

【Translation】

Lungyen Life Service Corp.

2021 Annual General Meeting Minutes

Date and Time: 09:30 a.m., Friday, July 23, 2021

Venue: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan
(the Auditorium of Lungyen's Headquarters)

Number of Attending Shares: Attendance and Proxy total numbered 346,378,227 shares (including 81,043,921 shares attended by electronic means of voting rights), representing 82.45 % of the company's outstanding shares of 420,084,199 shares.

Attending Directors: Chairman KELLY LEE and
the representative of ORIX Asia Capital Limited, Chao, Tristain

Attending Independent Directors: Yeh, Su, Wang-Huai (both attended by video conference)

In attendance: Independent Auditor Chih, Shih-Chin, KPMG
Attorney Du, Ying-Da , Da Zhen Law Firm
Attorney Hsiung, Chuan-Ti , LEE AND LI Attorneys-at-Law

Chairman: Chairman KELLY LEE

Record: Hsu, Kai-Pei

1. Commencement of the Meeting:

Chairman KELLY LEE declared the meeting open as the total number of attending shares had reached statutory number.

2. Message from the Chairman: Omitted here.

3. Matters to Report:

- (1) Report on the apportionment of Directors' and employees' compensation of the year 2020. (Please refer to the Handbook for the 2021 Annual Meeting of Shareholders)
- (2) Report on the 2020 operation results. (Please refer to Appendix)
- (3) Report on the 2020 business report and financial statements audited by the Audit Committee. (Please refer to Appendix)

4. Matters for Ratification

Case 1 (Proposed by the Board of Directors)

Summary: Ratification for the 2020 business report and financial statements is proposed for approval

- Remarks:
1. For the Company's 2020 business report and financial report (including balance sheet, comprehensive income statement, changes in equity and cash flow statement), please refer to Appendix.
 2. Above mentioned financial reports have been audited by KPMG's accountants,

Mr. Chih, Shih-Chin and Ms. Lai, Li-Zhen. (The complete version of the Company's financial report can be downloaded from MOPS website: <http://newmops.twse.com.tw>)

Resolutions: Total attending shares at voting: 346,378,227 shares (including 81,043,921 shares via electronic voting)

Voting Results	% of Total Attending Shares
For : 302,474,806 shares (including 37,454,512 shares via electronic voting)	87.32%
Against : 96,670 shares (including 96,670 shares via electronic voting)	0.02%
Invalid : 0 shares (including 0 shares via electronic voting)	0.00%
Abstain and not voted : 43,806,751 shares (including 43,492,739 shares via electronic voting)	12.64%

Resolved, that the Company's 2020 business report and financial report be and hereby were accepted as submitted.

Case 2

(Proposed by the Board of Directors)

Summary: Ratification for the 2020 profit apportionment is proposed for approval

Remarks:

1. The Company's net income for 2020 was NT\$1,244,562,492. After setting aside the legal reserve, reserving special reserve and adding other equity adjustments, with addition of beginning retained earnings, the unappropriated retained earnings as of December 31, 2020 were NT\$9,721,380,800. Considering the Company's future investment plan, it is proposed to distribute cash dividends of NT\$ 504,101,039 from current profit available for appropriation, which equals NT\$1.2 per share. For the Company's profit distribution table, please refer to Appendix.
2. Cash dividend is distributed prorated with the amount rounded up to the dollar. Also, it is adjusted by a decimal point from large to small and the account number from front to back in order to match up with the total cash dividends distributed.
3. If the outstanding stock shares are affected and that have caused changes to shareholder's dividend ratio due to the Company's repurchasing treasury shares before the Ex-dividend date, the Chairman is authorized in the shareholders' meeting to deal with the correction needed.
4. For the distribution of cash dividend to shareholders, the Chairman is authorized to schedule the ex-dividend date as soon as it is resolved at the shareholders' meeting.
5. Hereby apply for approval.

Resolutions: Total attending shares at voting: 346,378,227 shares (including 81,043,921 shares via electronic voting)

Voting Results	% of Total
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	Attending Shares
For : 302,035,757 shares (including 37,015,463 shares via electronic voting)	87.19%
Against : 565,719 shares (including 565,719 shares via electronic voting)	0.16%
Invalid : 0share (including 0 share via electronic voting)	0.00%
Abstain and not voted : 43,776,751 shares (including 43,462,739 shares via electronic voting)	12.63%

Resolved, that the above proposal be and hereby were accepted as submitted.

5. Matters for Discussion (I)

Case 1

Summary: Discussion of the revision of the Company's Procedure for Election of Directors.

Remarks: 1. In accordance with the provisions of Article 192-1 of the Company Law concerning the election of directors, it is proposed to amend part of the provisions of the Company's "Procedure for Election of Directors ". For the Comparison table for the 'Procedure for Election of Directors' before and after revision, please refer to Appendix.

2. Hereby apply for discussion

Resolutions: Total attending shares at voting: 346,378,227 shares (including 81,043,921 shares via electronic voting)

Voting Results	% of Total Attending Shares
For : 302,445,437 shares (including 37,425,143 shares via electronic voting)	87.31%
Against : 146,765 shares (including 146,765 shares via electronic voting)	0.04%
Invalid : 0 shares (including 0 shares via electronic voting)	0.00%
Abstain and not voted : 43,786,025 shares (including 43,472,013 shares via electronic voting)	12.64%

Resolved, that the above proposal be and hereby were passed as submitted.

6. Election

Case 1

Summary: Election for 7 seats of the Company's 14th Board of Directors (including 3 seats of Independent Directors)

Remarks: 1. The Company's Articles of Incorporation provides that the number of total Directors (including Independent Directors) shall be 5~11. Tenure of the 13th Board of Director ended on June 19, 2021, thus it is proposed to elect 7 seats of the Company's 14th Board of Directors (including 3 seats of Independent Directors) in the Annual

Meeting of Shareholders. The term of new directors (including independent directors) is three years, which is from July 23, 2021 to July 22, 2024. Current Directors (including Independent Directors) will end their duty at the end of the Annual Meeting of Shareholders.

2. The candidate nomination system is adopted for the Company's Director Election in accordance with Article 192-1 of the Company Act. Shareholders shall elect Directors from the candidate list, which has been approved by the Company's 35th Board Meeting of the 13th Board of Directors on May 11, 2021. For candidates' biography and other information, please refer to the table below.
3. Hereby apply for election.

Candidates of Director (including Independent Director):

Candidate Type	Name	Shares Owned	Education and Work Experience	Institution the Candidate Represents For
Director	KELLY LEE	63,000	<p>Educational Background: Columbia Business School, MBA</p> <p>Work Experience: Founder/CEO, Generational Capital Management CEO, UNITED PACIFIC INDUSTRIES Deals Associate, MagiCapital Tax Associate, PriceWaterHouseCoopers</p> <p>Current Position: Chairman and CEO, Lungyen Life Service Corp. 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.</p>	WISH GIVER LIMITED
Director	Lin, Su-Chien	63,000	<p>Educational Background: BA, Department of Hotel Management, Cornell University</p> <p>Work Experience: Vice president, Investment Business Group of Lungyen Life Service Group Vice president, Cemetary Business</p>	WISH GIVER LIMITED

			<p>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</p> <p>Current Position: 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</p>	
Director	Liu, Chiang-Pao	63,000	<p>Educational Background: Master, Institute of Accounting, National Cheng Chi University</p> <p>Work Experience: Parter Accountant, Deloitte</p> <p>Current Position: Independent director and convener of Audit Committee and Remuneration Committee, General Silicones Co., Ltd.</p>	WISH GIVER LIMITED
Director	ORIX Asia Capital Limited	21,000,000	Not applicable	ORIX Asia Capital Limited
Independent Director	Wang, Huai	0	<p>Educational Background: Master of Business Administration, NCCU</p> <p>Work Experience:</p>	None

			<p>Vice President, Champion Venture Vice President & Partner, KPMG Management Consulting Co. Ltd. Chairman, E Century Healthcare Corp. Chairman, New Century Technology Co. Supervisor, CHC Healthcare Holding Supervisor, Supreme Technology Co. Secretary General, Taiwan Corporate Governance Association</p> <p>Current Position: Independent director of PharmaEngine Inc. Director of Taiwan Corporate Governance Association Supervisor of CDIB Bio Science Ventures I, Inc. Independent Director and Convener of Corporate Governance and Nomination Committee, Convener of Remuneration Committee, Lungyen Life Service Corp. Member of Remuneration Committee, PlexBio Co., Ltd.</p>	
Independent Director	Yu, Ying- Chi	0	<p>Educational Background: Master of Business Administration, NCYU</p> <p>Work Experience: Chairman and General Manager, Aspire Park Service Development Co. Ltd. Global Head of Human Resources, Acer Corporation Director/Supervisor/Lecturer, Chinese Human Resources Management Association Senior Consultant/Lecturer ,Aspire Academy</p> <p>Current Position: Independent director of E-life Mall Corporation Representative of institutional supervisor of Antung Trading Co. Ltd. Remuneration Committee member, Lungyen Life Service Corp.</p>	None

			Member of Remuneration Committee of CTI wire and cable	
Independent Director	Chen, Ming-Te	0	<p>Educational Background: Master of Business Administration, NCCU</p> <p>Work Experience: Deputy General Manager of Administration Head Office, Jean Co.Ltd. Lecturer of Yunlin University of Science and Technology and Shih Chien University Lecturer of Special Class for Managers, NCCU Remuneration Committee member, Lungyen Life Service Corp.</p> <p>Current Position: CFO of Supreme Electronics Co., Ltd. Independent Director and member of the Remuneration Committee of COXON Precise Industrial Co., Ltd. Director of Gao Zhao International Co., Ltd.</p>	None

Election Results:

Director Type	Account Number/ID	Account Name	Shares Received
Director	47223	Wish Giver Limited Representative: KELLY LEE	310,338,746 shares
Director	47223	Wish Giver Limited Representative: Lin, Su-Chien	283,266,346 shares
Director	47223	Wish Giver Limited Representative: Liu, Chiang-Pao	274,928,866 shares
Director	44486	ORIX Asia Capital	271,853,043 shares
Independent Director	F10265****	Wang, Hai	271,174,833 shares
Independent Director	C12035****	Yu, Ying-Chi	270,852,235 shares
Independent Director	R12125****	Chen, Ming-Te	269,530,359 shares

7. Matters for Discussion (II)

Case 1

Summary: Proposal for release competition restriction on new Directors

- Remarks:
- Article 209 of the Company Act provides that a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
 - New directors of the Company may invest or operate other company of same or similar business scope and act as Director, thus it is proposed to release competition restriction for the candidate list of the 14th Directors in the Annual Meeting of Shareholders. Details of the removal of competition restriction are listed below.
 - Hereby apply for resolution.

Type of Candidate	Candidate	Company Name and Position the Candidate Concurrently Serves at
Director	WISH GIVER LIMITED Representative: KELLY LEE	Director of Yuji Development Corp. Director of Long Fu Enterprise Co. Ltd. Director of Jin Huang Construction Co., Ltd. Director of Dahan Property Management Co. Ltd. Director of Long Yi Sheng International Development Co. Ltd. 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.
Director	WISH GIVER LIMITED Representative: Lin, Su-Chien	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
Director	WISH GIVER LIMITED	General Silicones Co., Ltd. Independent Director and Convener of Audit Committee and Remuneration Committee

	Representative: Liu, Chiang-Pao	
Independent Director	Wang, Huai	Independent director of PharmaEngine Inc. Director of Taiwan Corporate Governance Association Supervisor of CDIB BioScience Ventures I, Inc. Member of Remuneration Committee, PlexBio Co., Ltd.
Independent Director	Yu, Ying-Chi	Independent director of E-life Mall Corporation Representative of institutional supervisor of Antung Trading Co. Ltd. Member of Remuneration Committee of CTI wire and cable
Independent Director	Chen, Ming-Te	Independent Director and member of the Remuneration Committee of COXON Precise Industrial Co., Ltd. CFO of Supreme Electronics Co., Ltd. Director of Gao Zhao International Co., Ltd.

Resolution: Total attending shares at voting: 346,378,227 shares (including 81,043,921 shares via electronic voting)

Voting Results	% of Total Attending Shares
For : 302,392,370 shares (including 37,372,076 shares via electronic voting)	87.30%
Against : 175,724 shares (including 175,724 shares via electronic voting)	0.05%
Invalid : 0 shares (including 0 shares via electronic voting)	0.00%
Abstain and not voted : 43,810,133 shares (including 43,496,121 shares via electronic voting)	12.64%

Resolved, that the above proposal be and hereby were passed as submitted.

8. Extempore motions:

Questions raised by shareholders:

Shareholder No. 47816 raised inquiries about the progress of constructions and change of management team and contractors. Above inquiries have been explained and answered by the Chairman.

Shareholder No. 54032 raised inquiries the Company's digital transformation and related marketing, future prospects, etc. Above inquiries have been explained and answered by the Chairman.

9. Adjournment (10:11 am, July 23, 2021)

APPENDIX

2020 Business Report

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.

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:

1. Carry out business plan to achieve business target

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

2. Optimize capital allocation to improve financial performance

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

3. Strengthen risk management to solidify business fundamentals

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

4. Improve operational management to enhance corporate value

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

5. Fulfill corporate social responsibility and pursue sustainable operation

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

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

Unit: SET

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

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 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 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

2020 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, individual and consolidated financial reports, of which the individual and consolidated financial reports have been audited by CPA Chih, Shih-Chin and CPA Lai, Li-Zen of KPMG. An audit report for above financial reports has been issued as well.

The business report, individual and consolidated financial reports mentioned above have been audited and concluded to comply with related regulations by the Audit Committee. Hereby we submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2021 Annual Meeting of Shareholders

Convener of the Audit Committee: Yeh, Shu

March 29, 2021

2020 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 proposal for profit apportionment, which has been audited and concluded being complied with related regulations by the Audit Committee. Hereby we submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2021 Annual Meeting of Shareholders

Convener of the Audit Committee: Yeh, Shu

May 11, 2021

**2020 Independent Auditor's Audit Report
and
Consolidated Financial Statements**

INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders
Lungyen Life Service Corp.

Opinion

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

In our opinion, based on our audit results and the audit reports of other accountants (please refer to the other matters paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits of 2020 and 2019 consolidated financial statements in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provided a separate opinion on these matter. Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

1. Revenues Recognition

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

Explanation for key audit matters:

The Company sells columbarium and cemetery products and provides funeral services, prepayments for products and services are paid by cash or installments. Timing of revenues recognition is judged by management team. Besides, as being a listed company, the Company may be affected by external investors and debtors' expectation and internal performance pressure to inflate revenues, which may bring risks to revenues recognition. Therefore, examination on revenues recognition is one of our key audit matters when auditing the Company's consolidated financial reports.

Adaptive auditing processes:

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

2. Goodwill and Goodwill Impairment

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

Explanation of key auditing matters:

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

Adaptive auditing processes:

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

and examine weighted average cost of capital and parameters (e.g. stock price) thereon used in the impairment tests.

Other Matter

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

We also audited the individual financial report of Lungyen Life Service Corp. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion plus other matters paragraph and an unmodified opinion, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA: *Chih, Shih-Chin*

Lai. Li-Zeng

Approval issued by the competent securities authority:

FSC VI. Tzi No. 1020000737

March 29, 2021

Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

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

Assets	12.31.2020		12.31.2019			Liabilities and Equity		12.31.2020		12.31.2019	
	Amount	%	Amount	%		Amount	%	Amount	%		
Current assets:						Current liabilities:					
1100 Cash and cash equivalents (Note 6 (1))	\$ 88,734	-	231,964	-	2100	Short-term loan (Note 6 (12))	\$ -	-	154,300	-	
1110 Financial assets at fair value through profit or loss – current (Note 6 (2) & 9)	5,270,963	8	9,717,723	15	2130	Contract Liability – current (Note 6 (20) & 9)	40,529,122	63	38,999,745	60	
1150 Notes receivable, net (Note 6 (3) & (20))	4,198	-	778	-	2150	Notes payable	6,856	-	7,023	-	
1170 Accounts receivable, net (Note 6 (3) & (20))	9,323,456	15	8,728,644	14	2170	Payable accounts (Note 7)	626,649	1	663,204	1	
1320 Inventory (Note 6(4), 7, & 8)	16,044,615	25	15,703,976	24	2200	Other payable accounts (Note 7)	856,429	1	832,177	2	
1410 Prepayments	226,660	-	215,171	-	2230	Current income tax liabilities (Note 6 (17))	509,308	1	252,002	-	
1460 Non-current assets for sale (net) (Note 6 (5) ,8 & 9)	105,239	-	-	-	2280	Lease liability-current (Note 7)	24,820	-	38,318	-	
1476 Other financial assets – current (Note 6 (12), 8 & 9)	1,674,228	3	2,686,952	4	2310	Advance receipts (Note 10)	914,950	1	892,909	1	
1479 Other current assets (Note 7)	16,794	-	14,048	-	2321	Corporate bonds payable within one year or one business cycle (Note 6 (14))	-	-	3,243,019	5	
1480 Incremental cost of contract acquisition – current (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>	
Non-current assets:						Non-current liabilities:					
1517 Financial assets at fair value through other comprehensive income (Note 6 (2), 8, & 9)	7,221,855	11	4,543,340	7	2570	Deferred income tax liabilities (Note 6 (17))	3,665	-	3,665	-	
1535 Financial assets at amortized cost – non-current (Note 6(2) & 9)	1,228,727	2	1,463,240	2	2640	Net defined benefit liability – non-current (Note 6 (16))	21,018	-	32,601	-	
1550 Investment under equity method (Note 6 (6) & (7))	1,492,433	2	945,905	1	2645	Deposit received	44,584	-	44,135	-	
1600 Property, plant and equipment (Note 6 (8), 7, 8, & 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 (9) & 7)	24,820	-	38,318	-			<u>72,248</u>	<u>-</u>	<u>83,382</u>	<u>-</u>	
1760 Investment property, net (Note 6 (10), 8, & 9)	4,052,472	7	3,864,533	6		Total liabilities	<u>43,548,689</u>	<u>67</u>	<u>45,172,957</u>	<u>69</u>	
1780 Intangible assets (Note 6 (11))	748,121	1	755,937	1	3100	Equity attributable to owners of parent (Note 6(14) & (18))					
1840 Deferred income tax assets (Note 6 (17))	814,838	1	856,719	1	3200	Capital stock – common stock	4,200,842	7	4,200,842	7	
1980 Other financial assets – non-current (Note 7)	278,127	-	351,002	1	3310	Capital surplus	2,519,954	4	2,519,954	4	
1990 Other non-current assets - others	1,073,336	2	786,162	1	3320	Retained earnings:					
	23,092,137	36	19,683,314	30	3350	Legal reserve	2,053,954	3	1,498,055	2	
					3320	Special reserve	156,696	-	-	-	
					3350	Unappropriated retained earnings	9,693,988	16	10,373,806	16	
					3400	Other equity interest	298,625	-	(156,696)	-	
Total Assets	<u>\$ 64,106,062</u>	<u>100</u>	<u>65,106,808</u>	<u>100</u>	36xx	Total equity attributable to owners of parent	18,924,059	30	18,435,961	29	
						Non-controlling interest (Note 6 (7) & (18))	1,633,314	3	1,497,890	2	
						Total Equity	<u>20,557,373</u>	<u>33</u>	<u>19,933,851</u>	<u>31</u>	
						Total liabilities and equity	<u>\$ 64,106,062</u>	<u>100</u>	<u>65,106,808</u>	<u>100</u>	

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

For Year Ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6 (5), (15), (20) & 7)	\$ 3,663,507	100	4,559,348	100
5000	Operating cost (Note 6 (15) & 7)	<u>1,190,830</u>	<u>33</u>	<u>1,343,202</u>	<u>29</u>
5900	Operating gross profit (loss)	<u>2,472,677</u>	<u>67</u>	<u>3,216,146</u>	<u>71</u>
Operating expenses (Note 6 (16),(21) & 7) :					
6100	Selling expenses	631,187	17	617,805	14
6200	Administration expenses	522,149	14	612,176	13
6450	Expected credit losses	<u>13,657</u>	<u>-</u>	<u>16,491</u>	<u>-</u>
6000		<u>1,166,993</u>	<u>31</u>	<u>1,246,472</u>	<u>27</u>
6500	Other income and expenses (Note 6 (22))	<u>131,392</u>	<u>5</u>	<u>139,337</u>	<u>3</u>
6900	Operating income	<u>1,437,076</u>	<u>41</u>	<u>2,109,011</u>	<u>47</u>
Non-operating income and expenses (Note 6(6), (23) & 7) :					
7100	Interest income	98,849	3	109,958	2
7010	Other income	210,850	6	488,497	11
7020	Other gains and losses	(18,906)	(1)	41,450	1
7050	Financial costs	(27,973)	(1)	(72,122)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	33,420	1	(52,289)	(1)
		<u>296,240</u>	<u>8</u>	<u>515,494</u>	<u>11</u>
7900	Operating income before tax	1,733,316	49	2,624,505	58
7950	Less: Income tax expense (Note 6 (17))	<u>353,590</u>	<u>10</u>	<u>254,163</u>	<u>6</u>
	Net income	<u>1,379,726</u>	<u>39</u>	<u>2,370,342</u>	<u>52</u>
8300	Other comprehensive income:				
8310	Items that may not be subsequently reclassified to profit or loss:				
8311	Defined benefit obligation (Note 6(16))	98	-	(1,528)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	450,188	12	2,712,233	60
8349	Less: Income tax related to non-reclassified items (Note 6 (17))	<u>41,945</u>	<u>1</u>	<u>(164,770)</u>	<u>(4)</u>
	Total items that may not be subsequently reclassified to profit or loss	<u>492,231</u>	<u>13</u>	<u>2,545,935</u>	<u>56</u>
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of foreign statements	(54,477)	(1)	(20,898)	-
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	9,165	-	66,432	1
8370	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	57,213	2	(8,830)	-
	Total items that may be subsequently reclassified to profit or loss	<u>11,901</u>	<u>1</u>	<u>36,704</u>	<u>1</u>
8300	Other comprehensive income, net	<u>504,132</u>	<u>14</u>	<u>2,582,639</u>	<u>57</u>
	Total comprehensive income	<u>\$ 1,883,858</u>	<u>53</u>	<u>4,952,981</u>	<u>109</u>
Net income, attributable to:					
8610	Owners of parent	\$ 1,244,562	35	2,302,871	51
8620	Non-controlling interest	<u>135,164</u>	<u>4</u>	<u>67,471</u>	<u>1</u>
		<u>\$ 1,379,726</u>	<u>39</u>	<u>2,370,342</u>	<u>52</u>
Total comprehensive income, attributable to:					
8710	Owners of parent	\$ 1,748,351	49	4,882,142	107
8720	Non-controlling interest	<u>135,507</u>	<u>4</u>	<u>70,839</u>	<u>2</u>
		<u>\$ 1,883,858</u>	<u>53</u>	<u>4,952,981</u>	<u>109</u>
Earnings per share (Note 6 (19))					
9750	Basic earnings per share (NTD)	<u>\$ 2.96</u>		<u>5.48</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 2.88</u>		<u>4.93</u>	

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
For Year of 2020 and 2019

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Capital Stock		Retained Earnings				Exchange differnces	Others		Total equity attributable to owners of parent	Non- controlling interests	Total equity
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropri- ated Earnings	Total	on foreign translation	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Total			
Balance – January 1, 2019	\$ 4,200,842	2,519,954	1,280,001	-	6,293,123	7,573,124	(24,815)	713,268	688,453	14,982,373	1,490,620	
Net income	-	-	-	-	2,302,871	2,302,871	-	-	-	2,302,871	67,471	2,370,342
Other comprehensive income	-	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	2,580,799	2,579,271	3,368	2,582,639
Total comprehensive income	-	-	-	-	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 on ordinary shares (NTD\$3.0 per share)	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)	-	(1,260,253)
Changes in ownership interest in subsidiaries	-	-	-	-	(3,531)	(3,531)	-	-	-	(3,531)	3,531	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	3,261,178	3,261,178	-	(3,425,948)	(3,425,948)	(164,770)	-	(164,770)
Obtaining subsidiary equity from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(67,100)	(67,100)
Balance –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
Net income	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562	135,164	1,379,726
Other comprehensive income	-	-	-	-	98	98	2,736	500,955	503,691	503,789	343	504,132
Total comprehensive income	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351	135,507	1,883,858
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$3.0 per share)	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)	(83)	(1,260,336)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	48,370	48,370	-	(48,370)	(48,370)	-	-	-
Balance –December 31, 2020	\$ 4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059	1,633,314	20,557,373

Appendix 3: 2020 Independent Auditors' Report
and consolidated financial statements
Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2020 and 2019
(expressed in thousands of New Taiwan dollars)

	2020	2019
Cash flows from (used in) operating activities		
Profit (loss) before tax	\$ 1,733,316	2,624,505
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	146,450	142,174
Amortization expense	12,637	16,100
Allowance for bad debt	13,657	16,491
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(55,747)	(75,311)
Interest expense	27,973	72,122
Interest revenue	(264,476)	(287,052)
Dividend income	(130,169)	(332,984)
Loss (gain) on affiliates under equity method	(33,420)	52,289
Gain on disposal of non-current assets for sale (investment property)	(22,486)	(834,167)
Loss (gain) on disposal and scrap of property, plant and equipment	(160)	(2,534)
Loss (gain) on disposal of investment under equity method	-	(2,331)
Exchange loss (profit) on financial assets at fair value through other comprehensive income	56,543	31,986
Loss on disposal of financial assets at fair value through other comprehensive income	(24,064)	(3,444)
Total adjustments to reconcile profit (loss)	(273,262)	(1,206,661)
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets at fair value through income	2,041,374	(4,035,230)
Decrease in notes receivable	(3,420)	5,567
(Increase) Decrease in account receivable	(608,287)	34,025
Increase in inventories	(340,733)	(263,212)
Decrease in prepayments	(11,489)	40,160
Disposal of non-current assets for sale (investment property)	56,488	3,406,853
Increase in other financial assets	(30,633)	(59,305)
Increase in other current assets	(2,746)	(6,450)
Increase (Decrease) in incremental cost of contract acquisition	(137,934)	(153,341)
Increase (Decrease) in contract liabilities	1,529,377	1,244,725
Increase in notes payable and accounts payable	(36,722)	45,366
Increase in other payable	28,759	1,212
Increase in advance receipts	22,041	58,518
Decrease in other current liabilities	1,428	(954)
Increase in defined benefits liabilities	(11,485)	387
Total net change in assets and liabilities related to operations	2,496,018	318,321
Total Adjustments	2,222,756	(888,340)
Cash inflow generated from operations	3,956,072	1,736,165
Interest received	270,355	251,143
Dividend received	126,612	332,984
Interest paid	(147,569)	(9,185)
Income taxes (paid)	(12,455)	(426,488)

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

Year Ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollars)

	<u>2020</u>	<u>2019</u>
Net cash flows from (used in) operating activities	4,193,015	1,884,619
Cash flows from (used in) investment activities		
Acquisition of financial assets at fair value through other comprehensive income	(6,137,341)	(1,484,960)
Disposal of financial assets at fair value through other comprehensive income	3,883,617	9,574,028
Acquisition of financial assets at amortized cost	-	(530,342)
Repayment of financial assets at maturity measured at amortized cost	225,000	75,000
Acquisition of financial assets measured at fair value through profit and loss	-	(4,080,000)
Disposal of financial assets measured at fair value through profit and loss	2,462,273	-
Acquisition of investment under equity method	(505,950)	(46,563)
Disposal of investment under equity method	-	231,912
Acquisition of property, plant and equipment	(537,738)	(374,293)
Disposal of property, plant and equipment	325	2,657
Acquisition of intangible assets	(4,821)	(14,311)
Acquisition of investment property	(5,762)	(1,010)
Decrease (Increase) in other financial assets - current	1,039,722	(509,730)
Decrease (Increase) in other financial assets - non current	72,874	(295,165)
Decrease (Increase) of other non-current assets	<u>(283,247)</u>	<u>(12,502)</u>
Net cash flows from (used in) investing activities	<u>208,952</u>	<u>2,534,721</u>
Cash flow from (used in) financing activities:		
Increase in short-term loans	31,500	13,038,258
Decrease in short-term loans	(185,800)	(16,049,258)
Repayment of corporate debt	(3,113,000)	-
Increase in guarantee deposits	449	(27,407)
Repayment of lease principal	(13,697)	(13,670)
Cash dividends	(1,260,336)	(1,260,253)
Change in non-controlling interests	-	(67,100)
Net cash flows from (used in) financing activities	<u>(4,540,884)</u>	<u>(4,379,430)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	(4,313)	(1,948)
Net (decrease) increase in cash and cash equivalents	(143,230)	37,962
Cash and cash equivalents at beginning of period	<u>231,964</u>	<u>194,002</u>
Cash and cash equivalents at end of period	<u>\$ 88,734</u>	<u>231,964</u>

**2020 Independent Auditor's Audit Report
and
Individual Financial Statements**

INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders

Lungyen Life Service Corp.

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

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provided a separate opinion on these matter. Key audit matters for the Company's financial statements for the year ended December 31, 2020 are stated as follows:

1. Revenues Recognition

Accounting policies regarding revenues recognition can be found Notes 4 (17) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (18) Revenues.

Explanation for key audit matters:

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

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

Adaptive auditing processes:

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

2. Goodwill and Goodwill Impairment

Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (15) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (10) of the individual financial report.

Explanation of key auditing matters:

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

Adaptive auditing processes:

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

Other Matter

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

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

Management's Responsibility for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee of the Company are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Appendix 4: 2020 Independent Auditor's Audit Report
and individual financial statements

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Appendix 4: 2020 Independent Auditor's Audit Report
and individual financial statements

KPMG

CPA: *Chih, Shih-Chin*

Lai, Li-Zeng

Approval issued by the competent securities authority:
FSC VI. Tzi No. 1020000737
March 29, 2021

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

January 1 to December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (Note 6 (13) & (18))	\$ 3,126,233	100	4,027,197	100
5000 Operating cost (Note 6 (13))	<u>1,159,092</u>	37	<u>1,146,307</u>	28
5900 Operating gross profit (loss)	<u>1,967,141</u>	63	<u>2,880,890</u>	72
Operating expenses:				
6100 Selling expenses	521,737	17	544,225	14
6200 Administration expenses (Note 6 (19) & 7)	494,470	16	539,521	13
6450 Expected credit impairment loss (gain) (Note 6 (3))	<u>4,451</u>	-	<u>16,491</u>	-
6000 Total operating expenses	<u>1,020,658</u>	33	<u>1,100,237</u>	27
6500 Other income and expenses (Note 6(20))	<u>120,365</u>	4	<u>129,021</u>	3
6900 Operating income (loss)	<u>1,066,848</u>	34	<u>1,909,674</u>	48
Non-operating income and expenses:				
7100 Interest income (Note 6 (21) & 7)	88,579	3	98,878	3
7010 Other income (Note 6 (21) & 7)	256,531	8	494,057	12
7020 Other gains and losses (Note 6(2) & (21))	(19,125)	-	41,269	1
7050 Financial costs (Note 6 (21) & 7)	(22,486)	(1)	(69,663)	(2)
7070 Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (6))	<u>196,193</u>	6	<u>49,761</u>	1
	<u>499,692</u>	16	<u>614,302</u>	15
7900 Operating income before tax	1,566,540	50	2,523,976	63
7950 Less: Income tax expense (Note 6 (15))	<u>321,978</u>	10	<u>221,105</u>	5
Net income	<u>1,244,562</u>	40	<u>2,302,871</u>	58
8300 Other comprehensive income:				
8310 Items that may not be subsequently reclassified to profit or loss:				
8311 Revaluation of defined benefit plans (Note 6 (14))	98	-	(1,528)	-
8316 Unrealized loss on investments in equity instruments at fair value through other comprehensive income	449,438	15	2,704,843	67
8330 Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may not be reclassified to profit or loss	407	-	4,022	-
8349 Less: Income tax related to non-reclassified items (Note 6 (15))	<u>41,945</u>	1	<u>(164,770)</u>	(4)
Total items that may not be subsequently reclassified to profit or loss	<u>491,888</u>	16	<u>2,542,567</u>	63
8360 Items that may be subsequently reclassified to profit or loss:				
8361 Exchange differences on translation of foreign statements	(54,477)	(2)	(20,898)	(1)
8367 Unrealized loss on investments in liability instruments at fair value through other comprehensive income	9,165	-	66,432	2
8380 Share of other comprehensive profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	57,213	2	(8,830)	-
8399 Less: Income tax related items that may be reclassified	-	-	-	-
Total items that may be subsequently reclassified to profit or loss	<u>11,901</u>	-	<u>36,704</u>	1
8300 Other comprehensive income, net	<u>503,789</u>	16	<u>2,579,271</u>	64
Total comprehensive income	<u>\$ 1,748,351</u>	<u>56</u>	<u>4,882,142</u>	<u>122</u>
Earnings per share (Note 6(17))				
9750 Basic earnings per share (NTD)	<u>\$ 2.96</u>		<u>5.48</u>	
9850 Diluted earnings per share (NTD)	<u>\$ 2.88</u>		<u>4.93</u>	

Lungyen Life Service Corp. and Subsidiaries
Individual Statements of Changes in Equity
For Year of 2020 and 2019

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal reserve	Retained Earnings		Total	Exchange differences on foreign translation	Others	Total	Total equity
				Unappropriated Earnings	Unrealized gain (loss) on financial assets at fair value through other comprehensive income					
Balance – January 1, 2019	\$ 4,200,842	2,519,954	1,280,001	-	6,293,123	7,573,124	(24,815)	713,268	688,453	14,982,373
Net income	-	-	-	-	2,302,871	2,302,871	-	-	-	2,302,871
Other comprehensive income	-	-	-	-	(1,528)	(1,528)	(29,728)	2,610,527	2,580,799	2,579,271
Total comprehensive income	-	-	-	-	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 on ordinary shares (NTD\$3.0 per share)	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)
Changes in ownership interest in subsidiaries	-	-	-	-	(3,531)	(3,531)	-	-	-	(3,531)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	3,261,178	3,261,178	-	(3,425,948)	(3,425,948)	(164,770)
Balance – 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
Net income	-	-	-	-	1,244,562	1,244,562	-	-	-	1,244,562
Other comprehensive income	-	-	-	-	98	98	2,736	500,955	503,691	503,789
Total comprehensive income	-	-	-	-	1,244,660	1,244,660	2,736	500,955	503,691	1,748,351
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	555,899	-	(555,899)	-	-	-	-	-
Special reserve	-	-	-	156,696	(156,696)	-	-	-	-	-
Cash dividends on ordinary shares (NTD\$3.0 per share)	-	-	-	-	(1,260,253)	(1,260,253)	-	-	-	(1,260,253)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	47,164	47,164	-	(47,164)	(47,164)	-
Disposal of equity instruments at fair value through other comprehensive income of subsidiaries	-	-	-	-	1,206	1,206	-	(1,206)	(1,206)	-
Balance – December 31, 2020	\$ 4,200,842	2,519,954	2,053,954	156,696	9,693,988	11,904,638	(51,807)	350,432	298,625	18,924,059

Lungyen Life Service Corp.

Statements of Cash Flows

For The Twelve Months Ended December 31, 2020 and 2019

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

	2020	2019
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,566,540	2,523,976
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	136,532	130,332
Amortization expense	12,637	16,100
Allowance for doubtful accounts	4,451	16,491
Net loss (gain) on 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 associates and joint ventures accounted for using equity method	(196,193)	(49,761)
Loss (gain) on disposal and scrap of property, plant and equipment	(83)	(2,534)
Loss (gain) on disposal of non-current assets for sale (investment property)	(22,486)	(834,167)
Disposal of investment gains (losses)	-	(2,331)
Exchange (profit) loss on financial assets at fair value through other comprehensive income	56,543	31,986
Loss on disposal of financial assets at fair value through other comprehensive income	(24,064)	(3,444)
Total adjustments to reconcile profit (loss)	(434,712)	(1,296,271)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through income	2,183,781	(4,304,065)
Notes receivable and account receivable, net	(422,965)	34,577
Inventories	(228,260)	(133,831)
Prepayments	(3,992)	38,991
Other financial assets - current	(35,918)	27,200
Other current assets	(5,004)	(4,764)
Incremental cost of contract acquisition	(116,098)	(111,624)
Disposal of non-current assets for sale (investment property)	56,488	3,406,853
Total net changes in operating assets	1,428,032	(1,046,663)
Net changes in operating liabilities:		
Contract liability	1,338,786	1,086,056
Notes payable and accounts payable (including related parties)	(49,174)	90,809
Other payable	5,716	17,636
Advance receipts	1,788	37,850
Other current liabilities	(600)	4,976
Net defined benefit liabilities	(11,485)	387
Total net changes in operating liabilities	1,285,031	1,237,714
Total net changes in operating assets and liabilities	2,713,063	191,051
Total adjustments	2,278,351	(1,105,220)
Cash inflow (outflow) generated from operations	3,844,891	1,418,756
Interest received	249,060	229,748

Lungyen Life Service Corp.

Consolidated Statements of Cash Flows (Cont.)

For The Twelve Months Ended December 31, 2020 and 2019

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

	2020	2019
Dividend received	126,969	327,869
Interest paid	(140,701)	(5,961)
Income taxes paid	(11,523)	(344,260)
Net cash flows from (used in) operating activities	4,068,696	1,626,152
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(6,038,082)	(1,484,960)
Disposal of financial assets at fair value through other comprehensive income	3,800,084	9,574,028
Acquisition of financial assets at amortized cost	-	(530,342)
Repayment of financial assets at maturity measured at amortized cost	225,000	75,000
Acquisition of financial assets measured at fair value through profit or loss	-	(4,080,000)
Disposal of financial assets measured at fair value through profit or loss	2,462,273	-
Acquisition of investment under equity method	(457,897)	(46,563)
Disposal of investment under equity method	-	231,912
Returned capital of liquidation of invested companies under equity method	-	127
Acquisition of property, plant and equipment	(533,882)	(364,341)
Disposal of property, plant and equipment	95	2,657
Acquisition of intangible assets	(4,821)	(12,930)
Cash inflows from mergers	-	1,456
Acquisition of investment real estate	(5,762)	(1,010)
Decrease (increase) in other financial assets - current	1,047,216	(526,416)
Decrease (increase) in other financial assets - non current	4,696	(3,752)
Acquisition of other non-current assets	(283,247)	(12,502)
Net cash flows from (used in) investing activities	215,673	2,822,364
Cash flow from (used in) financing activities:		
Increase in short-term loans	-	11,682,500
Decrease in short-term loans	-	(14,790,000)
Repayment of corporate debt	(3,113,000)	-
Increase (decrease) in guarantee deposits received	449	(27,407)
Payment of lease principal	(13,697)	(13,670)
Payment for cash dividends	(1,260,253)	(1,260,253)
Net cash flows from (used in) financing activities	(4,386,501)	(4,408,830)
Net increase (decrease) in cash and cash equivalents	(102,132)	39,686
Cash and cash equivalents at beginning of period	147,352	107,666
Cash and cash equivalents at end of period	\$ 45,220	147,352

Lungyen Life Service Corp.
2020 Appropriation of Earnings

In NT\$

Item	Amount
Balance – January 1, 2020	8,400,957,987
Add(deduct) :	
Current net income	1,244,562,492
Current change of defined benefit plan actuarial gains and losses	97,546
Disposal of equity instrument investments measured at fair value through other comprehensive income, cumulative gains and losses transferred directly to retained earnings	48,370,312
Legal reserve (10% of total earnings)	(129,303,035)
Special reserve	156,695,498
Earnings available for appropriation for 2020	9,721,380,800
Appropriation:	
Cash dividends (estimate to be NT\$1.2 per share)	(504,101,039)
Balance – December 31, 2020	9,217,279,761

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

Comparison Table for the “Procedure for Election of Directors” Before and After Revision

Article	After the Revision	Before the Revision	Remarks
4	The Company’s Directors shall be elected by nomination in accordance with Article 192-1 of the Company Act.	The Company’s <u>Independent</u> Directors shall be elected by nomination in accordance with Article 192-1 of the Company Act.	Revised in accordance with Company Act and the Company’s articles of association.
9	(Deleted)	If the candidate is a shareholder, the elector is to state the candidate name and shareholder account number in the candidate column on the ballot. If the candidate is not a shareholder, the name and identity document number of the candidate should be detailed. If the candidate is a government or institutional shareholder, the name/title of the government or institutional shareholder should be filled in the candidate column on the ballot, including the name of the representative(s) of the government or institutional shareholder in detail.	In accordance with the Company Act, the election of directors and supervisors of listed companies should adopt a candidate nomination system. Shareholders can learn the names, academic experience and other information of the candidates from the list of candidates before the shareholders’ meeting. The way to identify the candidate's identity by ID or shareholder account number is not necessary, so this article is deleted.
10	Ballots that are found with any of the following are invalid: (1) Ballots as defined in accordance with the “Procedure for Election of Directors” are not used. (2) Blank ballots are cast into the ballot box. (3) Ballots are illegible or altered. (4) The candidates <u>filled in</u> are found to be inconsistent. (5) Ballots, in addition to assigned number of suffrage, are found with	Ballots that are found with any of the following are invalid: (1) Ballots as defined in accordance with the “Procedure for Election of Directors” are not used. (2) Blank ballots are cast into the ballot box. (3) Ballots are illegible or altered. (4) <u>If the candidate is a shareholder, the account name and shareholder account number are</u> <u>inconsistent with the Register of</u>	In accordance with the Company Act that the election of directors and supervisors of listed companies should adopt a candidate nomination system, shareholders should elect from the list of director candidates, so paragraphs 4 and 5

Appendix 6: Comparison Table for the “Procedure for Election of Directors” before and after Revision

Article	After the Revision	Before the Revision	Remarks
	other texts written.	<p><u>Shareholders. If the candidate is not a shareholder, the name and identity document number are found to be inconsistent.</u></p> <p><u>(5) Ballots, in addition to the candidate account name (name) or shareholder account number (identity document number) and assigned number of suffrage, are found with other texts written.</u></p> <p><u>(6) The candidate name filled in the ballots is same as other shareholders and without the shareholder account number or identity document available for identification.</u></p>	<p>of this article are adjusted, and paragraph 6 is deleted.</p>