

(English Translation of Annual Report Originally Issued in Chinese)

Stock ticker : 5530

# Lungyen Life Service Corp. 2020 Annual Report

**Notice to readers**

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

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

Printed on May 15, 2021

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**I. Company spokesman and acting spokesman**

**Spokesman**

Name: Liang, Jian-Yun

Job title: Secretary of the Board and Corporate Governance Officer

Tel. No: (02)6615-9999

Email: janet@lungyengroup.com.tw

**Acting spokesman**

Name: Wang, Frank Chun-Chung

Job title: General Manager

Tel. No: (02)6615-9999

Email: frank@lungyengroup.com.tw

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

Company Address: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan

Tel: (02)6615-9999

Fax: (02)6615-7777

Branch Office: Referred to “Company Profile” section

Factory: Referred to “Company Profile” section

**III. Shares Registrar:**

Name: Jih Sun Securities Co., Ltd., Share Registration Department

Address: 7F., No.85, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan

Website: www.jihsun.com.tw

Tel: (02)2541-9977

**IV. Certified CPA**

Name: CPA Chih, Shih-Chin and CPA Lai-Li-Tsen

Office: KPMG

Address: 68F., No.7, Sec. 5, Xinyi Rd., Taipei City

Website: www.kpmg.com.tw

Tel: (02)8101-6666

**V. Name of any exchanges where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities: None**

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

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## I. Letter to Shareholders

The extension of the COVID-19 epidemic in 2020 has suppressed the original economic recovery. As the epidemic progresses, countries around the world have adopted lockdown and unblocking policies back and forth. In terms of policies, various countries have used loose fiscal stimulus and monetary stimulus to save the economy that has lost its growth momentum. Fortunately, manufacturers and consumers have begun to transform and learn to coexist with the epidemic, and the economy is gradually recovering its momentum under the epidemic. Taiwan is relatively outstanding in global performance, with an economic growth rate of 3.11% in 2020.

Looking to the future, with the active research and development of vaccines in various countries, it will help consumers and enterprises to resume normal economic activities, and international trade is also expected to return to the track of growth. The global economic recovery is just around the corner. The International Monetary Fund (IMF) estimated that the global economic growth rate in 2021 would be 5.2%; the Organization for Economic Cooperation and Development (OECD) predicted that the global GDP growth rate would be 4.2% in 2021. Although there are still many uncertain factors that affect the speed of the global economic recovery, such as the speed of easing the COVID-19 epidemic, the antagonism between the two major powers of the United States and China, and other geopolitical risks, the overall economy is recovering. The upward trend of economic recovery has not changed.

Facing the uncertainty of economic and political situation, the Company's management team and all employees still adhere to the spirit of the Company, focusing on the improvement of product and service quality, deepening brand value, and continuously pursuing steady growth. Here is the report on the business results for 2020 and the business plan for 2021 as follows:

### 1. Operating results for 2020:

Looking back on the Company's 2020 operating results, it maintained stable operations in Taiwan, and continued to promote its Chinese projects. In April 2020, the "Light of Hill Life Memorial Hall, An Tai Memorial Cemetery" project in Kaohsiung was officially contracted, and the construction of the Century Cemetery Service Center in Sanzhi District, New Taipei City is also progressing as scheduled. With the development of many major constructions, the Company provides consumers with more sophisticated and high-quality hardware and software facilities to improve the differentiation of service quality, in order to continuously pursue growth and drive industrial innovation.

The net profit of the current period attributable to the owners of the parent company is NT\$1.245 billion. Due to the gain on disposal of investment real estate in the previous year, the net profit of the current period showed a significant decrease compared with the previous year. The net profit after tax was 39.0%, compared with the previous year's 52% after-tax net profit margin, it showed 25.0% decrease. Earnings per share of the current period reached NT\$2.96.

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As of December 31, 2020, the total consolidated asset was NT\$64.11 billion, decreased by 1.5% compared to the previous year; the total liability was NT\$43.55 billion and debt ratio was 67.9%. It includes contract liabilities of NT\$40.53 billion. These contract liabilities are the nature of advance receipts and booked as unrealized income, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium and cemetery is transferred to the client upon completion. The debt ratio was 12.8% if the company deducted the contract liabilities and relative asset amounts.

## **2. Summary of business plan for 2021**

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

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

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

- i. Carry out business plan to achieve business target

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

- ii. Optimize capital allocation to improve financial performance

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

- iii. Strengthen risk management to solidify business fundamentals

Strengthen the functions of internal audit and internal control, substantiate corporate governance, review and modify the risk management regulations and update the internal

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control operating procedures in a timely manner in order to enhance risk management capability.

iv. Improve operational management to enhance corporate value

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

v. Fulfill corporate social responsibility and pursue sustainable operation

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

(3) Estimated production and sales in 2021 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	4,836
Cemetery	148
Preneed Funeral	11,899
<b>Total</b>	<b>16,883</b>

### 3. The Company's development strategy

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

For many years, the Company has regarded sustainable development and corporate social responsibility as important goals. To this end, it began to develop corporate upgrade and succession plans a few years ago. In September 2020, Mr. Wang Frank Chun Chung, the former independent director, was hired to take over as the general manager of the Company. He used his information technology and management talents to accelerate digital transformation and

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industrial upgrading. In December 2020, the Chairman of the board was taken over by KELLY LEE, injecting a new generation of thinking into the development of the enterprise and driving innovation and reform. Through the specialization between operation management and sustainable planning, the Company is reaching a new milestone.

Our 2021 development strategy will focus on the planning and design of the cemetery and columbarium in Taiwan and integrate the needs of the pre-need funeral service contract. With the combination of product sales, it is expected to bring integration to customers with one-stop service for funeral and burial across the country. In addition, we will continue to strengthen service quality improvement, actively promote digital transformation, and at the same time improve the implementation of corporate governance, deepen brand value, and then penetrate into a wider consumer base. Therefore, the Company can effectively affect consumers by its brand value and continue to expand the market share of the funeral industry, to achieve the economies of scale and increase its profitability.

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious (According to the World Fertility Review latest announcement of fertility rates in countries around the world, Taiwan is ranked as “the last” of the 200 countries in the world), the importance of being “prepared” for the last journey of life becomes increasingly apparent. In addition to the life service business as the foundation, the Company will gradually expand its operation into related businesses in the life service industry with a steady spirit. On the other hand, in addition to firmly operate Taiwan's existing market, it will replicate Taiwan's successful experience to actively expand the mainland China market, ally local superior teams to implement the Wenzhou project and continue to develop other high-quality projects to achieve the goal of becoming the best funeral service provider in Greater China.

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

Over the years, the Company has been committed to the reform of the funeral business, and to improve the overall industrial quality as a priority, to arouse the importance of consumer rights protection. The funeral business is being perfected under the relevant regulations by the domestic authorities, which will help improve the efficiency of industrial management, prevent unscrupulous operators from depriving consumers of their rights and interests, and further protect Lungyen’s long-term philosophy of integrity management. The Company has been continuously committed to the implementation of corporate governance. It has been rated as the top 5% of OTC Trading companies for six consecutive years in corporate governance assessment. In 2020, the Company won the "CSR Corporate Citizenship Little Giant Award" again held by Common Wealth Magazine. The Board of the Company has three functional committees, an Audit Committee, a Remuneration Committee, and a Corporate Governance and Nomination Committee, all of which are convened by independent directors. In order to

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improve the operation of the board of directors, and in accordance with the requirements of the competent authorities in advance, a dedicated corporate governance executive is set up to handle corporate governance related matters.

The function of the board of directors is not only to prevent fraud, but also to create benefits. The Company also listed the effectiveness evaluation of the board of directors as an annual target. In addition to self-assessment of the performance of the board of directors and functional committees, an external professional organization was appointed to conduct performance evaluations in 2020. Through the impartial and objective perspective of an external third party, the Company has a more in-depth review of the advantages and disadvantages of the company's board of directors, and continues to improve the effectiveness of the board. We hope that the board of directors and various functional committees can play the four roles as leadership, supervision, partners, and mentors, and take international best practices as a benchmark to supervise the management team to achieve the goal of equal excellence in governance and operating performance.

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

The funeral business is a necessity for the people's livelihood; therefore, the sales performance is less affected by the economy. The aging population and the trend of declining birth rate are also the sales momentum of the funeral industry. In perspective, we will continue to uphold the business philosophy of professionalism, integrity and compassion to strengthen operating performance, solid operating foundation, generate outstanding business performance, create greater shareholders' equity, contribute to the prosperity of society and set the record again for national economic development.

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

Chairman: KELLY LEE    President: Wang Frank Chun Chung    Chief Accountant: Chan, Shu-Juan

## II. Company Profile

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

(1) The Company:

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

(2) Location of the Company:

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

(3) Branch Office:

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

(4) Factories:

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

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

**3. The Company's History:**

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

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

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

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

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

2012: Released Corporate Social Responsibility Report in April.

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

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

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

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

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

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

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

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

Lungyen Headquarters in Xizhi founded and activated in July.

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

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

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

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

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

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

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

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

June: The construction of Cetorial Cemetery began.

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

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

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

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

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

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

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

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

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

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

June: Form the Corporate Governance and Nominating Committee.

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

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

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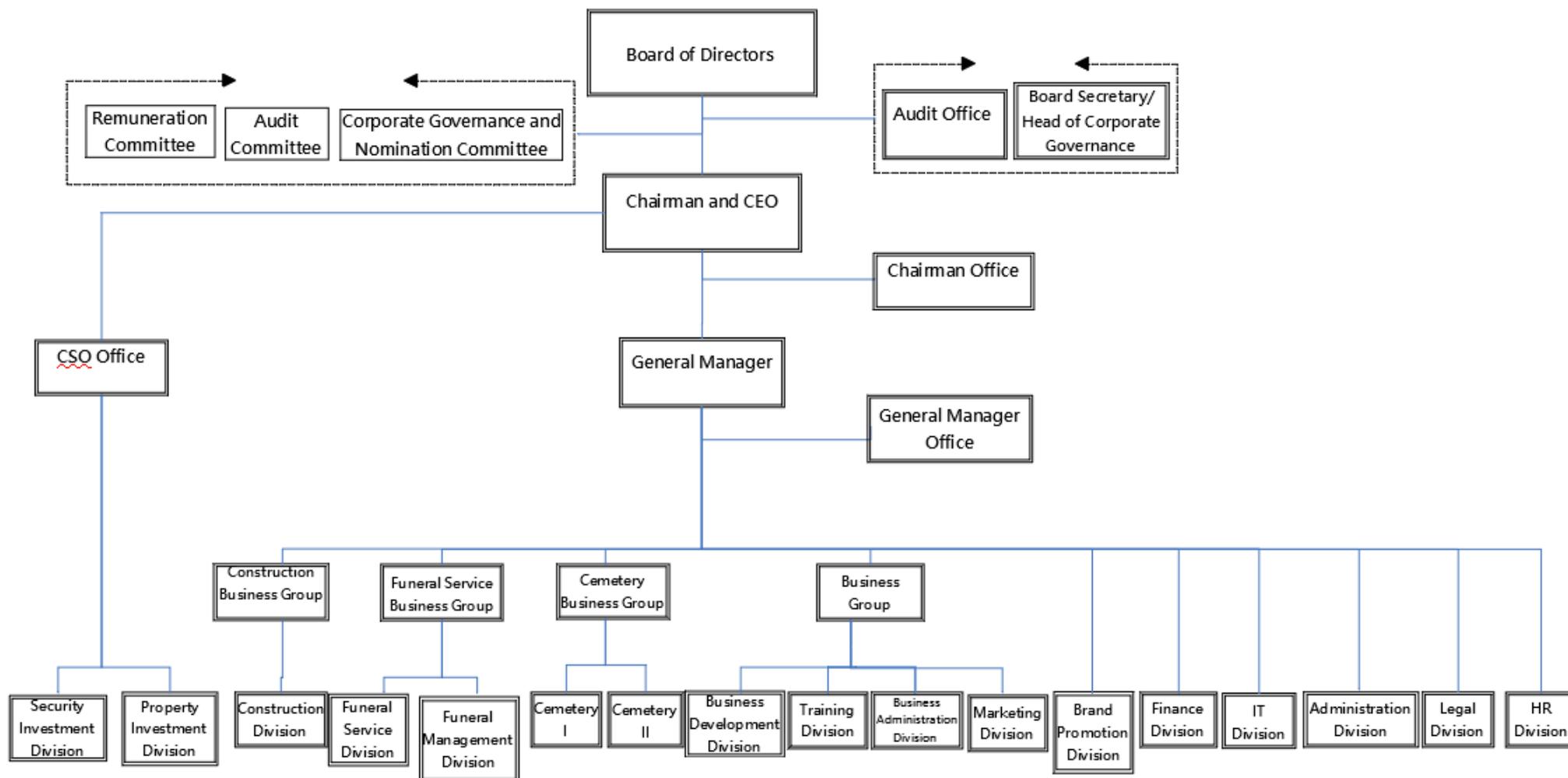
- 2019: April: The Company and the 100%-owned subsidiary Lung An Company Limited conducted the simple merger. After the merger, the Company is the surviving company, and Lung An Company Limited is the extinguished company.
- April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for five consecutive sessions.
- August: The Company was awarded the "Excellent Employer Award of Employees' Salary Survey" by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan).
- September: Awarded once again "Little Giant in Excellence in Corporate Social Responsibility" by Common Wealth Magazine.
- December: The Company once again won the award for the funeral facilities and the funeral service industry evaluation and the award for private funeral facilities and facility operators.
- 2020 January: The Company won the excellent evaluation of the funeral service of Taipei City, New Taipei City and Kaohsiung City, and won the first "Excellent Service Gold Award" of Reader's Digest in Taiwan.
- April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for six consecutive sessions.
- May: The new construction project of the Light Hill Life Memorial Hall, Kaohsiung started.
- August: Awarded once again "Little Giant in Excellence in Corporate Social Responsibility" by Common Wealth Magazine.
- September: Appointed former independent director, Mr. Wang Frank Chun Chung, as the general manager to assist the Company in continuously accelerating industrial upgrading and sustainable development.
- December: The chairman of the board was taken over by KELLY LEE, injecting a new generation of thinking into the development of the Company, driving innovation and reform, and pushing the Company to a new milestone.
- 2021 March: The new construction project of the Palace of Light in Sanzhi District, New Taipei City started.
- April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for seven consecutive sessions.

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### III. Corporate Governance Report

#### 1. Organization:

(1) Organization Chart: (2021.05.15)



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(2) Main business activities of our departments:

(1)	Auditing Office	Responsible for drafting and implementation of annual audit plan, ensure compliance with the Company's policies as well as with external regulations.
(2)	Secretary of the Board	Implementation of corporate governance and other Board committees.
(3)	CSO office	Responsible for the Company's overall international and strategic business development and management, securities and real estate investment management, land development management, operational risk management and control, and ensuring that the Company's products and services are in line with the Company's strategic implementation
(4)	Security Investment Division	Responsible for investment business evaluation, analysis, execution, risk control.
(5)	Property Investment Division	Responsible for the maintenance, utility and management of all the Company's properties and assets.
(6)	Construction Business Group	Responsible for the quality supervision, product design and development of the Company's various construction projects.
(7)	Construction Division	Responsible for company construction management, planning and design management, gardening management.
(8)	Funeral Service Business Group	Responsible for funeral service, goal setting of service center performance, business performance management, and implementation plan formulation.
(9)	Funeral Service Division	Responsible for the implementation, operation and management of the funeral service throughout Taiwan.
(10)	Funeral Service Administration Division	Funeral service management, performance target setting and implementation, sales and incentives, service process improvement and personnel education and training, work quality and administrative efficiency improvement.
(11)	Cemetery Business Group	Responsible for goal setting of cemetery performance, business performance management, and implementation plan formulation.
(12)	Cemetery Management Division(I)	Responsible for the service and management in Sanzhi (New Taipei City), Futian (New Taipei City), Lotus (Hualian), and Fugang (Taoyuan).

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(13)	Cemetery Management Division(II)	Responsible for the service and management in Baoshan (Taichung), Jiayun (Chiayi) and Antai (Kaohsiung).
(14)	Business Group	Responsible for the operation strategy planning, sales strategy planning and operation policy setting and tracking, business sales team management and coaching, customer relationship management
(15)	Marketing Planning Division	Responsible for marketing planning and merchandise management, channel management and incentives, budget allocation and expense control, performance tracking and management.
(16)	Business Administration Division	Responsible for channel management and contract management.
(17)	Business Development Division	Responsible for strategic product sales including telemarketing, multi-channel sales, etc.
(18)	Business Training Division	Handle various business education training and business activities.
(19)	Brand Promotion Division	Company brand image strategy planning, public relations management and maintenance, production of various promotional materials
(20)	Finance Division	Responsible for the preparation of financial and tax reports, management reports and the management and execution of capital planning, investor relations.
(21)	Information Technology Division	Responsible for the software and hardware planning and management of the information system, and information security management.
(22)	Administration Division	Responsible for project procurement, miscellaneous procurement, general affairs operations and staff restaurant operations and other related affairs.
(23)	Legal Devison	Responsible for the review of the Company's legal affairs, the promotion of funeral industry laws and regulations, and the legal compliance of various departments.
(24)	Human Resource Devison	Responsible for the Company's human resources development, management and other related tasks.

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

(1) Directors and supervisors:

i. Directors and Supervisors:

2021.05.15

Job Title	Nationality	Name	Gender	Date Elected	Term	Date 1 <sup>st</sup> Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (Shares)		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers, Directors, Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job Title	Name	Relationships	
Chairman	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	
	Canada	Representative: KELLY LEE	F	2020.12.03	3 years 2021.06.19	2020.12.03	0	0%	0	0%	0	0%	174,568,000	41.56%	Columbia Business School, MBA Generational Capital Management, Founder/CEO UNITED PACIFIC INDUSTRIES, CEO MagiCapital Deals Associate PriceWaterHouseCoopers , Tax Associate	Chairman, Lung Capital Co., Ltd. Director of Wish Giver Limited Director of Beauty Mind Limited Director of Ultimate Plus Limited Director of Possiman International Limited Director of Cheng Chang Holding Inc.	Representative of Wish Giver Limited	Anthony Lee	Sister and brother	
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	
	Canada	Representative: Anthony Lee	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Department of Linguistics, University of Toronto Knowtions Research Inc, Co-Founder	Knowtions Research Inc, Chief Executive Officer Knowtions Research Inc, Board of Directors	Representative of Wish Giver Limited	KELLY LEE	Sister and brother	
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA	
	Japan	Representative:Fujibayashi Ichiro	M	2018.06.20	3 years 2021.06.19	2013.06.04	0	0%	0	0%	0	0%	0	0%	School of Science and Engineering, Meisei University, Japan	CEO, Fuji Kogyo Co. Ltd, Japan CEO, Tur Bao Si	NA	NA	NA	

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Job Title	Nationality	Name	Gender	Date Elected	Term	Date 1 <sup>st</sup> Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (Shares)		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers, Directors, Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job Title	Name	Relationships	
																Co. Ltd., Japan Chairman, Tur Bao Si Co. Ltd., Malaysia Chairman & President, Tur Bao Si Co. Ltd., China Managing Supervisor, Fuji Optical Corp., South Korea Supervisor, Hi-Mecha Corp., JP Supervisor, Fuji Flower CO.,LTD, Japan				
Director	Hong Kong	Orix Asia Capital (Note 3)	—	2018.06.20	3 years 2021.06.19	2017.06.21	21,000,000	5.0%	21,000,000	5.0%	0	0%	0	0%	NA	NA	NA	NA	NA	
	R.O.C	Representative: Chao,Tsen-Seng	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Bachelor, Department of Law, National Taiwan University MBA, National Cheng Chi University Credit Management Dept., Bank of Bank of Panhsin NPL, Orix Asset Management Taiwan Corporation Orix Investment Corporation (Bejin) Manager, Investment Banking, Orix Taiwan Corporation Manager, Corporate Financing, Orix Taiwan Corporation	Head of Investment and Financing Division and Business Promotion , Orix Taiwan Corp.	NA	NA	NA	
Independent Director	ROC	Yeh, Shu	M	2018.06.20	3 years 2021.06.19	2012.6.06	0	0%	0	0%	0	0%	0	0%	Doctor, Accounting, University of California, LA Master, Accounting, University of Texas at Austin Bachelor, Department of Economics, National Taiwan University Executive VP & CFO, CHT	Professor, Accounting Department, National Taiwan University Independent Director, AP Memory Technology Corp. Independent Director, GEM	NA	NA	NA	

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Job Title	Nationality	Name	Gender	Date Elected	Term	Date 1 <sup>st</sup> Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (Shares)		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers, Directors, Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job Title	Name	Relationships	
														Supervisor, Taiwan Cogeneration Corporation Supervisor, HannStar Display Corporation Independent director, Phecda Technology Co. Ltd. Supervisor, Elite Advanced Laser Corporation Independent Director, Nova Technology	Services Inc.					
Independent director	ROC	Wang, Huai	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, NCCU Vice President, Champion Venture Vice President & Partner, KPMG Management Consulting Co. Ltd Chairman, New Century Technology Co. Supervisor, CHC Healthcare Holding Secretary, Taiwan Corporate Governance Association	Independent Director, PharmaEngine Inc. Supervisor, CDIB Bio Science Ventures I Director, Taiwan Corporate Governance Association Member of Remuneration Committee ,PlexBio Co., Ltd.	NA	NA	NA	

Note 1: The Company's institutional director Wish Giver Limited. re-appointed KELLY LEE as the representative on December 3,2020, and was elected as chairman of the board of directors on the same day. The former chairman Liu Wei-lung was discharged on the same day.

Note 2: Mr. Wang, Frank Chun-Chung, the former independent director of the Company, resigned on 2020/9/15. Mr. Wang, Frank Chun-Chung has been the independent director and convener of the remuneration committee of the Company since June 2018. He has participated in the Company's board of directors and a number of major decision-making meetings for a long time. His background as a professional manager in accounting and information technology has enabled the Company to address a number of key issues and get a lot of valuable guidance. In order to rely on Mr. Wang, Frank Chun-Chung's management talents, improve the overall operating efficiency of the Company, and benefit the Company's sustainable operation and growth, the Company's board of directors passed a resolution on 2020/9/15 to appoint Mr. Wang, Frank Chun-Chung as the Company's general manager. The Company will make up the number of independent directors at the latest shareholders meeting in accordance with the law.

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

**i. Major shareholder of an institutional shareholder** 2021.04.27

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

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

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

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

**ii. Major shareholders that are legal people:** 2021.04.27

Name of Institutional Shareholder (Note 1)	Major shareholders (Note 2)	
PHOENIX TYCOON LIMITED	KELLY LEE	100%

Name of Institutional Shareholder (Note 1)	Major shareholders (Note 2)	
Orix Corp.	BlackRock, Inc. (NYSE:BLK)	6.63%
	Nomura Asset Management Co., Ltd.	5.49%
	Sumitomo Mitsui Trust Asset Management Co., Ltd.	5.43%
	Asset Management One Co., Ltd.	4.67%
	FMR LLC	4.26%
	Mitsubishi UFJ Trust and Banking Corporation, Asset Management Arm	4.01%
	The Vanguard Group, Inc.	3.30%
	Sumitomo Mitsui Financial Group Inc., Asset Management Arm	1.75%
	Nikko Asset Management Co., Ltd.	1.71%
	Norges Bank Investment Management	1.67%

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

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

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

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

2021.05.15

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

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

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

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

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

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Chairman and CEO	Canana	KELLY LEE	F	2021.03.01	0	0%	0	0%	174,568,000	41.56%	Columbia Business School, MBA Founder/CEO, Generational Capital Management CEO, UNITED PACIFIC INDUSTRIES Deals Associate, MagiCapital Tax Associate, PriceWaterHouseCoopers	Director of Long Capital Co. Ltd. Director of Wish Giver Limited Director of Beauty Mind Limited Director of Ultimate Plus Limited Director of Possiman International Limited Director of Cheng Chang Holding Inc.	CSO	Lin, Su-Chien	spouse	Note 1
General Manager	USA	Wang, Frank Cuun Chung	M	2020.09.15	0	0%	0	0%	0	0%	BA in Accounting and Mechanical Engineering, The Ohio State University Information Designer, Ohio Department of Development CFO, GM International COO, Titan Corporation Advisor, CIBC Supervisor and member of Remuneration Committee, Headway Technology Co. General manager of AdvancedTEK International Corp. Independent Director and Convener of Remuneration	Vice President of AdvancedTEK International Corp.	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
											Committee of Lungyen Life Service Corp. CPA of Indiana, USA					
CSO	USA	Lin, Su-Chien	M	2021.03.01	0	0%	0	0%	0	0%	BA, Department of Hotel Management, Cornell University Vice president, Investment Business Group of Lungyen Life Service Group Vice president, Cemetary Business Group of Lungyen Life Service Group Senior Manager, Hong Kong Apple Retail Store Lobby Manager, Four Seasons Hotel Hong Kong Vice Director, Housekeeping Department, Four Seasons Hotel Paloto, USA Assistant manager, Housekeeping Department, Four Seasons Hotel San Diego, USA Assistant manager, Room Cleaning Department of Four Seasons Hotel Philadelphia, USA	CSO, Lungyen Life Service Corp. Director of Longyang Life (Cayman) Co., Ltd. Director of Longyang Life (Hong Kong) Co., Ltd. Director of Longyong Life (China) Holdings Limited Director of Longyong Life (Tianjin) Management Consulting Co., Ltd. Director of Wenzhou Lungyen Cemetery Co., Ltd. Director of Law Co., Ltd. Director of Xiao En Group, Malaysia	KELLY LEE	Chairman and CEO	spouse	
Secretary of the Board and	ROC	Liang, Jian-Yun	F	2010.03.18	4,000	0%	0	0%	0	0%	Bachelor, Department of Economics, National Chung Hsing	Director, Yuji Development Corp.	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Corporate Governance Director											University Accounting and auditing, Lungyen Life Service Co. Ltd. Auditing Supervisor, Deputy Assistant General Manager, Customer Service Division, Lungyen Life Service Corp.	(Representative from Lungyen Life Service Corp.) Director, Lung Fu Company Limited Director, Dahan Property Management Co., Ltd. Director, Lung-I-Sheng International Development Co.				
Vice President of Business Group	ROC	Lin, ChienJu	F	2019.10.01	7,041	0%	0	0%	0	0%	Department of Finance, National Chengchi University Master of International Business, Tamkang University PhD student of Tianjin Nankai University Lehman Brothers trader VP of business department, Lungyen Life Service Corp.	Director, Yuji Development Corp. (Representative from Lungyen Life Service Corp.)	NA	NA	NA	
Vice President of Business Development Division	ROC	Niu, An-Tzu	F	2013.04.25	0	0%	0	0%	0	0%	Bachelor, Chinese Literature, SooChow University Advertising Manager, Shiseido Taiwan	None	NA	NA	NA	
Vice President of Administration Division	ROC	Jian, Hui-Juan	F	2013.02.25	0	0%	0	0%	0	0%	Bachelor, Department of Journalism, Chinese Culture University	Chairman, United Corp.	NA	NA	NA	
Vice President of Human Resources Division	ROC	Liu, I-Chun	F	2020.07.20	0	0%	0	0%	0	0%	Master of Psychology, National Taiwan University Bachelor, Department of	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
											Psychology, National Taiwan University Director of Global Compensation Management Division, Acer Co., Ltd. Head of HRBP/Global Salary Management, TSRC Manager of Human Resources Department, Gongwen Culture Co., Ltd.					
Vice President of Investment Division	ROC	Chou, I-Ping	M	2015.04.01	0	0%	0	0%	0	0%	MBA, Pennsylvania State University Customer Consulting Director, Ultra High Net Worth, UBS Hong Kong Senior manager, Dealing room, CTBC Investment Consultant Manager, Goldman Sachs (Asia)	None	NA	NA	NA	
Vice President of Brand Promotion Division	ROC	Lai, Shu-Yi	F	2019.10.01	0	0%	0	0%	0	0%	University of Ulster-Communication, Public Relations and Advertising Director of Brand, Corporate Relations and Internal Communications, HTC	None	NA	NA	NA	
Vice President of General Manager Office	ROC	Chen, Yi-Fang	M	22019.12.10	0	0%	9,000	0%	0	0%	Department of Civil Engineering, China Institute of Technology Technician, 10th River Bureau, Ministry of Economic Affairs	None	NA	NA	NA	
Assistant Vice President of Sales Administration Division	ROC	Chen, Yung-Cheng	M	2017.03.02	0	0%	0	0%	0	0%	MS Economics, Fu-Jen Univ. Chief, Cathay Life Insurance Manager of Funeral Service, Lungyen AVP, General Management, Lungyen	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Assistant Vice President of Funeral Service Division	ROC	Tseng, Mei-Yin	F	2021.03.01	0	0%	0	0%	0	0%	Bachelor of Social Science Education, National Hualien Teachers College Manager of Funeral Service Department of Lungyen Life Service Corp. Assistant manager of Funeral Service Management Department of Lungyen Life Service Corp. Senior funeral director of Lungyen Life Service Corp.	None	NA	NA	NA	
Assistant Vice President of Property Investment Division	ROC	Chuang, Chin-Liang	M	2018.05.10	0	0%	0	0%	0	0%	Bachelor, Department of Urban Planning, Chinese Culture University Manager of Asset Management, Century Asset Management Company Assistant Vice President, Real Estates Investment Department, CA Capital Partners Asset Management, CIVIL Asset Management Consultant Co. Ltd. Manager, Real Estates Investment Department, Lungyen Life Service Corp.	None	NA	NA	NA	
Assistant Vice President of Training and Development Division	ROC	Wu, Kai-Ling	F	2019.04.18	0	0%	0	0%	0	0%	Bachelor, Department of Finance and Banking, Shih Chien University Manager, Multichannel department, Lungyen Life Co. Ltd. Manager, Training Department, Lungyen Life Co. Ltd. Deputy Director, Training Department, TransglobeLife Insurance Co.	None	NA	NA	NA	
Assistant Vice President of	ROC	Chien,	M	2019.12.10	0	0%	0	0%	0	0%	Department of Landscape Architecture, Tunghai University	None	NA	NA	NA	

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Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
Construction Division		Sheng-Chieh									Specialist of Research and Development Department, Newland Developers Group					
Assistant Vice President of Cemetery Management Division(I)	ROC	Chang, Chin-Yi	M	2021.03.31	0	0%	0	0%	0	0%	Bachelor of Industrial Engineering, Feng Chia University Manager of Cemetery Management Division(I), Lungyen Life Service Corp. Manager of Sanzhi Cemetery Department, Lungyen Life Service Corp. Assistant manager of Cemetery Administration Department, Lungyen Life Service Corp. Deputy Director of Asunaro Aoki Construction Co Ltd.	None	NA	NA	NA	
Assistant Vice President of Cemetery Management Division(II)	ROC	Hsiao, Meng-Chuan		2019.12.10	1,000	0%	0	0%	0	0%	Department of Catering Management, Diwan University Assistant Vice President of Business Operation Division, Lungyen Life Service Corp. Assistant Vice President of Funeral Service Management Division, Lungyen Life Service Corp. Special Assistant of Funeral Service Management Division, Lungyen Life Service Corp. Assistant Vice President of General Manager Office, Lungyen Life Service Corp.	None	NA	NA	NA	
Assistant Vice President of Information Technology Division	ROC	Wang, Chih-Yung		2019.12.10	0	0%	0	0%	0	0%	Master, Institute of Mathematics, Soochow University Assistant Vice President of Software Development Division, Lungyen Life Service Corp. Assistant Vice President of General Manager Office, Lungyen	None	NA	NA	NA	

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

Note1: For the Company's future development, it adjusted the organizational structure to add the positions of chief executive officer and chief strategy officer on March 1, 2021.

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

(1) Remuneration paid to Directors

2020.12.31 NTD\$thousand

Job title	Name	Remuneration to Directors								(A+B+C+D) as a percentage of net income		Remuneration to part-time employees								(A+B+C+D+E+F+G) as a percentage of net income		Remuneration from invested non-subsidiary enterprise(s) or the parent company		
		Compensation (A) (Note 1)		Pension upon Retirement (B)		Compensation from Earnings Distribution © (Note 2) - proposed		Service Expenses (D)				Base Salary, Bonuses, and Allowances (E)		Pension upon Retirement (F)		Compensation from Earnings Allocation (G) (Note 3) - proposed							Exercisable Employee Stock Options (H)	
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	Cash bonus	Stock bonus	Cash bonus	Stock bonus		The Company	Companies included into the financial statement
Chairman (Note 6)	Wish Giver Limited Representative:Liu, Wei-Lung	0	0	0	0	7,402	7,402	0	0	0.59%	0.59%	19,746	19,746	0	0	3,591	0	3,591	0	2.47%	2.47%	None		
Chairman (Note 6)	Wish Giver Limited Representative: KELLY LEE																							
Director	Wish Giver Limited Representative: Anthony Lee																							
Director	Wish Giver Limited Representative: Fujibayashi Ichiro	1,131	1,131	0	0	24,898	24,898	0	0	2.09%	2.09%	0	0	0	0	0	0	0	0	2.09%	2.09%	None		
Director	Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng																							
Independent Director	Yeh, Shu																							
Independent Director	Wang, Huai	6,030	6,030	0	0	0	0	74	74	0.49%	0.49%	0	0	0	0	0	0	0	0	0.49%	0.49%	None		
Independent Director	Wang, Chun-Chung (Note 7)																							

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

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

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

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

Note 4 : The remuneration of directors's surplus distribution is the proposed amount, which needs to be approved by the shareholders' general meeting in 2021. The actual distribution will authorize the board of directors to decide.

Note 5 : The surplus of directors as employees and the distribution of employee dividends are proposed and subject to the resolution of the 2021 general meeting of shareholders.

Note 6 : The Company's institutional director Wish Giver Limited re-appointed KELLY LEE as the representative on December 3, 2020, and was elected as the chairman of the board of directors on the same day. The former chairman Liu, Wei-Lung was dismissed on the same day.

Note 7 : Mr. Wang, Chun-Chung, the former independent director of the Company, resigned on September 15, 2020. The Company also approved the appointment of Mr. Wang, Chun-Chung as the general manager of the Company on the same day.

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Range of remuneration

2020.12.31 NTD\$Thousand

Remuneration Paid to Directors by Range	Name of Director			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Company	Companies included into the consolidated financial statement (I)	The Company	Companies included into the consolidated financial statement (J)
Below NT\$1,000,000				
NT\$1,000,000 (included)~NT\$2,000,000 (excluded)	Wish Giver Limited Representative: KELLY LEE Wang, Chun-Chung			
NT\$2,000,000 (included)~NT\$3,500,000 (excluded)	Yeh, Shu, Wang, Huai			
NT\$3,500,000 (included)~NT\$5,000,000 (excluded)				
NT\$5,000,000 (included) ~NT\$10,000,000 (excluded)	Representative of Wish Giver Limited: Anthony Lee Representative of Wish Giver Limited: Fujibayashi Ichiro Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng	Representative of Wish Giver Limited: Anthony Lee Representative of Wish Giver Limited: Fujibayashi Ichiro Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng	Representative of Wish Giver Limited: Anthony Lee Representative of Wish Giver Limited: Fujibayashi Ichiro Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng	Representative of Wish Giver Limited: Anthony Lee Representative of Wish Giver Limited: Fujibayashi Ichiro Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng
NT\$10,000,000 (included)~NT\$15,000,000 (excluded)				
NT\$15,000,000 (included)~NT\$30,000,000 (excluded)	Wish Giver Limited	Wish Giver Limited	Wish Giver Limited	Wish Giver Limited
NT\$30,000,000 (included)~NT\$50,000,000 (excluded)				
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total	8	8	8	8

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

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**(2) Remuneration Paid to Supervisors**

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

**Range of remuneration**

12.31.2020 Unit: NT\$ Thousand

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

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

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(3) Remuneration Paid to President and Vice Presidents

2020.12.31 NTD\$Thousand

Job title	Name	Compensation (A) (Note 8)		Pension upon Retirement (B)		Commission and Allowance C (Note 9)		Employee Bonuses from Earnings Distribution (D) (Note 10)				(A+B+C+D) as a percentage of net income (%)		Remuneration from invested non-subsidiary enterprise(s) or parent company
		The Company	Companies included into the financial statement	The Company	Companie s included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
General Manager	Wang Frank Chun Chung (Note 1)	32,695	32,695	1,148	1,148	13,477	13,477	3,405	0	3,405	0	4.08%	4.08%	None
Chairman & General Manager	Liu, Wei-Lung (Note 1)													
Executive Vice President	Chan, Shu-Juan (Note 2)													
Vice President	Lin, Shu-Ling (Note 3)													
Vice President	Liang, Jian-Yun													
Vice President	Niu, An-Tzu													
Vice President	Jian, Hui-Juan													
Vice President	Chou, I-Ping													
Vice President	Hsu, Mei-Yu (Note 4)													
Vice President	Liu, Yu-Min (Note 5)													
Vice President	Fu, Ming (Note 6)													
Vice President	Liu, I-Chun (Note 7)													
Vice President	Lin, Chien-Ju													
Vice President	Lai, Shu-Yi													
Vice President	Lin, Su-Chien													
Vice President	Cheng, Yi-Fang													

Note 1 : From January 1, 2020 to September 15, 2020, the general manager of the Company was held concurrently by the former chairman of the board, Mr. Liu Wei-Lung, and his remuneration was not included. On September 15, 2020, the board of directors of the Company approved the appointment of former independent director Mr. Frank Chun Chung as the general manager of the Company.

Note 2 : Resigned on March 31, 2021.

Note 3 : Dismissed on April 29, 2020.

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Note 4 : Resigned on March 10, 2021.

Note 5 : Resigned on April 20, 2021.

Note 6 : Resigned on February 29, 2020.

Note 7 : Reported on July 20, 2020.

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

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

Note 10 : Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2021 shareholder meeting approval.

**Range of remuneration**

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

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

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

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

	Job title	Name	Stock bonus	Cash bonuses (Note 8) – proposed	Total	Total sum as a percentage of net income (%)
Managers	Chairman & General Manager	Liu, Wei-Lung (Note 1)	0	4,320	4,320	0.35%
	General Manager	Wang Frank Chun Chung (Note 1)				
	Vice President	Chan, Shu-Juan (Note 2)				
	Vice President	Lin, Shu-Ling (Note 3)				
	Vice President	Liang, Jian-Yun				
	Vice President	Niu, An-Tzu				
	Vice President	Jian, Hui-Juan				
	Vice President	Chou, I-Ping				
	Vice President	Hsu, Mei-Yu (Note 4)				
	Vice President	Liu, Yu-Min (Note 5)				
	Vice President	Fu, Ming (Note 6)				
	Vice President	Liu, I-Chun (Note 7)				
	Vice President	Lin, Chien-Ju				
	Vice President	Lai, Shu-Yi				
	Vice President	Lin, Su-Chien				
	Vice President	Cheng, Yi-Fang				
	Assistant Vice President	Wu, Kai-Ling				
	Assistant Vice President	Wang, Chih-Yung				
	Assistant Vice President	Wu, Tsuen-Long (Note 8)				
	Assistant Vice President	Chen, Yung-Cheng				
	Assistant Vice President	Zhuang, Qing-Liang				
	Assistant Vice President	Lee, Shu-Hui (Note 9)				
Assistant Vice President	Huang, Hsing-Yen					
Assistant Vice President	Hsiao, Meng-Chuan					
Assistant Vice President	Chien, Sheng-Chieh					
Assistant Vice President	Wan, Hsing-Wen					

Note 1 : The Company's board of directors resolved on September 15, 2020 to appoint former independent director, Mr. Wang Frank Chun Chung, as the company's general manager. The former general manager, Mr. Liu, Wei-Lung, resigned on the same day

Note 2 : Resigned on March 31, 2020.

Note 3 : Dismissed on April 29, 2020.

Note 4 : Resigned on March 10, 2020.

Note 5 : Resigned on April 20, 2021.

Note 6 : Resigned on February 29, 2020.

Note 7 : Reported on July 20, 2020.

Note 8 : Resigned on June 22, 2020.

Note 9 : Resigned on April 18, 2021.

Note 10 : Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2021 shareholder meeting approval.

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

- i. Analysis of total remuneration paid in 2019 and 2020 as a percentage of net income to Directors, Supervisors, President, and Vice Presidents of the Company by the parent and

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all other subsidiaries in this Annual Report.

2020.12.31 NTD\$Thousand

Job title	2019				2020			
	Remuneration amount		% of net income after tax		Remuneration amount		% of net income after tax	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	85,419	85,419	3.71%	3.71%	62,872	62,872	5.05%	5.05%
GM and VPs	44,439	44,439	1.93%	1.93%	50,725	50,725	4.08%	4.08%

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

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

a. Remuneration to directors

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

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

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

b. Compensation to president and vice presidents

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

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

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

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

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**4. Status of Corporate Governance**

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

i. Total number of meetings convened in fiscal year 2020 (from 2020/01/01 ~ 2020/12/31) is 13(A), the attendance status is as below:

Job title	Name	Attendance in Person (B)	by proxy	Attendance Rate in Person (%) [B/A]	Notes:
Chairman	Institutional representative of Wish Giver Limited: KELLY LEE	2	0	100%	The institutional director re-appointed its representative On December 3, 2020, and the number of attendances was 2 times.
Chairman	Institutional representative of Wish Giver Limited: Liu, Wei-Lung	11	0	100.00%	The institutional director re-appointed its representative On December 3, 2020, and the number of attendances was 11 times.
Director	Institutional representative of Wish Giver Limited: Lee, Anthony	12	1	92%	
Director	Institutional representative of Wish Giver Limited: Fujibayashi Ichiro	3	9	23%	
Director	Institutional representative of Orix Asia Capital Corp.: Chao, Tsen-Sheng	13	0	100%	
Independent Director	Yeh, Shu	12	0	92%	
Independent Director	Wang, Huai	13	0	100%	
Independent Director	Wang, Chun-Chung	9	0	100%	Resigned on September 15, 2020. The number of attendances was 9 times.

ii. The attendency of Independent Directors this year

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

Meeting Dates	Meeting Information	Yeh, Shu	Wang, Huai	Wang, Chun-Chung
2020.01.16	19th meeting of the 13th Board of Directors	◎	◎	◎
2020.02.25	20th meeting of the 13th Board of Directors	◎	◎	◎
2020.03.17	21th meeting of the 13th Board of Directors	◎	◎	◎
2020.04.14	22th meeting of the 13th Board	◎	◎	◎

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Meeting Dates	Meeting Information	Yeh, Shu	Wang, Huai	Wang, Chun-Chung
	of Directors			
2020.05.12	23th meeting of the 13th Board of Directors	◎	◎	◎
2020.07.07	24rd meeting of the 13th Board of Directors	◎	◎	◎
2020.07.11	25th meeting of the 13th Board of Directors	◎	◎	◎
2020.07.22	26th meeting of the 13th Board of Directors	◎	◎	◎
2020.08.10	27th meeting of the 13th Board of Directors	◎	◎	◎
2020.09.15	28th meeting of the 13th Board of Directors	◎	◎	(Note)
2020.11.10	29th meeting of the 13th Board of Directors	◎	◎	
2020.12.03	30th meeting of the 13th Board of Directors	◎	◎	
2020.12.29	31th meeting of the 13th Board of Directors	◎	◎	

Note: Resigned on September 1, 2020.

iii. Other matters to be specified

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

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

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

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

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

Meeting Dates	Meeting Information	Name of Director	Case	Causes of recusal	Participation
2020.01.16	19th meeting of the 13th Board of Directors	Liu, Wei-Lung	Annual performance appraisal and bonus issuance rules and time schedule planning	Parties for the case	Except for the avoidance of directors who have their own interests, the remaining attending directors passed the case without objection.
2020.09.15	28th meeting of the 13th Board of Directors	Wang, Huai	Appointment of members of the Company's remuneration committee	Parties for the case	
2020.12.29	31th meeting of the 13th Board of Directors	KELLY LEE	Review of the remuneration of the new chairman	Parties for the case	

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

Implementation of evaluation of the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	Evaluation of the performance of the Board of	Evaluate the performance of the board of	1.Board members evaluate the overall performance of the	1.Evaluation of the board of directors : Refer to the evaluation indicators prepared by the competent authority and adjust the actual

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	Directors and Functional Committees from January 1, 2020 to December 31, 2020.	directors, functional committees, individual directors and functional committee members.	board individually. 2.The convener of the functional committee consolidates the opinions of all members and conducts a self-assessment of the overall performance. 3.Individual board members and functional committee members conduct self-assessment.	situation of the Company. The evaluation content includes the level of participation in the Company’s operations, the improvement of the quality of the board ’s decisions, the composition and structure of the board, the selection and continuous training of directors, internal control and other aspects. 2.The overall performance evaluation of the functional committee and the self-evaluation of individual board members and members of the functional committee are mainly conducted through an open questionnaire, and self-evaluation is conducted according to the annual goals set by them. The annual goals are set based on the functions of the functional committees and reported to the board of directors.
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d. The external Board evaluation cycle and period, evaluation scope, method and evaluation content:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Executed every three years	Evaluation of the performance of the Board of Directors from November 1, 2019 to October 31, 2020.	Evaluate the performance of the board of directors	The Taiwan Corporate Governance Association appointed two experts, Mr. Zheng Huan-gui and Mr. Liu Wen-zheng to conduct interviews. The organization and its executive committee have no business relations with the Company and are independent.	Eight dimensions including the composition, guidance, authorization, supervision, communication, internal control and risk management, self-discipline, and others, were evaluated by questionnaires and on-site visits.

e. Evaluation of measures taken to strengthen the functionality of the Board recent years (such as establishing Audit Committee, improving the Release of the Information and so on):

e-1. The Company's official website has a "Corporate Governance" section (<https://www.lungyengroup.com.tw/Page/corporate-governance>), which includes the board of directors, important resolutions of the board of directors, corporate governance structure, organization and operation of internal audits and important company regulations, etc., shareholders can understand the operation of the board of directors of the company through the website.

e-2. The Company has elected 3 independent directors on 2018.06.20 on general shareholders’ meeting, the term of service is 3 years. According to Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company has the Procedural Rules of the Board and release the attendance of the directors.

e -3. We believe a sound and efficient board of directors is the foundation of superior corporate governance. Under such a principal, we established an audit committee on 10/29/2009 and a compensation committee on 09/29/2011 and established the Corporate Governance and Nomination Committee on June 20, 2018. These committees are composed entirely of three independent directors to assist the board of directors in the exercise of their duties in order to achieve their responsibilities of supervision and to achieve the objective of enhancing the functions of the board of directors.

e-4. In order to comply with the trend of international corporate governance, the Company has updated the Company's " Code of Ethical Conduct " , " Ethical Corporate Management Best Practice Principles " and “Whistleblower Reporting and Protection System Management Measures “ on November 8, 2018, and revised the "Director's Meeting Rules" of the Company on April 11, 2019 and February 25, 2020. Also, the relevant organization specifications on the Company's website was updated to safeguard shareholders' rights and improve corporate governance standards.

e-5. The Company also set up the head of corporate governance on February 26, 2019 to handle the corporate governance matters and provide the necessary support for the board of directors.

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e-6. In order to enhance the transparency of information, the Company's major resolutions after the board meeting were immediately announced to the Market Observation Post System (MOPS).

e-7. On November 8, 2018, the Company passed the "Board and Functional Committee Evaluation Method" and completed the 2019 and 2020 Board of Directors evaluation in January 2020 and 2021 respectively. The evaluation results are based on the operation of the board of directors, director participation, board decision quality, board structure, internal control and other parts. The performance of the overall evaluation of the board of directors for the year 2020 is "excellent" (the overall evaluation result reaches 4.82 points of 5). In addition, in accordance with the Company's "Board and Functional Committee Evaluation Method", an external professional independent institution or expert scholar must be appointed to perform an external board evaluation at least every three years. In November 2020, the Company appointed two experts, Mr. Zheng Huan-gui and Mr. Liu Wen-zheng, appointed by the Taiwan Corporate Governance Association to conduct interviews on 8 dimensions: composition, guidance, authorization, supervision, communication, internal control and risk management, self-discipline and others of the board of directors by questionnaires and field visits. Through the impartial and objective perspective of an external third party, we can deeply examine the advantages and disadvantages of the operation of the Company's board of directors, understand the direction that the Company can improve, and learn from the experience of other good companies.

e-8. As a new appointed member of during the term of the Board, the members of the Board will continue to participate in the courses of corporate governance related topics. The independent directors are in compliance with the Securities Exchange Law, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other matters to be followed. The board members have different professional functions and implement director diversity policy.

e-9. The Company has insured liability insurance for all directors. For more information, please visit the Market Observation Post System (MOPS).

f. The diversity of members of the Board of Directors:

According to the Company's Corporate Governance Rule #20, the members of the Board should emphasize on gender equality and able to have necessary professional knowledge, abilities related to service. In order to achieve the goal of corporate governance, the board of directors should have the diversity of capabilities. The selection of members of the board of directors of the Company focuses on the diversification of member backgrounds. In addition to considering professional and experience related to finance, accounting and operation management, in order to meet the future development needs, the Company also recruits experts with rich experience in information technology, corporate governance and artificial intelligence to serve as members of the board of directors to further strengthen the implementation of board functions.

In order to implement the division of powers, the board of directors passed a resolution on September 15, 2020 to appoint former independent director Mr. Wang Chun-Chung as the general manager of the Company. This enables the Chairman and general manager to exercise their powers separately to strengthen risk control, and rely on Mr. Wang Chun-Chung's professional background in accounting and information technology to improve operational efficiency. Besides, the Company's institutional director Wish Giver Limited re-appointed KELLY LEE as the representative on December 3, 2020, and elected as the Chairman of the board of directors on the same day. The succession plan helps the Company toward an industrial upgrade, and further strengthens the diversity of the background and gender of the board members.

f-1. Professional knowledge:

Name of Directors	Gender	Professional Background	Professional Knowledge	Industries Experiences
KELLY LEE	F	✓	✓	✓
Lee, Anthony	M	✓	✓	✓
Fujibayashi Ichiro	M	✓	✓	✓
Chao, Tsen-Sheng	M	✓	✓	✓
Yeh, Shu (Independent Director)	M	✓	✓	✓
Wang, Huai (Independent Director)	M	✓	✓	✓

f-2. Diversity of ability of core items:

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

Note 1: The Company's institutional director Wish Giver Limited reappointed KELLY LEE as the representative on December 3, 2020, and the former chairman Liu Wei-lung was dismissed on the same day.

Note 2: In order to rely on Mr. Wang Chun-Chung's management talents, improve the overall operating efficiency of the Company, and benefit the Company's sustainable operation and growth, the Company's board of directors passed a resolution on September 15, 2020 to appoint Mr. Wang Chun-Chung as the Company's general manager. Mr. Wang Chun-Chung also resigned as Independent Director at the same time. The Company will make up the number of independent directors according to laws and regulations.

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

- i. Total number of meetings convened in fiscal year 2020 (from 2020/01/01 ~ 2020/12/31) is 10 (A), the attendance status is as below:

Job title	Name	Attendance in Person (B)	by proxy	Attendance Rate in Person (%) [B/A]	Notes:
Independent Director	Yeh, Shu	9	0	90.00%	
Independent Director	Wang, Huai	10	0	100.00%	
Independent Director	Wang Chun-Chung	7	0	100.00%	Resigned on September 15, 2020. The number of attendances was 7 times.

- ii. Other matters to be specified:
- a. Should any of the following circumstances occur during the operations of the Audit Committee, the date, session, content of proposal, resolution of Audit Committee and the Company's disposition to the opinions of Audit Committee.
    - a-1. The matters stipulated by Article 14-5 of the Securities and Exchange Act:  
For details, please refer to "(4) Audit Committee Annual Work Priorities and Operational Situation"
    - a-2. Except with the foregoing matters, other matters to be resolved that are approved by over 2/3 of all directors but not approved by the Audit Committee: None
  - b. Situations when an independent director was excused from the Board meeting due to a conflict of interest information including director's name, meeting agenda, causes of recusal, and final participation in voting should be stated: None.
  - c. Communication among independent directors and internal auditing managers and independent accountants

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(concerning issues about Company financials, business operations, means of communication, and results of such communication):

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

Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
February 25, 2020	13th meeting of the 4th Audit Committee	2019 Internal Auditor's report	The internal auditors have presented the findings of all audit reports and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any dissension.
		2019 Declaration on Internal Control System	
May 12, 2020	16th meeting of the 4th Audit Committee	1Q 2020 Internal Auditor's report	
August 10, 2020	19th meeting of the 4th Audit Committee	2Q 2020 Internal Auditor's report	
November 10, 2020	21th meeting of the 4th Audit Committee	3Q 2020 Internal Auditor's report	
December 29, 2020	22th meeting of the 4th Audit Committee	Audit Office's Implementation Plan of 2021	

c-2 Communication among independent directors and independent accountants:

Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
February 25, 2020	13th meeting of the 4th Audit Committee	2019 Annual Financial Statement and Consolidated Financial Statement	The independent accountants have presented the findings of all reports each year, quarter and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any dissension.
May 12, 2020	16th meeting of the 4th Audit Committee	1Q 2020 Consolidated Financial Statement	
August 10, 2020	19th meeting of the 4th Audit Committee	2Q 2020 Consolidated Financial Statement	
November 10, 2020	21th meeting of the 4th Audit Committee	3Q 2020 Consolidated Financial Statement	

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

d-1: Summary of annual work priorities:

The Audit Committee held 10 meetings in 2020, and the matters considered mainly include:

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

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d-2: Annual operation:

Convening Date	Meeting Information	Content of Proposals	Items stated in Article 14-5 of the Securities and Exchange Act	The Audit Committee Resolution result	Company's processing to the Audit Committee's opinions
2020.02.25	13th meeting of the 4th Audit Committee	2019 Annual Financial Statement and Consolidated Financial Statement	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		2019 Business Report			
		The Company's "2019 Declaration on Internal Control System	✓		
		Establishing the 2020 annual work plan of the Audit Committee			
		Provide endorsement guarantee for others	✓		
		Revision of the Company's " Audit Committee Charter"			
2020.03.17	14th meeting of the 4th Audit Committee	Millerful No. 1 Real Estate Investment Trust Fund Investment	✓	Approved by all attending members after discussion of the revised articles, without any dissension	Submitted to the board of directors for discussion. Approved by all the attending directors, and resented to the 2019 shareholders meeting for discussion.
		Formulate the selection principle and authorization plan for investment objectives	✓		
		Construction of "The "Light of Hill Life Memorial Hall" and surrounding landscape	✓		
2020.04.14	15th meeting of the 4th Audit Committee	Proposed 2019 earnings distribution proposal	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.05.12	16th meeting of the 4th Audit	The change of the Company's certified CPA due to internal job rotation of the accounting firm.	✓	Approved by all attending members,	Submitted to the board of directors for

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	Committee	Assessment of the independence and competence of the Company's certified CPA and the appointment and remuneration proposal of the certified CPA in 2020.	✓	without any dissension	discussion. Approved by all attending directors
2020.07.11	17th meeting of the 4th Audit Committee	Participate in the 2020 Sotheby's Hong Kong Spring Auction of Artwork	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.07.22	18th meeting of the 4th Audit Committee	Obtain long-term equity investment	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.08.10	19th meeting of the 4th Audit Committee	(Only report matters, no discussion matters)	Not applicable	Not applicable	Not applicable
2020.09.15	20th meeting of the 4th Audit Committee	In accordance with the "Questions and Answers on the Guidelines for the Procedure of Fund Loans and Endorsements for Listed Companies" revised in July, 2020, the audit committee shall quarterly make a decision whether accounts receivable and other accounts that exceed the normal credit period of 3 months with significant amounts belong to fund loans.	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.11.10	21th meeting of the 4th Audit Committee	The Company intends to increase the investment amount of Hebei Shijiazhuang Taifuyuan Cemetery Management Co., Ltd. to RMB 77,000,000 and to invest RMB 25,000,000 in Longyang Life (Tianjin) Management Consulting Co., Ltd. within the previously approved total investment of Longyang China of US\$42,500,000.	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Construction of the “ the Palace of the Light” Project	✓		

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		Formulate the Company's risk management policies and procedures	✓		
2020.12.29	22th meeting of the 4th Audit Committee	2021 annual audit implementation plan	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

d-3: 2020 annual work target:

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

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

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

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

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

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

**(3) The status of the Company's implementation of corporate governance, any deviation from such implementation of the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation**

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
I. Does the Company establish and disclose own corporate practice principles with reference to the Corporate Governance Best Practice Principles (BPP) for TWSE/GTSM Listed Companies?	✓		The Company has established the Code of Corporate Governance Practice. Please refer to 4. Status of Corporate Governance of the Annual Report and our company website ( <a href="https://www.lungyengroup.com.tw/Page/corporate-governance">https://www.lungyengroup.com.tw/Page/corporate-governance</a> ) for details. No difference from the Corporate Governance BPP has been reported so far.	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
<p>II. Equity structure and shareholders' equity</p> <p>(1) Does the Company establish and implement the internal operation procedures to handle shareholders' suggestions, concern, disputes and litigation matters?</p> <p>(2) Does the Company hold the list of its major shareholders and their ultimate owners?</p> <p>(3) Does the Company establish and execute risk control mechanisms and firewalls between the Company and its affiliates</p> <p>(4) Has the company established internal rules prohibiting insider trading on undisclosed information?</p>		✓	<p>(1) Although relevant operating procedures have not been established, this Company has established a spokesperson, deputy spokesperson, stock affairs units, investor relations department and legal affairs units to handle relevant shareholder suggestions or disputes.</p> <p>(2) The Company's stock affairs unit was responsible for controlling the relevant information, and keeping in touch with the major shareholders. The Company also disclosed the major shareholders and shareholdings of the ultimate controllers of the major shareholders.</p> <p>(3) This Company has established relevant controls in our internal control system and the "Regulations Government Trading Activities with Interested Parties, Specific Parties, and Affiliates of the Group" with reference to applicable laws and regulations.</p> <p>(4) This Company has established its own "Procedures for Handling Material Inside Information". According to Article 6, Confidentiality firewall operations—Personnel, no director, supervisor, managerial officer, or employee with knowledge of material inside information of this Company may disclose such information to others. In addition, referring to the "Procedures for Preventing Insider Trading", prior to material information announcement, no information of any nature should be announced externally and no unauthorized behavior should be conducted to ensure accuracy and concurrency of information.</p>	None
<p>III. Composition and responsibilities of Board of Directors</p> <p>(1) Does the board of directors establish and implement diversified policies with reference to board formation?</p>	✓		<p>(1) The Company has established the "Code of Corporate Governance Practice" on December 26, 2014, and specified that board members should be aware of gender equality and equipped with the knowledge, skills, and competencies required for carrying out their duties. The Company has disclosed the diversity of individual directors on our website: <a href="https://www.lungyengroup.com.tw/Page/corporate-governance">https://www.lungyengroup.com.tw/Page/corporate-governance</a>. Please also refer to the "Operation of the Board of Directors" in the annual report.</p>	none

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation																														
	<u>Yes</u>	<u>No</u>	Summary																															
(2) After establishing a compensation committee and audit committee by the law, does the company voluntarily establish other functional committees?	✓		(2) The Company has set up the audit committee and the remuneration committee before the requirements of the laws and regulations, and voluntarily set up the corporate governance and nomination committee on June 20, 2018. The independent directors acted as convener and the members included the chairman of the company, and corporate governance and CSR experts, total of 3 members. The functional committee members of the board of directors of the Company are as follows.																															
			<table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Audit Committee</th> <th>Remuneration Committee</th> <th>Corporate Governance and Nomination Committee</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>KELLY LEE</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Independent Director</td> <td>Yeh, Su</td> <td>✓ ( convener)</td> <td>✓</td> <td></td> </tr> <tr> <td>Independent Director</td> <td>Wang, Huai</td> <td>✓</td> <td>✓ ( convener)</td> <td>✓ ( convener)</td> </tr> <tr> <td>Member</td> <td>Yu, Ying-Chi</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Member</td> <td>Chu, Chu-Yuan</td> <td></td> <td></td> <td>✓</td> </tr> </tbody> </table>		Title	Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee	Chairman	KELLY LEE			✓	Independent Director	Yeh, Su	✓ ( convener)	✓		Independent Director	Wang, Huai	✓	✓ ( convener)	✓ ( convener)	Member	Yu, Ying-Chi		✓		Member	Chu, Chu-Yuan			✓
			Title		Name	Audit Committee	Remuneration Committee	Corporate Governance and Nomination Committee																										
			Chairman		KELLY LEE			✓																										
			Independent Director		Yeh, Su	✓ ( convener)	✓																											
			Independent Director		Wang, Huai	✓	✓ ( convener)	✓ ( convener)																										
			Member		Yu, Ying-Chi		✓																											
Member	Chu, Chu-Yuan			✓																														
<p>Note: Mr. Wang Chun-Chung, the former independent director of the Company, resigned on September 15, 2020. The Company will re-elect directors in the 2021 regular shareholder meeting to make up for the number of independent directors.</p> <p>The Corporate Governance and Nominating Committee will meet at least twice a year to supervise the company's corporate governance operations and the nomination and succession of board members,</p>																																		

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

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	<u>Yes</u>	<u>No</u>	Summary	
			<p>i. The achievement of this session’s target                      ii. The achievement of this year’s target                      iii. Self-evaluation and suggestions</p> <p>The measurement items of the performance evaluation of the Corporate Governance and Nominating Committee include the following aspects:</p> <p>i. The achievement of this session’s target                      ii. The achievement of this year’s target                      iii. Self-evaluation and suggestions</p> <p>The results of the performance evaluation will be used as a reference for the appointment or nomination of directors in the future, and the results of the performance evaluation of the directors and functional committee members will be used as a reference for determining their individual salary remuneration. The results of the evaluation and the direction of continuous improvement in the year of 2020 was reported to the board of directors on January 21, 2021.</p> <p>Suggestions and improvements to the Board of Directors and the Functional Committee are as follows:</p> <p>i. Strengthen the interaction between the board of directors and the management team, and provide timely guidance on operating performance.                      ii. Strengthen directors’ participation in discussions related to core values, strategic goals, operating plans (annual budget), and overseas business development, and clearly determine the company’s strategic goals.                      iii. Continue to implement E, S, G and integrity management.                      iv. Strengthen the understanding of internal control of directors and management team members, and the implementation method must keep pace with current regulations to control operating risks.                      v. Review the retention mechanism of key talents.                      vi. Improve overall board attendance.</p>	

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
(4) Does the company assess the independency of its CPAs?	✓		(4) The company annually lists the relevant independent evaluation items (Note 2) based on the “CPA’s Independence, Professionalism and Qualification Assessment Method”, and conducts a preliminary assessment of the independence and suitability of the CPA, and obtains the CPA’s “Accountant’s independence declaration (Note 3). The relevant assessment results were submitted to the Audit Committee and the Board of Directors at the 29th meeting of the 12 <sup>th</sup> Board of Directors on May 12, 2020 for discussion as a reference for the appointment of a CPA by the Board of Directors. In summary, the company’s CPA has not violated the situation of detached independence.	
4. Whether the TWSE/GTSM listed companies equipped with qualified and appropriate number of corporate governance personnel, and designated corporate governance director to take charge of the affairs related to corporate governance, including but not limited to providing materials needed for the business execution of the directors, supervisors, handling the affairs related to the meetings of the Board of Directors and Shareholders’ Meeting, producing the minutes of the meetings of the Board of Directors and Shareholders’ Meeting?	✓		<p>The Company’s board of directors passed the resolution on May 7, 2018 to establish the board secretary.</p> <p>On the 26th of February, 2019, vice president Liang, Jian-Yun was appointed as the corporate governance director. Vice president Liang, Jian-Yun has been engaged in legal affairs for more than three years in public companies. The Secretary of the Board of Directors has set up a responsible unit of the Corporate Governance (including matters that promote the integrity of business operations). The main duties are to protect the interests of shareholders and strengthen the functions of the Board of Directors, and to provide the information and the latest regulatory developments related to the operation required by the directors to conduct business and to assisting directors in complying with laws. The related business operations and implementation in 2020 are as follows :</p> <p>(1) Proposing and planning on proper corporate systems and organizational structures to enhance the independence of the Board of Directors, the Company’s transparency and the implementation of legal compliance, internal audit and internal control.</p> <p>(2) Consulting the opinions of all directors before the meeting of Board of Directors to plan on and draft the agendas, and giving</p>	None

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

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
V. Does the company establish mechanisms for communicating with stakeholders and a stakeholder site on the corporate website to appropriately respond to material CSR topics they are concerned about?	✓		The Company has established a stakeholder site, so as to understand and reponse to CSR topics that stakeholders concern about. The Company has established a spokesperson policy and authorized the related department to execute it. The Company maintains good communication channels with financial institutions, shareholders, and employees and regularly releases important announcements and financial data through the Market Observation Post System in accordance with related information disclosure laws and regulations so as to ensure all parties have sufficient information to make judgments for self interest protection. In addition, the Company has established a suggestion box on the Chinese and English investor relations site of the corporate website to respond to topics concerned about by stakeholders.	None
VI. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		This Company has assigned Jih-Sun Securities to handle affairs relating to stock registration and shareholders' meetings of this Company.	None
VII. Disclosure of information (1) Does the Company establish a corporate website to disclose information concerning financial affairs and corporate governance? (2) Does the Company use other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesman system, and broadcasting of investor conferences via the company website) (3) Whether the company announces and declares the annual financial report within two	✓   ✓		(1) The Company has set up investor relationship websites in both Chinese and English ( <a href="http://investor.lungyengroup.com.tw/">http://investor.lungyengroup.com.tw/</a> ) and regularly releases financial data, important announcements and information regarding corporate governance through the Market Observation Post System. (2) The Company's spokesman system is well-founded, and the Company has assigned specific persons to collect and disclose important information and also set up Chinese and English investor relations web pages. Meanwhile, the Company also calls periodic investor conferences, and the process thereof is posted on the Company's website and disclosed on the M.O.P.S. for access by investors.  (3) The Company's 2019 financial reports are announced and declared within two months after the end of the fiscal year. The first, second,	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as the prescribed period?			and third quarter financial reports of 2020 and the operating conditions of each month are also announced before the stipulated period. Although the 2020 financial report was not announced and filed within two months after the end of the fiscal year, the Company voluntarily announced unaudited profits and losses, so that all stakeholders can obtain relevant information as soon as possible.	
VIII. Does the Company have other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchase of insurance for directors and supervisors)?	✓		<p>(1) Implementation of employee rights and employee care: Please refer to "Relationship between employer and employee" of this Annual Report.</p> <p>(2) Investor relations: The Company established a spokesperson policy and Investor Relations Department to handle related matters.</p> <p>(3) Supplier relations: The Company maintains benign interaction with all of its suppliers, customers, and financial institutions.</p> <p>(4) Stakeholders' rights and interests: The stakeholders may communicate with and provide suggestions to the Company, in order to maintain their legal interests and rights.</p> <p>(5) Continuing education of directors: Continuing education of the Company's directors is disclosed at "(8) Important information that helps understand the company's corporate governance practice:" of this Annual Report."</p> <p>(6) The Company's board of directors approved the formulation of "risk management policies and procedures" on November 10, 2020, to ensure the integrity of the Company's risk management system, and conduct various risk management and assessments through relevant internal regulations. Please refer to "Risk management and evaluation" of this Annual Report."</p> <p>(7) Customer relations policies: We have allocated a dedicated customer service staff to handle customer complaints.</p> <p>(8) Purchase of director and supervisor liability insurances: The Company has purchased liability insurance for all directors in accordance with Article 23 of the Articles of Incorporation, and reported the amount of insurance, coverage and insurance rate to the</p>	None

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Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	<u>Yes</u>	<u>No</u>	Summary	
			most recent board of directors (the 29h of the 13th session on November 10, 2020 Board of Directors). Please refer to the Market Observation Post System for the details.	
<p>IX. Please explain the improvement in terms of the corporate governance evaluation results released by the TWSE over the most recent years, and present the matters to be enhanced with priority and the measures for further improvement.</p> <p>The Company's governance evaluation has resulted in the outstanding achievements of being honored as one of top 5% of the GTSM listed companies for seven consecutive years. The improvements matters are as follows:</p> <ol style="list-style-type: none"> <li>1. The 2019 Corporate Social Responsibility Report was finished on July 8, 2020, and the partial Assurance Report by PWC was obtained.</li> <li>2. The performance evaluation of the board of directors was commissioned by the Taiwan Corporate Governance Association to conduct an external evaluation in 2020.</li> <li>3. The chairman and general manager of the Company were originally held by the same person. In order to implement the division of powers, the board of directors passed a resolution on September 15, 2020 to appoint former independent director Mr. Wang Chun-Chung as the general manager of the Company, so that the chairman and general manager can exercise their powers separately and strengthen Risk control. Besides, the Company can rely on Mr. Wang Chun-Chung's professional background in accounting and information technology to improve operational efficiency.</li> </ol>				

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

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

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

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

**(4) Compensation Committee Meeting Status**

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

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

i. Compensation Committee members

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

Note 1: Independent director Wang Chun-Chung, the original convener of the Company's Compensation Committee, resigned on September 15, 2020. The Company re-appointed Wang Huai as a member of the Compensation Committee on the same day. The committee then elected Independent director Wang Huai served as the convener on December 29, 2020.

Note 2: Please specify director, independent director or other.

Note 3: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

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

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directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).

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

Note 4: If the members are directors, please indicate whether they meet the requirements of Article 6, Item 5 of the "Measures for the Establishment and Exercise of Power of the Remuneration Committee for Listed companies or companies dealing with Stock Exchanges".

ii. Compensation Committee Meeting Status

- a. The Company's Remuneration Committee is with 3 members.
- b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. The number of meetings convened from 2020/01/01 to 2020/12/31 was 6 (A). The Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B / A)	Remarks:
Committee member (Convener)	Wang, Chun-Chung	4	0	100%	Resigned on September 15, 2020, the number of attendance should be 4 times
Committee member (Convener)	Wang, Huai	1	0	100%	Reported on September 15, 2020, the number of attendance should be 1 times
Committee member	Yeh, Shu	6	0	100%	
Committee member	Yu, Ying-Chi	6	0	100%	

Note: Independent director Wang Chun-Chung, the original convener of the Company's Compensation Committee, resigned on September 15, 2020. The Company re-appointed Wang Huai as a member of the Compensation Committee on the same day. The committee then elected Independent director Wang Huai served as the convener on December 29, 2020.

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c. Other noticeable particulars:

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

Convening Date	Meeting Information	Content of Proposals	The Compensation Committee Resolution result	Company's processing to the Compensation Committee's opinions
2020.01.14	7th meeting of the 4th Compensation Committee	2019 Annual performance review and bonus issuance rules and time schedule planning	Approved by all attending members, without any dissension	Except for the avoidance of directors who have their own interests, the remaining attending directors agreed to pass the proposal
2020.02.20	8th meeting of the 4th Compensation Committee	Proposal for the distribution of employee compensation and directors' compensation of 2019	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		2020 Annual Compensation Committee Target Setting	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.03.17	9th meeting of the 4th Compensation Committee	(only reports matters, no discussion matters)	Not applicable	Not applicable
2020.07.07	10th meeting of the 4th Compensation Committee	In order to plan the future development of organization and human resources, a new human resources office and personnel appointments were established	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.09.15	11th meeting of the 4th Compensation Committee	Review the Company's general manager remuneration proposal	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.12.05	6th meeting of the 4th Compensation Committee	Review the remuneration proposal for the new chairman of the Company	Approved by all attending members, without any dissension	Except for the avoidance of the new chairman who has her own interests, the remaining attending directors agreed to pass the proposal

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

c-2.If there are events regarding Committee resolutions to which a member expressed a dissenting opinion or qualified opinion, either on the record or in writing, then information, including the committee meeting date, the meeting number, the meeting agenda, and all member opinions with the relevant Company response, should be disclosed: None.

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

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

i. Corporate Governance and Nomination Committee members

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

Note 1: Former member of the Corporate Governance and Nomination Committee Liu, Wei-Lung resigned on December 3, 2020, and the Company's board of directors reappointed KELLY LEE as a member on December 29, 2020

Note 2: Please specify director, independent director or other.

Note 3: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

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

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directors or supervisors in accordance with paragraph 1 or 2, Article 27 of the Company Act. (However, this is not applicable if the independent directors set up by the Company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent positioned).

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

Note 4: If the member's position is Director, please specify whether it meets the conditions defined in #Article 6-5 under "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"

ii. Corporate Governance and Nomination Committee Meeting Status

- a. The Company's Corporate Governance and Nomination Committee is with 3 members.
- b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. The number of meetings convened from 2020/01/01 to 2020/12/31 was 4 (A). The Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B/A)	Remarks:
Committee member (convener)	Wang, Huai	4	0	100%	
Committee member	Liu, Wei-Lung	3	0	100%	Resigned on December 3, 2020, the number of attendance should be 3 times
Committee member	KELLY LEE	0	0	Not applicable	Reported on December 3, 2020, the number of attendance should be 0 times
Committee member	Chu, Chu-Yuan	4	0	100%	

- c. Annual operating situation:

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Convening Date	Meeting Information	Content of Proposals	The Corporate Governance and Nomination Committee Resolution result	Company's processing to the Corporate Governance and Nomination Committee's opinions
2020.01.16	9th meeting of the 1st Corporate Governance and Nomination Committee	Performance evaluation results of the Company's 2019 board of directors and functional committees	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Established the 2020 key annual work plan of the Corporate Governance and Nomination Committee	Approved by all attending members, without any dissension	Submitted to the board of directors for report
2020.08.10	10th meeting of the 1st Corporate Governance and Nomination Committee	Formulate the Company's corporate social responsibility policies, systems or related management policies and specific execution plans	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.09.15	11th meeting of the 1st Corporate Governance and Nomination Committee	Proposal to nominate of the Company's general manager	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Proposal to nominate members of the Company's compensation committee	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2020.12.24	12th meeting of the 1st Corporate Governance and Nomination Committee	Formulate 2020 annual board performance evaluation indicators and evaluation methods	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Proposal to nominate members of the Company's corporate governance and nomination committee		

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

Item	Status of implementation		Summary	The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause						
	Yes	No								
I. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies	✓		<p>The Company’s risk management policies and procedures were approved by the board of directors in 2020. The Company is a provider of funeral services and cemetery facilities. It evaluates the risk level based on the significance of environmental, social and corporate governance issues related to the company's operations, and formulates risk policies and procedures based on the risk level as follows:</p> <table border="1"> <thead> <tr> <th>Issues</th> <th>Risk assessment item</th> <th>Risk management strategy</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Climate change and environmental protection</td> <td>The company is committed to the maintenance of the ecological landscape. The development of the cemetery is aimed at conforming to the natural environment. At the same time, the supplier’s materials are also required to comply with the relevant green building materials. Faced with the possible impact of climate change on companies, in addition to formulating specific strategies for energy conservation, carbon reduction and greenhouse gas reduction,</td> </tr> </tbody> </table>	Issues	Risk assessment item	Risk management strategy	Environment	Climate change and environmental protection	The company is committed to the maintenance of the ecological landscape. The development of the cemetery is aimed at conforming to the natural environment. At the same time, the supplier’s materials are also required to comply with the relevant green building materials. Faced with the possible impact of climate change on companies, in addition to formulating specific strategies for energy conservation, carbon reduction and greenhouse gas reduction,	None
Issues	Risk assessment item	Risk management strategy								
Environment	Climate change and environmental protection	The company is committed to the maintenance of the ecological landscape. The development of the cemetery is aimed at conforming to the natural environment. At the same time, the supplier’s materials are also required to comply with the relevant green building materials. Faced with the possible impact of climate change on companies, in addition to formulating specific strategies for energy conservation, carbon reduction and greenhouse gas reduction,								

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause	
	Yes	No	Summary		
				and regularly reviewing the implementation status, we also strive for digital transformation to reduce the possible impact of climate change on the industry.	
			Social	Community care	Since its establishment, the Company has always focused on the development of the life industry, continuously invested in industrial innovation, and has never forgotten to shoulder social responsibilities, with its own expertise and resources, and continuous actions to support social welfare and deepen local cultivation.
			Governance	Implementation of the functions of the board of directors, communication with stakeholders, compliance with laws and regulations, and information disclosure	The Company puts great importance to the implementation of corporate governance. Prior to the regulation of laws and regulations, it appointed dedicated corporate governance supervisors in 2019 to strengthen the implementation of the functions of the board of directors, comply with laws and regulations, improve information

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
			transparency, and strengthen communication with all stakeholders.	
II.Does the company establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of implementation to the board?	✓		The company has established a “Board Secretary” under the Board of Directors on May 10, 2018, and the unit is responsible for promoting the corporate social responsibility on a full-time basis. The Board Secretary, Liang Jian-Yun, is the convener and is responsible for assisting the board of directors and the management team to formulate and supervise the implementation of the integrity management policy and prevention program to ensure the implementation of the Ethical Corporate Management Best Practices. The Company also established the “Corporate Governance and Nomination Committee” on June 20, 2018, which will be held at least twice a year and will be held irregularly with the Board Secretary to review the effectiveness of corporate governance and corporate social responsibility operations. After the committee was held, the Board Secretary the chairman of the corporate governance and nomination committee reported the situation to directors in the latest BOD meeting.	None
III. Environmental issues (1) Whether the company establishes an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company is a funeral service provider. For the development of the cemetery with the purpose of conforming to the natural environment, it continues to carry out greening and soil and water conservation, and entrusts a professional monitoring company to regularly carry out water quality and water and soil conservation monitoring of the park. For the planning of construction commodities, it is necessary to meet the standards of green buildings, and the engineering materials must also meet the specifications of green building materials. In addition, in order to strengthen the implementation of beautification of the environment and energy conservation, the headquarters office	None

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
(2) Whether the company is committed to improving the efficiency of the use of various resources and using recycled materials with low impact on environmental load?	✓		formulates specific environmental protection actions, such as turning off lights, environmental protection and energy-saving air-conditioning management, the full use of LED lamps and automatic induction faucets, etc., and regularly reviews abnormal conditions.	
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to address climate-related issues?	✓		(2) The Company is committed to the maintenance of ecological landscapes. The century cemetery is located in the ecological conservation area which has rich vegetation resources. The Company only uses 20% of the land to build the graveyard and public facilities, and retains the remaining 80% the ecological landscape. Meanwhile the Company also established policies of planting plans, optimizing tree species, planting various trees according to different landscape plans, expanding the absorption of greenhouse gases such as carbon dioxide, and implementing carbon sequestration. The Company attaches great importance to the use of materials by suppliers. In the contract with suppliers, the relevant materials are all expressly stipulated that they must comply with the regulations on green building materials in the "Technical Building Design and Construction Code". (3) In the face of the possible impact of climate change on the Company, the Company has formulated specific strategies for energy saving and carbon reduction and greenhouse gas reduction, and regularly reviews the implementation. Climate change does not pose a major risk to the Company’s industries. However, in order to reduce the impact of global climate change and increase the carbon sink function, the company strictly implements the planting plan of the cemetery, and makes the green required by government regulations and diligently plants trees. At the same time, we are also striving for digital transformation. We have successively launched life technology funeral services such as "Digital Ceremony Hall", "Electronic Obituary" and	

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
(4) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		<p>"Online Conference" to reduce the use of paper and general supplies. The combination of technology and human nature helps the upgrade of life services and further enhances industrial competitiveness and fulfills sustainable corporate social responsibility</p> <p>(4) The Company regularly counts greenhouse gas emissions, water consumption and total weight of waste, and implements them in the work and life of employees through relevant measures, and tracks abnormal situations. In addition to using environmentally friendly energy-saving equipment such as LED lamps, office machines, building air-conditioning ice storage systems, and automatic sensory faucets, posters are also posted to remind employees to turn off the lights and take more stairs to indeed implement environmental protection actions based on target management. The Company is a funeral service and cemetery facility provider, and the waste is mainly from daily life, which will not bring significant risks or impacts to the Company, so it is not included in the statistics. However, the Company implements resource recycling management for waste and food waste to reduce garbage in the headquarter building to contribute to environmental protection.</p>	
<p>IV. Social issues</p> <p>(1) Has the company established relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?</p>	✓		<p>(1) The Company emphasizes on integrity of employees and business conduct through promotion brochure and the assessment of discipline and rules. To protect the human rights of our employees and ensure every employees is fairly treated, the Company formulated the “Sexual Harassment Prevention Regulation” and provide whistleblower reporting system to protect female rights.</p> <p>a. The Company complies with labor-related regulations, support and respect International Norms of Human Rights.</p>	None

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

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

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Item	Status of implementation			The variation from the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies” and the root cause
	Yes	No	Summary	
			circulation.	
V. Does the company refer to the internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports that disclose the company's non-financial information? Whether the pre-report report obtained the confidence or assurance opinion of the third-party verification unit?	✓		The Company's corporate social responsibility report is prepared in accordance with the GRI standard: core options, and the corporate social responsibility report for 2019 was assured by the third-party verification unit.	None
VI. If the company has the corporate social responsibility code defined in accordance with the “Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies,” please describe the operational differences from the Code: No difference.				
VII. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: 1. Since the establishment of the company, we have always focused on the development of the life industry, continuously invested in industrial innovation, and successfully created software and hardware facilities and high-quality funeral services that are superior to the industry. In recent years, we continuously expand business abroad. We have never forgotten our social responsibilities, and continue to support social welfare and deepen cultivation of the communities. In 2011, Lungyan Charity Foundation was established to promote the service of "Sponsored Funeral"and invested in "Silver Care", and also implemented local feedback to long-term donations to the disadvantaged groups in the Sanzhi area, counseling the middle-aged and elderly silver-haired ethnic group origami lotus to create second-degree employment and promote life education to help the poor and disadvantaged students. Besides, during major disasters, Lungyan donate up to 25 million for the 88 wind disasters, Kaohsiung gas explosion, Tainan earthquake disaster, etc. and invest more manpower and materials to help disaster victims get through. In 2020, the Company again won the "CSR Corporate Citizenship Award" : "Little Giant" award, and the score continued to grow. The Company has invested in a number of social welfare projects and youth training projects in an attempt to build the benchmark as a happy enterprise. We continue to self-motivate to implement corporate social responsibility in the pursuit of sustainable operationand development. (For more information about the company's participation in social welfare, please refer to the company's corporate social responsibility report.) 2. The Company is a funeral service provider dedicated to providing customers with columbarium and funeral services. Therefore, ISO14001 or similar environment management system certification is not applicable to the Company.				

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

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

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

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Item	Status of implementation			The variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
(3) Does the company defines interest prevention policy of conflicts, establishes appropriate reporting channel, and actually implements?	✓		<p>master and supervise the achievement of corporate governance and operating goals. The Company’s implementation of the integrity management policy of 2020 is as below:</p> <ul style="list-style-type: none"> <li>i. Education and training: In the year of 2020, the internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue was held total of 116 people, 531 hours, and introduced and conducted in the new employee training. Test.</li> <li>ii. Communication channels: Employees can respond to various management and human resources department through multiple channels, and proactively declare honest business policies and implement integrity management on external activities such as websites, annual reports and other external documents and investor meetings.</li> <li>iii. The law compliance and the whistle-blower system. The Secretary of the Board promotes the education for all colleagues. Through the quarterly corporate-wide quarterly meetings, the Code of Integrity and the important internal information processing standards are collected through video and case studies to help colleagues be aware of when conducting business.</li> </ul> <p>(3) The company provides multiple reporting channels, including suppliers ethical grievance hotline; employee grievance reporting channel, employee consultation mailbox, etc., for reporting any breach of business ethics committed by the employees.</p>	
(4) Has the Company established effective accounting policy and internal control policy, and conduct regular audition by internal auditing units or external CPAs?	✓		<p>(4) The Company’s Audit Office has conducted onsite audit or book review with the consideration of risk factor in accordance with the Company’s annual audit plan approved by the Board of Directors in order to help the Board of Directors and the management reasonably ensure the continuing effective implementation of the internal control system, including the achievement in the company’s operational effectiveness and efficiency, reliability of financial reports, and the compliance of law and regulations.</p>	

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Item	Status of implementation			The variation from the “Integrity Management Principles for Listed/OTC Companies” and the root cause
	<u>Yes</u>	<u>No</u>	Summary	
(5) Does the company arrange regular internal/external training/education for fair and ethical business operations?	✓		(5) In the year 2020, the Company held internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue, which was totaled about 116 people, 531 hours, and introduced and tested in the new employee training. The Company posts the relevant specifications on the company's internal website for colleagues to inquire at any time, thereby enhancing the awareness of all employees and the ethics of their work. Irregular letters from Chairman and president for all employees to announce the concept of the company's integrity management are to strengthen the company's determination to implement ethical values and integrity management.	
<p>III. The operation of the Company's reporting channel</p> <p>(1) Does the company establish a practical whistleblowing and reward system and channels to facilitate the reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?</p> <p>(2) Does the company establish a SOP and a non-disclosure mechanism of relevant investigations?</p>	✓		<p>(1) According to the " Procedures for Whistleblower Reporting and Protection System " , the Company has established the “5186 Whistleblowing Box” under direct supervision of the Audit Office of the Board of Director by special personnel. Anyone who has been investigated to confirm that the accused person has violated the integrity of the business or has committed the wrongful act shall be punished in accordance with the relevant provisions of the personnel management measures. Anyone who has investigated and be confirmed that the reporter is true will be rewarded by the board of directors or the general manager for the degree of contribution to the company or the actual situation of the case.</p> <p>(2) According to the “Procedures for Whistleblower Reporting and Protection System” set by the Company, the Board of Directors shall instruct the Audit Office to accept the relevant matters, and report the case to the independent directors and directors within 15 business days from the date of acceptance, including investigation situation, treatment process and results and subsequent improvement and response measures. The relevant personnel of the audit office</p>	None

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

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

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

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

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

a. Director’s advanced education

Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
Chairman (Note 1)	Liu, Wei-Lung	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/11/10		Strategies for company reform	3HR
Director	Lee, Anthony	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/11/10		Strategies for company reform	3HR
Director	Fujibayashi Ichiro	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/11/10		Strategies for company reform	3HR
Director	Chao, Tsen-Sheng	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/11/10		Strategies for company reform	3HR
Independent Director	Yeh, Shu	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/11/10		Strategies for company reform	3HR
Independent Director	Wang, Huai	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/06/23		Issues that directors and supervisors need to consider in risk management, corporate sustainability and ESG after the impact of the COVID-19	1HR
		2020/11/10		Strategies for company reform	3HR
		2020/12/02		The 16th Summit Forum on Corporate Governance	6HR
		2020/12/31		In today’s environment, companies’ strategies for making good use of capital markets	1HR
Independent Director (Note 2)	Wang, Chun-Chung	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/06/23		Issues that directors and supervisors need to consider in risk management, corporate sustainability and ESG after the impact of the COVID-19	1HR

Note 1: The Company’s institutional director Wish Giver Limited reassigned KELLY LEE as the

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representative on December 3, 2020, and was elected as the Chairman of the board of directors on the same day. The former Chairman Liu, Wei-lung was dismissed on the same day.

Note 2: Mr. Wang Chun-Chung, the former independent director of the Company, resigned on September 15, 2020. The Company will re-elect directors in the 2021 regular shareholders' meeting to make up for the number of independent directors.

**b. Manager's advanced education**

Job title	Name	Advanced education date		Organizers	Course titles	Advanced education hours
		Beginning	Ending			
Chief Financial Officer	Chan, Shu-Juan	2020/12/07	2020/12/08	ROC Accounting Research and Development Foundation	Continued educational program for chief accountants of issuers, securities firms and securities exchanges	12HR
Corporate Governance Director	Liang, Jian-Yun	2020/02/18	2020/02/18	Taiwan Corporate Governance Association	Influence Investment-Do Well by Doing Good	1HR
		2020/03/06	2020/03/06	Taiwan Corporate Governance Association	Shareholder meeting planning and case study	3HR
		2020/04/14	2020/04/14	Taiwan Corporate Governance Association	Influence Investment	3HR
		2020/08/24	2020/08/24	Taipei Exchange	Seminar of regulations on insider	3HR
		2020/09/21	2020/09/21	Taiwan Stock Exchange/ Taipei Exchange	Corporate Governance 3.0-Sustainable Development Blueprint Summit Forum	3HR
		2020/10/16	2020/10/16	Taiwan Stock Exchange/ Taipei Exchange	2020 Corporate Governance and Corporate Integrity Conference for Directors and Supervisors	3HR
		2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Strategies for company reform	3HR
Chief Auditor	Tseng, Cai-Li	2020/08/06	2020/08/06	The Institute of Internal Auditors	Essentials of internal audit in compliance with laws and regulations	6HR
		2020/09/28	2020/09/28		Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to prepare financial reports on their own	6HR

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

a. Internal control system statement

Lungyen Life Service Corp.  
Statement on Internal Control System

2021.03.29

We made the following declaration based on self-assessment of the Company's internal control policies from 2020:

1. The Company is aware that the Company's board of directors and managers shall be responsible for the establishment, execution, and maintenance of its internal control policies are the responsibilities. Such policies were implemented throughout the Company. The purposes of these policies are to provide reasonable assurance towards operational results and efficiency (including profitability, performance, and asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance and other goals.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria of internal control policies adopted in the Regulations were consisted of five major elements designated for the stages of internal control: (1) Control environment; (2) Risk assessment; (3) Control procedures; (4) Information and communication; and (5) Supervision. Each element further contains several items. Please refer to the Regulations for details.
4. The Company adopted the above-mentioned criteria to validate the effectiveness of its internal control policy design and execution.
5. Based on results of the assessment above, the Company believes that the design and execution of its internal control policies taking effect on December 31, 2020 was effective with respect to the comprehension of business results and target accomplishments, the reliable, timely and transparent financial reporting, and regulatory compliance (including the supervision and management of its subsidiaries), and may provide reasonable assurance to comply with the above targets.
6. This statement forms an integral part of the Company's annual report and prospectus, and shall be made public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Declaration was approved at the Company's board of directors meeting held on March 29, 2021. None of the 6 directors present to the meeting held any objections, and unanimously agreed to the contents of this Declaration.

Lungyen Life Service Corp.

Chairman: KELLY LEE

President: Wang, Chun-Chung

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

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

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

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

a. 2020 Regular Shareholders' Meeting

Meeting Date	Content of Proposals	Resolution	Implementation
2020.05.29	Recognition of 2019 Annual Financial Statement and Consolidated Financial Statement	Approved	Relative matters have been completed.
	Recognition of 2019 Distribution of Profits	Approved	A distribution of a cash dividend of NT\$3.0 per share, the total amount is NTD 1,260,252,597. The ex-dividend date was set on 2020/08/03, and the distribution has been completed on 2020/08/31 in accordance with the resolution of the shareholders meeting.

ii. The Board of Directors:

Convening Date of Meeting	Meeting Information	Content of Agendas
2020.01.16	The 19th meeting of 13 <sup>th</sup> Board of Directors	The Company's and its subsidiaries' 2019 employee annual performance appraisal and bonus payment rules and planning schedule
		The Company's 2019 board of directors and functional committee performance evaluation results
2020.02.25	The 20th meeting of 13 <sup>th</sup> Board of Directors	The Company's 2019 annual employee compensation and directors' compensation distribution
		2019 Financial report and consolidated financial report
		2019 Business report fabrication
		The Company's "2019 internal control system statement"
		Amendments to some provisions of the Company's " Procedures for Board Meetings"
		Revised some of the Company's "Organizational Rules of Audit Committee"
		Set the Company's 2020 regular shareholders meeting time, place and proposal
		Case of providing endorsement guarantee for others
Proposal of recruiting new members of the 4th Investment Review Committee		

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<b>Convening Date of Meeting</b>	<b>Meeting Information</b>	<b>Content of Agendas</b>
2020.03.18	The 21th meeting of 13 <sup>th</sup> Board of Directors	Investment on Millerful No.1 REIT
		Set principles for selecting investment targets and the related authorization
		Construction of the "Light of Hill Life Memorial Hall"
2020.04.14	The 22th meeting of 13 <sup>th</sup> Board of Directors	Proposed 2019 earnings distribution
		Personnel appointment and organization adjustment
2020.05.12	The 23th meeting of 13 <sup>th</sup> Board of Directors	The accounting firm changes the certified accountant due to internal job rotation.
		Assessment of the independence and competence of the company's certified accountant and the appointment and remuneration proposal of the certified accountant in 2020
		Change of the Company's branch manager
2020.07.07	The 24th meeting of 13 <sup>th</sup> Board of Directors	In order to strengthen organizational operations and meet the needs of operational development, a "property management business group" was established. Vice president Lin, Su-Chien served as the head of the business group and was in charge of the "Property Investment Division". The foregoing was approved by all directors on May 25, 2020, and announced on May 26, 2020
		In order to plan the future development of organization and human resources, it is proposed to establish a new human resources office and appointment of personnel
2020.07.11	The 25th meeting of 13 <sup>th</sup> Board of Directors	Intends to participate in the 2020 Sotheby's Hong Kong spring auction of artworks
2020.07.22	The 26th meeting of 13 <sup>th</sup> Board of Directors	Proposal of long-term equity investment
2020.08.10	The 27th meeting of 13 <sup>th</sup> Board of Directors	Renewal of liability insurance for directors and managers of the Company
		Formulate the Company's corporate social responsibility policies, systems or related management policies and specific execution plans
2020.09.15	The 28th meeting of 13 <sup>th</sup> Board of Directors	Appointment of the general manager of the Company
		In order to implement the organization's professional division and improve operational efficiency, the Company's organizational changes and reorganization above the department level was proposed
		Appoint a member of the Company's compensation committee
		Proposal of release of competition restriction on officers
		Formulate whether accounts receivable and other accounts reach to the major amount of financial loans
		The change of the Company's investment decision-making unit
2020.11.10	The 29th meeting of 13 <sup>th</sup> Board of Directors	Open an investment account with the counterparty Nomura Singapore Limited
		The Company intends to increase the investment amount of Hebei Shijiazhuang Taifuyuan Cemetery Management Co., Ltd. to RMB 77,000,000 and to invest RMB 25,000,000 in Longyang Life (Tianjin) Management Consulting Co., Ltd. within the previously approved total investment of Longyang China of US\$42,500,000.
		Construction of the "the Palace of the Light" Project

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<b>Convening Date of Meeting</b>	<b>Meeting Information</b>	<b>Content of Agendas</b>
		Formulate the Company's risk management policies and procedures
2020.12.03	The 30th meeting of 13 <sup>th</sup> Board of Directors	Election of the chairman of the Company
		In order to strengthen the operation of the organization and meet the needs of operational development, it is proposed to adjust the Company's organizational structure
		Reappointment of the chairman of the Company's investment decision board
2020.12.29	The 31th meeting of 13 <sup>th</sup> Board of Directors	The Company's 2021 business plan
		2021 annual audit execution plan
		Drafting of 2020 Board of Directors performance evaluation index and evaluation method
		Appoint a member of the Company's corporate governance and nomination committee
		Proposal of release of competition restriction on officers
2021.01.21	The 32th meeting of 13 <sup>th</sup> Board of Directors	Review of the remuneration of the new chairman of the Company
		The Company's and its subsidiaries' 2020 employee annual performance appraisal and bonus payment rules and planning schedule
		The Company's 2020 board of directors and functional committee performance evaluation results
2021.02.26	The 33th meeting of 13 <sup>th</sup> Board of Directors	Acquired the equity of a strategic partner, Knowtions Research Inc.
		Budget supplement of Kaohsiung Sanminding Jin Section Funeral Home BOO Light of Gate Project
		In order to improve the Company's organizational effectiveness, it was proposed to change the Company's department-level and above organizations and personnel structure
		The change of the Company's financial supervisor and accounting supervisor
		The change of the Company's spokesperson and deputy spokesperson
		The salary adjustment plan of the Company's senior executives
		Change of branch manager and branch name
Provide endorsement guarantee for others		
2021.03.29	The 34th meeting of 13 <sup>th</sup> Board of Directors	Disposal of the real estate
		The Company's 2020 annual employee compensation and directors' compensation distribution
		2020 Financial report and consolidated financial report
		2020 Business report fabrication
		The Company's "2020 internal control system statement"
		Amendments to some provisions of the Company's " Procedure for Election of Directors "
		Election for 7 seats of the Company's 14th Board of Directors (including 3 seats of Independent Directors)
		Set the time, place and proposals for the holding of the Company's 2021 shareholders' meeting
		Provide endorsement guarantee for others
The salary adjustment plan of the Company's senior executives		
2021.05.11	The 35th meeting of 13 <sup>th</sup> Board of Directors	Proposed 2020 earnings distribution
		Assessment of the independence and competence of the Company's certified accountant and the appointment in 2021
		Remuneration proposal of the certified accountant in 2021
		Review the qualifications of director candidates
		Request the shareholders meeting to release of competition restriction on new directors of the Company

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<b>Convening Date of Meeting</b>	<b>Meeting Information</b>	<b>Content of Agendas</b>
		Drafting the schedule and implementation methods of the Company's 2020 corporate social responsibility report to obtain third-party assurance
		Change of the Company's accounting supervisor
		The Company's salary and remuneration policy

**(13) Directors or supervisors who have their oppositions to the resolutions reached in the board meeting documented in the most recent years and up to the publication date of the annual report: None**

**(14) Summary of the resignations and dismissal of the personnel related to the financial report (including the chairman, president, accounting manager, finance manager, internal audit manager, corporate governance manager and R&D manager, etc.) recent years and up to the publication date of the annual report:**

Title	Name	Appointment date (Note)	Dismissal date	Reasons for resignation and dismissal
Chairman	Liu, Wei-Lung	2017/03/02	2020/12/03	Institutional director reassignment representative
General Manager	Liu, Wei-Lung	2018/04/01	2020/09/15	Newly appointed general manager of the Company
Financial Supervisor	Chan, Shu-Juan	2010/05/01	2021/03/01	Job adjustment
Accounting Supervisor	Chan, Shu-Juan	2010/05/01	2021/03/01	Job adjustment

Note: Appointment date is the date of assuming the position

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

**3 Taiwan certified public accountants in the Finance Division**

**1 certified internal auditor in the Audit Office**

**1 ISO9000 Auditor in the Audit Office**

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**5. Audit Fees**

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

CPA Firm	CPA's name		Audit period	Notes
KPMG Taiwan	Chih, Shih-Chin	Lai, Li-Zhen	2020	

Unit: NT\$ Thousand

Amount bracket		Fee category	Audit fees	Non-audit fees	Audit fees
1	Less than \$ 2,000 thousand		0	924	924
2	\$2,000 thousand (inclusive)~ \$4,000 thousand		2,420	0	2,420
3	\$4,000 thousand (inclusive)~ \$6,000 thousand		0	0	0
4	\$6,000 thousand (inclusive)~ \$8,000 thousand		0	0	0
5	\$8,000 thousand (inclusive)~ \$10,000 thousand		0	0	0
6	NT\$ 10,000 and above		0	0	0

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

Unit: NT\$ Thousand

CPA Firm	CPA's name	Audit fees	Non-audit fees					Subtotal	Duration of Audit	Remarks
			System design	Commercial registration	Industrial resource	Human resource	Others (Note2)			
KPMG Taiwan	Chih, Shih-Chin	2,420	0	0	0	924	924	2020	Tax consulting services, etc.	
	Lai, Li-Zhen							2020		

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

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

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

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

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

Unit: NT\$ Thousand

2019 Audit fees	2020 Audit fees	Diference	Explanation
2,420	2,420	-	Not applicable (Did not reach standard of difference)

**6. CPA replacement: The Company changed the accountant on May 12, 2020. Related information is as follows:**

(1) About the former accountant

Date of change	May 12, 2020		
Reason for replacement and description	The accounting firm appointed by the Company rotates due to internal duties. Since the first quarter of 2020, the certified accountants of the Company have been changed from CPA Tseng, Kuo-Yang and CPA Lai, Li-Zhen to CPA Chih, Shih-Chin and CPA Lai, Li-Zhen.		
Explain that the appointing person or accountant terminated or did not accept the appointment	The party	Accountant	Appointed person
	Situation	Not applicable	
	Voluntary termination of appointment		
No longer accept (continue) appointment			
Opinions and reasons for the audit report other than unqualified opinions issued within the latest two years	Not applicable		
Whether there is disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Others
	No	✓	

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	Explanation
Other disclosures (Article 10, paragraph 6, item 1 (4) to item 1 (7) should be disclosed)	None

(2) About the successor accountant

Name of Accounting Firm	KPMG Accounting Firm
Name of Accountant	CPA Chih, Shih-Chin and CPA Lai, Li-Zhen
Date of appointment	Approved by the board of directors on May 12, 2020
Before appointment, the accounting methods or accounting principles of specific transactions and the possible issuance of financial reports and consultation matters and results	None
Written opinion of the successor accountant on the dissenting opinion of the former accountant	None

(3) Reply of the former accountant to item 1 and item 3 of Article 10, paragraph 6 of this Standard: Not applicable.

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

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

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

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Unit: Share

Job title	Name	2020		As of May 15,2021	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Chairman (Note 1)	Wish Giver Limited	-	-	-	-
	Representative: Liu, Wei-Lung	-	-	-	-
Chairman (Note 1)	Wish Giver Limited	-	-	-	-
	Representative: KELLY LEE	-	-	-	-
Director	Wish Giver Limited	-	-	-	-
	Representative: Lee, Anthony	-	-	-	-
Director	Wish Giver Limited	-	-	-	-
	Representative: Fujibayashi Ichiro	-	-	-	-
Director	Orix Asia Capital	-	-	-	-
	Representative: Chao, Tsen-Sheng	-	-	-	-
Independent Director	Yeh, Shu	-	-	-	-
Independent Director	Wang, Huai	-	-	-	-
Independent Director	Wang, Chun-Chung (Note 1)	-	-	-	-
Shareholders who own 10% or more of shareholdings	Lee, Kelly (Note 2)	-	-	-	-
Shareholders who own 10% or more holding shares under other's name	Wish Giver Limited (Note 2)	-	9,460,000	-	-
Shareholders who own 10% or more holding shares under other's name	Beauty Mind Limited (Note 3)	-	-	-	-
General Manager	Liu, Wei-Lung (Note1)	-	-	-	-
General Manager	Wang, Chun-Chung (Note 1)	-	-	-	-

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Job title	Name	2020		As of May 15,2021	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Executive Vice President and Chief Financial Officer	Chan, Shu-Juan (Note 4)	-	-	-	-
Vice President	Liang, Jian-Yun	-	-	-	-
Vice President	Lin, Shu-Ling (Note 5)	-	-	-	-
Vice President	Wu, Hung-En	-	-	-	-
Vice President	Niu, An-Tzu	-	-	-	-
Vice President	Jian, Hui-Juan	-	-	-	-
Vice President	Chou, I-Ping	-	-	-	-
Vice President	Hsu, Mei-Yu (Note 6)	-	-	-	-
Vice President	Liu, Yu-Ming (Note 7)	-	-	-	-
Vice President	Fu, Ming (Note 8)	-	-	-	-
Vice President	Liu, I-Chun (Note 9)	-	-	-	-
Vice President	Lin,Chien-Ju	-	-	(25,000)	-
Vice President	Lin,Su-Chien	-	-	-	-
Vice President	La,Shu-Yi	-	-	-	-
Vice President	Cheng, I-Fang	-	-	-	-
Associate Vice President	Lee, Shu-Hui (Note 10)	-	-	-	-
Associate Vice President	Wu, Chuan-Lung (Note 11)	-	-	-	-
Associate Vice President	Chen, Yung-Cheng	-	-	-	-
Associate Vice President	Chuang, Ching-Liang	-	-	-	-
Associate Vice President	Wu, Kai-Ling	-	-	-	-
Associate Vice President	Wang,Chih-Yung	-	-	-	-

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Job title	Name	2020		As of May 15,2021	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Associate Vice President	Chieh,Sheng-Chieh	-	-	-	-
Associate Vice President	Wan,Hsing-Wen	-	-	-	-
Associate Vice President	Huang,Hsing-Yen	-	-	-	-
Associate Vice President	Hsiao,Meng-Chuan	-	-	-	-
Associate Vice President	Tseng,Mei-Yin (Note 12)	-	-	-	-
Associate Vice President	Chang,Chin-I (Note 13)	-	-	-	-

Note 1 : The Company's Institutional director Wish Giver Limited re-appointed KELLY LEE as the representative on December 3, 2020, and was elected as the chairman of the board of directors on the same day. The former Chairman Liu, Wei-lung was dismissed on the same day. In addition, the general manager of the Company was originally served by the former Chairman Liu, Wei-lung. On September 15, 2020, the Company's board of directors approved the appointment of former independent director Mr. Wang, Chun-Chung as the general manager of the Company.

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

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

Note 4 : Dismissed on March 1, 2021 due to job adjustment.

Note 5 : Dismissed on April 29, 2020

Note 6 : Resigned on March 10, 2021

Note 7 : Resigned on April 20, 2021

Note 8 : Resigned on February 29, 2020

Note 9 : On board on July 20, 2020

Note 10: Resigned on April 18, 2021

Note 11: Resigned on June 22, 2020

Note 12: On board on March 1, 2021

Note 13: On board on March 31, 2021

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

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

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

2021.04.27

Name	Shareholdings		Spouse and minor children shareholding		Shares held by nominee		If the top-ten shareholders are related parties or are a spouse or second cousin to each other, please state the title, name, and relationship.		Note
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Title (or Name)	Relationship	
Wish Giver Limited Representative: Lee, Kelly	139,792,000 0	33.28% 0%	0 0	0% 0%	63,000 174,568,000	0.01% 41.56%	Cheng Chang Investment Co., Ltd.	Representative is the child of chairman of the listed company	4
							Bai Ruei Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Shih Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Investment Co., Ltd.	Representative is the child of chairman of the listed company	
Cheng Chang Investment Co., Ltd. Representative: Lee, Shih-Tsung	41,716,332 0	9.93% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Citibank in custody for U-Trade(HK)-Customer Account	34,713,000	8.26%	0	0%	0	0%	None	None	5
Fubon Securities-ORIX ASIA CAPITAL	21,000,000	5.00%	0	0%	0	0%	None	None	
Bai Ruei Investment Co., Ltd Representative: Lee, Shih-Tsung	18,488,690 0	4.40% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Lee Shih Investment Co., Ltd. Representative: Lee, Shih-Tsung	15,290,152 0	3.64% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Fubon Life Insurance Co. Ltd. Representative: Tsai, Ming-Hsin	14,710,000 0	3.50% 0%	0 0	0% 0%	0 0	0% 0%	None	None	
Fuji Kogyo Co., Ltd. Representative: Fujibayashi Ichiro	12,540,543 0	2.99% 0%	0 0	0% 0%	0 0	0% 0%	None	None	6
Lee Investment Co., Ltd. Representative: Lee, Shih-Tsung	8,549,114 0	2.04% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Mercuries Life Insurance Representative: Chen, Hsiang-Chieh	7,090,000	1.69%	0 0	0% 0%	0 0	0% 0%	None	None	

Note 1: Illustrate the top-ten shareholders. For the institutional shareholders, the name of the institutional shareholders

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and the representative shall be illustrated separately.

Note 2: The shareholding ratio is calculated respectively by the name of the shareholders, the shareholder's spouse and minor children, or shareholding of nominees.

Note 3: The relationship disclosed above, including institutional and legal persons, will be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.

Mentioned shareholdings above are based on 2018.04.22, the date of transfer suspension.

Note 4: Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it is also a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI" The investment account ") holding 63,000 shares of the Company. Wish Giver Limited is the Company's institutional director.

Note 5: Beauty Mind Limited holds the shares of the Company through Citibank in custody for U-Trade(HK)-Customer Account. The shareholder of Beauty Mind Limited is Wish Giver Limited and the representative is Kelly Lee.

Note 6: Fujibayashi Ichiro is the legal representative of the Company's director.

Note 7: The number of shares listed above is based on the number of shares registered on April 27, 2021, the date of transfer suspension.

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

2021.05.15 Unit: thousand shares/%

Reinvestment	The Company's investment		The investment of the directors, supervisors, managers, and the enterprise directly or indirectly controlled by the company		Consolidated investment	
	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %
Jin Huang Construction Co., Ltd.	2,209	98.20%	0	0.00%	2,209	98.20%
Yuji Development Corp.	110,723	54.42%	12	0.01%	110,735	54.43%
Dahan Property Management Co., Ltd.	400	80.00%	0	0.00%	400	80.00%
Sea Dragon Traders Ltd. (BVI)	3,551	100.00%	0	0.00%	3,551	100.00%
Lung Fu Company Limited	0	0%	55,100	100.00%	55,100	100.00%

## IV. Capital Overview

### 1. Capitalization

#### (1) Type of Stock :

2021.05.15 Unit : Share ; NTD : dollar

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unit: Share

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

Note: Stock of OTC listed company

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

**2. Composition of Share Holders**

2021.04.27 Unit: Share; %

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Persons	Total
Quantity						
Number of shareholders	0	0	85	11,641	114	11,840
Shareholding	0	0	118,086,744	67,464,097	234,533,358	420,084,199
Holding Percentage	0.00%	0.00%	28.11%	16.06%	55.83%	100.00%

Mentioned shareholdings above are based on 2021.04.27, the date of transfer suspension.

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### 3. Distribution Profile of Share Ownership

#### (1) Common stock

2021.04.27 Unit: Person; Share; %

Shareholding classification	Number of shareholders	Shareholding	Percentage %
1 ~ 999	2,507	801,336	0.19%
1,000 ~ 5,000	7,185	14,559,561	3.47%
5,001 ~ 10,000	990	7,822,860	1.86%
10,001 ~ 15,000	329	4,256,675	1.01%
15,001 ~ 20,000	224	4,085,376	0.97%
20,001 ~ 30,000	195	4,970,583	1.18%
30,001 ~ 40,000	108	3,875,287	0.92%
40,001 ~ 50,000	61	2,834,126	0.67%
50,001 ~ 100,000	121	8,679,492	2.07%
100,001 ~ 200,000	61	8,348,751	1.99%
200,001 ~ 400,000	24	6,566,006	1.56%
400,001 ~ 600,000	7	3,289,000	0.78%
600,001 ~ 800,000	3	2,043,000	0.49%
800,001 ~ 1,000,000	5	4,317,631	1.03%
>1,000,001	20	343,634,515	81.80%
Total	11,840	420,084,199	100.00%

#### (2) Preferred stock: None

### 4. Major Shareholders

2021.04.27

Major Shareholders	Shares	Total Shares Ownes	Ownership
Wish Giver Limited		139,792,000	33.28%
Cheng Chang Investment Co., Ltd.		41,716,332	9.93%
Citibank in custody for U-Trade(HK)-Customer Account		34,713,000	8.26%
Fubon Securities holding ORIX Asia Capital Investment Account		21,000,000	5.00%
Bai Ruei Investment Co., Ltd.		18,488,690	4.40%
Lee Investment Co., Ltd.		15,290,152	3.64%

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Major Shareholders	Shares	Total Shares Ownes	Ownership
Fubon Life Insurance Co. Ltd.		14,710,000	3.50%
Fuji Kogyo Co., Ltd.		12,540,543	2.99%
Fuyuan International Development Co., Ltd.		8,549,114	2.04%
Mercuries Life Insurance		7,079,000	1.69%

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

Unit: NTD\$ Dollar; Share

Item	Year		2019	2020	As of 2021.05.15
	Market price per share	Highest		67.10	64.50
Lowest		55.80	48.60	46.60	
Average		61.32	56.36	51.55	
Book value per share	Pre-distribution		47.45	48.94	-
	Post-distribution		Not applicable	Not applicable	Not applicable
EPS	Weighted average shares		420,084,199	420,084,199	420,084,199
	EPS		5.48	2.96	0.97
Dividend per share	Cash dividend		3.00	1.20 (Note 2)	-
	Stock dividend	0	0	0	-
		0	0	0	-
	Accumulated unpaid dividends		0	0	-
Return on Investment analysis (Note 1)	PE ratio		11.19	19.04	-
	PD ratio		20.44	46.97	-
	Cash dividend yield (%)		4.89%	2.13%	-

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

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

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

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

Note 2: A cash distribution of NT\$1.2 for 2020 fiscal year was proposed at the board meeting on May 11, 2021, and is pending for shareholders' resolution.

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

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

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

Any earnings after the Company's fiscal year final settlement shall be allotted no less than 1% as the remuneration to employees, and no more than 2% as the remuneration to directors. Any earnings after the Company's fiscal year final settlement shall be allotted to make the payment of taxes and dues, and complete the deficit and losses, and then set aside 10% as the statutory reserve, unless the statutory reserve amounts to the Company's

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

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

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

With respect to the motion for allocation of earnings 2020, the board of directors resolved on May 11, 2021 that NT\$504,101,039 shall be allocated from the allocable earnings for this year to be distributed as cash dividend (NT\$1.2 per share). Upon approval of the shareholders' meeting, the board of directors shall set the ex-dividend base date.

- (3) Expected significant changes in dividend policy: None

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

Not applicable, as the motion for allocation of earnings approved upon resolution made by the board of directors on May 11, 2021 (which has not yet been approved by a shareholders' meeting) will not apply the allocation of stock dividend.

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

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

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

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

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

i. Proposed employee bonus money of NT\$16,149,906 and director compensation of NT\$32,299,812 for 2020 fiscal year was proposed at the board meeting on March 29, 2021. Proposed employee bonuses and compensation to directors for fiscal year 2020 are in line with the amount recorded in financial reports for the same period. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences will be recorded in Profit & Loss as a change in accounting estimate in the year of actual appropriation.

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

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

The distribution of 2019 earnings was resolved in the general shareholders' meeting on May 29, 2020 shareholders' meeting. The distribution of dividends per share, bonus to employees, and compensation to directors and supervisors is as follows:

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	<u>2019</u>
Dividend per common share (NT\$)	
Cash	\$ <u>3.0</u>
Employee bonus – cash (NT\$ thousands)	\$26,020
Director remuneration (NT\$ thousands)	<u>52,040</u>
Total	\$ <u>78,060</u>

Actual profit distribution for fiscal 2019 was in line with the recognized amount in the financial reports.

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

**10. Issuance of Corporate Bonds:**

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

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

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

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

**(2) Information of convertible bond**

<b>Type of Corporate Bonds</b>		<b>First Domestic Privately Placed Unsecured Convertible Bond</b>
Items	Year	2020 (As of April 9, 2020, the maturity date of corporate bonds)
	Market Prices of Convertible Corporate Bonds	N/A
	Highest	
	Lowest	
	Average	
Conversion Price		NT\$56.5 (As of the maturity date of this bond, creditors have not exercised the right to convert)
Issuance (Conduct) Date and Conversion Price at The Time of Issuance		April 10, 2017 NT\$63
Way to Fulfil Conversion Obligation		Issuance of new shares

**11. Preferred stock: None**

**12. Overseas depository receipts: None**

**13. Employee stock options: None**

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

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

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N/A

**15. Financing Plans and Implementation:**

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

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Range

##### i. Main Business Activities

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

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

**ii. Revenue Contribution**

December 31, 2020

Products & services	Percentages
Funeral service	86.40%
Rental income	4.55%
Construction revenue (Note)	3.67%
Others	5.38%

Note: Net profit of NT\$22,486 thousand from the disposal of investment real estate of NT\$56,489 thousand minus related costs and expenses of NT\$34,003 thousand, and the sale of available-for-sale property of NT\$111,898 thousand.

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

a. Present products and services

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

b. Developing products and services

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

**(2) Business Overview**

**i. Industry environment and development**

a. Funeral industry

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

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

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

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

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

b. The market of funeral services in Taiwan

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

The progress of the industry in Taiwan is as following:

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

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

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

Year	Death Toll	Body Cremated	%	Quantity of Environmental Burial			
				Total	Non-Public Cemetery		Public Cemetery
					Park. Ground	Sea	Tree
2010	145,804	130,886	89.77	1,546	603	144	799
2011	153,206	139,125	90.81	1,765	451	140	1,174
2012	155,239	142,030	91.49	3,004	542	114	2,348
2013	155,686	145,820	93.66	3,501	621	154	2,726
2014	163,327	152,963	93.65	3,958	658	228	3,072
2015	163,822	156,634	95.61	9,155	723	229	8,203
2016	172,829	166,246	96.19	6,799	1,015	293	5,491

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2017	172,028	165,692	96.32	9,135	1,122	297	7,716
2018	172,700	169,667	98.24	11,646	1,150	299	10,197
2019	175,546	173,257	98.70	12,788	1,275	311	11,202
Compared with 2018(%)	1.65	2.12	0.46	9.81	10.87	4.01	9.86
Compared with 2010(%)	20.40	32.37	8.93	727.17	111.44	115.97	1,302.00

Source: 14<sup>th</sup> Statistics in 2021, Department of Statistics, Minister of the Interior

According to the Population Projections for R.O.C. (Taiwan) in August, 2020 by National Development Council, in 2019, the number of registered births in our country was only 1,471 more than the number of registered deaths. It is estimated that the number of deaths in 2020 will be greater than the number of births, and the population will begin to decrease naturally. Coupled with the impact of the COVID-19 epidemic, the increase in the number of people in the society dominated by international migration is expected to be difficult to maintain a positive number. Therefore, it is estimated that the population of our country reached a peak of 23.6 million in 2019, and began to show a negative growth in 2020. In addition, if the future fertility level fails to increase effectively, the negative population growth will be greater and the population decline will be faster. Based on the assumption of different fertility levels, our country's population will drop to 14.49 million to 17.16 million in 2070, around 61%~73% of 2020.

With the figure as below, high, medium, and low variant of fertility rate, the estimated result of death is barely different due to the continuous advancement of living standards, medical technology, public health, and that the concept of health and wellness has gradually become popular in the country. It is estimated that the death situation of all ages will continue to improve in the future. According to the population structure in 2020, standardized death rate is going to decrease to 5.0‰ in 2070 compared to 7.9‰ in 2020.

But affected by ageing quickly and the amount of the elders increased a lot, in the next 50 years, the number of deaths will still increase significantly, death toll will increase to 328,000 in 2070 in comparison to 189,000 in 2020, which has almost doubled.

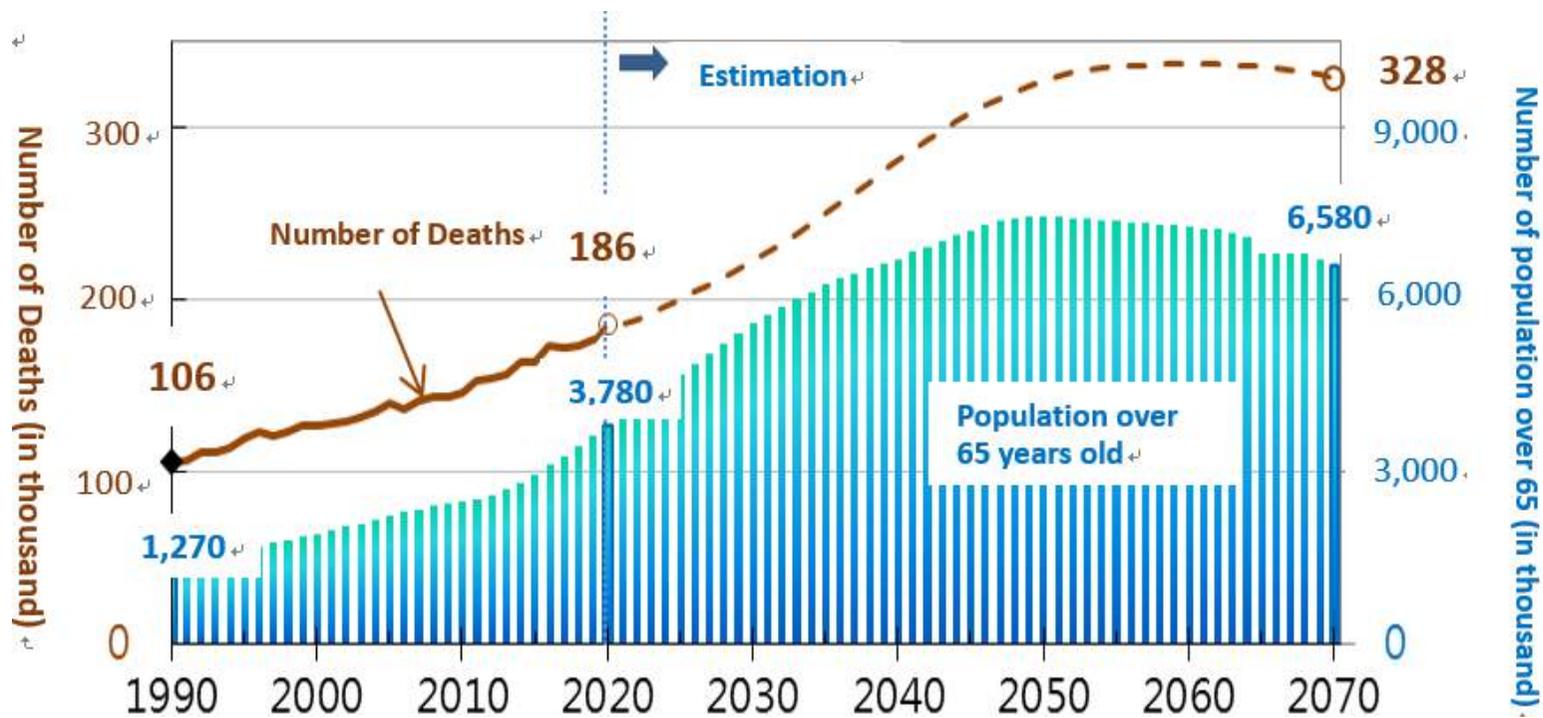
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Item		2020	2030	2040	2070
High estimate	Number of death (in thousand persons)	186	222	281	329
	Compared with which of 2016 (in thousand persons)	-	+36	+95	+143
	Crude death rate	7.9‰	9.5‰	12.4‰	19.0‰
	Standardized death rate	7.9‰	6.9‰	6.2‰	5.0‰
Medium estimate	Number of death (in thousand persons)	186	222	281	328
	Compared with which of 2016 (in thousand persons)	-	+21	+95	+143
	Crude death rate	7.9‰	9.6‰	12.6‰	20.6‰
	Standardized death rate	7.9‰	6.9‰	6.2‰	5.0‰
Low estimate	Number of death (in thousand persons)	186	222	281	336
	Compared with which of 2016 (in thousand persons)	-	+21	+95	+142
	Crude death rate	7.9‰	9.6‰	12.8‰	22.4‰
	Standardized death rate	7.9‰	6.9‰	6.2‰	5.0‰

Note: Standardized mortality rate refers to the standardization of the data of each year based on the population of 2020, according to the mid-year population age structure of that year.

Source: Population Projections for R.O.C. (Taiwan): 2020-2070, August, 2020

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Source: Population Projections for R.O.C. (Taiwan): 2020-2070, August, 2020

Besides, according to the 14<sup>th</sup> Weekly Statistics in 2020 issued by the Department of Statistics, Minister of the Interior, number of columbarium used during 2019 was 207,690, which has increased 21.09% from which of 2010. The number included deaths cremated during the year and those buried in past 5~10 years and unearthed due to the Taiwanese folk custom – “bone collection”.

Year	Public Cemetery					Columbarium									
	Total (places)	In use (places)	%	Number of deaths buried	% of total number of deaths	Total (places)	In use (places)	%	Maximun Capacity (units)	Occupied (units)	Occupation rate (%)	Annual occupationn	In bone	In bone ash	
2010	3,125	2,574	82.37	12,896	8.84	431	425	98.61	7,945,457	2,363,721	29.75	171,514	41,107	130,407	
2011	3,163	2,455	77.62	11,685	7.63	458	447	97.6	8,019,218	2,529,940	31.55	177,883	42,904	134,979	
2012	3,142	2,217	70.56	10,878	7.01	470	452	96.17	8,197,382	2,740,514	33.43	185,808	37,952	147,856	

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Year	Public Cemetery					Columbarium								
	Total (places)	In use (places)	%	Number of deaths buried	% of total number of deaths	Total (places)	In use (places)	%	Maximum Capacity (units)	Occupied (units)	Occupation rate (%)	Annual occupationn	In bone	In bone ash
2013	3,115	2,175	69.82	10,662	6.85	471	456	96.82	8,170,913	2,921,917	35.76	189,755	36,584	153,171
2014	3,105	2,144	69.05	11,325	6.93	486	472	97.12	8,358,531	3,104,335	37.14	185,022	35,383	149,639
2015	3,2019	2,050	65.96	9,579	5.85	494	478	96.76	8,590,598	3,274,633	38.12	188,272	32,911	155,361
2016	3,088	1,920	62.18	8,848	5.12	517	493	95.36	8,746,100	3,477,500	39.76	197,168	29,452	167,716
2017	3,079	1,869	60.70	7,779	4.52	510	495	97.06	8,837,887	3,680,043	41.64	196,551	28,127	168,424
2018	3,057	1,828	59.80	7,610	4.41	530	510	96.23	8,923,860	3,860,942	43.27	190,683	28,848	161,835
2019	3,043	1,761	57.87	6,585	3.75	526	512	97.34	8,960,118	3,981,731	44.44	207,690	30,280	177,410
Compared with 2018 (%)	-0.46	-3.67	-1.93	-13.47	-0.66	-0.75	0.39	1.11	0.41	3.13	1.17	8.92	4.96	9.62
Compared with 2010(%)	-2.62	-31.59	-24.50	-48.94	-5.09	22.04	20.47	-1.27	12.77	68.45	14.69	21.09	-26.34	36.04

Source: 14<sup>th</sup> Statistics in 2021, Department of Statistics, Minister of the Interior

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

c. Funeral Market in China

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

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

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

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

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

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

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

**iii. Product development trends**

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

- a. Rising awareness of environmental protection

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

b. Transformation of funeral services

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

c. Globalization and specialization

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

d. Transparency and publicize

Consumer-oriented marketing concepts have already reached maturity in various domestic markets so naturally the funeral industry cannot escape this trend. Regardless of ritual procedure, service contents, supply quality, in-store displays or even product price lists,

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the funeral industry will need to them adopt transparency and openness step by step, to meet strong customer needs.

**iv. Product competition**

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

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

**(3) Technology, research and development**

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To meet customer demand, Lungyen not only works with the up-stream suppliers to develop specialized materials but also cooperates with Prizker Architecture Prize winner, Heinrich Wang, and the Okura Art China designers in Japan who work for Japan Royal brand to develop Centurial Cemetery, Wuxia panels, Binfen urns, Fenghua urns and so on. Meanwhile, the Company also provide such services as castrate and hair cutting to provide consumers with personalized, delicate and diversified services and to advance the entire funeral service so as to create customers' value and recognize Lungyen. With the advent of the digital age, the funeral and cemetery industry has also been affected. At the end of 2020, the chairman of the board was replaced by KELLY LEE, entering a new situation of generational succession, and the management team actively promoted life technology and digital transformation, and successively launched technological funeral services such as "digital hall", "Electronic Obituaries" , "Online Conference",etc., leading the industry to upgrade again.

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

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

a. Marketing strategies

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

b. Product development

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

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

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a. Marketing Strategies

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

b. Product development

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

**2. Market Environment**

(1) Market Analysis

i. Main products

- a. Cemetery, columbarium, funeral services and preneed funeral contract sales
- b. Building: Residential, office, store and parking spaces

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- c. Offices, factories and residential rental
- d. Others

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

ii. Market share

Total entrusted amount for preneed funeral contracts was NT\$15.95 billion as of the end of 2020, of which NT\$11.95 billion is under Lungyen's administration, which means the Company owns the market share of around 75%. In terms of the columbarium, units of columbarium sold but not in use from our True Dragon Tower account for 4% of the total of Taipei residences, which is around 6.63 million people.

iii. Future market supply, demand and growth

a. Supply

According to the statistics issued by the Ministry of Interior in 2021, there were 3,043 public cemetery as of the end of 2019. Number of the deased buried in 2019 was 6,585, accounting for 3.75% of the total deaths, 5.09% lower than 2010. Number of columbarium facilities as of the end of 2019 was 526, which is able to house 8.96 million urns. In 2019, and additional 210 thousand unit of columbarium was used, which increased the total occupation rate to 44.44%. A total of 173 thousand bodies were cremated, accounting for 98.70% of total deaths, which has increased 8.93% within 10 years.

b. Demand

According to the data of the Ministry of Interior, the household registration population was 23.56 million in the end of 2020. The mortality rate of residents in Taiwan was increased from 143,000 persons in 2008 to over 176,000 persons in 2019. Taiwan has officially become an aging society since 1993 and the percentage of senior citizen over 65 years old is increasing to 16.07% by the end of 2020. The mortality rate is expected to increase in the next 50 years, and reach to 328,000 persons in 2070. Apparently, funeral industry has a good opportunity to grow in the future to come.

c. Growth Potential:

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According to Taiwan pre-need contract trust fund statistics, Taiwan's trust fund amounted to NT\$15.95 billion as of the end of 2020. Assuming preneed funeral contract is sold for an average price of NT\$200,000, the necessary trust amount is NT\$150,000 (75%); therefore, Taiwan's pre-need contract is sold for less than 106,000 contracts, accounting for only 2.7% of the senior citizens over 65 years old. Thus, the market is with great potential to grow.

iv. Competitive niches:

a. Transparent Financial Structure and Excellent Corporate Governance.

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

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

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

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

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

v. Favorable and unfavorable factors for development and countermeasures

a. Favorable Factors:

(a)Implementation of “One-Stop Funeral Service”

The Company is committed to the development and sale of funeral hardware; also, is dedicated to on-going concern with a department setup specially for funeral service, promotes “pre-need contract” that has been offered in the USA and Japan for years,

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implements the “one-stop-funeral” policy, improves service quality and range of services

(b) Excellent service quality

The Company keeps hiring and educating funeral directors, holding regular qualified test and onboard training. By the end of 2020, the number of certified funeral directors has reached 109. The Company looking forward to providing better quality in the future.

(c) Transparent Financial Structure

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

b. Unfavorable factors:

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

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

Countermeasures:

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

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

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

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Countermeasures:

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

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

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

Countermeasures:

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

(2) Usage of major products and manufacturing processes

i. Usage of major products:

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

ii. Production processes for major products:

Lungyen had True Dragon Tower constructed in the last decade with 380,000 Columbarium's provided. The customer-oriented container frame and fitting is currently designed in response to customer's demand for columbarium. In addition, Lungyen corporates with an

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international architect who won Pritzker Architecture Prize, and Shanghai Yuan-Lin to develop Centurial Cemetery in order to provide customers with the highest quality products. The principal production processes of funeral services is when customers ask for performance the Company will provide the most professional services based on the contract signed. For the non-contractual services requested by customers, the Company will do its best to provide the best support and the customer satisfaction surveys will be performed at the end of the service provided for reference in improvement and to meet customers' needs.

(3) The supply status of main raw material:

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

(4) Major suppliers and customers

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

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

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

Item	2019				2020				2021 Q1			
	Name	Amount	As % of total annually net	Relation to the	Name	Amount	As % of total annually net	Relation to the	Name	Amount	As % of total annually net	Relation to the

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			procurement	Company			procurement	Company			procurement	Company
1	A	35,846	3.31	None	A	121,999	15.23	None	A	22,982	12.01	None
2	B	240,382	22.18	None	B	110,609	13.81	None	B	851	0.44	None
3	C	104,473	9.64	None	C	-	-	None	C	-	-	None
4	Others	703,088	64.87		Others	568,178	70.96		Others	167,527	87.55	
	Net procurement	1,083,789	100.00		Net procurement	800,786	100.00		Net procurement	191,360	100.00	

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

Reason for the increase/decrease :

The main reason of decrease of the Company's purchase in 2020 was due to Sanzhi's 26 hectares of soil and water conservation main project completed in the first quarter of 2019.

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(5) Production for the most recent two years

In NT\$ thousand

Production capacity value	Year	2019			2020		
		Capacity	Production quantity	Production value	Capacity	Production quantity	Production value
Major goods							
Columbarium		(Note 1)	7,677 units	97,971	(Note 1)	10,535 units	78,433
Cemetery		(Note 1)	260 units	21,577	(Note 1)	0 units	3,841 (Note 3)
Others		None	None	None	None	None	None
Total		(Note 1)	(Note 2)	119,548	(Note 1)	(Note 2)	119,548

Note 1: The Company does not manufacture its own products but relies on outsourced production. Therefore, there is no production capacity. Operations in 2020 mainly focused on the development of columbarium and cemetery facilities and funeral services.

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

Note 3: The cost invested after the completion of the cemetery product.

(6) Sales for the most recent two years

In NT\$ thousand

Production capacity value	Year	2019				2020			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Major goods (or by department)									
Columbarium		4,140 units	1,331,409	-	-	4,723 units	1,268,984	-	-
Funeral service		5,382 units	1,601,340	-	-	5,483 units	1,658,806	-	-
Cemetery		185 units	335,528	-	-	141 units	237,519	-	-
Others		(Note 2)	1,291,071	-	-	(Note 2)	498,198	-	-
Total		(Note 2)	4,559,348	-	-	(Note 2)	3,663,507	-	-

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

In 2020, the Company's columbarium and cemetery revenue was NT\$1,507 million, or 41.12% of total revenue; funeral service revenue was NT\$1,659 million, or 45.28% of total revenue. In 2019, the Company's columbarium and cemetery revenue was NT\$1,667 million, or 36.56% of total revenue; funeral service revenue was NT\$1,601 million, or 35.12% of total revenue.

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

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### 3. Information of our employees

Year		2019	2020	As of May 15, 2021 (Note)
Number of employees		531	519	522
Average age		38.21	39.21	39.43
Average years of service		6.61	7.31	7.43
Distribution of education	Doctorate	0%	0%	0%
	Masters	8.70%	8.90%	8.20%
	University/college	73.30%	71.50%	71.50%
	High School	12.80%	13.70%	14.2%
	Below High School	5.30%	6.40%	6.10%

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

### 4. Expenditure for Environmental Protection

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

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

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

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

ii. Payment for Pollution Control

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

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

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

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

**5. Relationship between employer and employee**

- (1) Employee welfare measures including advanced study, training and pension plan, actual status of agreements between employer and employees and safeguarding of employee rights and interests are as below:
- i. Employee welfare, advanced study and training measures:
    - a. National health insurance and labor insurance are provided in accordance with regulations;
    - b. Commercial insurance (group insurance) paid by the Company;
    - c. Employees who purchase company goods can enjoy special offer;
    - d. Mid-autumn festival gift ;Annual bonus;
    - e. Staff canteen and shuttle bus;
    - f. Birthday leave, volunteer leave;
    - g. The Company provides employees with various leisure facilities, such as gymnasium,

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massage, etc.

- h. Employee Welfare Committee established to handle various welfare activities:
  - (a) Allowance for staff group activities, subsidies or gift money for occasions such as wedding, funerals and maternity;
  - (b) Department dining, sport events, year-end party and association subsidy.
- ii. Educating, training and successor plan
  - a. Education and training is an important means for the Company to continuously improve the professionalism and service quality of its personnel. The content includes newcomer training, on-the-job training (including reserve cadre training), and expatriate training. In addition to conducting relevant courses in accordance with regulations or management needs, the Company also has internal lecturers to teach corporate culture-related courses to ensure that new colleagues who have been employed at different periods can share the same core values of the Company.
  - b. In 2020, the number of employees trained reached 1,121, and the number of training hours reached 2,923, the total cost reached NT\$333,979.
  - c. The Company's Board of Directors has been paying close attention to the successor arrangement. For this reason, the Board established the Corporate Governance and Charter of Nominating Committee to lead the training plan for successors to directors and top managers (including the general manager) with the Compensation Committee. Target of the successor plan are: (i) setting up criteria for directors and top managers; (ii) being approved and supported by the board; (iii) establishing available talent pool; (iv) providing necessary resources and training; (v) establishing succession plan (including candidate and timing).

The Company hired former independent director Mr. Wang Chun Chung as the general manager in September 2020, relying on its long-term talents in information technology and operation management to accelerate digital transformation and industrial upgrading. In December 2020, the chairman of the board was taken over by KELLY LEE, injecting a new generation of thinking into the development of the enterprise, driving innovation and reform, and promoting the Company to a new milestone through the professional division of operations management and sustainable planning.

In addition, relevant training programs for directors and senior managers are also continuously executed. Through professional ability training, trainees are integrated and used to cultivate decision-making and judgment skills.

iii. Retirement System and implementation

- a. Employees' Retirement Pension: Comply with the Labors' Standard Act, the Company should raised 2% of monthly salary for retirement pension for those who were onboard

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before June 30, 2005, deposit to assigned treasury in Bank of Taiwan, and pay to workers according to Labors' Standard Act.

- b. Labor Pension Act: Since July 1, 2007, for employees who select to apply to Labor Pension Act, should raised 6% of monthly salary for retirement fund to Employee's Individual Account of Labor Pension.

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

iv. Status of employer/employee agreements:

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

v. Measures for the maintenance of employee rights and interests

The Company has Human Resources guidelines and regulations in place. Employees' rights and obligations are stated in detail and the Company spares no efforts to protect employee rights. In addition to the fact that every employee can inquire about relevant systems and measures, the Company also conducts physical and online newcomer training and briefing sessions to ensure that new colleagues understand the relevant systems (including sexual harassment prevention, etc.), and hold briefing sessions to advancedly disseminate employee related rights when necessary.

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

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

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

Relationships with employees are always harmonious and so far there have been no labor disputes. The Company calls labor meetings irregularly to improve labor relationships. Employee briefings, monthly meetings and department meetings are irregularly held and a hotline 5186 has been set up to deal with issues of colleagues.

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

The Company is part of the service industry so employees aren't exposed to the same risks as in the manufacturing industry. The Company has work environment and employee safety protection measures in place. In addition the company has a commitment to a safe and

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comfortable working environment, protection from occupational disease and hazards, maintenance of health of employees, increasing awareness of environmental health and safety, exercise of responsibilities and shaping of the corporate culture.

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

- i. Regular medical checkups
- ii. Regular drinking water checkup
- iii. Regular environment cleaning and sterilization
- iv. Smoking prohibition within buildings
- v. Regular examination for elevator operation
- vi. Prohibition on dumping of goods in emergency staircases
- vii. Group insurance consulting time every Friday by Farglory Life insurance company.
- viii. Employee fire safety training seminar
- ix. Access card security management notice and advocacy
- x. Clear marking of hazardous materials and substances and waste classification in the work environment
- xi. Employee emergency escape route planning and advocacy
- xii. Set up of an emergency response team and immediate notification of employees during typhoons and earthquakes
- xiii. Establish an COVID-19 epidemic prevention and response team to formulate countermeasures to ensure uninterrupted operations and maintain a healthy workplace

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

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

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

- i. General regulations
- ii. Employee Relationship Maintenance
- iii. Prohibition on holding more than one job concurrently and avoidance of conflicts of interest

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- iv. Rules on gifting and entertainment
- v. Confidentiality Regulations
- vi. Maintenance of information completeness and accuracy
- vii. Maintenance of intellectual property
- viii. Non-public information use regulations
- ix. Prohibition on bribes: It is forbidden to approach officials with the intent of offering bribes or gifts (including gifts or equivalent voucher, coupons or stock) in exchange for convenience of business control.
- x. Responsibility and obligation to report

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**6. Material Contracts**

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

Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
Construction Construction	Construction of Xizhi headquarter	Taiwan Obayashi Corp.	Commenced from September 28, 2012 and will end on the expiry of warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction-bidding A	A Company	Commenced from March 29, 2017 and will end on the expiry of the warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction - bidding B	B Company	Commenced from March 29, 2017 and will end on the expiry of warranty period	Civil engineering project	None
	Turnkey for landscape works for Sanchi cemetery	MUHE Landscape Design Construcion Co. Ltd.	Commenced from May 7, 2018 and will end on the expiry of warranty period	Construction	None.
	Sanzhi cemetery New Project (The Palace of Light, Service Center, Equipment Room) Planning and Design Commission	Tai Architect and Associates	Commenced from July 01, 2008 and will end on the completion of construction	Design/Construction	None
	Construction for service center of Sanchi Central Cemetery	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	Construction of "The Palace of the Light" project, Sanzhi, New Taipei City	Chuan-Hsin Construction Limited	Commenced from February 26, 2021 and will end on the expiry of warranty period	Construction	None.

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Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
	New Designing and Contruction Contract in Banqiao Dist., New Taipei City	Hongjing United Architects	Commenced from November 03, 2016 and will end on the completion of construction	Design/Construction	None
	Construction for funeral service center in Banqiao	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	Design and Development Contract (BOO) for the new construction of No. 154 Dingjin Section, Sanmin District, Kaohsiung City	Hongjing United Architects	Commenced from January 20, 2018 and will end on the completion of construction	Design/Construction	None.
	New Construction of Funeral Parlor in Dingjin Section, Sanmin District, Kaohsiung City (BOO)	Chuan-hsin Construction Limited	Commenced from November 07, 2019 and will end on the expiry of warranty period	Construction	None.
	Designation contract for the new construction of Laizikeng section, Neimen District, Kaohsiung City (Light of Hill)	Hongjing United Architects	Commenced from June 08, 2016 and will end on the completion of construction	Design/Construction	None.
	Construction of Light Hill Life Memorial Hall , Antai Memorial Cemetery, No.117 and 119, Yongfu Section, Neimen District	Chuan-hsin Construction Limited	Commenced from April 01, 2020 and will end on the expiry of warranty period	Construction	None.
	Kaohsiung Antai Outdoor Cemetery Water Conservation Project	Ruijian Construction Co., Ltd.	Commenced from December 30, 2019 and will end on the expiry of warranty period	Civil engineering project	None.
	DESIGN SERVICES AGREEMENT BETWEEN LUNG YEN LIFE SERVICES CO., LTD. AND TADAO ANDO ARCHITECT & ASSOCIATES	TADAO ANDO ARCHITECT & ASSOCIATES	Commenced from Febuary 27, 2009 and will end on the constntruction date of the design.	Cemetery design	None.
	Soil and water conservation works for Futian	A company	Commenced from August 17, 2018 and will end on the expiry of warranty period	Cicil engineering	None.

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Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restriction Terms and Conditions
	Soil and water conservation works for Futian	A company	Commenced from November 30, 2017 and will end on the expiry of warranty period	Civil engineering	None.
Lease	Rental of the whole building	Customer A	2016.03.19 ~ 2036.03.18	Lease Contract	None
Insurance	Fire Insurance of main operating assets	Union Insurance Co.	2020.12.31 ~ 2021.12.31	Fire Insurance	None
Banking	Bank Credit Contract	CTBC Bank Co., Ltd	2021.01.01 ~ 2021.12.31	Credit Contract	None
		Taipei Fubon Commercial Bank Co., Ltd.	2021.01.01 ~ 2021.12.31	Credit Contract	None
Trust	Preneed funeral contract deposited into Trust	Chang Hwa Bank	2012.12.28 ~ 2022.12.27	Preneed funeral contract deposited into Trust	None

## VI. Financial Highlights

### 1. Condensed balance sheet and income statement

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

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

Item \ Year		Financial Information for the Lastest 5 Years (Note 1)					Financial Information for the First Quarter of 2021
		2016	2017	2018	2019	2020	
Current Assets		26,819,098	29,348,459	38,823,762	45,423,494	41,013,925	40,577,116
Property, Plant, and Equipment		5,866,648	5,844,965	5,812,305	6,078,158	6,157,408	6,336,396
Intangible Assets		775,226	764,631	759,365	755,937	748,121	753,481
Other Assets		17,515,456	17,679,524	17,897,876	12,849,219	16,186,608	17,703,047
Total Assets		50,976,428	53,637,579	63,293,308	65,106,808	64,106,062	65,370,040
Current Liabilities	Pre-distribution	39,793,324	36,477,556	43,508,071	45,089,575	43,476,441	43,852,356
	Post-distribution	40,297,425	37,527,766	44,768,324	46,349,828	(Note 2)	(Note 2)
Non-current Liabilities		110,128	3,253,820	3,312,244	83,382	72,248	72,051
Total Liabilities	Pre-distribution	39,903,452	39,731,376	46,820,315	45,172,957	43,548,689	43,924,407
	Post-distribution	40,407,553	40,781,586	48,080,568	46,433,210	(Note 2)	(Note 2)
Equity Attributable to Owners of the Parent Company		9,818,577	12,528,906	14,982,373	18,435,961	18,924,059	19,773,262
Common stock		3,990,842	4,200,842	4,200,842	4,200,842	4,200,842	4,200,842
Paid-in Capital		1,420,112	2,519,954	2,519,954	2,519,954	2,519,954	2,519,954
Retained Earnings	Pre-distribution	4,010,266	5,349,495	7,573,124	11,871,861	11,904,638	12,310,149
	Post-distribution	3,506,165	4,299,285	6,312,871	10,611,608	(Note 2)	(Note 2)
Other Equity		397,357	458,615	688,453	(156,696)	298,625	742,317
Treasury stock		0	0	0	0	0	0
Non-controlling interest		1,254,399	1,377,297	1,490,620	1,497,890	1,633,314	1,672,371
Total Equity	Pre-distribution	11,072,976	13,906,203	16,472,993	19,933,851	20,557,373	21,445,633
	Post-distribution	10,568,875	12,855,993	15,212,740	18,673,598	(Note 2)	(Note 2)

Note 1: Financial information for 2016 to 2020 was audited and certified by an independent accountant.

Note 2: Appropriations for 2020 earnings are pending approval at the shareholders' meeting.

(English Translation of Annual Report Originally Issued in Chinese)

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

In NT\$ thousand

Item \ Year	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2021
	2016	2017	2018	2019	2020	
Operating income	3,463,382	5,104,378	4,957,018	4,559,348	3,663,507	1,000,381
Gross profits	2,101,259	3,810,779	3,343,497	3,216,146	2,472,677	658,041
Operating profit	932,225	2,225,085	1,952,701	2,109,011	1,437,076	381,868
Other revenue and expenses	271,298	221,096	646,117	515,494	296,240	95,374
Net income before tax	1,203,523	2,446,181	2,598,818	2,624,505	1,733,316	477,242
Net income from continuing operations	1,067,910	2,182,033	2,291,474	2,370,342	1,379,726	441,387
Losses from discontinued operations	0	0	0	0	0	0
Net income(loss)	1,067,910	2,182,033	2,291,474	2,370,342	1,379,726	441,387
Other comprehensive income (net of tax)	799,134	57,237	428,832	2,582,639	504,132	446,873
Other total comprehensive income	1,867,044	2,239,270	2,720,306	4,952,981	1,883,858	888,260
Profit attributable to owners of the parent company	977,840	1,843,999	2,180,535	2,302,871	1,244,562	405,615
Profit attributable to owners of non-controlling interests	90,070	338,034	110,939	67,471	135,164	35,772
Comprehensive income attributable to owners of the parent company	1,775,891	1,904,588	2,606,983	4,882,142	1,748,351	849,203
Comprehensive income attributable to owners of non-controlling interests	91,153	334,682	113,323	70,839	135,507	39,057
EPS	2.45	4.44	5.19	5.48	2.96	0.97

Note 1: Financial information for 2016 to 2020 was audited and certified by an independent accountant.

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

## iii. Condensed Balance Sheet – Individual –IFRS

In NT\$ thousand

Year		Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2021
		2016	2017	2018	2019	2020	
Current assets		23,335,233	24,683,267	34,475,813	41,804,826	36,980,070	Not applicable
Property, plant, and equipment		5,736,127	5,711,010	5,679,403	5,953,704	6,039,169	Not applicable
Intangible assets		775,079	764,631	759,365	755,937	748,121	Not applicable
Other assets		19,458,103	20,729,246	20,193,954	14,272,309	17,758,493	Not applicable
Total assets		49,304,542	51,888,154	61,108,535	62,786,776	61,525,853	Not applicable
Current liabilities	Pre-distribution	39,378,818	36,108,409	42,816,899	44,270,414	42,532,527	Not applicable
	Post-distribution	39,882,919	37,158,619	44,077,152	45,530,667	(Note 2)	Not applicable
Non-current liabilities		107,147	3,250,839	3,309,263	80,401	69,267	Not applicable
Total liabilities	Pre-distribution	39,485,965	39,359,248	46,126,162	44,350,815	42,601,794	Not applicable
	Post-distribution	39,990,066	40,409,458	47,386,415	45,611,068	(Note 2)	Not applicable
Equity attributable to owners of the parent company		9,818,577	12,528,906	14,982,373	18,435,961	18,924,059	Not applicable
Common stock		3,990,842	4,200,842	4,200,842	4,200,842	4,200,842	Not applicable
Additional paid-in capital		1,420,112	2,519,954	2,519,954	2,519,954	2,519,954	Not applicable
Retained earnings	Pre-distribution	4,010,266	5,349,495	7,573,124	11,871,861	11,904,638	Not applicable
	Post-distribution	3,506,165	4,299,285	6,312,871	10,611,608	(Note 2)	Not applicable
Other equity		397,357	458,615	688,453	(156,696)	298,625	Not applicable
Treasury stock		0	0	0	0	0	Not applicable
Non-controlling interest		0	0	0	0	0	Not applicable
Total equity	Pre-distribution	9,818,577	12,528,906	14,982,373	18,435,961	18,924,059	Not applicable
	Post-distribution	9,314,476	11,478,696	13,722,120	17,175,708	(Note 2)	Not applicable

Note 1: Financial information for 2016 to 2020 was audited and certified by an independent accountant.

Note 2: Appropriations for 2020 earnings are pending approval at the shareholders' meeting.

Note 3: Individual financial statement as of March 31, 2021 was not prepared.

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

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

In NT\$ thousand

Year Item	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating income	3,033,180	3,831,552	4,378,482	4,027,197	3,126,233	Not applicable
Gross profits	1,858,068	2,654,950	2,826,246	2,880,890	1,967,141	Not applicable
Operating profit	789,631	1,449,645	1,593,169	1,909,674	1,066,848	Not applicable
Other revenue and expenses	310,341	601,768	800,400	614,302	499,692	Not applicable
Net income before tax	1,099,972	2,051,413	2,393,569	2,523,976	1,566,540	Not applicable
Net income from continuing operations	977,840	1,843,999	2,180,535	2,302,871	1,244,562	Not applicable
Losses from discontinued operations	0	0	0	0	0	Not applicable
Net income(loss)	977,840	1,843,999	2,180,535	2,302,871	1,244,562	Not applicable
Other comprehensive income (net of tax)	798,051	60,589	426,448	2,579,271	503,789	Not applicable
Other total comprehensive income	1,775,891	1,904,588	2,606,983	4,882,142	1,748,351	Not applicable
Profit attributable to owners of the parent company	977,840	1,843,999	2,180,535	2,302,871	1,244,562	Not applicable
Profit attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
Comprehensive income attributable to owners of the parent company	1,775,891	1,904,588	2,606,983	4,882,142	1,748,351	Not applicable
Comprehensive income attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
EPS	2.45	4.44	5.19	5.48	2.96	Not applicable

Note 1: Financial information for 2016 to 2020 was audited and certified by an independent accountant.

Note 2: Standalone financial statement as of March 31, 2021 was not prepared.

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

**2. Financial Analysis**

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

Analysis items (Note 3)		Financial data of the latest five years					Financial Information for the First Quarter of 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (8)	Liabilities/Assets ratio	78.28	74.07	73.97	69.38	67.93	67.19
	Long-term Fund for Property, Plant and Equipment	190.62	293.59	340.40	329.33	335.04	339.59
Solvency ability ratio	Current ratio	67.40	80.46	89.23	100.74	94.34	92.53
	Quick ratio	31.01	72.20	78.86	217.01	255.15	234.34
	Times Interest Earned Ratio	14.71	31.18	32.21	37.39	62.96	168.39
Operational performance	Average collection turnover (times)	7.45	6.97	1.01	0.52	0.41	0.43
	Average collection days	48.97	52.36	360.09	699.85	890.24	848.84
	Average inventory turnover (times)	0.10	0.09	0.11	0.09	0.08	0.09
	Average payable turnover (times)	3.10	2.85	2.96	2.07	1.83	2.06
	Days sales outstanding	3,650.00	4,055.56	3,318.18	4,055.56	4,562.50	4,055.56
	Property, Plant and Equipment Turnover (Times)	0.56	0.87	0.85	0.77	0.60	0.64
	Total assets turnover (times)	0.07	0.10	0.08	0.07	0.06	0.06
Profitability	Return on total assets (%)	2.32	4.30	4.03	3.78	2.17	2.74
	Return on Equity (%)	10.47	17.47	15.09	13.02	6.81	8.41
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	30.16	58.23	46.48	62.48	41.26	45.44
	Net profit margin (%)	30.83	42.75	46.23	51.99	37.66	44.12
	EPS (NTD)	2.45	4.44	5.19	5.48	2.96	0.97
Cash flow	Cash flow ratio (%)	6.34	3.00	3.93	3.85	9.10	8.83
	Cash flow adequacy ratio (%)	98.28	97.96	98.72	110.24	136.28	156.28
	Cash flow reinvestment ratio (%)	14.04	3.52	3.38	3.26	14.94	19.55
Leverage	Operating leverage	1.55	1.28	1.21	1.23	1.28	1.34
	Financial leverage	1.10	1.04	1.04	1.04	1.02	1.01

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

Times Interest Earned Ratio: This year's times interest earned ratio decreased compared with last year, mainly due to the repayment of corporate bonds payable this year, which led to a decrease in interest expenses and an increase in times interest earned ratio.

The increase or decrease in the average collection turnover (times), average collection days, property, plant and equipment turnover (times) and total assets turnover (times) was mainly due to the net profit from disposal of the financial center and Pacific Commercial Building and other investment real estate last year, but no major investment real estate disposed in 2020, resulting in a decline in operating income.

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

**Profitability:** The profitability of this year has decreased compared with last year, mainly due to the net profit from disposal of the financial center and Pacific Commercial Building and other investment real estate last year, but no major investment real estate disposed in 2020.

**Cash flow:** The cash flow ratios of this year have increased compared with the same period last year. This is mainly due to the fact that the funds for disposing of the stocks of Chang Hwa Commercial Bank were undertaken in the Taiwan dollar currency fund in 2019, and the redemption part of the fund to repay the due corporate bond in 2020. Therefore, the net cash flow from operating activities for the year increased compared with the same period last year, resulting in an increase in the cash flow ratio.

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

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

Year (Note1) Analysis items (Note 3)		Financial data of the latest five years					Financial Information for the First Quarter of 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (⊗)	Liabilities/Assets ratio	80.09	75.85	75.48	70.64	69.24	Not applicable
	Long-term Fund for Property, Plant and Equipment	173.04	276.30	322.07	311.01	314.50	Not applicable
Solvency ability ratio	Current ratio	59.26	68.36	80.52	94.43	86.95	Not applicable
	Quick ratio	27.54	61.35	69.00	220.22	260.53	Not applicable
	Times Interest Earned Ratio	13.95	26.42	31.14	37.23	70.67	Not applicable
Operational performance	Average collection turnover (times)	7.56	7.92	1.01	0.50	0.38	Not applicable
	Average collection days	48.27	46.07	362.57	735.67	970.93	Not applicable
	Average inventory turnover (times)	0.10	0.10	0.13	0.09	0.09	Not applicable
	Average payable turnover (times)	3.15	3.20	3.63	2.06	2.01	Not applicable
	Days sales outstanding	3,650.00	3,650.00	2,807.69	4,055.56	4,055.56	Not applicable
	Property, Plant and Equipment Turnover (Times)	0.51	0.67	0.77	0.69	0.52	Not applicable
	Total assets turnover (times)	0.06	0.08	0.08	0.07	0.05	Not applicable
Profitability	Return on total assets (%)	2.20	3.78	3.97	3.81	2.03	Not applicable
	Return on Equity (%)	10.83	16.50	15.85	13.78	6.66	Not applicable
	Pre-tax Income to Paid-in Capital Ratio (%)	27.56	48.83	56.98	60.08	37.29	Not applicable
	Net profit margin (%)	32.24	48.13	49.80	57.18	39.81	Not applicable
	EPS (NTD)	2.45	4.44	5.19	5.48	2.96	Not applicable
Cash flow	Cash flow ratio (%)	6.27	5.38	4.71	3.67	9.57	Not applicable
	Cash flow adequacy ratio (%)	126.04	122.22	134.54	159.40	172.92	Not applicable
	Cash flow reinvestment ratio (%)	12.35	7.29	4.44	2.25	14.23	Not applicable
Leverage	Operating leverage	1.61	1.33	1.22	1.22	1.35	Not applicable
	Financial leverage	1.12	1.06	1.05	1.04	1.02	Not applicable

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

Times Interest Earned Ratio: This year's times interest earned ratio decreased compared with last year, mainly due to the repayment of corporate bonds payable this year, which led to a decrease in interest expenses and an increase in times interest earned ratio.

The increase or decrease in the average collection turnover (times), average collection days, property, plant and equipment turnover (times) and total assets turnover (times) was mainly due to the net profit from disposal of the financial center and Pacific Commercial Building and other investment real estate last year, but no major investment real estate disposed in 2020, resulting in a decline in operating income.

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**Cash flow:** The cash flow ratios of this year have increased compared with the same period last year. This is mainly due to the fact that the funds for disposing of the stocks of Chang Hwa Commercial Bank were undertaken in the Taiwan dollar currency fund in 2019, and the redemption part of the fund to repay the due corporate bond in 2020. Therefore, the net cash flow from operating activities for the year increased compared with the same period last year, resulting in an increase in the cash flow ratio.

Note 1: Financial information of 2016 to 2020 was audited and certified by an independent accountant.

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

Note 3: Computation formulas for the ratios are shown at the bottom of the chart.

1. Financial structure (%)

(1) Debt ratio = Total debt / Total assets

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

2. Liquidity Analysis

(1) Current ratio = Current asset / Current liability

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

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

3. Operating performance

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

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

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

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

(5) Average sales days = 365 / Inventory turnover

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

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

4. Profitability

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

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

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

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

5. Cash flow

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

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

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

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

6. Leverage ratio

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

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

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

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

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

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

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

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

(English Translation of Annual Report Originally Issued in Chinese)

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

**Lungyen Life Service Corp.**

**Audit Committee's Review Report**

Authorized

The Board of Directors has the Company's 2020 business report and financial statements prepared and presented, in which the financial statements have been audited by CPA Chih, Shih-Chin and CPA Lai, Li-Zhen of KPMG Taiwan with an independent auditor's report issued.

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

To

Lungyen Life Service Corp. 2021 General Shareholders' Meeting

Convener of Audit Committee: Yeh, Shu

March 29, 2021

(English Translation of Annual Report Originally Issued in Chinese)

## **Lungyen Life Service Corp.**

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

Authorized

The Board of Directors has the Company's 2020 earnings distribution report prepared and presented, which is audited and concluded by the Audit Committee members in compliance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2021 General Shareholders' Meeting

Convener of Audit Committee: Yeh, Shu

May 11, 2021

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

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

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

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

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

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

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

### 1. Financial Status

Unit: NTD \$ Thousands

Item	Period	2019	2020	Nonconformities	
				Amount	%
Current assets		45,423,494	41,013,925	(4,409,569)	(9.71)
Property, plant, and equipment		6,078,158	6,157,408	79,250	1.30
Intangible assets		755,937	748,121	(7,816)	(1.03)
Other assets		12,849,219	16,186,608	3,337,389	25.97
Total assets		65,106,808	64,106,062	(1,000,746)	(1.54)
Current liabilities		45,089,575	43,476,441	(1,613,134)	(3.58)
Non-current liabilities		83,382	72,248	(11,134)	(13.35)
Total liabilities		45,172,957	43,548,689	(1,624,268)	(3.60)
Common stock		4,200,842	4,200,842	-	-
Additional paid-in capital		2,519,954	2,519,954	-	-
Retained earnings		11,871,861	11,904,638	32,777	0.28
Other equity		(156,696)	298,625	455,321	290.58
Non-controlling interest		1,497,890	1,633,314	135,424	9.04
Total equity		19,933,851	20,557,373	623,522	3.13

## Notes to material changes:

1. Other assets: The increase in the current year was mainly due to financial assets undertaken and subsequent evaluation benefits resulting in the increase in financial assets measured at fair value through other comprehensive income.
2. Other equity: The increase in the current year was mainly due to the unrealized appraisal benefits of the new undertaking in 2020 that recognized as the financial assets measured at fair value through other comprehensive income.

(English Translation of Annual Report Originally Issued in Chinese)

## 2. Operating results

Unit: NTD \$ Thousands

Item	2019	2020	Increase (decrease) amount	Deviation percentage (%)
Operating income	4,559,348	3,663,507	(895,841)	(19.65)
Operating costs	1,343,202	1,190,830	(152,372)	(11.34)
Gross profits	3,216,146	2,472,677	(743,469)	(23.12)
Operating expenses	1,246,472	1,166,993	(79,479)	(6.38)
Other income and expenses - net	139,337	131,392	(7,945)	(5.70)
Net operating profits	2,109,011	1,437,076	(671,935)	(31.86)
Non-operating revenue and expenses	515,494	296,240	(219,254)	(42.53)
Net income before tax from continuing operations	2,624,505	1,733,316	(891,189)	(33.96)
Less: Income tax expenses	254,163	353,590	99,427	39.12
Net income	2,370,342	1,379,726	(990,616)	(41.79)

Notes to material changes:

1. The decrease in gross profit was mainly due to the fact that the net profit from the disposal of investment real estate was recognized as construction income in 2019.
2. The decrease in net operating profit was mainly due to the recognition of net benefits from disposal of the investment real estate of important items in 2019, while the similar benefits were not recognized in 2020.
3. The main reason for the decrease in non-operating income and expenses was mainly due to:
  - (1) Disposal of Chang Hwa Commercial Bank's stock in 2019, resulting in a substantial decrease in dividend income in 2020 compared to the same period last year.
  - (2) In March 2020, the central bank decreased interest rates and the Company adjusted the allocation of financial products, resulting in a decrease in interest income.
  - (3) The Taiwan dollar continued to appreciate in 2020, resulting in an increase in the exchange loss of the Company's evaluation of foreign currency financial products compared to the same period last year.
4. The increase in income tax expenses was mainly due to the increase in undistributed earnings in 2020.

## 3. Cash flow

### (1) Flow analysis in 2019 and 2020

Item	Year		Increase (decrease) percentage %
	2019	2020	
Cash flow ratio	3.85	9.10	136

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Cash flow adequacy ratio	110.24	136.28	24
Cash reinvestment ratio	3.26	14.94	358
The cash flow ratios of this year have increased compared with the same period last year. This is mainly due to the fact that the funds for disposing of the stocks of Chang Hwa Commercial Bank were undertaken in the Taiwan dollar currency fund in 2019, and the redemption part of the fund to repay the due corporate bond in 2020. Therefore, the net cash flow from operating activities for the year increased compared with the same period last year, resulting in an increase in the cash flow ratio.			

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

Unit: NTD \$ Thousands

Balance of cash - beginning	Annual net cash flow from operating activities	Annual net cash flow from investments or financing activities	Cash balance (shortage)	Corrective actions against cash deficit	
				Investment plan	Wealth management plan
(1)	(2)	(3)	(1)+(2)-(3)=(4)		
45,220	1,444,043	(1,422,726)	66,537	0	0

i. Cash flow analysis for this year:

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

ii. Remedial actions for liquidity shortfall: not applicable.

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

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

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

<b>Reinvestment</b>	<b>Investing Policy</b>
Jin Huang Construction Co., Ltd.	Co-ordinate business needs, enhance QC and control construction progress

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Yuji Development Corp.	An investment for the purpose of selling columbarium and cemetery and expanding our marketing and service network.
Dahan Property Management Co., Ltd	Co-ordinate business needs, developing leased real estate and provide management consultation services.
Sea Dragon Traders Ltd. (BVI)	An investment for the purpose of carrying out overseas investment.
RIA AWANA SDN. BHD.	To increase business scale, extend our funeral services to Chinese districts overseas, and build the selling channel and service place in Malaysia.
Law Co., Ltd.	The investment policy is to meet business needs, expand the Company's sales channels, and increase the funeral and cemetery market share
Lung Fu Company Limited	An investment for the purpose of selling columbarium and cemetery from Yuji Development and expanding our marketing and service network.
Witty Dragon Limited (BVI)	Trade and lease for real estates.
Long Young Life (Cayman) Company	Holding Company, which is for the purpose of carrying out overseas investment.

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

Unit: NTD \$ Thousands

<b>Reinvestment</b>	<b>Profit (Loss) Recognised In 2020</b>	<b>Results</b>	<b>Plan</b>
Jin Huang Construction Co., Ltd.	1,417	Regular expenditure, no operation revenue	None
Yuji Development Corp.	161,478	Operating Well	None
Dahan Property Management Co., Ltd	(57)	Regular expenditure, no operation revenue	Accelerate the combination of resources among the group.
Sea Dragon Traders Ltd. (BVI)	(25,457)	Deficit of reinvestment of subsidiaries	Accelerate the developing plan in China, expending markets overseas.
RIA AWANA SDN. BHD.	143	Operating Well	None
Law Co., Ltd.	58,669	The invested subsidiary is operating well	None
Lung Fu Company Limited	(7,900)	In the stage of developing and is operating better	Accelerate the combination of resources among the group.

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Witty Dragon Limited (BVI)	3,288	Operating Well	None
Lungyen (Cayman) Corp. Ltd.	(28,680)	Deficit of reinvestment of subsidiaries	Accelerate the developing plan in China, expending markets overseas.

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

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

**6. Risk management & evaluation:**

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

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

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

Unit: NTD \$ Thousands

Risk management	Risk evaluation	Direct risk control (initial control mechanism)	Risk examination and control (the second control mechanism)	Decision making and follow-up (the ultimate control mechanism)
Financial, accounting	1. Risks associated with interest, foreign exchange, and financial	Finance Dept.	Finance Division and Operation	Directors' meeting, Audit Committee

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and liquidity risk	status 2. Risks associated with lending and endorsement/guarantee for other parties 3. Risks associated with derivative financial instruments and other monetary investment/arrangements 4. Risks associated with taxation, costs, and related accounts	Finance Dept.  Securities Investment Dept.  Accounting Dept.	Management Committee	(decision making and final control for risk evaluation and control), Audit Office (risk assessment, evaluation, supervision, improvement & follow-up, and reporting, et al.)
Market and credit risk	1. Risks associated with account collection and service quality  2. Risks associated with market movement research and assessment  3. Risks associated with marketing and sales	Funeral administration Dept. & Channel Management Dept. Channel Management Dept.  Product Development Dept. & Sales Planning Dept.	Sales and Administration Division, Funeral Service Division and Operation Management Committee	
Strategy and operational risk	1. Risks associated with company operating strategy risk 2. Risks associated with procurement and quality risk 3. Risks associated with corporate image and human resources risk  4. Risks associated with product improvement and R&D  5. Risks associated with political status, policies, and laws  6. Risks associated with long-term investments and associated companies  7. Risks associated with shareholding and management team  8. Other risks	General Manager's Office Procurement Dept.  Human Resources Dept.  Product Design Dept.  Compliance Dept  Finance Division and Investment Division  Finance Division and General Manager's Office  General Manager's Office	Administration Division, Finance Division, Investment Division and all other divisions  Operation Management Committee	

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

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

As of December 31, 2020, the borrowing from bank information of the Company and its subsidiaries please refer to the Notes of consolidated financial report in the annual report Note 6(13) short-term loan. For the exposure information of interest of the Consolidated Company, please refer to Note 6(24) "Financial instruments" in the consolidated financial report.

The 2019 and 2020 ratio of the financial costs of the Company to the net operating revenue was 1.58% and 0.76%, respectively. The impact of changes in interest rates on the Company's profit and loss is limited. The Company's response to the impact of interest rate changes is based on regular evaluation of bank borrowing rates and close contact with banks to obtain a more favorable loan interest rate, so the interest rate is still stable. In addition, the Company's financial status is stable and credit is good, and the fund plan is based on the principle of conservative and stable, thus it is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

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

The 2019 and 2020 ratio of the net exchange gains and losses of the Company to the net operating income was (0.90)% and (2.68)%, respectively. As the Company is a domestic demand-oriented industry, customers and upstream and downstream suppliers are mostly located in the domestic market. The transaction is mainly

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dominated in Taiwan dollars, so the exchange rate changes have no significant impact on the company. The exchange gains and losses are mainly from the foreign currency trust assets of the Company. The Company is profitable from the impact of exchange rate changes. In addition to continuing to manage foreign currency positions in the future, it will pay attention to exchange rate changes at any time, collect exchange rate related information, strengthen the negotiation and planning of foreign exchange-related hedging strategies with financial institutions. The Company also establishes good relationship with financial institutions. When the foreign exchange demand arises, the Company can compare the conditions provided by each financial institution and select the party that best meets the needs of the Company to conduct the transaction.

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

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

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

- i. The result of the Company's policy regarding high-risk investments, highly leveraged investments: The Company emphasized on funeral services, with no high-risk investments and steady financial policies, the Company has no high-risk investments, highly leveraged investments up to the publication date of the Annual Report.

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- ii. The result of the Company's loans to other parties, endorsements, guarantees, and derivatives transactions: The Company has established relevant policies such as "Procedure for the Acquisition and Disposition of Assets", "Endorsement and Guarantee Procedures" and "Procedure for Loaning of Funds" in accordance with the relevant laws and regulations of the competent authorities. Relevant operations have been carefully implemented in consideration of risk conditions and related regulations.

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

The Company has been committed to providing high-quality and exquisite funeral services and cemetery and columbarium products for many years, and continues to optimize the use of raw materials for funeral services and the design of cemetery and columbarium products, and then contracts with the relevant supplier to produce samples. With the advent of the digital age, providing an environmentally friendly, customized and efficient funeral service is our development direction. Therefore, in 2020, technological funeral services such as "Digital Ceremony", "Electronic Obituary" and "Online Conference" were successively launched, leading the industry to upgrade again. However, the Company belongs to the funeral service industry, mainly providing funeral services and cemetery and columbarium products, so there is no R&D cost, and R&D investment is not applicable.

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

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

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

With the advent of the digital age, the funeral service industry is also facing major challenges. The Company began to develop a corporate upgrade and succession plan several years ago. In September 2020, it hired the former independent director, Mr. Wang

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Chun Chung as the general manager of the Company, relying on his information technology and management talents to accelerate digital transformation and industrial upgrading. In December 2020, the Chairman of the board was taken over by KELLY LEE, injecting a new generation of thinking into the development of the enterprise and driving innovation and reform. In this new situation, the Company has successively launched technological funeral services such as "Digital Ceremony Hall", "Electronic Obituary" and "Online Conference" in 2020, hoping to lead the industry to upgrade again and provide customers with better services, and also to increase market share and operational performance.

The Company's information system adopts daily transaction data backup, and the overall data backup is performed on the last working day of each week to ensure uninterrupted personal information and service. The Company follows the "Information Facility Room Management Operation Standard Book" to strengthen the simulation test and emergency response exercises to ensure the normal operation of the information system and data preservation in order to reduce the risk of system interruption caused by unwarranted natural disasters and human error, and ensure that the expected system recovery time is met. In order to avoid the risk of customer personal information leakage and information system damage and to resume business operation as soon as possible and reduce possible losses and risks, in addition to dual-password protection and daily inspection of computer rooms, the Company continues to strengthen the control of employees and equipment enhancement. And the Company reviews and evaluates its network security regulations and procedures at least once a year to ensure its appropriateness and effectiveness, regularly conduct network information security maintenance and control, and continuously plan and design and improve appropriate software and hardware equipment resources and improve workflow and other countermeasures. Considering the security insurance is still an emerging insurance, involving the security level testing institutions, claims forensics institutions and non-compensation conditions and other related packages, this insurance is currently under evaluation. In addition to strengthen the relevant regulations on information security and regular assessment of information security, the Company will continue to strengthen the protection of information security and establish a joint

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prevention mechanism. There is no impact from the change in technology and the industry on the Company's financial business in the most recent year and up until the publication date of the Annual Report.

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

The Company has always carried out operation management with strict and high standards. If there is any act that jeopardizes the rights of the company or customers, it will be strictly punished by law, and will never be lenient. At the same time, the internal control system will be reviewed to make regulations more strict and prevent similar defects happen once again. The Company adheres to a management philosophy of sustainable operations and also values corporate identity and risk management. For the most recent year and up until annual report publication, no impact on the Company's crisis management from changes in the Company's corporate identity has occurred.

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

The Company recently had no mergers and acquisitions as of the date of publication of the annual report. However, if there is a merger plan in the future, it will be handled in accordance with the relevant laws and regulations and the relevant management measures will be formulated by the Company to ensure the company's interests and shareholders' rights.

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

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

i. Sales

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

ii. Purchasing

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

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

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In 2020 the director, supervisor, or shareholder holding greater than a 10 percent stake of the Company has not transferred or has otherwise changed hands, thus there is no negative effect and risk in the most recent year and up to the publication date of the Annual Report.

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

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

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

Some shareholders of Lungyen Life Service Corp. Ltd., (merged in 2010) asked to buyback their shares with fair price, Taipei District Court decided that the Company should buy all the shares back with nonreasonable price in October 7, 2016, since that civil ruling has not comply with Business Mergers And Acquisitions Act, the Company has filed a counterappeal. The Taipei District Court of Taiwan abandoned the original ruling on October 25, 2018, and set a separate purchase price of NT\$77.79 per share. However, the applicable regulations of this civil ruling were obviously wrong, and the Company filed another protest during the statutory period. . After the trial of the Taiwan High Court in 2018, the original ruling did not meet the legal purchase price at the date of the resolution of the shareholders' meeting, so the original ruling was sent back to the Taipei District Court. The ruling now belongs to the Taipei District Court.

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

**7. Other important matters: None**

## VIII. Other Special Notes

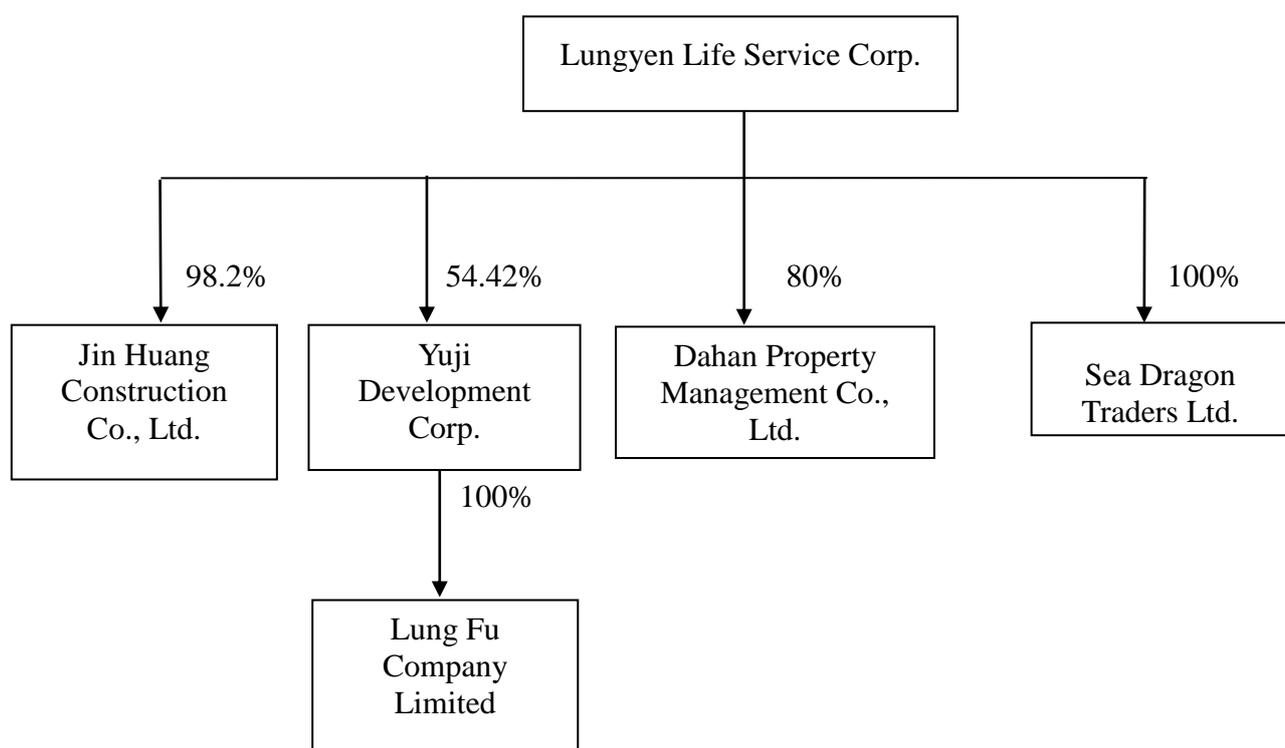
### 1. Subsidiaries

#### (1) Consolidated business report

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

##### Holding companies and subsidiaries

2021.05.15



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ii. Profile of Associated companies

2019.12.31 Unit: NTD and Foreign Currency: \$Thousands

Name of enterprise	Date of incorporation	Address	Paid-in capital	Main business
Jin Huang Construction Co., Ltd.	1981.09.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	22,500	Architecture and Civil Engineering business operations
Yuji Development Corp.	2006.04.07	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	2,034,732	Funeral facilities and development, lease and sale of residential areas and buildings
Dahan Property Management Co., Ltd.	2007.07.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	5,000	Development, lease and sale of residential areas and buildings
Sea Dragon Traders Ltd. (BVI)	1995.05.30	Sea Meadow House, Blackburne Highway,(P.O. Box 116) Road Town, Tortola, British Virgin Islands	USD35,510	Securities investment
Lung Fu Company Limited	2013.03.27	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	551,000	Funeral service

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

iv. Business Scope of the Company and its Subsidiaries :

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

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

2020.12.31

Name of enterprise	Job title	Name or representative	Shares held	
			Number of shares (thousand shares)	Percentage
Jin Huang Construction Co., Ltd.	Chairman Institutional representative Supervisor	Lungyen Life Service Corporation	2,209	98.20
		Lee Shu-Rong		
		Chan Shu-Chuan	0	0
Yuji Development Corp.	Chairman Institutional representative Director Institutional representative Director Institutional representative Director Institutional representative Supervisor Institutional representative	Lungyen Life Service Corporation	110,723	54.42
		Kuo, Hsueh-Chun		
		Lungyen Life Service Corporation	110,723	54.42
		Lin, Chian-Ju		
		Lungyen Life Service Corporation	110,723	54.42
		Chan, Pai-Liang		
		Lungyen Life Service Corporation	110,723	54.42
Liang, Jian-Yun				
Dahan Property Management Co., Ltd.	Chairman Institutional representative Supervisor	Chen Chung Investment Corp.	12	0.01
		Chan Shu-Chuan		
		Lungyen Life Service Corporation	400	80
Lung Fu Company Limited	Chairman Institutional representative Director Institutional representative	Kuo, Hsueh-Chun		
		Chan Shu-Chuan	0	0
		Yuji Development Corp.	55,100	100
Lung Fu Company Limited	Director Institutional representative	Lian Jian-Yun		
		Chan Shu-Chuan	55,100	100
Sea Dragon Traders Ltd. (BVI)	Director Institutional representative	Lungyen Life Service Corporation Lee Shih-Tsung	USD35,510	100

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vi. Overview of operations of affiliates

Unit: NTD and other foreign currency\$ thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Current net income (after tax)	Earnings per share (NT\$) (after tax)
Jin Huang Construction Co., Ltd.	22,500	37,412	10,421	26,991	0	(545)	1,443	0.64
Yuji Development Corp.	2,034,732	4,386,407	759,206	3,627,202	544,315	306,882	296,958	1.46
Dahan Property Management Co., Ltd.	5,000	382	41	341	0	(71)	(71)	(0.14)
Sea Dragon Traders Ltd. (BVI)	USD35,510	USD35,368	USD 6	USD35,362	0	(USD 892)	(USD 892)	(USD 0.25)
Lung Fu Corp. Ltd.	551,000	742,078	207,547	534,531	5,469	(2,523)	(7,994)	(0.15)

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

For 2020 (starting from 2020.01.01 to 2020.12.31), no separate consolidated financial statements of affiliates are required from the Company, because the affiliates pursuant to the “Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations” are the same as the entities required to be included in the consolidated financial statements of the parent and subsidiary companies as provided for in Financial Accounting Criteria Gazette No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the preceding consolidated financial statements.

In witness thereof, the Declaration is hereby presented.

Company name: Lungyen Life Service Corp.

Chairman: KELLY LEE

Date: March 29, 2021

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

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

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

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	accordance with relevant regulations of the competent authority, simultaneously with reference to the factors such as the Company's operating status, future outlook and the reference price on the price base date, such way should be reasonable.										
Method for Selection of Specific Persons	The place for this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.					The object of the placement of this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.					
Necessary Reasons for Private Placement	To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship and to inject funds needed by the Company and enhance the mobility and flexibility of fundraising. Moreover, as there is a restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placement and the Company can be further ensured. Therefore, it is really necessary to conduct the capital increase to issue new shares in the form of a private placement.					To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship, meanwhile, to inject funds needed by the Company and enhance the mobility and flexibility of fund raising. Moreover, as there is a restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placee and the Company can be further ensured. Therefore, it is really necessary to conduct the private placement of securities.					
Deadline for Payment	March 29, 2017					March 27, 2017					
Placee's Information	Object of private placement	Qualifications	Subscribed (in shares)	Relationship with the Company	Participation in the Company's operations	Object of private placement	Qualifications	Subscribed shares (in NTD)	Relationship with the Company	Participation in the Company's operation	
	Orix Asia	Sub-paragraph	21,000,000	None	None	Orix Asia	Subparagraph	3,113,000,000	None	None	

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	Capital Co., Ltd.	2, Paragraph 1, Article 43 of Securities and Exchange Act				Capital Co., Ltd.	2, Paragraph 1, Article 43 of Securities and Exchange Act			
Actual Subscription (or Conversion) Price	NT\$62.10					NT\$63				
Discrepancy Between Actual Subscription Price and Reference Price	Actual subscription is NT\$62.10, higher than the reference price of NT\$57.77, premium rate is 7.5%.					The theoretical value of this convertible corporate bond is NT\$103,100, the actual issuance price of this convertible corporate bond is NT\$100,000, which has reached more than 80% of its theoretical value price.				
Impact of Private Placement on The Shareholders' Equities	The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save on interest expense and is positively conducive to the shareholders' equities.					The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save interest expense and is positively conducive to the shareholders' equities.				
Utilization Status and Implementation Progress of Privately Placed Funds	The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.					The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.				
Outcome of Benefit From Private Placement	The privately placed funds have been fully used to repayment of the bank loans to save on interest expenses. Calculating with the Company's current average loan interest, NT\$15,128,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experiences in the fields of elder care, asset development and management, and finance and investment to jointly develop national and international markets.					The privately placed funds have been fully used to repayment of the bank loans to save interest expenses. Calculating with the Company's current average loan interest, NT\$36,111,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experience in the fields of old age care, asset development and management, and finance and investment to jointly develop national and international markets.				

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

Notes to the financial statements of Lungyen Life Service Corp.

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

None.

**4. Other necessary supplement:**

The current Mortuary Service Administration Act has not yet regulated the halls which provide only memorial ceremonies and the funeral facilities separately, and that the Company's partial halls provide the service of setting up the mourning hall, which offends against article 42.63.63-1 of the Act, and was imposed a fine of \$120,000 for three cases in 2020.

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

**5. Any Events in 2020 and as of the Date of this annual report that had significant impacts on shareholders' right or security prices as stated: Not Applicable.**

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

**Chairman: KELLY LEE**

**LUNGYEN LIFE SERVICE CORP.  
AND SUBSIDIARIES**

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of Lungyen Life Service Corp. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Lungyen Life Service Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Lungyen Life Service Corp.

Chairman: KELLY LEE

Date: March 29, 2021



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 consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### 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 Consolidated Financial Statements section of our report. We are independent of the Group 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. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Revenue recognition

For accounting policies on revenue recognition, please refer to Note (4)(r) “Revenue Recognition”; for explanation of revenue recognition, please see Note (20) (t) Revenues.

Description of key audit matter:

The Group 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 Group 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 revenue recognition. Therefore, testing of revenue recognition has been identified as one of the key audit matters in our audit of the consolidated financial report.

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)(p) “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(k) “Intangible Assets” of the consolidated financial report.

Description of key audit matter:

The Group’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 Group’s consolidated financial reports.

How the matter was addressed in our audit:

Our principal audit procedures included:

- accessing the rationality of evaluation method adopted by management to evaluate receivable amounts; accessing the accuracy of previous forecasts made by management; examining calculation and accounting records of receivable amounts of cash unit evaluated by management; accessing 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 Group’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 Group’s equity-accounted investees, is based solely on the report of another auditor. The recognized investment in some equity-accounted investees constituted 2.07% of the total consolidated assets as of December 31, 2020, and the recognized share of profit or loss accounted for using the equity method constituted 2.73% of profit before tax for the year ended December 31, 2020.

Lungyen Life Service Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matters paragraph and an unmodified opinion, respectively.

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with 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 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 88,734	-	231,964	-	2100	Short-term borrowings (Note 6(m))	\$ -	-	154,300	-
1110	Current financial assets at fair value through profit or loss (Note 6(b) and 9)	5,270,963	8	9,717,723	15	2130	Current contract liabilities (Note 6(t) and 9)	40,529,122	63	38,999,745	60
1150	Notes receivable, net (Note 6(c) and (t))	4,198	-	778	-	2150	Notes payable	6,856	-	7,023	-
1170	Accounts receivable, net (Note 6(c) and (t))	9,323,456	15	8,728,644	14	2170	Accounts payable	626,649	1	663,204	1
1320	Inventories (for construction business), net (Note 6(d), 7 and 8)	16,044,615	25	15,703,976	24	2200	Other payables	856,429	1	832,177	2
1410	Prepayments	226,660	-	215,171	-	2230	Current tax liabilities	509,308	1	252,002	-
1460	Non-current assets classified as held for sale (Note 6(e))	105,239	-	-	-	2280	Current lease liabilities (Note 7)	24,820	-	38,318	-
1476	Other current financial assets (Note 6(l), 8 and 9)	1,674,228	3	2,686,952	4	2310	Advance receipts	914,950	1	892,909	1
1479	Other current assets, others	16,794	-	14,048	-	2321	Bonds payable, current portion (Note 6(n))	-	-	3,243,019	5
1480	Current assets recognised as incremental costs to obtain contract with customers (Note 9)	8,259,038	13	8,124,238	13	2399	Other current liabilities, others	8,307	-	6,878	-
		<u>41,013,925</u>	<u>64</u>	<u>45,423,494</u>	<u>70</u>			<u>43,476,441</u>	<u>67</u>	<u>45,089,575</u>	<u>69</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b), 8 and 9)	7,221,855	11	4,543,340	7	2570	Deferred tax liabilities (Note 6(q))	3,665	-	3,665	-
1535	Non-current financial assets at amortised cost (Note 6(b) and 9)	1,228,727	2	1,463,240	2	2640	Net defined benefit liability, non-current (Note 6(p))	21,018	-	32,601	-
1550	Investments accounted for using equity method (Note 6(f)(g) and 7)	1,492,433	2	945,905	1	2645	Guarantee deposits received	44,584	-	44,135	-
1600	Property, plant and equipment (Note 6(h), 8, and 9)	6,157,408	10	6,078,158	10	2670	Other non-current liabilities, others	2,981	-	2,981	-
1755	Right-of-use assets (Note 6(i) and 7)	24,820	-	38,318	-		<b>Total liabilities</b>	<u>43,548,689</u>	<u>67</u>	<u>45,172,957</u>	<u>69</u>
1760	Investment property, net (Note 6(j), 8, and 9)	4,052,472	7	3,864,533	6	<b>Equity attributable to owners of parent (Note 6(n) and (r)):</b>					
1780	Intangible assets (Note 6(k))	748,121	1	755,937	1	3100	Capital stock	4,200,842	7	4,200,842	7
1840	Deferred tax assets (Note 6(q))	814,838	1	856,719	1	3200	Capital surplus	2,519,954	4	2,519,954	4
1980	Other non-current financial assets (Note 7)	278,127	-	351,002	1		Retained earnings:				
1990	Other non-current assets, others	1,073,336	2	786,162	1	3310	Legal reserve	2,053,954	3	1,498,055	2
		<u>23,092,137</u>	<u>36</u>	<u>19,683,314</u>	<u>30</u>	3320	Special reserve	156,696	-	-	-
						3350	Total unappropriated retained earnings (accumulated deficit)	9,693,988	16	10,373,806	16
						3400	Other equity interest	298,625	-	(156,696)	-
							<b>Total equity attributable to owners of parent:</b>	<u>18,924,059</u>	<u>30</u>	<u>18,435,961</u>	<u>29</u>
						36xx	Non-controlling interests (Note 6(g) and (r))	<u>1,633,314</u>	<u>3</u>	<u>1,497,890</u>	<u>2</u>
							<b>Total equity</b>	<u>20,557,373</u>	<u>33</u>	<u>19,933,851</u>	<u>31</u>
<b>Total assets</b>		<u>\$ 64,106,062</u>	<u>100</u>	<u>65,106,808</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 64,106,062</u>	<u>100</u>	<u>65,106,808</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

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	<b>Operating revenue (Note 6(e)(o)(t))</b>			
	\$ 3,663,507	100	4,559,348	100
5000	<b>Operating costs (Note 6(o) and 7)</b>			
	<u>1,190,830</u>	<u>33</u>	<u>1,343,202</u>	<u>29</u>
5900	<b>Gross profit</b>			
	<u>2,472,677</u>	<u>67</u>	<u>3,216,146</u>	<u>71</u>
	<b>Operating expenses (Note 6(c)(p)(u) and 7):</b>			
6100	631,187	17	617,805	14
6200	522,149	14	612,176	13
6450	13,657	-	16,491	-
	<u>1,166,993</u>	<u>31</u>	<u>1,246,472</u>	<u>27</u>
6500	<b>Net other income (expenses) (Note 6(v))</b>			
	<u>131,392</u>	<u>5</u>	<u>139,337</u>	<u>3</u>
6900	<b>Net operating income</b>			
	<u>1,437,076</u>	<u>41</u>	<u>2,109,011</u>	<u>47</u>
	<b>Non-operating income and expenses (Note 6(f)(w) and 7):</b>			
7100	98,849	3	109,958	2
7010	210,850	6	488,497	11
7020	(18,906)	(1)	41,450	1
7050	(27,973)	(1)	(72,122)	(2)
7060	33,420	1	(52,289)	(1)
	<u>296,240</u>	<u>8</u>	<u>515,494</u>	<u>11</u>
	<b>Profit before tax from continuing operations</b>			
	1,733,316	49	2,624,505	58
7950	<b>Less: Income tax expenses (Note 6(q))</b>			
	<u>353,590</u>	<u>10</u>	<u>254,163</u>	<u>6</u>
	<b>Profit for the year ended December 31, 2020</b>			
	<u>1,379,726</u>	<u>39</u>	<u>2,370,342</u>	<u>52</u>
8300	<b>Other comprehensive income:</b>			
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>			
8311	98	-	(1,528)	-
8316	450,188	12	2,712,233	60
8349	41,945	1	(164,770)	(4)
	<u>492,231</u>	<u>13</u>	<u>2,545,935</u>	<u>56</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>			
8361	(54,477)	(1)	(20,898)	-
8367	9,165	-	66,432	1
8370	57,213	2	(8,830)	-
	<u>11,901</u>	<u>1</u>	<u>36,704</u>	<u>1</u>
8300	<b>Other comprehensive income for the year ended December 31, 2020</b>			
	<u>504,132</u>	<u>14</u>	<u>2,582,639</u>	<u>57</u>
	<b>Comprehensive income for the year ended December 31, 2020</b>			
	<u>\$ 1,883,858</u>	<u>53</u>	<u>4,952,981</u>	<u>109</u>
	<b>Profit attributable to:</b>			
8610	\$ 1,244,562	35	2,302,871	51
8620	135,164	4	67,471	1
	<u>\$ 1,379,726</u>	<u>39</u>	<u>2,370,342</u>	<u>52</u>
	<b>Comprehensive income attributable to:</b>			
8710	\$ 1,748,351	49	4,882,142	107
8720	135,507	4	70,839	2
	<u>\$ 1,883,858</u>	<u>53</u>	<u>4,952,981</u>	<u>109</u>
	<b>Earnings per share (in dollar) (Note 6(s)):</b>			
9750	<b>Basic earnings per share (in New Taiwan dollars)</b>			
	<u>\$ 2.96</u>		<u>5.48</u>	
9850	<b>Diluted earnings per share (in New Taiwan Dollars)</b>			
	<u>\$ 2.88</u>		<u>4.93</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital						Total other equity interest					Non-controlling interests	Total equity
	Retained earnings		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Exchange differences on translation of foreign financial statements	Total other equity interest	Total equity attributable to owners of parent				
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings								
<b>Balance at January 1, 2019</b>	\$ 4,200,842	2,519,954	1,280,001	-	6,293,123	7,573,124	(24,815)	713,268	688,453	14,982,373	1,490,620	16,472,993	
Profit for the year ended December 31, 2019	-	-	-	-	2,302,871	2,302,871	-	-	-	2,302,871	67,471	2,370,342	
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	3,368	2,582,639	
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	70,839	4,952,981	
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)	-	(1,260,253)	
Changes in ownership interests in subsidiaries	-	-	-	-	(3,531)	(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)	-	(164,770)	
Acquisition of ownership interests in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(67,100)	(67,100)	
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	1,497,890	19,933,851	
Profit for the year ended December 31, 2020	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562	135,164	1,379,726	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	98	98	2,736	500,955	503,691	503,789	343	504,132	
Comprehensive income for the year ended December 31, 2020	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351	135,507	1,883,858	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-	-	-	
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-	-	-	
Cash dividends of ordinary shares-\$3 per share	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)	(83)	(1,260,336)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	48,370	48,370	-	(48,370)	(48,370)	-	-	-	
<b>Balance at December 31, 2020</b>	\$ 4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059	1,633,314	20,557,373	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,733,316	2,624,505
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	146,450	142,174
Amortization expense	12,637	16,100
Impairment loss determined in accordance with IFRS 9	13,657	16,491
Net gain on financial assets or liabilities at fair value through profit or loss	(55,747)	(75,311)
Interest expense	27,973	72,122
Interest income	(264,476)	(287,052)
Dividend income	(130,169)	(332,984)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(33,420)	52,289
Proceeds from disposal of non-current assets classified as held for sale (investment property)	(22,486)	(834,167)
Gain on disposal of property, plan and equipment	(160)	(2,534)
Proceeds from disposal of investments accounted for using equity method	-	(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)
<b>Total adjustments to reconcile profit (loss)</b>	(273,262)	(1,206,661)
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) financial assets or liabilities at fair value through profit or loss	2,041,374	(4,035,230)
(Increase) decrease in notes receivable	(3,420)	5,567
(Increase) decrease in accounts receivable	(608,287)	34,025
Increase in inventories	(340,733)	(263,212)
(Increase) decrease in prepayments	(11,489)	40,160
Proceeds from disposal of non-current assets classified as held for sale (investment property)	56,488	3,406,853
Decrease (increase) in other financial assets	(30,633)	(59,305)
Decrease (increase) in other current assets	(2,746)	(6,450)
Increase in assets recognised as incremental costs to obtain contract with customers	(137,934)	(153,341)
Increase in contract liabilities	1,529,377	1,244,725
(Decrease) increase in notes payable	(36,722)	45,366
Increase in other payable	28,759	1,212
Increase in advance receipts	22,041	58,518
Increase (decrease) in other current liabilities	1,428	(954)
(Decrease) increase in net defined benefit liability	(11,485)	387
<b>Total changes in operating assets and liabilities</b>	2,496,018	318,321
<b>Total adjustments</b>	2,222,756	(888,340)
Cash inflow generated from operations	3,956,072	1,736,165
Interest received	270,355	251,143
Dividends received	126,612	332,984
Interest paid	(147,569)	(9,185)
Income taxes paid	(12,455)	(426,488)
<b>Net cash flows from operating activities</b>	4,193,015	1,884,619

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

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

**For the years ended December 31, 2020 and 2019**

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(6,137,341)	(1,484,960)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,883,617	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	(505,950)	(46,563)
Proceeds from disposal of investments accounted for using equity method	-	231,912
Acquisition of property, plant and equipment	(537,738)	(374,293)
Proceeds from disposal of property, plant and equipment	325	2,657
Acquisition of intangible assets	(4,821)	(14,311)
Acquisition of investment properties	(5,762)	(1,010)
Decrease (increase) in other current financial assets	1,039,722	(509,730)
Decrease (increase) in other non-current financial assets	72,874	(295,165)
Increase in other non-current assets	(283,247)	(12,502)
<b>Net cash flows from (used in) investing activities</b>	<u>208,952</u>	<u>2,534,721</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	31,500	13,038,258
Decrease in short-term borrowings	(185,800)	(16,049,258)
Repayments of bonds	(3,113,000)	-
Increase (decrease) in guarantee deposits received	449	(27,407)
Payment of lease liabilities	(13,697)	(13,670)
Cash dividends paid	(1,260,336)	(1,260,253)
Change in non-controlling interests	-	(67,100)
<b>Net cash flows used in financing activities</b>	<u>(4,540,884)</u>	<u>(4,379,430)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,313)	(1,948)
Net increase (decrease) in cash and cash equivalents	(143,230)	37,962
Cash and cash equivalents at beginning of period	231,964	194,002
Cash and cash equivalents at end of period	<u>\$ 88,734</u>	<u>231,964</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**

**Notes to the 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 27, 1987, and was registered in 1F., No. 166, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). The Company and its subsidiaries (together referred to as the ‘Group’ and individually as the ‘Group entities’) primarily engage in the business of funeral facilities and services, along with the development and lease of residential and commercial buildings.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on 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 Group has initially adopted the following new amendments, which do not have a significant impact on its 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 Group 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 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”

(Continued)

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 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 consolidated financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

- (a) Statement of compliance

These 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 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).

(Continued)

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

(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 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.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(ii) Loss of control over subsidiaries

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement. The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

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

(iii) List of subsidiaries in the consolidated financial statements

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

Investor	Subsidiary	Principal activity	Shareholding		Description
			December 31, 2020	December 31, 2019	
the Company	Jin Huang Construction Co., Ltd. (Jin Huang)	Architecture and civil engineering	98.20 %	98.20 %	
the Company	Yuji Development Corp. (Yuji)	Funeral services	54.42 %	54.42 %	
the Company	Dahan Property Management Co., Ltd. (Dahan)	Lease and development of residential and commercial buildings	80.00 %	80.00 %	
the Company	Sea Dragon Traders Ltd. (BVI) (Sea Dragon)	Investment business	100.00 %	100.00 %	
the Company	Singapore Lungyen Life Service (Singapore Lungyen)	Funeral services	- %	- %	Note 4(c).(v)(1)
the Company	Lung An Company Limited. (Lung An)	Funeral services	- %	- %	Note 4(c).(v)(2)
Yuji Development	Lung Fu Company Limited (Lung Fu)	Funeral services	100.00 %	100.00 %	Note 4(c).(v)(3)

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

(v) Changes in the number of subsidiaries

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

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group 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.

(Continued)

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

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 Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group'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.

(e) 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.

(Continued)

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

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 Group 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.

(f) 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.

(g) 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 Group 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.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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.

(Continued)

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

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 Group 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.

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

(Continued)

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

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 Group 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 Group 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 Group 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 Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group 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 Group’s historical experience and informed credit assessment as well as forward-looking information.

(Continued)

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

The Group 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 Group's time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

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

The Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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.

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.

(Continued)

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group 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 Group 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 Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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 Group 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.

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.

(Continued)

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

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The Group 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 Group 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.

(h) 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.

(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.

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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.

(i) 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 Group’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.

(j) Investment in associates

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

If the Group 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 consolidated financial statements include the Group’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 Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group 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.

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

When the Group’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 Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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(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 Group has joint control of the arrangement (i.e. joint venturers) in which the Group 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 Group 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 Group reevaluates whether the classification of the joint arrangement has changed.

(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.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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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 Group.

(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	5~10 years

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 Group 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 Group 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

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- 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group 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

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- 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.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer lessor. For leaseback transaction, the Group 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 Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

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(iii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

The Group 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 Group 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.

All other expenses are recognized in profit or loss when incurred, including internally developed goodwill and brands.

(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.

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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

At each reporting date, the Group 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.

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 Group 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.

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(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 Group 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 Group's major revenues:

1) Construction and sale of columbariums and cemeteries

The Group invests in and constructs columbariums and cemeteries for sale, which are usually sold before or during construction. The Group recognizes revenues when control of the product is transferred, which is when the permanent use right has been transferred to the customer after the construction is completed and all receivables are collected.

For 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 Group 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 Group 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

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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 Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group 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 Group recognizes variable consideration if it is highly probable that the recognition will not result in a significant revenue reversal. If the Group has recognized revenue, but not issued a bill, then the 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 Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group 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 Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group 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.

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(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 Group'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 Group, 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.

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 Group 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 Group 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 Group 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 Group 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.

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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 Group 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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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 Group discloses the Group's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by 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 Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise convertible bonds and the estimate of employee bonus.

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(w) Operating segments

An operating segment is a component of The Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The operating results of all operating segments are regularly reviewed by The Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment has its financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and 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.

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

(i) Judgment of substantive control over investees

As the single largest shareholder, the Group holds 49% of the voting shares in RIA AWANA SDN. BHD. Although the remaining 51% shares in RIA AWANA SDN. BHD. are not concentrated within certain shareholders, the Group still cannot obtain more than half of the RIA AWANA SDN. BHD's board seats, or more than half of the voting rights in the shareholders' meeting. Consequently, it is determined that the Group has a significant impact on RIA AWANA SDN. BHD.

(ii) Joint arrangements

Long Young Life (Cayman) Limited Co., a joint arrangement made by the Group, was structured through a separate vehicle. The Group owned the residual interests of the net asset of Long Young Life (Cayman) Limited Co.; thus, the Group classified that joint arrangement as a joint venture and adopted the equity method for relevant accounting recognition; please refer to Note 6(f).

(iii) Lease term

The Group 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 to exercise the options, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee. The Group 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(i) for details.

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- (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) Impairment assessment of accounts receivable

The Group 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 Group 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 Group 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 Group 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(k) 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(p) for details of the material actuarial assumptions and sensitivity analysis used in actuarial calculations.

- (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 Group 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(q) for the estimate of deferred income tax assets.

**Valuation process**

The accounting policy and disclosure of the Group include that measuring the financial assets and financial liabilities at fair value. The Group establishes the relevant internal control system for the fair value measure. In addition, the Group 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.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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Any significant valuation issue will be reported to the audit committee of the Group 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 Group 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(j) “Investment property”
- (iii) Note 6(x) “Financial instruments”

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

- (a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and petty cash	\$ 2,045	2,556
Demand and foreign currency deposits	86,666	229,365
Checking account deposits	23	43
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 88,734</b>	<b>231,964</b>

Please refer to Note 6(x) for the currency risk related to financial assets and liabilities and the sensitivity analysis thereof.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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## (b) Financial assets

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
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>5,215,386</u>	<u>9,640,284</u>
Total	<u>\$ 5,270,963</u>	<u>9,717,723</u>

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

## (ii) Non-current financial assets at FVOCI

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
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 ordinary shares	5,339,446	2,131,094
Beneficiary certificate	<u>461,556</u>	<u>297,250</u>
Total	<u>\$ 7,221,855</u>	<u>4,543,340</u>

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

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

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.30%~ 4.50% and 1.30%~ 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(w) for gain or loss on disposal of investments.

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

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

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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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\$ 3,017,414 thousand and NT\$ 9,294,011 thousand and accumulated disposal profits (losses) of NT\$ 19,931 thousand and NT\$ 3,425,948 thousand, which have been transferred from other equity interest to retained earnings.

One of the Group'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)(x).

(iii) Non-current financial assets at amortized cost

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bond investments	<b>\$ 1,228,727</b>	<b>1,463,240</b>

- 1) The Group held the abovementioned investment to its maturity so as to collect the contract cash flow comprising the interest on the principal and the principal amount outstanding, which was presented within financial assets at amortized cost.
- 2) The coupon rates of the Group's investments in financial assets at amortized cost were between 0.625%~3.00% and 0.63%~3.00% as of December 31, 2020 and 2019. The maturity years are from 2023 to 2028 and 2020 to 2028.

(iv) For details on the Group'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:

	<b>For the Years Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
<b>Securities price on the reporting date</b>	<b>Other comprehensive income, net of tax</b>	<b>Post-tax profit or loss</b>	<b>Other comprehensive income, net of tax</b>	<b>Post-tax profit or loss</b>
10% increase	<b>\$ 494,065</b>	<b>-</b>	<b>187,307</b>	<b>6,400</b>
10% decrease	<b>\$ (494,065)</b>	<b>-</b>	<b>(187,307)</b>	<b>(6,400)</b>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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## (c) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable – from operation	\$ 4,198	778
Accounts receivable – measured at amortized cost	10,151,206	9,541,268
Less: loss allowance	(89,308)	(76,870)
Unrealized interest income	(738,442)	(735,754)
	<b><u>\$ 9,327,654</u></b>	<b><u>8,729,422</u></b>

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

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 10,063,575	0.00%~0.27%	949
31 to 90 days past due	9,965	34.76%~81.42%	6,932
91 to 180 days past due	7,180	93.18%~96.66%	6,870
181 to 270 days past due	6,381	97.23%~98.28%	6,254
More than 270 days past due	<u>68,303</u>	100%	<u>68,303</u>
Total	<b><u>\$ 10,155,404</u></b>		<b><u>89,308</u></b>

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 9,471,551	0.00%~0.58%	9,217
31 to 90 days past due	8,991	72.58%	6,526
91 to 180 days past due	4,146	93.89%	3,893
181 to 270 days past due	3,203	96.15%	3,079
More than 270 days past due	<u>54,155</u>	100%	<u>54,155</u>
Total	<b><u>\$ 9,542,046</u></b>		<b><u>76,870</u></b>

Note: As of December 31, 2020 and 2019, the accounts receivable including accounts receivable not overdue amounted to NT\$ 7,964,249 thousand, and NT\$ 7,706,932 thousand, respectively.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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The movements in the allowance for notes and accounts receivable were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 76,870	60,875
Impairment losses recognized	13,657	16,491
Write-offs of uncollectible amount for the period	(1,219)	(496)
Ending balance	<u>\$ 89,308</u>	<u>76,870</u>

(d) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Residential and building for sale	\$ 30,426	85,791
Columbarium and cemetery for sale	3,431,236	3,494,676
Land held for construction site	4,606,498	4,602,343
Construction in progress	84,066	-
Columbarium and cemetery under construction	<u>7,892,389</u>	<u>7,521,166</u>
	<u>\$ 16,044,615</u>	<u>15,703,976</u>
Expected to be collected after more than 12 months	<u>\$ 16,015,673</u>	<u>15,672,750</u>

- (i) For both 2020 and 2019, the capitalization of interest recognized by the Group for residential and commercial buildings, columbariums, and cemeteries under construction amounted to NT\$ 0.
- (ii) A portion of the land of the Company (hereafter referred to as “the Principal”) were registered by the trustee’s name in order to deal with the purchase of the land. The two sides entered into the contract, whereby after the completion of land assembly, the ownership shall be transferred to the Company unconditionally. The trustee shall, at the same time, hand over the documents required for the transfer of the right to the Principal. In addition, the entrusted shall hand over to the Principal an issued promissory note with the same value of the land registered under his/her name; please refer to Note 7 for details.
- (iii) For inventory pledged as collateral as of December 31, 2020 and 2019 by the Group, please refer to Note 8.

(e) Non-current Assets Held for Sale

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

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- (i) During 2020, the Group disposed of a portion of its investment properties, which was not impaired after being measured at the lower of carrying amount and the fair value less costs to sell; therefore, those assets were recognized as assets held for sale at their carrying amounts.
- (ii) The Group sold the non-current 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(t) for details.
- (iii) The Group 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(t) for details.
- (iv) The Group 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(t) for details.
- (f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Associates	\$ 666,315	185,170
Joint ventures	826,118	760,735
	<u>\$ 1,492,433</u>	<u>945,905</u>

- (i) Associates

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

- (ii) Associates material to the Group were as follows:

<u>Name of</u> <u>Associates</u>	<u>Principal activity</u>	<u>Main operating</u> <u>location/</u> <u>Registered</u> <u>Country of the</u> <u>Company</u>	<u>Proportion of shareholding and</u> <u>voting rights</u>	
			<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Lung Ting Life Sciences Co., Ltd.	Flower cultivation, wholesales, and retail business	Taiwan	- %	- %

Note: The Group 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(w) for details.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- (iii) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
The carrying amount of the equity interests in all individually insignificant joint ventures	<u>\$ 666,315</u>	<u>185,170</u>
	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Attributable to the Group:		
Profit from continuing operation for the year	\$ 62,100	(303)
Other comprehensive income	(1,381)	(251)
Total comprehensive income	<u>\$ 60,719</u>	<u>(554)</u>

- (iv) Joint ventures

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

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Percentage of ownership interest	<u>50%</u>	<u>50%</u>
Non-current assets	\$ 1,579,685	1,524,492
Current assets	87,222	8,979
Current liabilities	(14,671)	(12,001)
Net assets	<u>\$ 1,652,236</u>	<u>1,521,470</u>
Cash and cash equivalents	<u>\$ 87,222</u>	<u>8,979</u>
The Group's share of net assets	<u>\$ 826,118</u>	<u>760,735</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ -	-
Net loss for the current period	\$ -	-
Loss from continuing operations for the year	(57,362)	(98,515)
Other comprehensive income	97,877	(17,660)
Total comprehensive income	<u>\$ 40,515</u>	<u>(116,175)</u>
The Group's share of profit (Note)	<u>\$ (28,680)</u>	<u>(49,257)</u>
The Group's share of other comprehensive income	<u>\$ 48,939</u>	<u>(8,830)</u>

Note: December 31, 2020: Exchange rate at end of period : 28.508

2020 USD: Average exchange rate: 28.539

- (v) As of December 31, 2020 and 2019, none of the investments accounted for using the equity method had been pledged as collateral.
- (g) Subsidiaries with material non-controlling interests

<u>Name of Subsidiary</u>	<u>Main operation place</u>	<b>Proportion of shareholding and voting rights held by NCIs</b>	
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
Yuji	Taiwan	45.58 %	45.58 %

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

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	Current assets	\$ 3,415,243
Non-current assets	971,164	848,856
Current liabilities	(759,206)	(712,836)
Equity interests	<u>\$ 3,627,201</u>	<u>3,329,489</u>
Carrying amount of NCIs, end of period	<u>\$ 1,633,330</u>	<u>1,497,833</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ 544,315	514,732
Profit for the year ended December 31, 2020	\$ 296,958	147,475
Other comprehensive income	754	7,390
Total comprehensive income	<u>\$ 297,712</u>	<u>154,865</u>
Profits attributable to NCIs for the period	<u>\$ 135,152</u>	<u>67,342</u>
Comprehensive income attributable to NCIs	<u>\$ 135,495</u>	<u>70,710</u>

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	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash from (used in) operating activities	\$ 167,094	498,237
Cash from (used in) investing activities	(127,370)	(524,924)
Cash from (used in) financing activities	(27,000)	27,000
Increase in cash and cash equivalents	<u>\$ 12,724</u>	<u>313</u>

(h) Property, plant and equipment

	<u>Land</u>	<u>Buildings and improvements</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Lease 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	\$ 2,415,999	2,868,196	107,874	53,815	4,100	197,628	1,233,082	6,880,694
Additions	324	2,478	5,464	224	-	15,316	513,932	537,738
Disposal and write-offs	-	-	(10,563)	(633)	-	(1,394)	-	(12,590)
Transferred from (to) unfinished construction	882,292	3,065	24,362	-	-	-	(909,719)	-
Transferred to investment property	(223,340)	(145,833)	-	-	-	(881)	-	(370,054)
Reclassification	-	-	-	-	-	-	(3,953)	(3,953)
Balance on December 31, 2020	<u>\$ 3,075,275</u>	<u>2,727,906</u>	<u>127,137</u>	<u>53,406</u>	<u>4,100</u>	<u>210,669</u>	<u>833,342</u>	<u>7,031,835</u>
Balance on January 1, 2019	\$ 2,415,999	2,829,630	94,199	56,502	4,100	187,108	952,226	6,539,764
Additions	-	15,174	35,489	-	-	12,073	311,557	374,293
Disposal and write-offs	-	-	(21,814)	(2,687)	-	(4,695)	-	(29,196)
Transferred to investment property	-	-	-	-	-	-	(1,505)	(1,505)
Transferred from (to) unfinished construction	-	23,392	-	-	-	3,142	(26,534)	-
Reclassifications	-	-	-	-	-	-	(2,662)	(2,662)
Balance on December 31, 2019	<u>\$ 2,415,999</u>	<u>2,868,196</u>	<u>107,874</u>	<u>53,815</u>	<u>4,100</u>	<u>197,628</u>	<u>1,233,082</u>	<u>6,880,694</u>
Depreciation and impairment losses:								
Balance on January 1, 2020	\$ -	598,624	59,192	52,307	3,473	88,940	-	802,536
Depreciation for the year	-	71,889	13,636	487	180	21,264	-	107,456
Disposal and write-offs	-	-	(10,516)	(633)	-	(1,276)	-	(12,425)
Transferred to investment property	-	(22,725)	-	-	-	(415)	-	(23,140)
Balance on December 31, 2020	<u>\$ -</u>	<u>647,788</u>	<u>62,312</u>	<u>52,161</u>	<u>3,653</u>	<u>108,513</u>	<u>-</u>	<u>874,427</u>
Balance on January 1, 2019	\$ -	521,956	74,486	54,439	3,293	73,285	-	727,459
Depreciation for the year	-	76,668	6,520	555	180	20,227	-	104,150
Disposal and write-offs	-	-	(21,814)	(2,687)	-	(4,572)	-	(29,073)
Balance on December 31, 2019	<u>\$ -</u>	<u>598,624</u>	<u>59,192</u>	<u>52,307</u>	<u>3,473</u>	<u>88,940</u>	<u>-</u>	<u>802,536</u>
Book value:								
Balance on December 31, 2020	<u>\$ 3,075,275</u>	<u>2,080,118</u>	<u>64,825</u>	<u>1,245</u>	<u>447</u>	<u>102,156</u>	<u>833,342</u>	<u>6,157,408</u>
Balance on January 1, 2019	<u>\$ 2,415,999</u>	<u>2,307,674</u>	<u>19,713</u>	<u>2,063</u>	<u>807</u>	<u>113,823</u>	<u>952,226</u>	<u>5,812,305</u>
Balance on December 31, 2019	<u>\$ 2,415,999</u>	<u>2,269,572</u>	<u>48,682</u>	<u>1,508</u>	<u>627</u>	<u>108,688</u>	<u>1,233,082</u>	<u>6,078,158</u>

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- (i) The Consolidated Company (referred to as “the Principal” hereinafter) has part of the land registered in the name of the discretionary related party (referred to as “the Trustee” hereinafter) for land acquisition matters. The contractual parties 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 details of assets 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).
- (i) Right-of-use assets

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

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

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(j) Investment property

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

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

	<u>Land and improvements</u>	<u>Buildings and improvements</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2020	\$ 3,252,380	1,017,440	4,269,820
Additions	-	5,762	5,762
Transferred from property, plant and equipment	223,340	146,714	370,054
Disposal	(24,630)	(18,827)	(43,457)
Reclassified to assets held for sale	<u>(77,348)</u>	<u>(40,510)</u>	<u>(117,858)</u>
Balance on December 31, 2020	<u>\$ 3,373,742</u>	<u>1,110,579</u>	<u>4,484,321</u>
Balance on January 1, 2019	\$ 3,259,021	1,015,581	4,274,602
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>\$ 3,252,380</u>	<u>1,017,440</u>	<u>4,269,820</u>
Depreciation and impairment losses:			
Balance on January 1, 2020	\$ 19,910	385,377	405,287
Depreciation for the year	-	25,496	25,496
Transferred from property, plant and equipment	-	23,140	23,140
Disposal	-	(9,455)	(9,455)
Reclassified to assets held for sale	<u>-</u>	<u>(12,619)</u>	<u>(12,619)</u>
Balance on December 31, 2020	<u>\$ 19,910</u>	<u>411,939</u>	<u>431,849</u>
Balance on January 1, 2019	\$ 19,910	361,120	381,030
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>\$ 19,910</u>	<u>385,377</u>	<u>405,287</u>
Carrying amount:			
Balance on December 31, 2020	<u>\$ 3,353,832</u>	<u>698,640</u>	<u>4,052,472</u>
Balance on January 1, 2019	<u>\$ 3,239,111</u>	<u>654,461</u>	<u>3,893,572</u>
Balance on December 31, 2019	<u>\$ 3,232,470</u>	<u>632,063</u>	<u>3,864,533</u>
Fair value:			
Balance on December 31, 2020			<u>\$ 5,907,328</u>
Balance on December 31, 2019			<u>\$ 7,174,035</u>

(Continued)

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

- (i) Investment property comprises a number of commercial properties that are leased to third parties. Please refer to Note 6(o).
- (ii) During 2018 and 2019, the Group's Board of Directors' resolved to sell a portion of its investment property; therefore, land, buildings and improvements were reclassified as non-current assets held for sale. Please refer to Note 6(e) for details.
- (iii) For details on trust property, plant, and equipment as of December 31, 2020 and 2019, please refer to Note 9(c).
- (iv) For inventory pledged as collateral for line of credit as of December 31, 2020 and 2019, please refer to Note 8.

(k) Intangible assets

	<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	140,482	5,560	881,220
Additions	-	-	4,821	-	4,821
Reclassification	-	-	85	-	85
Balance on December 31, 2020	<u>\$ 542,428</u>	<u>192,750</u>	<u>145,388</u>	<u>5,560</u>	<u>886,126</u>
Balance on January 1, 2019	\$ 542,428	192,750	134,115	-	869,293
Additions	-	-	8,751	5,560	14,311
Transferred from unfinished construction	-	-	(2,384)	-	(2,384)
Balance on December 31, 2019	<u>\$ 542,428</u>	<u>192,750</u>	<u>140,482</u>	<u>5,560</u>	<u>881,220</u>
Amortization and impairment losses:					
Balance on January 1, 2020	\$ -	-	125,283	-	125,283
Amortization for the period	-	-	12,637	-	12,637
Reclassification	-	-	85	-	85
Balance on December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>138,005</u>	<u>-</u>	<u>138,005</u>
Balance on January 1, 2019	\$ -	-	109,928	-	109,928
Amortization for the period	-	-	16,100	-	16,100
Reclassification	-	-	(745)	-	(745)
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>125,283</u>	<u>-</u>	<u>125,283</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. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group entered into the investment contract with the Kaohsiung City Government in July 2018 for “the construction and operation of the funeral home located in Dingjin Section, Sanmin District, Kaohsiung City”. The operation period is 20 years and a development royalty of NT\$ 5,560 thousand shall be paid upon the commencement of the construction.
- (ii) The Group carried out annually impairment assessment of goodwill and trademark rights, and no impairment loss on goodwill and trademark rights had been recognized as of 31 December 2020 and 2019.
- (iii) The Group carried out annually impairment assessment of goodwill and trademark rights, and no impairment loss on goodwill and trademark rights had been recognized as of 31 December 2020 and 2019.

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 Group.

(l) Other current financial assets

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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	891,890
Other receivables	38,077	2,332
Other notes receivable	67,416	69,036
Interest receivable on bonds	19,176	25,044
Restricted assets	12,312	8,832
Others	<u>6,819</u>	<u>9,780</u>
Total	<u>\$ 1,674,228</u>	<u>2,686,952</u>

(Continued)

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

(m) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unsecured bank loans	\$ -	154,300
Unused credit lines	\$ 3,998,000	5,003,700
Range of interest rates	-	1.10%

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

(ii) For the collateral for bank loans, please refer to Note 8.

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

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

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

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 Group.

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

<u>Item</u>	<u>Content</u>
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

(Continued)

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

<u>Item</u>	<u>Content</u>
Conversion period	<p>           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.         </p>
Others	No right of redemption, put option, and reset.

(o) Operating lease

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 171,655	170,856
Between one and five years	632,099	616,666
Over five years	<u>1,263,711</u>	<u>1,390,552</u>
	<u>\$ 2,067,465</u>	<u>2,178,074</u>

For the years ended December 31, 2020 and 2019, the rent income generated from real estate amounted to NT\$ 166,647 thousand and NT\$ 172,635 thousand, respectively. Expenses of tax and depreciation arising from investment property (presented within "operating costs") were as follows:

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

(Continued)

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

(p) Employee benefits

(i) Defined benefit plans

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

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

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.

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 Group'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.

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

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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	<u>1,900</u>	<u>1,180</u>
Defined benefit obligations at December 31	<b><u>\$ 41,660</u></b>	<b><u>40,990</u></b>

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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	<b><u>\$ 20,642</u></b>	<b><u>8,389</u></b>

4) Expenses recognized in profit or loss

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

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

(Continued)

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

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

The Group'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:

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

- 6) Actuarial assumptions

Major assumptions used to determine the present value of the defined benefit obligations were as follows:

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

The expected contribution to be made by the Group 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:

	<b>Impact on the defined benefit obligations</b>	
	<b>0.25% increase</b>	<b>0.25% decrease</b>
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)

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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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 Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group's pension costs under the defined contribution method amounted to NT\$ 19,699 thousand and NT\$ 20,126 thousand for the years ended December 31, 2020 and 2019, respectively. Payment to the Bureau of Labor Insurance has been made.

(q) Income taxes

(i) Income tax expense

The details of income tax expense for 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense:		
Current period	\$ 129,994	71,911
Overestimate of income tax in prior periods	(63,136)	(27,790)
Land value increment tax	3,444	78,417
Undistributed earnings additional tax	<u>241,407</u>	<u>101,003</u>
	<u>311,709</u>	<u>223,541</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>41,881</u>	<u>30,622</u>
Income tax expense	<u><u>\$ 353,590</u></u>	<u><u>254,163</u></u>

(Continued)

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

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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)	\$ (41,945)	164,770

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

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax	\$ 1,733,316	2,624,505
Income tax using relevant countries' domestic tax rate	346,663	524,901
Non-taxable and dividend income	(128,757)	(365,760)
Profit (loss) on investments accounted for using equity method	(6,684)	10,458
Write-downs of advance on temporary management fee to the original amount	3,905	(2,409)
Overestimate of income tax in prior periods	(63,136)	(27,790)
Land value increment tax	3,444	78,417
5% additional tax on undistributed earnings	241,407	101,003
Valuation gains on financial assets	(11,136)	-
Others	(32,116)	(64,657)
	\$ 353,590	254,163

- (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 Group 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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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)

(Continued)

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

2) Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary difference	\$ 889	889
Tax loss	<u>9,314</u>	<u>8,697</u>
	<u><u>\$ 10,203</u></u>	<u><u>9,586</u></u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Group is not expected to have sufficient taxable income to offset against temporary difference in the foreseeable future.

As of December 31, 2020 the net losses that had not been recognized as deferred tax assets and the expiration years were as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry year</u>
2011	\$ 101	2021
2012	15	2022
2013	16	2023
2014	16	2024
2015	5,890	2025
2016	6,257	2026
2017	6,158	2027
2018	12,658	2028
2019	6,487	2029
2020	<u>8,972</u>	2030
	<u><u>\$ 46,570</u></u>	

3) Recognized deferred income tax assets and liabilities

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

Deferred tax liabilities:

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

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

Deferred income tax assets:

	<u>Cemetery</u>	<u>Contract</u>	<u>Others</u>	<u>Total</u>
<b>January 1, 2020</b>	\$ 631,268	113,099	112,352	856,719
(Debit) credit on income statement	<u>(5,747)</u>	<u>(4,147)</u>	<u>(31,987)</u>	<u>(41,881)</u>
<b>December 31, 2020</b>	<u>\$ 625,521</u>	<u>108,952</u>	<u>80,365</u>	<u>814,838</u>
<b>January 1, 2019</b>	\$ 658,773	120,366	120,656	899,795
(Debit) credit on income statement	<u>(27,505)</u>	<u>(7,267)</u>	<u>(8,304)</u>	<u>(43,076)</u>
<b>December 31, 2019</b>	<u>\$ 631,268</u>	<u>113,099</u>	<u>112,352</u>	<u>856,719</u>

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

(r) 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 \$10 per share, amounting to NT\$ 6,000,000 thousand. The total number of issued shares were 420,084 thousand ordinary shares. As of December 31, 2020 and 2019, the number of shares outstanding were both 420,084 thousand.

(i) Issuance of ordinary shares

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

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

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

(ii) Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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	<u>9,961</u>	<u>-</u>
Total	<u><u>\$ 2,519,954</u></u>	<u><u>2,519,954</u></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 Group'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.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the 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

	Exchange differences on translation of foreign financial statements	Investment at fair value through other comprehensive income	Total
Balance on January 1, 2020	\$ (54,543)	(102,153)	(156,696)
Exchange differences on translation of net assets of foreign operations	(54,477)	-	(54,477)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	483,074	483,074
Equity investments at fair value through other comprehensive income-related income tax	-	41,945	41,945
Disposal of investments in debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	(24,064)	(24,064)
Share of exchange differences on associates under equity method	57,213	-	57,213
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(48,370)	(48,370)
Balance on December 31, 2020	<u>\$ (51,807)</u>	<u>350,432</u>	<u>298,625</u>

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

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Investment at fair value through other comprehensive income</b>	<b>Total</b>
Balance on January 1, 2019	\$ (24,815)	713,268	688,453
Exchange differences on translation of net assets of foreign operations	(21,275)	-	(21,275)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	2,613,971	2,613,971
Gain (loss) on disposal of foreign operations reclassified to profit or loss	377	-	377
Share of exchange differences on associates under equity method	(8,830)	-	(8,830)
Disposal of investments in debt instruments designated at fair value through other comprehensive income reclassified to profit or loss	-	(3,444)	(3,444)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	(3,425,948)	(3,425,948)
Balance on December 31, 2019	<u>\$ (54,543)</u>	<u>(102,153)</u>	<u>(156,696)</u>

(v) Non-controlling interests

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 1,497,890	1,490,620
Share attributable to NCIs		
Profit attributable to non-controlling interests	135,164	67,471
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	343	3,368
Changes in ownership interests in subsidiaries	-	3,531
Cash dividends paid by subsidiaries	(83)	-
Acquisition of ownership interests in subsidiaries from non-controlling interests	-	(67,100)
Ending balance	<u>\$ 1,633,314</u>	<u>1,497,890</u>

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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## (s) Earnings per share

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Profit attributable to ordinary equity holders of the Group	\$ <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>
<b>Diluted earnings per share</b>		
Profit attributable to the Group	\$ 1,244,562	2,302,871
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>8,053</u>	<u>41,682</u>
Profit attributable to ordinary equity holders of the Group (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	<u>15,054</u>	<u>55,097</u>
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>

## (t) Revenue from contracts with customer

## (i) Disaggregation of revenue

	<b>For the Year Ended December 31, 2020</b>					
	<b>Sale of columbarium and cemetery products</b>	<b>Funeral services</b>	<b>Property lease</b>	<b>Cemetery operation and others</b>	<b>Construction revenue (Note)</b>	<b>Total</b>
Primary geographical markets:						
Taiwan	\$ <u>1,506,503</u>	<u>1,658,806</u>	<u>166,647</u>	<u>197,167</u>	<u>134,384</u>	<u>3,663,507</u>
Timing of revenue recognition:						
Products or services transferred at a point in time	\$ <u>1,506,503</u>	<u>1,658,806</u>	<u>166,647</u>	<u>197,167</u>	<u>134,384</u>	<u>3,663,507</u>

Note: Net gain on disposal of investment property of NT\$ 22,486 thousand calculated as the proceeds of NT\$ 56,489 thousand less related costs and expenses of NT\$ 34,003 thousand, and the proceeds from selling real estate held for sale of NT\$ 111,898 thousand.

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

	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	\$ <u>1,666,937</u>	<u>1,601,340</u>	<u>172,635</u>	<u>211,042</u>	<u>907,394</u>	<u>4,559,348</u>
Timing of revenue recognition						
Products or services transferred at a point in time	\$ <u>1,666,937</u>	<u>1,601,340</u>	<u>172,635</u>	<u>211,042</u>	<u>907,394</u>	<u>4,559,348</u>

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	\$ 10,155,404	9,542,046	9,545,102
Less: loss allowance	(89,308)	(76,870)	(60,875)
Unrealized interest income	(738,442)	(735,754)	(729,486)
Total	<u>\$ 9,327,654</u>	<u>8,729,422</u>	<u>8,754,741</u>
Contract liabilities—presale of columbariums and cemetery products, and funeral service contracts	<u>\$ 40,516,645</u>	<u>38,958,476</u>	<u>3,755,020</u>
Contract liabilities—advance real estate receipts	<u>\$ 12,477</u>	<u>41,269</u>	<u>-</u>

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

For 2020 and 2019, the opening balance of contract liabilities recognized as revenue amounted to NT\$ 2,482,941 thousand and NT\$ 2,381,381 thousand, respectively.

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

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

(u) Compensation to employees and directors

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 1% shall be allocated as employee compensation and a maximum of 2% as director compensation. However, if the Company has accumulated deficits, the profit 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.

The Company estimated its compensation to employees at NT\$ 16,150 thousand and NT\$ 26,020 thousand for 2020 and 2019, respectively; the Company also estimated its compensation to directors at NT\$ 32,300 thousand and NT\$ 52,040 thousand for 2020 and 2019, respectively. The estimated amounts mentioned above were based on the profit before tax of each respective ending period, multiplied by the percentage of the compensation to employees and directors, as specified in the Company's article. The estimates were recognized as operating costs or expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year.

There is no difference between the amount of compensation to employee and directors recognized in the financial statements for 2019 and 2018 and the actual distribution. The related information is available on the Market observation Post System website.

(v) Other operating income and expenses

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income	\$ 165,627	177,094
Selling expenses	(34,235)	(37,757)
Management fee income	166,075	181,670
Management fee expense	(166,075)	(181,670)
	<b><u>\$ 131,392</u></b>	<b><u>139,337</u></b>

(w) Non-operating income and expense

(i) Interest income

Interest income of the Group is detailed as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ 3,755	6,157
Other interest income	10,322	16,579
Interest income from financial assets	84,772	87,222
	<b><u>\$ 98,849</u></b>	<b><u>109,958</u></b>

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

## (ii) Other income

Other income of the Group is detailed as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 130,169	332,984
Service fee income	11,128	10,890
Income from fines and penalties	36,144	71,842
Other income	33,409	72,781
	<b>\$ 210,850</b>	<b>488,497</b>

## (iii) Other gains and losses

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange (loss) gain	\$ (98,240)	(41,192)
Net profit (loss) on disposal of financial assets at fair value through other comprehensive income	24,064	3,444
Net profit(loss) from financial assets or liabilities at fair value through profit or loss	55,747	75,311
Proceeds from disposal of investments accounted for using equity method	-	2,331
Proceeds from disposal of property, plant and equipment	160	2,534
Other expenses	(637)	(978)
	<b>\$ (18,906)</b>	<b>41,450</b>

## (iv) Finance costs

Finance costs of the Group are detailed as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense	\$ 17,907	20,019
Discount amortization of corporate bonds	10,066	52,103
	<b>\$ 27,973</b>	<b>72,122</b>

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

(x) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial assets at fair value through profit or loss	\$ 5,270,963	9,717,723
Financial assets at fair value through other comprehensive income	7,221,855	4,543,340
Financial assets at amortized cost		
Cash and cash equivalents	88,734	231,964
Financial assets at amortized cost	1,228,727	1,463,240
Notes and accounts receivable	9,327,654	8,729,422
Other financial assets (including current and non-current)	<u>1,952,355</u>	<u>3,037,954</u>
Subtotal	<u>12,597,470</u>	<u>13,462,580</u>
Total	<b><u>\$ 25,090,288</u></b>	<b><u>27,723,643</u></b>

2) Financial liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial liabilities at amortized cost:		
Short-term borrowings	\$ -	154,300
Notes and accounts payable and other payables	1,489,934	1,502,404
Corporate bonds payable (including current portion)	-	3,243,019
Lease liabilities	24,820	38,318
Guarantee deposits	<u>44,584</u>	<u>44,135</u>
Total	<b><u>\$ 1,559,338</u></b>	<b><u>4,982,176</u></b>

(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 Group continuously assesses the financial position of its customers, normally without a request for collateral.

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

3) Credit risk of receivables and debt securities

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

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

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

The loss allowance provisions were determined as follows:

	<b>Other receivables</b>
Balance on January 1, 2020	\$ 22,745
Impairment losses recognized	-
Balance on December 31, 2020	<b>\$ 22,745</b>
Balance on January 1, 2019	\$ 22,745
Impairment losses recognized	-
Balance on December 31, 2019	<b>\$ 22,745</b>

(iii) Liquidity risk

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

	Carrying value	Contractua l cash flows	6 months 1 year	6-12 months	1-2 years	2-5 years	Over 5years
<b>Balance on December 31, 2020</b>							
Non-derivative financial liabilities							
Lease liabilities	\$ 24,820	24,820	6,749	6,749	11,322	-	-
Non-interest-bearing liabilities	1,534,518	1,534,518	1,534,518	-	-	-	-
	<b>\$ 1,559,338</b>	<b>1,559,338</b>	<b>1,541,267</b>	<b>6,749</b>	<b>11,322</b>	<b>-</b>	<b>-</b>
<b>Balance on December 31, 2019</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 154,300	154,300	154,300	-	-	-	-
Fixed-rate instrument	3,243,019	3,243,019	3,243,019	-	-	-	-
Lease liabilities	38,318	38,318	6,749	6,749	13,498	11,322	-
Non-interest-bearing liabilities	1,546,539	1,546,539	1,546,539	-	-	-	-
	<b>\$ 4,982,176</b>	<b>4,982,176</b>	<b>4,950,607</b>	<b>6,749</b>	<b>13,498</b>	<b>11,322</b>	<b>-</b>

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

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

(iv) Currency risk

1) Exposure to currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<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	3.650	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>						
JPY/TWD	114,400	0.272	31,105	156,160	0.276	43,116
USD/TWD	74,825	28.508	2,133,111	26,124	30.106	786,494
HKD/TWD	35,043	3.650	127,904	180,303	3.857	695,356
SGD/TWD	-	21.264	-	3,346	22.285	74,571

2) Sensitivity analysis

The Group's exchange rate risk comes mainly from translation gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. When the exchange rate of the Group's functional currency against main foreign currency depreciated or appreciated by 2% (the analysis of two periods was conducted using the same basis, assuming all other variables held constant) on 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 Group'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 Group'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. In addition, interest rate is assessed within the reasonable and possible range of change. If interest rate is increased or decreased by 0.5%, with all other variables held constant, the Group's net income for 2020 and 2019 is going to decrease or increase by NT\$ 0 and NT\$ 617 thousand, respectively.

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

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	<b>December 31, 2020</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 5,270,963	5,270,963	-	-	5,270,963
Financial assets at fair value through other comprehensive income	7,221,855	7,217,003	-	4,852	7,221,855
Financial assets at amortized cost	<u>1,228,727</u>	<u>1,228,727</u>	<u>-</u>	<u>-</u>	<u>1,228,727</u>
<b>Total</b>	<b><u>\$13,721,545</u></b>	<b><u>13,716,693</u></b>	<b><u>-</u></b>	<b><u>4,852</u></b>	<b><u>13,721,545</u></b>
	<b>December 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 9,717,723	9,717,723	-	-	9,717,723
Financial assets at fair value through other comprehensive income	4,543,340	4,534,458	-	8,882	4,543,340
Financial assets at amortized cost	<u>1,463,240</u>	<u>1,463,240</u>	<u>-</u>	<u>-</u>	<u>1,463,240</u>
<b>Total</b>	<b><u>\$15,724,303</u></b>	<b><u>15,715,421</u></b>	<b><u>-</u></b>	<b><u>8,882</u></b>	<b><u>15,724,303</u></b>

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.

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

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

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

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

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

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

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

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

4) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>		
	<b>at fair value through other comprehensive</b>		
	<b>income</b>	<b>Bond investments</b>	<b>Total</b>
Balance on January 1, 2020	\$ 8,882	-	8,882
Liquidation	(4,030)	-	(4,030)
Balance on December 31, 2020	<u>\$ 4,852</u>	<u>-</u>	<u>4,852</u>
Balance on January 1, 2019	<u>\$ 8,882</u>	<u>-</u>	<u>8,882</u>
Balance on December 31, 2019	<u>\$ 8,882</u>	<u>-</u>	<u>8,882</u>

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

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:

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

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

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

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

Quantified information on significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Interrelationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	· P/E ratio (16.62 and 14.35 as of December 31, 2020 and 2019, respectively)	· The higher the multiplier and control premium, the higher the fair value.
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	· P/B ratio (1.67 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

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

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

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

	<u>Inputs</u>	<u>Upward or downward movement</u>	<u>Current profit (loss) arising from changes in fair value</u>		<u>Other comprehensive income arising from changes in fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>Balance on December 31, 2020</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	P/E ratio	10%	-	-	387	(387)
Investment in equity instruments without active market	P/B ratio	10%	-	-	572	(572)
<b>Balance on December 31, 2019</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	P/E ratio	10%	-	-	329	(329)
Equity investments without an active market	P/B ratio	10%	-	-	745	(745)

- (y) Financial risk management

- (i) Overview

The Group 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 Group. 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 Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 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.

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the the Group'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 Group 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.

2) Investments

The credit risk exposure for bank deposits, fixed-income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group 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 Group's policy stipulates that financial guarantees shall only be provided for trading counterparties. The Group 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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group's unused line of credit had amounted to NT\$ 3,998,000 thousand and NT\$ 5,003,700 thousand as of December 31, 2020 and 2019.

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

(v) Market risk

Market risk is the risk the Group'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.

1) Currency risk

The Group is exposed to currency risk for investment transactions denominated in a currency other than the functional currencies of the Group entities. The primary functional currency of the Group 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 Group 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 Group'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.

(z) Capital management

The Group 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 Group 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 Group 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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 43,548,689	45,172,957
Less: Cash and cash equivalents	(88,734)	(231,964)
Net debts	43,459,955	44,940,993
Total equity	18,924,059	18,435,961
Adjusted capital	<u>\$ 62,384,014</u>	<u>63,376,954</u>
Debt-to-equity ratio	<u>69.67%</u>	<u>70.91%</u>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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The Group's capital management method has not changed as of December 31, 2020 and 2019. Decrease in debt to equity ratio is mainly due to disposal of financial assets at fair value through other comprehensive income and repayment of short-term debt, thereby decreasing net liabilities.

(aa) 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:

	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
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>

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

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Fuyuan International Development Co. Ltd.	Substantive related party
Fuyang Development Co., Ltd.	Legal person of the subsidiary (Not included as a related party from November 1, 2019)
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 associates

(b) Significant transactions with related parties

(i) Lease

1) As a lessee

The Group leases real estate for operating use from one of other related parties under a lease contract of five years at a comparable price in February 2014, with reference to the price in the vicinity. The recognized interest expense for 2020 and 2019 amounted to NT\$ 71 for both 2020 and 2019. As of December 31, 2020 and 2019, the balance of lease liabilities were NT\$ 6,547 thousand and NT\$ 12,591 thousand, respectively.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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2) As a lessor

The Group leases out office buildings and parking space to other related parties, and the rental income for 2020 amounted to NT\$ 34 thousand.

(ii) Others

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other related parties	\$ <b>1,070</b>	<b>1,070</b>

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

2) Administrative expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	\$ <b>528</b>	<b>442</b>

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

(iii) Financial assets acquired

- 1) The Group acquired land in Taoyuan (recognized as inventory) from other related party at NT\$ 173,250 thousand on January 1, 2019 and all transaction amount was paid and the transaction was completed as of December 31, 2019.
- 2) The Group acquired shares of Lung Fu Co., Ltd. For 4,710 thousand shares from other related party at NT\$ 47,100 thousand. All payments had been made as of December 31, 2019.

(iv) Disposal of other assets

The Group 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.

(v) Trust contract

A portion of the Group'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(h) for details.

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

(vi) Others

- 1) The Group 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 Group.
- 2) The price of the products purchased by the Group from other related parties totaled NT\$ 804 thousand and NT\$ 6,107 thousand as of December 31, 2020 and 2019, respectively.

(c) Key management personnel transactions

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

**(8) Pledged assets:**

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

<b>Asset Name</b>	<b>Purpose</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other current financial assets	Performance guarantee for joint development investment and sales business	\$ 12,312	8,832
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
		<b>\$ 5,738,586</b>	<b>5,943,638</b>

**(9) Commitments and contingencies:**

(a) Significant unrecognized commitments

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Construction contract	<b>\$ 1,974,913</b>	<b>1,891,878</b>

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- (ii) The Group sold its investment property, and the contract prices were as follows:

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

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

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

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

- (v) In order to expand the Group's cemetery business, its Board of Directors passed the resolution in December 2018 to purchase land located at Hsinwu Section, Taoyuan Ciay from Fuyuan Development Limited at a price of NT\$ 173,250 thousand, all of which had been paid along with the completion of ownership transfer as of December 31, 2019.

- (b) Contingent liabilities:

- (i) Since there were disputes over the adoption and implement of Article 36 of Mortuary Service Administration Act, the Taiwan Funeral Association, of which the Company has been a member, filed a petitioned, after which a legislator of the 9th Legislative Yuan proposed amendments to the Mortuary Service Administration Act to incorporate funeral facility management funds into management fee special account, which would facilitate consumer protection. Although the proposal was not passed before the dissolution of the Legislative Yuan, pursuant to legislative procedures, the Ministry of the Interior proposed the draft amendments to Article 35 and 36 of the Mortuary Service Administration Act based on the management framework of "incorporating funeral facility management funds into management fee special account". Since May 27, 2020 has been held numerous meetings for the draft amendments. If the amendments are approved by the Legislative Yuan, the old fund system will be replaced by the new management system.

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

(ii) A small number of shareholders of Lungyen Service Co., Ltd. (the dissolved entity in merger in 2011, hereinafter referred to as Lungyen Service), requested the Company to repurchase the shares held by them at its fair price during the time and appeal to the court to determine the purchase price in 1st shareholders' interim meeting on October 12, 2010 according to the provisions of Paragraph 1 of Article 317 of the R.O.C. Company Act. On October 7, 2016, the Taipei District Court issued a civil ruling that the Company shall buy back all the shares held by the shareholders in an apparently unreasonable price. Since the civil ruling was not authenticated pursuant to the provisions of the Enterprise Mergers and Acquisitions Law, which was a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set purchasing price of NT\$ 77.79 per share. The applicable regulations of the previous ruling were obviously wrong, and the Company filed a further protest during the statutory period. The Taiwan High Court, in decision (107) FE-KANG-No. 147, remanded the original judgement to Taiwan Taipei District Court as it did not apply the share price resolved in the shareholder's meeting, which was not pursuant to the law.

(c) Others

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
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>
	<u><b>\$ 12,306,432</b></u>	<u><b>11,476,832</b></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.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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- (ii) The Group has a management fee account setup for the fees collected in a lump sum or periodically from the clients to maintain funeral facilities safety and cleanness, and to organize ceremony activities and internal administration. The management fee account had respectively amounted to NT\$ 891,738 thousand and NT\$ 891,890 thousand as of December 31, 2020 and 2019, which were recognized as the “Other financial assets – current.”
- (iii) The Company entered into contracts with clients for the sale of columbarium and funeral service as of December 31, 2020 and 2019. The preneed contract entered into and related deferred marketing expenses were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total contract price (recognized as contract liabilities)	\$ 39,934,515	38,566,937
Uncollected proceeds	<u>(7,847,795)</u>	<u>(7,663,542)</u>
Advance	<u>\$ 32,086,720</u>	<u>30,903,395</u>
Incremental cost of contract acquisition (prepaid expenses)	<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>

- (iv) The Company had contracts signed with clients for the presale of columbarium niches and burial ground as of December 31, 2020 and 2019. The contracts and related deferred marketing expenses are summarized as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total contract price (recognized as contract liabilities)	\$ 582,130	391,539
Uncollected proceeds	<u>(116,454)</u>	<u>(43,390)</u>
Advance	<u>\$ 465,676</u>	<u>348,149</u>
Incremental cost of contract acquisition (prepaid expenses)	<u>\$ 114,395</u>	<u>100,145</u>
Expected to be reclassified for more than twelve months	<u>\$ 518,895</u>	<u>335,414</u>

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

(10) Losses due to major disasters: None

(11) Subsequent Events: None

(12) Others:

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

By item	By function	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	237,123	111,881	570,924	208,251	277,836	89,975	576,062
Labor and health insurance		15,723	15,042	9,695	40,460	15,867	18,916	7,614	42,397
Pension		8,350	11,730	-	20,080	8,516	8,438	3,608	20,562
Others		6,851	8,211	4,901	19,963	6,908	11,827	4,278	23,013
Depreciation		67,643	73,800	5,007	146,450	62,469	67,953	11,752	142,174
Amortization		15	12,622	-	12,637	-	14,610	1,490	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.

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## LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES

### Notes to the 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 Group for the as of December 31, 2020:

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yuji Development	Sande Futian Miaoguo Limited	Other financial assets (current and non-current)	No	362,163	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  $\times$  40% = NT\$ 1,450,880 thousand

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

NT\$ 72,000 thousand  $\times$  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 for joint investment.
- 7) Performance guarantees for presale contracts for entities in the same industry pursuant to the Consumer Protection Act.

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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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.

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

(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			Fair value	Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			
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	2.87 %	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

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**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
the Company	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
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	0.11 %	Owner-occupied
the Company	TSMC	—	Non-current financial assets at FVOCI	1,423	754,190	0.01 %	754,190	0.01 %	Owner-occupied
the Company	Chail ease	—	Non-current financial assets at FVOCI	1,945	326,794	0.14 %	326,794	0.14 %	Owner-occupied
the Company	Asia Cement	—	Non-current financial assets at FVOCI	4,559	196,949	0.14 %	196,949	0.14 %	Owner-occupied
the Company	Chenbro Micom	—	Non-current financial assets at FVOCI	2,280	186,960	1.89 %	186,960	1.89 %	Owner-occupied
the Company	PCSC	—	Non-current financial assets at FVOCI	646	172,159	0.06 %	172,159	0.06 %	Owner-occupied
the Company	Sun life Corporation	—	Non-current financial assets at FVOCI	160	31,105	2.35 %	31,105	2.35 %	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	0.02 %	Trust
the Company	Berkshire Hathaway	—	Non-current financial assets at FVOCI	78	517,442	0.01 %	517,442	0.01 %	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	0.01 %	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 Chail ease 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

(Continued)

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest Percentage of ownership (%)	Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			Fair value
the Company	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
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 %	-	0.01 %	Owner-occupied
the Company	Creative Space Design	—	Non-current financial assets at FVOCI	396	3,960	19.80 %	3,960	19.80 %	Owner-occupied
the Company	Nan Ya Corp. Bond P02 Nan Ya 3B	—	Non-current financial assets at amortized cost	100,000	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	99,864	- %	99,864	- %	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	28,829	- %	28,829	- %	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

(Continued)

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

- (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	60,380	628,871	-	-	-	-	70,022	728,817
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
the Company	CTBC Hwa-win 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

(Continued)

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

## (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Lungyen Life Service Corp.	Yuji Development Corp.	1	Other current financial assets	5,250	The same as non-related party transactions.	0.01%
0	"	"	1	Prepayments	8,466	-	0.01%
0	"	"	1	Operating costs	11,662	-	0.32%
0	"	"	1	Other income	36,104	-	0.99%
0	"	"	1	Other current liabilities	16,278	-	0.03%
0	"	Lung Fu Company Limited	1	Other income	4,557	-	0.12%
1	Yuji Development Corp.	Lungyen Life Service Corp.	2	Accounts receivable	16,278	-	0.03%
1	"	"	2	Advance receipts	8,466	-	0.01%
1	"	"	2	Accounts payable	5,250	-	0.01%
1	"	"	2	Operating revenue	11,662	-	0.32%
1	"	"	2	Administrative expenses	36,104	-	0.99%
2	Lung Fu Company Limited	Lungyen Life Service Corp.	2	Administrative expenses	4,591	-	0.13%

Note 1: Numbers are filled in as follows:

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

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

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

## (b) Information on investees:

The following is the information on investees for the 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			Highest Percentage of ownership	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)	98.20 %	1,443	1,417	Subsidiary ?
the Company	Yuji Development Corp.	Taiwan	Funeral Services	900,000	900,000	110,723	54.42 %	1,951,682	54.42 %	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	80.00 %	(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	100.00 %	(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	49.00 %	292	143	Associates
the Company	The Law Co., Ltd.	Taiwan	Investment holding	420,426	-	14,014	30.93 %	479,092	30.93 %	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	100.00 %	(7,994)	(7,900)	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	26.32 %	12,494	3,288	Associates
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment holding	996,498 (USD32,500)	910,026 (USD29,500)	3,250	50.00 %	826,118	50.00 %	(57,362)	(28,680)	Joint ventures

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

Note 2: USD exchange rate, end of the period: 28.508; USD average exchange rate: 28.539.

(Continued)

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Lungyen Cemetery (Wenzhou) Co., Ltd.	Funeral Services	1,490,398 (USD52,280)	Sea Dragon Traders Ltd. (BVI)	904,470 (USD29,350)	1,194 (USD40)	-	905,664 (USD29,390)	50.00%	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%	50.00%	(10,038)	102,200	-
Shijiazuang Taifu Cemetery Management Co., Ltd.	Management, construction, and sale of cemetery	73,624 (RMB17,041)	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	40.00%	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
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. accounting firm.
  - 2) The financial statements were audited by the parent's external accountants.

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

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

(iii) Significant transactions: None

(Continued)

**LUNGYEN LIFE SERVICE CORP. AND SUBSIDIARIES**  
**Notes to the 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:**

(a) General information

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

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

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

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

(Continued)



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

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographic information</u>	<u>For the Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
Taiwan	\$ <u>3,663,413</u>	<u>4,559,348</u>
Non-current assets:		
Taiwan	\$ <u>12,161,396</u>	<u>11,523,108</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(d) Major customers

The Group had no customer representing more than 10% of net revenue disclosed in the consolidated statements of comprehensive income for 2020 and 2019.

**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, Minguan 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.

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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:

- accessing the rationality of evaluation method adopted by management to evaluate receivable amounts; accessing the accuracy of previous forecasts made by management; examining calculation and accounting records of receivable amounts of cash unit evaluated by management; accessing 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)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(a) and (v))	\$ 45,220	-	147,352	-	2130	Current contract liabilities (Note 6(r) and 9)	39,946,992	65	38,608,206	62
1110	Current financial assets at fair value through profit or loss (Note 6(b)(v) and 9)	5,096,909	8	9,686,443	16	2150	Notes payable (Note 6(v))	6,771	-	6,941	-
1150	Notes receivable, net (Note 6(c)(r) and (v))	4,198	-	777	-	2170	Accounts payable (Note 6(v))	546,310	1	554,219	1
1170	Accounts receivable, net (Note 6(c)(r)(v))	8,521,121	14	8,106,032	13	2180	Accounts payable to related parties (Note 6(v) and 7)	-	-	41,095	-
1320	Inventories (for construction business), net (Note 6(d), 7, 8)	13,219,482	21	12,991,222	21	2200	Other payables (Note 6(v) and 7)	641,954	1	631,781	1
1410	Prepayments (Note 7)	226,365	-	222,373	-	2230	Current tax liabilities	464,655	1	246,997	-
1460	Non-current assets classified as held for sale (Note 6(e))	105,239	-	-	-	2280	Current lease liabilities (Note 6(v) and 7)	24,820	-	38,318	-
1476	Other current financial assets (Note 6(k)(v), 7, 8, and 9)	1,600,200	3	2,614,956	4	2310	Advance receipts (Note 9)	873,331	1	871,543	1
1479	Other current assets, others	16,693	-	11,578	-	2321	Bonds payable, current portion (Note 6(l)(v) and 7)	-	-	3,243,019	5
1480	Current assets recognised as incremental costs to obtain contract with customers	8,144,643	13	8,024,093	13	2399	Other current liabilities, others (Note 7)	27,694	-	28,295	-
		<u>36,980,070</u>	<u>59</u>	<u>41,804,826</u>	<u>67</u>			<u>42,532,527</u>	<u>69</u>	<u>44,270,414</u>	<u>70</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b)(v), 8, and 9)	7,115,528	12	4,453,495	7	2570	Deferred tax liabilities (Note 6(o))	3,665	-	3,665	-
1535	Non-current financial assets at amortised cost Note 6(b)(v) and 9)	1,228,727	2	1,463,240	2	2640	Net defined benefit liability, non-current (Note 6(n))	21,018	-	32,601	-
1550	Investments accounted for using equity method (Note 6(f))	3,460,257	6	2,807,576	5	2645	Guarantee deposits received (Note 6(v))	44,584	-	44,135	-
1600	Property, plant and equipment (Note 6(g), 7, 8, and 9)	6,039,169	10	5,953,704	10			<u>69,267</u>	<u>-</u>	<u>80,401</u>	<u>-</u>
1755	Right-of-use assets (Note 6(h))	24,820	-	38,318	-		<b>Total liabilities</b>	<u>42,601,794</u>	<u>69</u>	<u>44,350,815</u>	<u>70</u>
1760	Investment property, net (Note 6(i), 8, and 9)	4,045,638	7	3,857,699	6	<b>Equity (Note 6(l) and (p)):</b>					
1780	Intangible assets (Note 6(j) and 9)	748,121	1	755,937	1	3100	Share capital	4,200,842	7	4,200,842	7
1840	Deferred tax assets (Note 6(o))	767,203	1	818,165	1	3200	Capital surplus	2,519,954	4	2,519,954	4
1980	Other non-current financial assets (Note 6(v) and 7)	43,339	-	48,035	-		Retained earnings:				
1990	Other non-current assets, others	1,072,981	2	785,781	1	3310	Legal reserve	2,053,954	3	1,498,055	2
		<u>24,545,783</u>	<u>41</u>	<u>20,981,950</u>	<u>33</u>	3320	Special reserve	156,696	-	-	-
						3350	Unappropriated retained earnings	9,693,988	16	10,373,806	17
								<u>11,904,638</u>	<u>19</u>	<u>11,871,861</u>	<u>19</u>
							<b>Other equity interest:</b>				
						3410	Exchange differences on translation of foreign financial statements	(51,807)	-	(54,543)	-
						3420	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	350,432	1	(102,153)	-
								<u>298,625</u>	<u>1</u>	<u>(156,696)</u>	<u>-</u>
							<b>Total equity</b>	<u>18,924,059</u>	<u>31</u>	<u>18,435,961</u>	<u>30</u>
<b>Total assets</b>		<u>\$ 61,525,853</u>	<u>100</u>	<u>62,786,776</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 61,525,853</u>	<u>100</u>	<u>62,786,776</u>	<u>100</u>

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 <b>Operating revenue (Note 6(m)(r))</b>	\$ 3,126,233	100	4,027,197	100
5000 <b>Operating costs (Note 6(m))</b>	<u>1,159,092</u>	<u>37</u>	<u>1,146,307</u>	<u>28</u>
5900 <b>Gross profit</b>	<u>1,967,141</u>	<u>63</u>	<u>2,880,890</u>	<u>72</u>
<b>Operating expenses :</b>				
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 <b>Net other income (expenses) (Note 6(t))</b>	<u>120,365</u>	<u>4</u>	<u>129,021</u>	<u>3</u>
6900 <b>Net operating income</b>	<u>1,066,848</u>	<u>34</u>	<u>1,909,674</u>	<u>48</u>
<b>Non-operating income and expenses:</b>				
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))	<u>196,193</u>	<u>6</u>	<u>49,761</u>	<u>1</u>
	<u>499,692</u>	<u>16</u>	<u>614,302</u>	<u>15</u>
<b>Profit before tax from continuing operations</b>	1,566,540	50	2,523,976	63
7950 <b>Less: Income tax expenses (Note 6(o))</b>	<u>321,978</u>	<u>10</u>	<u>221,105</u>	<u>5</u>
<b>Profit for the year ended December 31, 2020</b>	<u>1,244,562</u>	<u>40</u>	<u>2,302,871</u>	<u>58</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
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))	<u>41,945</u>	<u>1</u>	<u>(164,770)</u>	<u>(4)</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>	<u>491,888</u>	<u>16</u>	<u>2,542,567</u>	<u>63</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
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	-	-	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>	<u>11,901</u>	<u>-</u>	<u>36,704</u>	<u>1</u>
8300 <b>Other comprehensive income for the year ended December 31, 2020</b>	<u>503,789</u>	<u>16</u>	<u>2,579,271</u>	<u>64</u>
<b>Comprehensive income for the year ended December 31, 2020</b>	<u>\$ 1,748,351</u>	<u>56</u>	<u>4,882,142</u>	<u>122</u>
<b>Earnings per share (in dollar) (Note 6(q)):</b>				
9750 <b>Basic earnings per share (in New Taiwan dollars)</b>	<u>\$ 2.96</u>		<u>5.48</u>	
9850 <b>Diluted earnings per share (in New Taiwan Dollars)</b>	<u>\$ 2.88</u>		<u>4.93</u>	

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 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				Total equity
	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	
<b>Balance at January 1, 2019</b>	\$ 4,200,842	2,519,954	1,280,001	-	6,293,123	7,573,124	(24,815)	713,268	688,453	14,982,373
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)	-
<b>Balance at December 31, 2020</b>	\$ 4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059

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**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,566,540	2,523,976
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
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, plan 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)
<b>Total adjustments to reconcile profit (loss)</b>	<b>(434,712)</b>	<b>(1,296,271)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
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
<b>Total changes in operating assets</b>	<b>1,428,032</b>	<b>(1,046,663)</b>
<b>Changes in operating liabilities:</b>		
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
<b>Total changes in operating liabilities</b>	<b>1,285,031</b>	<b>1,237,714</b>
<b>Total changes in operating assets and liabilities</b>	<b>2,713,063</b>	<b>191,051</b>
<b>Total adjustments</b>	<b>2,278,351</b>	<b>(1,105,220)</b>
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)
<b>Net cash flows from operating activities</b>	<b>4,068,696</b>	<b>1,626,152</b>

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)**

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) investing activities:</b>		
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)
<b>Net cash flows from investing activities</b>	<u>215,673</u>	<u>2,822,364</u>
<b>Cash flows from (used in) financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	<u>(4,386,501)</u>	<u>(4,408,830)</u>
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	<u>\$ 45,220</u>	<u>147,352</u>

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”

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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.

(Continued)

**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 thenon-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.

(Continued)

**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

(Continued)

**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.

(Continued)

**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.

(Continued)

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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-lease 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.

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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.

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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.

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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

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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.

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**LUNGYEN LIFE SERVICE CORP.**  
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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.

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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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.

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(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 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.

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(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”

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

(a) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and petty cash	\$ 1,836	2,341
Demand and foreign currency deposits	43,368	144,971
Checking account deposits	<u>16</u>	<u>40</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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>

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- 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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Bond investments	<b>\$ 1,228,727</b>	<b>1,463,240</b>

- 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.

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- (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:

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

- (c) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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)
	<b>\$ 8,525,319</b>	<b>8,106,809</b>

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:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Current (Note)	\$ 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	<b>\$ 9,328,040</b>		<b>64,279</b>

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	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
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	<b>\$ 8,903,609</b>		<b>61,046</b>

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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	<b>\$ 64,279</b>	<b>61,046</b>

(d) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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
	<b>\$ 13,219,482</b>	<b>12,991,222</b>
Expected to be collected after more than 12 months	<b>\$ 13,197,564</b>	<b>12,965,073</b>

(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.

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(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

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

(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:

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

(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.

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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- 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:

<u>Associates investor</u>	<u>the Company Principal activity</u>	<u>Main businesses Country in which the company is registered</u>	<u>Percentage of ownership interest</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
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:

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

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

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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(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	<u>\$ 3,033,568</u>	<u>2,605,678</u>	<u>125,786</u>	<u>52,929</u>	<u>1,078</u>	<u>196,819</u>	<u>848,488</u>	<u>6,864,346</u>
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	<u>\$ 2,374,291</u>	<u>2,747,784</u>	<u>106,162</u>	<u>53,338</u>	<u>1,078</u>	<u>184,348</u>	<u>1,249,458</u>	<u>6,716,459</u>
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	<u>\$ -</u>	<u>609,952</u>	<u>61,738</u>	<u>51,685</u>	<u>1,060</u>	<u>100,742</u>	<u>-</u>	<u>825,177</u>
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	<u>\$ -</u>	<u>568,075</u>	<u>58,475</u>	<u>51,900</u>	<u>1,022</u>	<u>83,283</u>	<u>-</u>	<u>762,755</u>
Book value:								
Balance on December 31, 2020	<u>\$ 3,033,568</u>	<u>1,995,726</u>	<u>64,048</u>	<u>1,244</u>	<u>18</u>	<u>96,077</u>	<u>848,488</u>	<u>6,039,169</u>
Balance on January 1, 2019	<u>\$ 2,374,291</u>	<u>2,213,603</u>	<u>18,423</u>	<u>1,914</u>	<u>93</u>	<u>106,721</u>	<u>964,358</u>	<u>5,679,403</u>
Balance on December 31, 2019	<u>\$ 2,374,291</u>	<u>2,179,709</u>	<u>47,687</u>	<u>1,438</u>	<u>56</u>	<u>101,065</u>	<u>1,249,458</u>	<u>5,953,704</u>

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**LUNGYEN LIFE SERVICE CORP.**  
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- (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	\$ <u>574</u>	<u>29,894</u>	<u>21,323</u>	<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	\$ <u>574</u>	<u>29,894</u>	<u>21,323</u>	<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>

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**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:

	<b>Owner-occupied assets</b>		<b>Total</b>
	<b>Land and improvements</b>	<b>Buildings and improvements</b>	
<b>Cost or deemed cost:</b>			
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	(77,348)	(40,510)	(117,858)
Balance on December 31, 2020	<b><u>\$ 3,365,906</u></b>	<b><u>1,110,671</u></b>	<b><u>4,476,577</u></b>
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	(6,641)	(656)	(7,297)
Balance on December 31, 2019	<b><u>\$ 3,244,544</u></b>	<b><u>1,017,532</u></b>	<b><u>4,262,076</u></b>
<b>Depreciation and impairment losses:</b>			
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	-	(12,619)	(12,619)
Balance on December 31, 2020	<b><u>\$ 19,001</u></b>	<b><u>411,938</u></b>	<b><u>430,939</u></b>
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	-	(294)	(294)
Balance on December 31, 2019	<b><u>\$ 19,001</u></b>	<b><u>385,376</u></b>	<b><u>404,377</u></b>
<b>Carrying amount:</b>			
Balance on December 31, 2020	<b><u>\$ 3,346,905</u></b>	<b><u>698,733</u></b>	<b><u>4,045,638</u></b>
Balance on January 1, 2019	<b><u>\$ 3,232,184</u></b>	<b><u>654,554</u></b>	<b><u>3,886,738</u></b>
Balance on December 31, 2019	<b><u>\$ 3,225,543</u></b>	<b><u>632,156</u></b>	<b><u>3,857,699</u></b>
<b>Fair value:</b>			
Balance on December 31, 2020			<b><u>\$ 5,896,756</u></b>
Balance on December 31, 2019			<b><u>\$ 7,163,206</u></b>

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**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>

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**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:

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

- (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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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	<b>\$ 1,600,200</b>	<b>2,614,956</b>

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

## (l) Bonds payable

The Company's bonds payable were as follows:

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

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:

<u>Item</u>	<u>Content</u>
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	Holder 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.

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**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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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>
	<u>\$ 2,067,825</u>	<u>2,178,614</u>

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:

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

(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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>\$ 21,018</u>	<u>32,601</u>

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.

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**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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	<u>1,900</u>	<u>1,180</u>
Defined benefit obligations at December 31	<b><u>\$ 41,660</u></b>	<b><u>40,990</u></b>

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**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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	11,866	49
Fair value of plan assets at December 31	<b>\$ 20,642</b>	<b>8,389</b>

4) Expenses recognized in profit or loss

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

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

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:

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

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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6) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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:

	<u>Impact on the defined benefit obligations</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>
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.

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	<u>50,962</u>	<u>23,395</u>
Income tax expense	<u><b>\$ 321,978</b></u>	<u><b>221,105</b></u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	\$ <u>(41,945)</u>	<u>164,770</u>
Income tax (benefit) expense (presented within retained earnings)	<u><b>\$ (41,945)</b></u>	<u><b>164,770</b></u>

(Continued)

**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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax	\$ <u>1,566,540</u>	<u>2,523,976</u>
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	<u>-</u>	<u>(11,608)</u>
	<b>\$ <u>321,978</u></b>	<b><u>221,105</u></b>

(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:

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

(Continued)

**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:

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

Deferred income tax assets:

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

(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.

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**LUNGYEN LIFE SERVICE CORP.**  
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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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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.

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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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

	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, 2020	\$ (54,543)	(102,153)	(156,696)
Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	-	500,548	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	407
Disposal of investments in equity instruments at fair value through other comprehensive income			
– the Company	-	(47,164)	(47,164)
– Subsidiary	-	(1,206)	(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>
<b>Basic earnings per share</b>		
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>
<b>Diluted earnings per share</b>		
Profit attributable to the Company	\$ 1,244,562	2,302,871
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>8,053</u>	<u>41,682</u>
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	<u>15,054</u>	<u>55,097</u>
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>

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**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	\$ <u>1,035,947</u>	<u>1,658,806</u>	<u>166,818</u>	<u>130,278</u>	<u>134,384</u>	<u>3,126,233</u>
Timing of revenue recognition:						
Products or services transferred at a point in time	\$ <u>1,035,947</u>	<u>1,658,806</u>	<u>166,818</u>	<u>130,278</u>	<u>134,384</u>	<u>3,126,233</u>

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	\$ <u>1,208,304</u>	<u>1,601,340</u>	<u>172,882</u>	<u>137,277</u>	<u>907,394</u>	<u>4,027,197</u>
Timing of revenue recognition						
Products or services transferred at a point in time	\$ <u>1,208,304</u>	<u>1,601,340</u>	<u>172,882</u>	<u>137,277</u>	<u>907,394</u>	<u>4,027,197</u>

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)
	(738,442)	(735,754)	(729,486)
Total	\$ 8,525,319	8,106,809	8,127,072

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**LUNGYEN LIFE SERVICE CORP.**  
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	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>January 1,</u> <u>2019</u>
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>

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**LUNGYEN LIFE SERVICE CORP.**  
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(u) Non-operating income and expense

(i) Interest income

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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>
	<b><u>\$ 88,579</u></b>	<b><u>98,878</u></b>

(ii) Other income

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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>
	<b><u>\$ 256,531</u></b>	<b><u>494,057</u></b>

(iii) Other gains and losses

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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>
	<b><u>\$ (19,125)</u></b>	<b><u>41,269</u></b>

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## (iv) Finance costs

The Company's finance costs are detailed as follows:

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

## (v) Financial instruments

## (i) Categories of financial instruments

## 1) Financial assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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)	<u>1,643,539</u>	<u>2,662,991</u>
Subtotal	<u>10,214,078</u>	<u>10,917,152</u>
Total	<b><u>\$ 23,655,242</u></b>	<b><u>26,520,330</u></b>

## 2) Financial liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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	<u>44,584</u>	<u>44,135</u>
Total	<b><u>\$ 1,264,439</u></b>	<b><u>4,559,508</u></b>

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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(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

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

(Continued)

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## (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 5years</u>
<b>Balance on December 31, 2020</b>							
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>
<b>Balance on December 31, 2019</b>							
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:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY/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.**  
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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				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
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	<u>1,228,727</u>	<u>1,228,727</u>	<u>-</u>	<u>-</u>	<u>1,228,727</u>
Total	<u>\$13,441,164</u>	<u>13,437,204</u>	<u>-</u>	<u>3,960</u>	<u>13,441,164</u>

(Continued)

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

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

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.)

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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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

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

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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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.

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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Quantified information on significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	P/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:

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

(Continued)

**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.

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**LUNGYEN LIFE SERVICE CORP.**  
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(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:

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

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:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	(24,064)	(3,444)
Net changes in fair value recognized in other comprehensive income	<b>\$ 9,165</b>	<b>66,432</b>

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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**(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:

<u>Name of related party</u>	<u>Name of related party Company</u>
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-subsubsidiary
Fuyuan International Development Co., Ltd. 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:

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

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

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## (ii) Construction contracts

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

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

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.

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

<u>Name of related party</u>	<u>Duration</u>	<u>Interest expense For the Year Ended December 31, 2019</u>	<u>Lease liabilities December 31, 2019</u>
Other related parties	January 31, 2019~ January 31, 2022	\$ <u>71</u>	<u>12,591</u>

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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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:

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

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

(iv) Others

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b>\$ 5,452</b>	<b>8,600</b>

2) Prepayments (recognized as prepayments)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b>\$ 8,466</b>	<b>20,805</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other related parties	<b>\$ 1,070</b>	<b>1,070</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b>\$ 19,549</b>	<b>21,951</b>

5) Administrative expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	<b>\$ 528</b>	<b>442</b>

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.

(Continued)

**LUNGYEN LIFE SERVICE CORP.**  
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(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 sub-subsidiaries 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:

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

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**LUNGYEN LIFE SERVICE CORP.**  
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(c) Compensation to key management personnel

Compensation to key management personnel comprised:

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

**(8) Pledged assets:**

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

<b>Asset Name</b>	<b>Purpose</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other financial assetscurrent	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
		<b>\$ 5,726,632</b>	<b>5,935,164</b>

**(9) Commitments and contingencies:**

(a) Significant unrecognized commitments

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Construction contract	<b>\$ 1,930,643</b>	<b>1,790,688</b>

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

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

(Continued)

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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

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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:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
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>
	<u><b>\$ 12,306,432</b></u>	<u><b>11,476,832</b></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 cleanness, 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.”

(Continued)

**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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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 function	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:

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

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.

(Continued)

**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.

(Continued)

**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:**

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Yuji Development	Sande Futian Miaoguo Limited	Other financial assets (current and non-current)	No	362,163	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  $\times$  40% = NT\$ 1,450,880 thousand

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

NT\$ 72,000 thousand  $\times$  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.

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**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			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
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

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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 counterparty	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

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**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 Hwa-win 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-subsiary
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)	Lungyen 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:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from 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					
Lungyen 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	-
Shijiazhang Taifu Cemetery Managenebt 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:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
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)**

<u>Financial instruments</u>	<u>Description</u>	<u>Shares or units</u>	<u>Par value</u>	<u>Total amount</u>	<u>Interest rate</u>	<u>Cost of acquisition</u>	<u>Unit price</u>	<u>Total amount</u>	<u>Fair value changes attributable to the changes in credit risk</u>	<u>Remark</u>
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	<u>338,520</u>	-	Owner-occupied
								<u>\$ 5,096,909</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**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
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		<u>1,140</u>	
		<u><u>\$ 8,144,643</u></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	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
HISPANO 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	Amount	Discount		Amount	Unit: Share		Market price
Frasers Logistics and Industrial Trust	1,000	27,633	-	-	(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)	-	-	-	-	-	
Chaillease	-	-	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		Amount	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	Trust	
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	Trust	
TGP preferred stock	32	24,796	-	-	-	-	-	(983)	(1,195)	32	22,618	Trust	
VEREIT preferred stock	20	15,171	-	-	(8)	(5,781)	-	(173)	(555)	12	8,662	Trust	
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	Trust	
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	Trust	
Berkshire Hathaway	-	-	78	435,807	-	-	-	103,093	(21,458)	78	517,442	Trust	
Alphabet	-	-	10	400,643	(3)	(131,739)	-	90,936	(13,238)	7	346,602	Trust	
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	Trust	
Amazon	-	-	3	170,367	(3)	(170,367)	-	-	-	-	-		
Intel	-	-	208	287,996	-	-	-	11,647	(4,227)	208	295,416	Trust	
Visa	-	-	35	209,043	-	-	-	9,211	(10)	35	218,244	Trust	
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	Owner-occupied	
		<u>\$ 4,453,495</u>		<u>6,038,081</u>		<u>(3,803,635)</u>		<u>(2,085)</u>	<u>506,416</u>		<u>(76,744)</u>		
											<u>7,115,528</u>		

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

**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**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
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>\$ 39,946,992</u>

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Columbarium and cemetery products	True Dragon Tower columbarium niches and Baisha Bay Memorial Zone	\$ <u>1,035,947</u>	
Funeral services		1,659,453	
	Less: Sales returns and discount	<u>(647)</u>	
Subtotal		<u>1,658,806</u>	
Investment property	Property lease	<u>166,818</u>	
Construction	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	
	Other operating revenues	<u>(732)</u>	
Subtotal		<u>130,278</u>	
Net amount		<u>\$ <u>3,126,233</u></u>	

**LUNGYEN LIFE SERVICE CORP.**

**Statement of operating costs**

**December 31, 2020**

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

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remark</u>
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)**

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>	<u>Remark</u>
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	<u>26,008</u>	<u>44,938</u>	<u>70,946</u>	
	<u>\$ 521,737</u>	<u>494,470</u>	<u>1,016,207</u>	

**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.