost	100,000	101,257	- %	101,257	Trust
the Company	107 Central Bond 2	—	Non-current financial assets at amortized cost	100,000	101,167	- %	101,167	Trust
the Company	93 Central Bond 9	—	Non-current financial assets at amortized cost	100,000	108,721	- %	108,721	Trust
the Company	94 Central Bond 3	—	Non-current financial assets at amortized cost	100,000	106,819	- %	106,819	Trust
the Company	02 China Steel 1B 20230712	—	Non-current financial assets at amortized cost	100,000	101,839	- %	101,839	Trust
the Company	02 TSMC 2C 20230206	—	Non-current financial assets at amortized cost	100,000	101,656	- %	101,656	Trust
Yuji Development Corp.	CTBC Hwa-win Money Market Fund	—	Current financial assets at fair value through profit or loss	8,990	99,865	- %	99,865	Owner-occupied
Yuji Development Corp.	LARGAN Precision	—	Non-current financial assets at FVOCI	33	105,435	- %	105,435	Owner-occupied
Jing Huang Construction Co., Ltd.	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss	1,928	28,828	- %	28,828	Owner-occupied
Jing Huang Construction Co., Ltd.	Stocks of J-Garden Corp.	—	Non-current financial assets at FVOCI	90	892	- %	892	Owner-occupied
Lung Fu Company Limited	CTBC Hwa-win Money Market Fund	—	Current financial assets at fair value through profit or loss	4,084	45,361	- %	45,361	Owner-occupied

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
the Company	Yuanta De-Bao Money Market Fund	Current financial assets at fair value through profit or loss	-	None	9,794	118,051	33,931	410,281	-	-	-	-	43,725	528,332
the Company	Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	None	9,642	100,000	60,381	628,871	-	-	-	-	70,023	728,871
the Company	Yuanta USD Money Market Fund	Current financial assets at fair value through profit or loss	-	None	-	-	1,456	461,057	1,456	458,001	461,057	(3,056)	-	-
the Company	Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	None	154,024	2,290,000	43,226	645,000	44,745	668,000	665,208	2,792	152,505	2,269,792

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
the Company	CTBC Hwawin Money Market Fund	Current financial assets at fair value through profit or loss	-	None	375,720	4,153,598	469,469	5,206,500	814,712	9,031,000	9,021,605	9,395	30,477	338,493
the Company	FSITC Money Market	Current financial assets at fair value through profit or loss	-	None	108,112	1,660,000	22,076	340,000	130,188	2,003,805	2,000,000	3,805	-	-
the Company	TSMC	Non-current financial assets at FVOCI	-	None	-	-	1,423	405,276	-	-	-	-	1,423	405,276
the Company	LARGAN Precision	Non-current financial assets at FVOCI	-	None	-	-	145	597,103	-	-	-	-	145	597,103
the Company	Alphabet	Non-current financial assets at FVOCI	-	None	-	-	10	400,643	3	156,181	131,740	24,441	7	268,903
the Company	Berkshire Hathaway	Non-current financial assets at FVOCI	-	None	-	-	78	435,807	-	-	-	-	78	435,807
the Company	Elite Material	Non-current financial assets at FVOCI	-	None	-	-	2,543	278,515	2,543	400,839	278,515	122,324	-	-
the Company	Microsoft	Non-current financial assets at FVOCI	-	None	-	-	63	331,598	28	174,798	146,317	28,481	35	185,281
the Company	The Law Co., Ltd.	Equity-accounted investments	JINGLUN INTERIOR DESIGN CO., LTD.	None	-	-	14,014	420,426	-	-	-	-	14,014	420,426

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

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
the Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20 %	(7,179)	1,443	1,417	Subsidiary ?
the Company	Yuji Development Corp.	Taiwan	Funeral Services	900,000	900,000	110,723	54.42 %	1,951,682	296,958	161,478	Subsidiary
the Company	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential and commercial buildings	3,870	3,870	400	80.00 %	273	(71)	(57)	Subsidiary
the Company	Sea Dragon Traders Ltd. (BVI)	The British Virgin Islands	Investment holding	1,094,570 (USD35,510)	1,057,099 (USD34,210)	3,551	100.00 %	1,008,105	(25,457)	(25,457)	Subsidiary
the Company	RIA AWANA SDN.BHD	Malaysia	Funeral Services	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00 %	28,284	292	143	Associates
the Company	The Law Co., Ltd.	Taiwan	Investment holding	420,426	-	14,014	30.93 %	479,092	189,685	58,669	Associates
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Services	557,800	377,800	55,100	100.00 %	454,367	(7,994)	(7,900)	Sub-subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited (BVI)	The British Virgin Islands	Investment holding	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32 %	158,939	12,494	3,288	Associates
Sea Dragon Traders Ltd. (BVI)	Lunyen Cayman Co.Ltd.	Cayman	Investment holding	996,498 (USD32,500)	910,026 (USD29,500)	3,250	50.00 %	826,118	(57,362)	(28,680)	Joint ventures

Note 1: USD exchange rate, end of the period: 28.508; USD average exchange rate: 28.539.

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow					
Lunyen Cemetery (Wenzhou) Co., Ltd.	Funeral Services	1,490,398 (USD52,280)	Sea Dragon Traders Ltd. (BVI)	904,470 (USD29,350)	1,194 (USD40)	-	905,664 (USD29,390)	50.00%	(14,574)	687,324	-
Long Young Life (China) Holding Co., Ltd.	Investment holding	256,572 (USD9,000)	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	50.00%	(10,038)	102,200	-
Shijiazhuang Taifu Cebetary Management, construction, and sale of cemetery Co., Ltd.	Management, construction, and sale of cemetery	73,624 (RMB17,041)	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	40.00%	(1,043)	91,502	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on investment in Mainland China set by Investment Commission, Ministry of Economic Affairs (Note 4)
905,664	2,351,910 USD82,500	11,354,435

USD exchange rate:closing rate:28.508 ; CNY exchange rate: 4.3204

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

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

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

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

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

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

(iii) Significant transactions: None

(Continued)

LUNGYEN LIFE SERVICE CORP.
Notes to the Non-Consolidated Financial Statements

(d) Major shareholders:

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

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

LUNGYEN LIFE SERVICE CORP.

**Statement of current financial assets measured at
fair value through profit or loss**

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Financial instruments	Description	Shares or units	Par value	Total amount	Interest rate	Cost of acquisition	Unit price	Total amount	Fair value changes attributable to the changes in credit risk	Remark
Yuanta De-Li Money Market Fund	Domestic funds	33,910	\$ -	-	- %	549,622	16	557,448	-	Trust
Yuanta De-Bao Money Market Fund	Domestic funds	43,725	-	-	- %	528,332	12	529,502	-	Trust
Franklin Templeton Sinoam Money Market Fund	Domestic funds	70,023	-	-	- %	728,871	10	730,224	-	Trust
FSITC Taiwan Money Market Fund	Domestic funds	5,865	-	-	- %	90,000	15	90,516	-	Trust
Jih Sun Money Market Fund	Domestic funds	23,109	-	-	- %	345,000	15	345,474	-	Trust
Cathay Taiwan Money Market Fund	Domestic funds	17,315	-	-	- %	217,000	13	217,025	-	Trust
ABG-WTT Fund	Foreign funds	-	-	-	- %	92,664	-	89,180	-	Owner-occupied
Primavera Capital Fund III L.P.	Foreign funds	-	-	-	- %	123,935	-	144,691	-	Owner-occupied
LCP IX. L.P.	Foreign funds	-	-	-	- %	54,394	-	64,282	-	Owner-occupied
U.S. Treasury Securities 20300815	Foreign bonds	2,000	-	-	- %	58,735	28	55,577	-	Trust
Jih Sun Money Market Fund	Domestic funds	129,396	-	-	- %	1,924,792	15	1,934,470	-	Owner-occupied
CTBC Hwa-win Money Market Fund	Domestic funds	30,477	-	-	- %	338,493	11	338,520	-	Owner-occupied
								\$ <u><u>5,096,909</u></u>		

LUNGYEN LIFE SERVICE CORP.

Statement of accounts payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please see Note 6(c) for pertinent information.

Statement of inventories

Item	Description	Amount
Residential and commercial building held for sale	Hangzhou S. Rd.	\$ 30,426
Columbarium and cemetery for sale	Columbarium niches in True Dragon Tower Baishawan cemetery AnTai Cemetery Park Others	\$ 713,671 960,281 518,863 <u>200,518</u>
	Subtotal	<u>2,393,333</u>
Land held for construction site	LiHe Sec., Subsection 2 Xinyi Dist. Serial No. 730, Section 1, Ren'ai Rd. Serial No. 211, Section 2, Yucheng St., Nangang Dist. Section 3, Huagang Rd., Shilin Dist. BaSian Sec. Beitou Dist., Taipei City Zhongnan St., Nangang Dist. Others	\$ 949,969 376,820 272,299 388,395 298,083 2,217,446 <u>110,186</u>
	Subtotal	<u>4,613,198</u>
	Less: Allowance for obsolete inventory	<u>(6,700)</u>
	Net amount	<u>4,606,498</u>
Residential and commercial buildings under construction	LiHe Sec. Xinyi Dist. Zhongnan St., Nangang Dist. Subtotal	\$ 24,423 <u>59,643</u> <u>84,066</u>
Columbarium and cemetery under construction	True Dragon Tower HouShan Sanzhi Dist. Columbarium and cemetery products Hualien Columbarium Subtotal	1,241,108 2,780,907 1,703,582 <u>379,562</u> <u>6,105,159</u>
Total		\$ <u>13,219,482</u>

LUNGYEN LIFE SERVICE CORP.

**Statement of current assets recognized as
incremental costs to obtain contract with customers**

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Incremental costs of obtaining a contract– columbarium and cemetery		\$ 3,710,965	
Incremental costs of obtaining a contract–funeral services		4,290,355	
Incremental costs of obtaining a contract– certificate		142,183	
Incremental costs of obtaining a contract–pet services and others		1,140	
		<u>\$ 8,144,643</u>	

LUNGYEN LIFE SERVICE CORP.

Statement of non-current financial assets at FVOCI

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Securities	Beginning balance		Increase		Decrease		Discount	Amount	Unrealized foreign exchange (loss) gain	Ending balance		Remark	
	Unit:	Share	Market price	Unit:	Share	Amount				Unit:	Share	Market price	
051 Chailease Holding Company Limited-A	100,286	100,286		-	-		(100,286)	(100,286)		-	-	-	
104 Central Bond A5	100,000	105,373		-	-		-	-	(766)	1,465	-	100,000	106,072 Trust
081 Chailease Holding Company Limited-A	190,000	190,000		-	-		-	-	-	-	-	190,000	190,000 Trust
CEXIM CNY Corp. Bond 4.15 20270618	5,000	22,472		-	-		-	-	11	191	128	5,000	22,802 Trust
AFC corporate bond 4.375 20200429	3,000	90,994		-	-		(3,000)	(92,343)	(96)	(582)	2,027	-	-
ICBC CNY Corp. Bond 4.2 20270119	4,000	17,991		-	-		-	-	(31)	204	110	4,000	18,274 Trust
ICBC CNY Corp. Bond 4.5 20281113	5,000	23,138		-	-		-	-	(74)	277	144	5,000	23,485 Trust
CHINA COMMUNICATIONS CONSTRUCTION corporate bond 20200421	1,900	57,301		-	-		(1,900)	(63,222)	55	(162)	6,028	-	-
Saudi Electricity Global - Bond 20230408	2,000	62,201		-	-		-	-	141	1,076	(3,194)	2,000	60,224 Trust
Saudi Electricity Global - Bond 20240408	1,000	31,802		-	-		-	-	16	789	(1,597)	1,000	31,010 Trust
Qatar Telecom USD corp. Bond 3.25 20230221	3,000	92,228		-	-		-	-	141	2,036	(4,793)	3,000	89,612 Trust
Standard Chattered USD corp. bond 4.05 20260412	3,000	96,369		-	-		-	-	26	5,238	(4,788)	3,000	96,845 Trust
Islamic Bank 20210531	3,000	91,508		-	-		-	-	(83)	71	(4,789)	3,000	86,707 Trust
China Railway USD Bond 20260728	2,500	75,957		-	-		(2,500)	(80,525)	(14)	(78)	4,660	-	-
Societe Generale SGD Corp. Bond	3,250	73,999		-	-		-	-	(621)	(152)	(3,330)	3,250	69,896 Trust
Malaysia National Resource Bond 20261019	1,000	30,220		-	-		-	-	213	2,189	(1,541)	1,000	31,081 Trust
China Cinda USD Bond 20240309	1,500	47,294		-	-		-	-	99	1,033	(2,383)	1,500	46,043 Trust
Huarong USD Bond 20240309	3,000	91,599		-	-		-	-	(356)	(864)	(4,838)	3,000	85,541 Trust
DB USD Bond 20200515	3,000	90,326		-	-		(3,000)	(90,371)	(72)	117	-	-	-
BNP Paribas SGD Corp. Bond	3,500	81,720		-	-		-	-	(317)	2,127	(3,631)	3,500	79,899 Trust
HISPAÑO S.A. Financial Bond	3,000	91,063		-	-		-	-	(105)	128	(4,804)	3,000	86,282 Trust
Lloyds Banking Group Financial Bond	2,000	42,002		-	-		(2,000)	(44,430)	155	23	2,250	-	-
Goldman Sachs Financial Bond	2,000	42,261		-	-		(2,000)	(44,435)	-	(84)	2,258	-	-
Manulife Financial Corporation SGD Bond	750	17,068		-	-		-	-	(30)	(169)	(767)	750	16,102 Trust
Manulife Financial Corporation SGD Bond 20291121	4,000	89,400		-	-		-	-	894	1,379	(3,934)	4,000	87,739 Trust
Malaysia Electricity Bond 20281101	2,000	67,472		-	-		(2,000)	(66,001)	(204)	(2,979)	1,712	-	-
Anheuser-Busch InBev SA USD Bond	3,000	104,839		-	-		(3,000)	(99,210)	(50)	(8,305)	2,726	-	-
Sinopec corporate bond 20290808	3,000	90,706		-	-		(3,000)	(94,156)	(9)	705	2,754	-	-
Tencent Holdings Bond 20290411	3,000	97,407		-	-		(3,000)	(99,962)	(110)	(158)	2,823	-	-
BMW Bond 20300409	-	-	4,000	139,978	-	-	-	-	(944)	3,947	(4,948)	4,000	138,033 Trust
State Grid Bond 20300805	-	-	2,000	57,449	-	-	-	-	46	(299)	(1,990)	2,000	55,206 Trust
Corections Corp of America	-	-	150	66,556	(150)	(66,556)	-	-	-	-	-	-	-
Entertainment Properties Trust	-	-	25	48,409	(25)	(48,409)	-	-	-	-	-	-	-
GEO Group INC	-	-	150	67,815	(150)	(67,815)	-	-	-	-	-	-	-

LUNGYEN LIFE SERVICE CORP.

Statement of non-current financial assets at FVOCI (CONT'D)

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Securities	Beginning balance		Increase		Decrease		Unrealized foreign exchange (loss) gain	Ending balance		Remark			
	Unit:	Share	Market price	Unit:	Share	Amount		Unit:	Share				
	1,000	27,633	-	4,000	39,380	-	(1,000)	(27,483)	-	(126)	(24)		
Frasers Logistics and Industrial Trust	1,000	27,633	-	4,000	39,380	-	(1,000)	(27,483)	-	(126)	(24)		
Millerful No.1 REIT	29,000	297,250	4,000	39,380	-	-	-	-	11,190	-	33,000	347,820	Trust
Cathay No.1 Real Estate Investment Trust	-	-	3,835	66,769	-	-	-	-	4,984	-	3,835	71,753	Trust
Fubon No.1 Real Estate Investment Trust	-	-	542	9,641	-	-	-	-	316	-	542	9,957	Trust
Cathay No.2 Real Estate Investment Trust	-	-	401	7,324	-	-	-	-	656	-	401	7,980	Trust
Shin Kong No.1 Real Estate Investment Trust	-	-	450	8,557	-	-	-	-	227	-	450	8,784	Trust
Fubon No.2 Real Estate Investment Trust	-	-	892	14,470	-	-	-	-	792	-	892	15,262	Trust
Chang Hwa Bank	1	20	-	-	(1)	(12)	-	-	(8)	-	-	-	
Taiyen	9,493	308,523	-	-	(3,750)	(111,712)	-	-	(9,015)	-	5,743	187,796	Owner-occupied
Fubon Financial Holding - Preferred Shares B	1,666	107,124	730	47,299	-	-	-	-	(4,673)	-	2,396	149,750	Owner-occupied
Cathay Financial Holding - Preferred Shares B	1,250	80,000	1,280	82,452	-	-	-	-	(3,315)	-	2,530	159,137	Owner-occupied
CTBC Financial Holding - Preferred Shares C	833	52,812	707	44,599	-	-	-	-	(2,547)	-	1,540	94,864	Owner-occupied
Fubon Financial Holding - Preferred Stock	1,100	71,940	1,906	124,781	-	-	-	-	(9,447)	-	3,006	187,274	Owner-occupied
Cathay Financial Holding - Preferred Stock A	1,500	96,300	1,565	100,711	-	-	-	-	(7,594)	-	3,065	189,417	Owner-occupied
TaiShin Financial Holding - Class E Preferred Shares II	485	26,433	470	25,364	-	-	-	-	(2,710)	-	955	49,087	Owner-occupied
CTBC Financial Holding - Preferred Shares B	-	-	529	34,839	-	-	-	-	(1,300)	-	529	33,539	Owner-occupied
TaiShin Financial Holding - Preferred Stock E	-	-	1,597	89,502	-	-	-	-	(5,500)	-	1,597	84,002	Owner-occupied
TAIWAN CEMENT	-	-	1,390	58,966	(1,390)	(58,966)	-	-	-	-	-	-	
Chicony	-	-	695	59,365	(695)	(59,365)	-	-	-	-	-	-	
BizLink?KY	-	-	418	89,279	(418)	(89,279)	-	-	-	-	-	-	
Elite Material	-	-	2,543	278,515	(2,543)	(278,515)	-	-	-	-	-	-	
LOTUS	-	-	1,160	110,329	(1,160)	(110,329)	-	-	-	-	-	-	
LARGAN Precision	-	-	145	597,103	-	-	-	-	(133,828)	-	145	463,275	Owner-occupied
TAIWAN SECOM	-	-	335	29,422	(335)	(29,422)	-	-	-	-	-	-	
TSMC	-	-	1,423	405,276	-	-	-	-	348,914	-	1,423	754,190	Owner-occupied
Parade	-	-	55	33,442	(55)	(33,442)	-	-	-	-	-	-	
Chailease	-	-	1,945	238,929	-	-	-	-	87,864	1	1,945	326,794	Owner-occupied (Note)
Asia Cement	-	-	4,559	196,665	-	-	-	-	284	-	4,559	196,949	Owner-occupied
Chenbro Micom	-	-	2,280	199,420	-	-	-	-	(12,460)	-	2,280	186,960	Owner-occupied
PCSC	-	-	646	173,150	-	-	-	-	(991)	-	646	172,159	Owner-occupied
Sun life Corporation	160	43,116	-	-	-	-	-	-	(11,510)	(501)	160	31,105	Owner-occupied
Stock of Jiangsu Expressway Company Limited	210	8,650	-	-	(210)	(7,651)	-	-	(1,063)	64	-	-	
Sands China	450	72,282	-	-	(450)	(69,808)	-	-	(5,288)	2,814	-	-	
Singapore	625	46,938	-	-	(625)	(49,250)	-	-	2,347	(35)	-	-	
GlaxoSmithKline PLC	36	50,363	-	-	(36)	(40,371)	-	-	(8,598)	(1,394)	-	-	
National Grid PLC	24	44,904	-	-	(24)	(39,911)	-	-	(3,615)	(1,378)	-	-	
Power Assets Holdings	166	36,491	-	-	(166)	(40,663)	-	-	4,983	(811)	-	-	

LUNGYEN LIFE SERVICE CORP.

Statement of non-current financial assets at FVOCI (CONT'D)

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Securities	Beginning balance		Increase		Decrease			Unrealized foreign exchange (loss) gain	Ending balance		Remark
	Unit: Share	Market price	Unit: Share	Amount	Unit: Share	Amount	Discount		Unit: Share	Market price	
HSBC preferred stock	52	42,081	-	-	(52)	(39,610)	-	(1,272)	(1,199)	-	-
AGNC preferred stock	44	34,627	-	-	-	-	-	(608)	(1,811)	44	32,208
ICBC (Hong Kong)	1,820	42,114	2,370	50,826	(4,190)	(97,080)	-	5,784	(1,644)	-	-
Construction Bank	1,860	48,276	-	-	(1,860)	(49,543)	-	632	635	-	-
QTS preferred stock	24	19,981	-	-	-	-	-	253	(980)	24	19,254
TGP preferred stock	32	24,796	-	-	-	-	-	(983)	(1,195)	32	22,618
VEREIT preferred stock	20	15,171	-	-	(8)	(5,781)	-	(173)	(555)	12	8,662
AXIS preferred stock	51	39,448	-	-	(51)	(37,458)	-	(2,645)	655	-	-
CMOC	6,942	89,420	-	-	(6,942)	(81,822)	-	(9,033)	1,435	-	-
WFC preferred stock	42	33,002	-	-	(42)	(31,631)	-	(2,028)	657	-	-
CK Infrastructure Holdings	210	44,801	-	-	(210)	(49,067)	-	3,103	1,163	-	-
Stock of PetroChina	3,288	59,472	-	-	(3,288)	(69,284)	-	8,204	1,608	-	-
3M	6	29,743	-	-	(6)	(33,199)	-	2,768	688	-	-
Texas Instruments	10	37,851	20	71,155	(30)	(100,806)	-	(8,986)	786	-	-
LyondellBasell Industries	24	69,404	13	24,923	(37)	(89,954)	-	(5,651)	1,278	-	-
Bank of Communications	2,030	43,372	-	-	(2,030)	(50,175)	-	4,875	1,928	-	-
Tencent Holdings	59	85,174	12	19,146	(71)	(98,600)	-	(7,566)	1,846	-	-
ETP preferred stock	94	68,707	170	121,569	-	-	-	(24,504)	(10,074)	264	155,698
CLP Holdings	94	29,690	-	-	(94)	(30,751)	-	(47)	1,108	-	-
Shenzhou International	97	42,389	149	58,383	(246)	(98,051)	-	(3,050)	329	-	-
ENN Energy	122	39,965	59	20,533	(181)	(60,297)	-	(529)	328	-	-
Ping An Insurance	57	20,246	145	51,063	(202)	(71,403)	-	35	59	-	-
Sunny Optical Technology (Group) Company Limited	-	-	249	114,314	(42)	(19,311)	-	35,031	(2,130)	207	127,904
Berkshire Hathaway	-	-	78	435,807	-	-	-	103,093	(21,458)	78	517,442
Alphabet	-	-	10	400,643	(3)	(131,739)	-	90,936	(13,238)	7	346,602
Alibaba Group	-	-	12	71,888	(12)	(71,888)	-	-	-	-	-
Broadcom	-	-	8	53,071	(8)	(53,071)	-	-	-	-	-
Microsoft	-	-	63	331,598	(28)	(146,317)	-	41,287	(7,755)	35	218,813
Amazon	-	-	3	170,367	(3)	(170,367)	-	-	-	-	-
Intel	-	-	208	287,996	-	-	-	11,647	(4,227)	208	295,416
Visa	-	-	35	209,043	-	-	-	9,211	(10)	35	218,244
Fortune IC Fund I	600	4,030	-	-	(600)	(12,530)	-	8,500	-	-	-
Trans globe Insurance	15	-	-	-	-	-	-	-	-	15	-
Creative Space Design	396	3,960	-	-	-	-	-	-	-	396	3,960
	\$ 4,453,495		6,038,081		(3,803,635)		(2,085)	506,416	(76,744)	7,115,528	

Note: The 25 thousand additional shares in Chailease for the period were earnings distributed as stock dividend.

Owner-occupied

LUNGYEN LIFE SERVICE CORP.

Statement of changes in investments accounted for using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Related party	Beginning balance		Increase		Decrease		December 31, 2020			Market value or equity value		
	Unit: thousand shares/thous and units	Amount	Shares	Amount	Shares	Amount	Shares	Percentage	Amount	Unit price	Total value	Collateral
Jing Huang Construction Co., Ltd.	2,209	\$ (4,045)	-	1,417	-	4,551	2,209	98.20 %	(7,179)	12.00	26,505	None
Yuji Development Corp.	110,723	1,789,794	-	162,684	-	796	110,723	54.42 %	1,951,682	17.83	1,973,923	"
Dahan Property Management Co., Ltd.	400	330	-	-	-	57	400	80.00 %	273	0.6825	273	"
Sea Dragon Traders Ltd. (BVI)	3,421	991,977	130	41,585	-	25,457	3,551	100.00 %	1,008,105	283.89	1,008,105	"
RIA AWANA SDN.BHD	3,920	29,520	-	143	-	1,379	3,920	49.00 %	28,284	7.22	28,284	"
The Law Co., Ltd.	-	-	14,014	479,096	-	4	14,014	30.93 %	479,092	45.35	635,535	"
	<u>\$ 2,807,576</u>		<u>684,925</u>		<u>32,244</u>				<u>3,460,257</u>		<u>3,672,625</u>	

Note1: The increase for the period comprised gains on investment accounted for using the equity method of NT\$ 221,708 thousand, exchange differences on translation of foreign operation's financial statements of NT\$ 4,114 thousand, disposal of investments in equity instruments designated at FVOCI by subsidiaries of NT\$ 1,206 thousand, capital contribution to subsidiaries of NT\$ 37,471 thousand, and acquired equity interest in associates of NT\$ 420,426 thousand.

Note2: The decrease for the period comprised losses on investment accounted for using the equity method of NT\$ 25,515 thousand, exchange differences on translation of foreign operation's financial statements of NT\$ 1,378 thousand, share of other comprehensive income of equity-accounted subsidiaries and associates of NT\$ 799 thousand, cash dividends paid by subsidiaries of NT\$ 4,552 thousand.

LUNGYEN LIFE SERVICE CORP.

Statement of changes in property, plant and equipment

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(g) for pertinent information.

Statement of changes in investment property

Please refer to Note 6(i) for pertinent information.

Statement of contract liabilities

December 31, 2020

Item	Description	Amount
Columbarium cemetery		\$ 15,905,008
Contract	Funeral services	23,032,560
Certificate		945,880
Payment for real estate	Investment property	12,477
Others		<u>51,067</u>
Total		<u><u>\$ 39,946,992</u></u>

LUNGYEN LIFE SERVICE CORP.

Statement of operating revenue

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Columbarium and cemetery products	True Dragon Tower columbarium niches and Baisha Bay Memorial Zone	\$ 1,035,947	
Funeral services		1,659,453	
Subtoal	Less: Sales returns and discount	(647)	
Investment property		<u>1,658,806</u>	
Construction	Property lease	<u>166,818</u>	
	Proceeds from disposal of investment properties	22,486	
	Sale of real estate	<u>111,898</u>	
Subtotal		<u>134,384</u>	
Other operating revenues		131,010	
Subtotal	Other operating revenues	<u>(732)</u>	
Net amount		<u>130,278</u>	
		<u>\$ 3,126,233</u>	

LUNGYEN LIFE SERVICE CORP.

Statement of operating costs

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount	Remark
Columbarium niches held for sale, beginning of the period– True Dragon Tower		\$ 733,109	
Columbarium niches held for sale, beginning of period– Baishawan cemetery		1,034,396	
Columbarium niches held for sale, beginning of the period– AnTai Cemetery Park		519,582	
Columbarium niches held for sale, beginning of period–others		189,315	
Add: Purchases		12,339	
Completed columbariums and cemeteries for the period		26,091	
Less: Columbarium niches held for sale, end of the period– True Dragon Tower		(713,671)	
Columbarium niches held for sale, end of period– Baishawan cemetery		(960,281)	
Columbarium niches held for sale, end of the period– AnTai Cemetery Park		(518,863)	
Columbarium niches held for sale, end of period–others		<u>(200,518)</u>	
Subtotal		<u>121,499</u>	
Add: Cost of funeral services		927,841	
Cost of rental sales (Note)		58,168	
Buildings, cost		55,364	
Other operating costs		48,873	
Less: Others		<u>(52,653)</u>	
Subtotal		<u>1,037,593</u>	
Total operating costs		<u><u>\$ 1,159,092</u></u>	

Note: Cost of rental sales are calculated as the depreciation of investment property and fixed assets of NT\$ 28,200 thousand plus related taxes, management and other expenses of NT\$ 29,968 thousand.

LUNGYEN LIFE SERVICE CORP.

Statement of selling expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Total	Remark
Wages and salaries	\$ 21,275	225,534	246,809	
Rent expense	-	4,619	4,619	
Repairs and maintenance	-	15,849	15,849	
Advertisement	4,487	896	5,383	
Utilities	-	4,508	4,508	
Insurance	-	16,100	16,100	
Entertainment	156	3,520	3,676	
Commissions	469,811	-	469,811	
Taxes	-	59,297	59,297	
Professional service fees	-	17,664	17,664	
Depreciation	-	67,321	67,321	
Amortizations	-	12,623	12,623	
Meals	-	4,001	4,001	
Pension	-	10,384	10,384	
Donation expense	-	7,216	7,216	
Other expenses	26,008	44,938	70,946	
	\$ 521,737	494,470	1,016,207	

Statement of interest income

Please refer to Note 6(u) for pertinent information.

LUNGYEN LIFE SERVICE CORP.**Statement of other income****For the year ended December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

Please refer to Note 6(u) for pertinent information.

Statement of other gains and losses

Please refer to Note 6(u) for pertinent information.

Statement of finance costs

Please refer to Note 6(u) for pertinent information.