

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.)

Financial Statements

For The Years Ended December 31, 2010 and 2011

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Independent Auditor's Audit Report

To the Board of Directors of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.):

We have audited the balance sheets of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) as of December 31, 2010 and 2011, and the related statements of income, statements of changes in shareholders' equity and statements of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of some investees of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) evaluated under equity method were audited by other auditors. All amounts related to investment income and the information about the investees presented in the foregoing financial statements were accounted for on the basis of the investee's financial statement audited by other auditors. The long-term equity investment under equity method of said investees was NT\$29,305 thousand on December 31, 2011, accounting for 0.08% of the consolidated total assets. The investment loss, net recognized in 2011, was NT\$394 thousand, accounting for 0.02% of the consolidated net income before income tax.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) of December 31, 2010 and 2011, and the results of their operations and cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

(English Translation of Financial Report Originally Issued in Chinese)

As stated in Note 1 of Financial Statements, Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) has been consolidated with Lungyen Life Service Co., Ltd. upon resolution made by the temporary shareholders' meeting on October 12, 2010. The consolidation was completed on February 1, 2011. The surviving company upon consolidation was Lungyen Life Service Corp. (formerly known as Dahan Development Corp.), and the company was renamed Lungyen Life Service Corp. Lungyen Life Service Corp. also provided the pro forma financial statements for 2010 in Note 10.

Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) has prepared its consolidated financial statements for 2010 and 2011, and we also expressed revised unqualified opinions and unqualified opinions in our auditor's reports for reference.

KPMG

CPA:

Approval Document issued by the competent securities authority: (2000) Tai-Tsai-Chen (6) No. 62474
(1999) Tai-Tsai-Chen (6) No. 18311
March 19, 2012

Independent Auditor's Audit Report

To Board of Directors of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.):

We have audited the balance sheets of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) as of December 31, 2010 and 2011, and the related statements of income, statements of changes in shareholders' equity and statements of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of some investees of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) evaluated under equity method were audited by other auditors. All amounts related to investment income and the information about the investees presented in the foregoing financial statements were accounted for on the basis of the investee's financial statement audited by other auditors. The long-term equity investment under equity method of said investees was NT\$29,305 thousand on December 31, 2011, accounting for 0.08% of the consolidated total assets. The investment loss, net recognized in 2011, was NT\$394 thousand, accounting for 0.02% of the consolidated net income before income tax.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) of December 31, 2010 and 2011, and the results of their operations and cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 1 of Financial Statements, Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) has been consolidated with Lungyen Life Service Co., Ltd. upon resolution made by the temporary shareholders' meeting on October 12, 2010. The consolidation was completed on February 1, 2011. The surviving company upon consolidation was Lungyen Life Service Corp. (formerly known as Dahan Development Corp.), and the company was renamed Lungyen Life Service Corp. Lungyen Life Service Corp. also provided the pro forma financial statements for 2010 in Note 10.

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The statement of important accounting titles of the financial statement for 2011 was provided to supplement the analysis only and has been audited by us in accordance with the procedure referred to in Paragraph 2 herein. In our opinion, the statement of such titles is consistent with the relevant information provided in the financial statement referred to in Paragraph 1 herein in all material respects.

Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) has prepared its consolidated financial statements 2010 and 2011, and we also expressed revised unqualified opinions and unqualified opinions in our auditor's reports for reference.

KPMG

CPA:

Approval Document issued by the competent securities authority: (2000) Tai-Tsai-Chen (6) No. 62474
March 19, 2012 (1999) Tai-Tsai-Chen (6) No. 18311

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.

(Formerly Known as Dahan Development Corp.)

Balance Sheet

For The Years Ended December 31, 2010 and 2011

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

	12.31.2011		12.31.2010			12.31.2011		12.31.2010		
	Amount	%	Amount	%		Amount	%	Amount	%	
Assets						Liabilities and shareholders' equity				
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (Note 4(1))	\$ 413,762	1	10,419	-	2100 Short-term loan (Note 4(12))	\$ 3,040,000	8	-	-	
1120 Receivable notes and accounts, net (Note 7(7))	121,851	-	1,434	-	2120 Payable notes and accounts, net	252,425	1	107,077	2	
1310 Financial assets at fair value through profit or loss – current (Notes 4(2) and (6))	623,890	2	278,933	6	2130 Payable accounts – related parties (Note 5)	47,864	-	13,255	-	
1190 Other financial assets – current (Note 5 and 7)	1,176,355	3	26,082	1	2160 Payable income tax (Note 4(16))	311,958	1	-	-	
1221 Building and land held for sale (Note 4(3))	8,810	-	26,459	1	2170 Payable expenses (Note 4(19))	180,306	-	26,448	1	
1222 Columbarium and Cemetery for sale (Note 4(3))	1,804,939	5	-	-	2210 Other payables (Note 5)	132,971	-	-	-	
1223 Construction land (Notes 4(4) and (6))	1,094,244	3	625,040	13	2262 Advance receipts for real estate (Note 4(13) and 7)	1,010	-	-	-	
1224 Construction in process (Notes 4(5), 5, 6 and 7)	6,871,121	18	881,730	18	2263 Advance receipts (Notes 4(14), 5 and 7)	26,353,108	70	-	-	
1225 Land prepayment (Notes 4(6) and 7)	484,013	1	136,674	3	2280 Other current liabilities	23,114	-	209	-	
1285 Deferred marketing expenses (Note 4(7))	8,878,656	23	-	-		30,342,756	80	146,989	3	
1291 Restricted (Note 6)	195,922	1	184,976	4						
1298 Other current assets (Note 4(16))	158,999	1	38,339	1	Other liabilities:					
	21,832,562	58	2,210,086	47	2810 Accrued pension liabilities (Note 4(15))	19,459	-	-	-	
Fund and long-term investment:					2820 Deposit received	46,075	-	-	-	
1421 Long-term equity investment under the equity method (Note 4(8))	1,722,407	5	2,479,621	53		65,534	-	-	-	
1480 Financial assets carried at cost – non-current (Note 4(2))	65,471	-	-	-	Total liabilities	30,408,290	80	146,989	3	
1440 Other financial assets – non-current (Note 5)	59,271	-	15,626	-						
	1,847,149	5	2,495,247	53	Shareholders' equity (Notes 4(8), 4(16), 4(17), 4(18) and 4(19)):					
Property, plant and equipment (Notes 4(5), (9), 5, 6 and 7):					Capital stock:					
1501 Land	2,671,636	7	-	-	Common stock	3,990,842	11	3,821,593	81	
1521 House and building	714,976	2	-	-	Capital surplus:					
1531 Office equipments	90,428	-	1,274	-	Common stock premium	1,392,072	4	-	-	
1551 Transportation equipment	45,750	-	-	-	Long-term investment	59,736	-	389	-	
1552 Other equipments	33,710	-	3,197	-		1,451,808	4	389	-	
1553 Assets rented to others	8,001,689	21	-	-	Retained earnings:					
1621 Leased assets	30,035	-	-	-	Legal reserve	77,142	-	-	-	
1631 Leasehold improvement	821	-	-	-	Special reserve	26,009	-	-	-	
1671 Unfinished construction	1,076,935	3	-	-	Unappropriated earnings	1,930,921	5	771,421	16	
1672 Advance receipts for real estate and equipment	36,534	-	-	-		2,034,072	5	771,421	16	
	12,702,514	33	4,471	-	Other shareholders' equity:					
15X9 Less: accumulated depreciation	(634,625)	2	(3,823)	-	Accumulated translation adjustment	(13,851)	-	(26,009)	-	
	12,067,889	31	648	-	Unrealized loss from financial assets	(301)	-	-	-	
Intangible assets (Note 4(10)):					Total shareholders' equity	7,462,570	20	4,567,394	97	
1710 Trademark right	192,750	1	-	-						
1760 Goodwill	542,428	1	-	-	Significant undertakings or contingencies (Note 7)					
	735,178	2	-	-	Total liabilities and shareholders' equity	\$ 37,870,860	100	4,714,383	100	
Other assets:										
1860 Deferred income tax assets – non-current (Note 4(16))	561,915	2	-	-						
1880 Other deferred expenses	46,475	-	-	-						
1888 Other assets – others (Notes 4(11) and 6)	779,692	2	8,402	-						
	1,388,082	4	8,402	-						
Total assets	\$ 37,870,860	100	4,714,383	100						

(The accompanying notes are an integral part of the financial statements.)

Chairman:

General Manager:

Chief Accountant:

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Lungyen Life Service Corp.
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Income Statement

For The Years Ended December 31, 2010 and 2011

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

		2011		2010	
		Amount	%	Amount	%
4000	Operating revenue (Note 5):				
4511	Construction revenue	\$ 431,682	11	292,664	100
4310	Leasehold revenue	169,570	4	-	-
4700	Columbarium and Cemetery revenue	2,457,575	59	-	-
4710	Funeral service revenue	1,050,752	25	-	-
4881	Other operating revenue	62,319	1	-	-
		4,171,898	100	292,664	100
5000	Operating cost (Note 4(3) and 5):				
5510	Construction cost	170,354	4	248,275	85
5310	Leasehold cost	109,538	3	-	-
5690	Columbarium and Cemetery cost	258,698	6	-	-
5691	Funeral service cost	677,996	16	-	-
5800	Other operating costs	22,952	1	-	-
		1,239,538	30	248,275	85
5910	Gross profit	2,932,360	70	44,389	15
6000	Operating expenses:				
6100	Selling expenses	838,553	20	2,155	1
6200	General and administrative expenses (Note 4(19) and 5)	333,788	8	59,264	20
		1,172,341	28	61,419	21
6900	Operating profit (loss)	1,760,019	42	(17,030)	(6)
7100	Non-operating revenue and gain:				
7110	Interest revenue	2,612	-	54	-
7121	Income from investment under the equity method (Note 4(8))	49,929	1	881,121	301
7122	Stock dividend revenue	29,728	1	-	-
7130	Gain from disposal of Property, plant and equipment	-	-	175	-
7170	Revenue from counter-party default	215,789	5	-	-
7210	Rent revenue (Note 5):	-	-	1,961	1
7310	Gain on valuation of financial assets (Note 4(2))	-	-	929	-
7480	Miscellaneous revenues (Note 5)	18,598	-	8,204	3
		316,656	7	892,444	305
7500	Non-operating expenses and losses:				
7510	Interest expenses (Note 4(5))	17,758	-	-	-
7530	Loss from disposal of Property, plant and equipment	30,029	1	-	-
7640	Loss on valuation of financial assets (Note 4(2))	10,691	-	-	-
7560	Exchange loss	1,290	-	-	-
7880	Miscellaneous expenses	16,568	-	780	-
		76,336	1	780	-
7900	Continuing operating income before tax	2,000,339	48	874,634	299
8110	Income tax expense (Note 4(16))	139,062	3	-	-
9600	Net income	\$ 1,861,277	45	874,634	299
		Before Tax	After Tax	Before Tax	After Tax
9750	Basic earnings per share (NTD) (Note 4(20))	\$ 5.03	4.68	2.33	2.33
9850	Diluted earnings per share (NTD) (Note 4(20))	\$ 5.03	4.68	2.33	2.33

(The accompanying notes are an integral part of the financial statements.)

Chairman:

General Manager:

Chief Accountant:

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Lungyen Life Service Corp.
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Statement of Changes in Shareholders' Equity

For The Years Ended December 31, 2010 and 2011

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

	Common stock	Capital surplus	Retained earnings			Other shareholders' equity adjustment:		Total
			Legal reserve	Special reserve	Unappropriated earnings	Accumulated translation adjustment	Unrealized loss from financial assets	
Balance – January 1, 2010	\$ 3,072,350	-	60,106	-	(989,736)	-	-	2,142,720
Long-term investment acquired by issuance of new shares	749,243	826,417	-	-	-	-	-	1,575,660
Loss covered by capital surplus	-	(826,417)	-	-	826,417	-	-	-
Loss covered by legal reserve	-	-	(60,106)	-	60,106	-	-	-
Net profit 2010	-	-	-	-	874,634	-	-	874,634
Decrease/increase in net value of investee's equity under equity method	-	389	-	-	-	(26,009)	-	(25,620)
Balance – December 31, 2010	3,821,593	389	-	-	771,421	(26,009)	-	4,567,394
Issuance of new shares upon consolidation	169,249	1,392,072	-	-	-	-	-	1,561,321
Net profit in 2011	-	-	-	-	1,861,277	-	-	1,861,277
Allocation of earnings in 2010 (note):								
Legal reserve	-	-	77,142	-	(77,142)	-	-	-
Special reserve	-	-	-	26,009	(26,009)	-	-	-
Shareholders' bonus – cash, NT\$1.5 per share	-	-	-	-	(598,626)	-	-	(598,626)
Change in net value of investee's equity under equity method	-	59,347	-	-	-	12,158	(301)	71,204
Balance – December 31, 2011	\$ 3,990,842	1,451,808	77,142	26,009	1,930,921	(13,851)	(301)	7,462,570

Note: The remuneration to directors/supervisors, NT\$12,343 thousand, and bonus to employees, NT\$6,171 thousand, have been eliminated from the income statement.

(The accompanying notes are an integral part of the financial statements.)

Chairman:

General Manager:

Chief Accountant:

Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.)

Statement of Cash Flow

For The Years Ended December 31, 2010 and 2011

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

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income before income tax	\$ 1,861,277	874,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	114,054	1,135
Allowance for doubtful accounts	16,816	-
Gain from price recovery of inventory	(21,100)	-
Gain from investment under equity method	(49,929)	(881,121)
Loss (gain) from disposal and scrapping of Property, plant and equipment	30,029	(175)
Loss (gain) on valuation of financial assets	10,691	(929)
Acquisition of cash dividends of investees under equity method	2,372	-
Net changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease (increase) in financial assets held for trading	304,511	(278,004)
Decrease (increase) in receivable notes and accounts	(101,655)	43,245
Decrease (increase) in inventory	(19,108)	624,828
Decrease in deferred marketing expenses	144,523	-
Decrease (increase) in other current assets	(824)	30,044
Increase in other financial assets	(1,146,908)	(8,871)
Increase in deferred income tax assets	(59,557)	-
Net changes in operating liabilities:		
Increase (decrease) in payable notes and accounts	30,002	(30,188)
Decrease in payable income tax	(155,473)	-
Increase in payable expenses	96,221	12,462
Increase (decrease) in advance receipts for real estate	234,491	(145,611)
Increase (decrease) in other current liabilities	41,005	(3,734)
Increase in accrued pension liabilities	632	-
Net cash provided by operating activities	<u>1,332,070</u>	<u>237,715</u>
Cash flows from investing activities:		
Long-term equity investment under equity method	(1,094,748)	-
Purchase of property, plant and equipment	(3,922,281)	-
Proceeds from disposal of property, plant and equipment	67,934	199
Increase in deferred expenses	(4,570)	-
Increase in restricted assets	(10,946)	(140,064)
Cash inflows generated from consolidation	1,715,996	-
Decrease in other financial assets	11,392	6,380
Increase in other assets	(147,479)	-
Net cash used by investing activities:	<u>(3,384,702)</u>	<u>(133,485)</u>

Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.)

Statement of Cash Flow (Cont'd)

For The Years Ended December 31, 2010 and 2011

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

	2011	2010
Cash flows from financing activities:		
Increase (decrease) in short-term loan	3,040,000	(194,500)
Increase in deposit received	14,601	-
Allocation of cash dividend	(598,626)	-
Net cash inflow (outflow) from financing activities	2,455,975	(194,500)
Net increase (decrease) in cash and cash equivalents this period	403,343	(90,270)
Cash and cash equivalents, beginning of the period	10,419	100,689
Cash and cash equivalents, ending of the period	\$ 413,762	10,419
Supplemental disclosures of cash flow information:		
Interest paid this period	\$ 17,758	303
Less: Capitalized interest	-	(186)
Excluding the interest paid this period for capitalized interest	\$ 17,758	117
Income tax paid	\$ 353,740	38
Investing and financing activities not affecting cash flows:		
Property, plant and equipment translated into inventory	\$ 423,092	-
Inventory translated into property, plant and equipment	\$ 848,789	-
Long-term equity investment acquired by issuance of new shares	\$ -	1,575,660
Issuance of new shares upon consolidation	\$ 1,561,321	-
Disclosure of information about subsidiaries:		
The Company acquired 25% of the equity of Lungyen Life Service Co., Ltd. on February 1, 2011, and held the shares of Lungyen Life Service Corp. wholly accumulatedly. On the same day, the Company was consolidated with Lungyen Life Service Corp. The fair values of its assets/liabilities are stated as follows:		
Cash and cash equivalents	\$ 1,715,996	
Other current assets	18,820,426	
Financial assets carried at cost – non-current	65,471	
Long-term equity investment under the equity method	512,627	
Other financial assets – non-current	55,037	
Property, plant and equipment	8,402,172	
Other assets	1,161,989	
	30,733,718	
Current liabilities	26,909,185	
Long-term liabilities with interest:	800	
Other liabilities	50,301	
	26,960,286	
Net	3,773,432	
% of equity	25%	
Net value of equity	943,358	
Add: Goodwill	425,213	
Trademark right	192,750	
The market value for the shares issued upon acquisition of 25% of shares of Lungyen Life Service Co., Ltd.	\$ 1,561,321	

(The accompanying notes are an integral part of the financial statements.)

Chairman:

General Manager:

Chief Accountant:

Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.)
Notes to Financial Statements

For The Years Ended December 31, 2010 and 2011

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

(I) Company profile

Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) (hereinafter referred to as the “Company”) was incorporated in March 1987. The Company is primarily engaged in funeral service, development and lease of interment premises, and development and lease of residential areas and buildings.

In order to respond to the merger and acquisition policy encouraged by the Government, and to enhance the effect of future resources integration and utilization, and development of strategic businesses, the Company was consolidated with Lungyen Life Service Co., Ltd. pursuant to the Merger and Acquisition Act and other related laws, upon the resolution made at the temporary shareholders’ meeting held on October 12, 2010. The consolidation was approved by the Financial Supervisory Commission of Executive Yuan via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1000001274 dated January 26, 2011. On the same day, the Board of Directors of the Company also approved that the base date of consolidation should be February 1, 2011. The Company was held the surviving company upon the consolidation and renamed Lungyen Life Service Corp. The registration of relevant changes was also completed on March 18, 2011.

The Company has hired 33 employees and 461 employees respectively as of December 31, 2010 and 2011.

(II) Summary of important accounting policies

The Company’s financial statements were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C. The important accounting policies and estimation basis are summarized as follows:

(1) Accounting estimates

The Company has made necessary estimations, assessments and disclosures on the assets, liabilities, income, loss and profit or contingencies based on necessary assumptions and estimations when preparing the financial statements. However, the actual results may vary from the assumptions and estimations.

(2) Translation of foreign currency exchanges and foreign currency financial statements

The Company’s accounts are expressed in NTD in bookkeeping. The foreign currency exchange for non-derivative instruments shall be expressed at the spot exchange rate on the date of exchange. The exchange for monetary assets or liabilities expressed in foreign currencies on the balance sheet date shall be converted at the spot exchange rate on the same

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Notes to Financial Statements of Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.) (Cont'd)

day. Differences resulting from the exchange are recognized as current gains or losses. The exchange for non-monetary assets or liabilities expressed in foreign currencies shall be estimated at the historical exchange rate on the date of exchange, provided that the exchange for non-monetary assets or liabilities at fair value expressed in foreign currencies shall be converted at the spot exchange rate on the balance sheet date. In the case of the assets or liabilities at fair value through profit or loss, the differences resulting from such exchange are recognized as current gains or losses. In the case of the assets or liabilities at fair value through the statement of changes in shareholders' equity, the differences resulting from such exchange are recognized as the adjustment of changes in shareholders' equity.

The Company's overseas long-term equity investments under equity method are all expressed in functional currencies in bookkeeping. The differences resulting from translation of the foreign currency financial statements into the local currency financial statements are stated into the accumulated translation adjustment under shareholders' equity as net of tax.

(3) Current and non-current assets and liabilities

Current assets include cash or cash equivalents for which the purposes are not restricted, and assets held for the purpose of transaction or for a short-term, and estimated to be realized within a business cycle (generally one year for construction business). Any assets other than current assets are included in non-current items.

Current liabilities are debts to be paid off within a business cycle. Any liabilities other than current liabilities are classified as non-current items.

(4) Asset impairment

The Company estimates the collectible amount of the assets likely to be impaired on the balance sheet date (individual assets other than good will or cash generation unit), and recognizes the assets with collectible amount less than the book value as impairment loss. Where the cumulative impairment loss of the assets other than goodwill recognized in previous years does not exist or decreases, they shall be reversed to increase the book value to the collectible amount, provided that it shall not exceed the amount less depreciation or amortization under the circumstance that the impairment loss of the assets is not recognized.

It is necessary to conduct the impairment test on goodwill, indefinite-life intangible assets and intangibles not available-for-use, and recognize the assets with collectible amount less than the book value as impairment loss.

(5) Cash equivalents

The cash equivalents referred to herein means the short-term and high-liquidity investments that may be converted to specific cash and will mature soon, seldom affected by the fluctuation in the interest rate thereof, including treasury bills, commercial papers, and bank acceptances which will mature or be prepaid within three months from the date of investment.

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Notes to Financial Statements of Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.) (Cont'd)

(6) Financial assets

1. Financial assets at fair value through profit or loss

Such assets include the financial instruments acquired or generated primarily for the purpose of sale within a short term or repurchased for trading, and the financial derivatives as held. Except the financial instruments designated and being effective hedging means, the other assets shall be classified as financial assets at fair value through profit or loss. These financial assets are initially recognized at fair value with transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are recognized in current income. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

2. Acquisition of financial assets carried at cost

Such assets include the investments in equity instruments with no significant influence and with fair value that cannot be reliably measured, which shall be measured at their original cost. An impairment loss is recognized when there is objective evidence that the assets are impaired. A reversal of this impairment loss is not allowed.

3. Receivable notes and accounts, other receivables

The receivable notes and accounts refer to the creditor's right generated from sale of instruments or labor services. The other receivables refer to the other receivables and notes generated from any causes other than operation.

With respect to financial assets, the Company first evaluates the financial assets carried at cost less amortization to determine whether there is any objective evidence showing impairment on significant individual financial assets and on non-significant individual financial assets, alone or jointly. It is not necessary to conduct consolidated impairment evaluation on the financial assets, the impairment on which has already been assessed individually and was recognized, or recognized continuously.

The impairment value is the difference in the book value of financial assets and the value after the projected cash flow is discounted at initial interest rate. The book value of financial assets is adjusted through allowance account. The impairment value shall be stated as current income. When determining the impairment value, the estimation for projected cash flows includes the collectible value of collateral and related insurance.

Should there be a decrease in the amount of subsequent impairment, and it is obviously related to events that occurred after recognition of impairment loss, such reversal shall not cause the book value to exceed the cost after amortization under unrecognition of impairment loss. The reversal shall be recognized as current income.

Allowance for doubtful accounts before December 31, 2010 (inclusive of December 31, 2010) was evaluated and provided based on the collectability of receivable notes, receivable accounts and other receivables at the end of period. Allowance for doubtful accounts is determined based on historical experience of occurrence of bad debts, customers' credit

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rating, evaluation of aging and the internal loaning policy.

(7) Construction accounting and revenue recognition

The Company calculates the cost of investment in construction of buildings subject to various projects. Where any of the following conditions is met, the gain from sale of real estate may be recognized based on the percentage of completion method, and the others shall be settled as income upon residence delivery after completion of the project:

1. The construction progress exceeds the preparation and planning stage; in other words, the construction design, planning, contract and soil preparation are completed and the construction may be performed at any time.
2. The aggregate of pre-sale contracts amounts to the estimated total construction cost.
3. The aggregate of pre-sale contracts amounts to 15% of the total contract amount.
4. The collectability of receivable contract amount may be estimated reasonably.
5. The total construction cost to be invested to perform the contract and percentage of completion at the end of the period may be estimated reasonably.
6. The cost attributed to the sale contract is identifiable reasonably.

If the percentage of completion method is applied, the percentage of completion shall be measured based on the actual construction progress.

The land purchased or acquired shall be stated as “construction land” after title registration. The payment made for purchase of the land prior to registration of the title shall be stated as “land prepayment”. The cost of construction land and construction invested in the various projects shall be stated as “construction in process”, and then re-stated into “real estate held for sale” upon completion of the project. The payment received for pre-sale real estate shall be stated as “advance receipts for real estate”. The selling expenses incurred by the pre-sale shall be stated as “deferred selling expenses”. If residence delivery after completion of construction is applied, “real estate held for sale”, “advance receipts for real estate” and “deferred selling expenses” shall be re-stated to current income subject to the part sold. If the completed contract method is applied, the gain on the sale shall be calculated accumulatively based on the percentages of completion and sale at the end of the period, and recognized as current gain on the sale less the accumulated gains recognized in the previous period.

The year for attribution of income from completion and residence delivery shall be identified as of the date when the construction is completed and the residence may be delivered and also is delivered physically. If only the title is registered (or only the premises is delivered) prior to the balance sheet date, but the premises is delivered physically (or the title is registered) in the subsequent period, the income shall be deemed realized already.

The interest expenses incurred before the work in process (including land and construction cost) becomes available or completed shall be capitalized.

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The sold and unsold construction costs may be amortized based on the percentage of selling price or floor area, provided that no alteration is permitted in the previous and following years of the same project once the percentage is selected.

The construction land, construction in process and real estate held for sale shall be stated at cost. Then, they should be measured at the lower of the cost and net realized value. The net realized value shall be based on the selling price estimated under normal operation on the balance sheet date less the cost and selling expenses to be invested until completion of the construction.

According to the interpretation letter under (97) Kee-Mi-Tze No. 191 dated June 13, 2008, the revenue from disposal of undeveloped land shall be stated as operating revenue.

(8) Accounting principles for investment in construction of columbarium and cemetery or sale:

In the case of building on own land, the income thereof shall be recognized based on the complete contract method.

The work in process includes the construction land and construction costs. Upon completion of the project, the part of permanent license already transferred to customers based on the percentage of the selling price of columbarium and cemetery shall be re-stated into current operating costs, while the other parts are re-stated into the columbarium and cemetery for sale. The payment received from pre-sale of columbarium and cemetery shall be stated as advance receipt at first. Upon completion of the project, the part of permanent license already transferred to customers shall be re-stated into the operating revenue. The deferred marketing expenses mean the direct marketing expenses incurred by the pre-sale of columbarium and cemetery during the construction period. Upon completion of the project, such expenses shall be recognized as current expenses based on the revenue.

The interest expenses incurred before the work in process (including land and work under construction) becomes available or completed shall be capitalized.

The columbarium and cemetery for sale shall be valued at the lower of cost and net realized value.

(9) Accounting principles for funeral services

The income from supply of funeral and interment services shall be recognized based on the completed performance method.

The payment received from reserved labor service contracts shall be stated as advance receipts at first. Upon completion of the labor services, the receipt from labor services already supplied shall be re-stated into operating revenue. The direct marketing expenses incurred by the pre-sale service contracts shall be stated as deferred marketing expenses, and then re-stated into current expenses upon completion of the service.

(10) Long-term investment under equity method

Investments in corporations in which the Company's ownership interest is 20% or more or over which the Company can exercise a significant influence are accounted under the equity method. The difference between the investment cost and the net value of the

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investee's equity at the time of the Company's investment is processed in accordance with the amended "Statement of Financial Accounting Standards for Long-Term Equity Investment Under Equity Method". In the case of depreciable, depletable or amortizable assets, the difference shall be amortized according to the estimated residual economic years. If the difference arises because the book value of assets is higher or lower than the fair value, the unamortized difference shall be written off in full when the overestimation or underestimation extinguishes. The excess of the investment cost over the fair value of the identifiable net assets acquired, if any, is recognized as goodwill. The excess of the fair value of the net identifiable assets acquired over the investment cost, if any, is reduced in proportion to the respective fair values of the non-current assets, and the remaining excess, if any, shall be recognized as an extraordinary gain. In the case of sale, the difference between the selling price and the book value of such investment on the date of disposition is recognized as the income from disposal of long-term equity investment. The balance of capital surplus generated from the long-term equity investment, if any, shall be stated as current income based on the percentage of sale.

In the case of swap of another company's equity by issuance of new shares, the investment shall be stated at the fair value of the new shares as delivered or fair value of the swapped equity. The difference between the cost and issuing price of new shares shall be credited as capital surplus; otherwise, it shall be stated as retained earnings. If any public quotation for equity securities issued or swapped is available, the fair value thereof shall be based on that prevailing within a reasonable time limit before and after the date of publication of the share swap contract.

It is necessary to conduct the test on impairment per year. If there is any specific circumstance or change showing that the goodwill has been impaired, it is necessary to conduct the test on impairment immediately and recognize the part with collectible amount less than book value as impairment loss.

The Company evaluates the investees with controlling power under the equity method and prepares the consolidated financial statements on a quarterly basis.

Gains or losses on transactions between the Company and its equity-method investees and subsidiaries are deferred until such gains or losses are realized. Gains or losses arising from depreciable or amortizable assets are recognized over the economic lives. Where the transactions are generated by other assets, the gains or losses thereon shall be recognized in the year of realization.

- (11) Property, plant & equipment, assets rented to others, depreciation, and gain or loss from disposal of property, plant & equipment

Property, plant & equipment and assets rented to others are stated at the acquisition cost, and valued based on the cost less accumulated depreciation. The interest expenses borne by the payment made for the assets purchased or constructed before the assets become available

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shall be capitalized and stated as the asset cost. Significant improvements, additions and renewals are treated as capital expenditure, while maintenance and repairs are charged to expense as incurred. The gain or loss from disposal of property, plant & equipment is stated as current non-operating revenue or expenditure.

The leased assets shall be stated at the lower of the fair value and the present value of the whole payable rent (less the performance cost to be borne by the lessor) and preferential purchasing price or guaranteed residual value at the time of lease. The leased subject matter which may be acquired without consideration or subject to preemptive right upon expiration of the lease shall be depreciated based on the estimated useful years under the average method, while that not subject to preemptive right shall be depreciated based on the term of lease under average method. When the estimated economic years expire, the depreciable assets, which are still in use, are depreciated over the newly estimated remaining useful years.

Depreciation is calculated based on the cost by the straight-line method over useful years. The leasehold improvement is amortized by the average method over the shorter of the lease years or estimated useful years.

As of November 20, 2008, the Company stated the obligations to remove or recover estimated during the period other than that during which the property, plant & equipment were used in production of inventories as property, plant & equipment cost in accordance with the Interpretation under Kee-Mi-Tze No. 340 dated November 20, 2008 from the Accounting Research and Development Foundation (ARDF). Any part of property, plant & equipment which is held important to the total cost shall be depreciated individually. The Company evaluates the residual useful years, depreciation and residual value of property, plant & equipment at the end of FY each year. The changes in residual useful years, depreciation and residual value shall be recognized as the changes in accounting principles.

The useful years of substantial property, plant & equipment are specified as follows:

House and building	3~55 years
Office equipments	3~5 years
Transportation equipment	5 years
Other equipments	2~10 years
Assets rented to others	3~55 years
Leased assets	3 years
Leasehold improvement	2 years

(12) Consolidated goodwill

Goodwill means the excess of acquisition cost in the recognizable fair value of assets, which shall be measured based on the cost recognized initially less accumulated impairment.

(13) Idle assets

The land and building which are usable but not used for business shall be stated as idle assets and re-stated into other assets, valued at the lower of the net realizable value or book

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value. According to the amended Statement of Financial Accounting Standards No. 1, the Company re-stated, amortized and depreciated the idle assets which were not required to be re-stated at the lower of the net realizable value or book value based on the cost, accumulated depreciation and accumulated impairment for the original titles.

(14) Revenue recognition

The revenue shall be recognized upon transfer of the title in goods and significant risk or completion of labor services, when evidence of the revenue generation process is complete and the revenue is realized or the collectability is reasonably assured.

If any contract was breached and no installment account receivable has been made for more than two years in the case of columbarium and cemetery contracts, or no installment account receivable for more than nine years in the case of pre-need contracts, the advance receipts for such contracts shall be stated as revenue from counter-party default less refundable amount and necessary expenditure.

Installment sales are based on the sale method. The current income thereof shall be based on cash sale price and cost. Meanwhile, the excess of the installment sale price in the cash sale price shall be stated as unrealized interest revenue, and realized interest revenue shall be recognized based on the interest method. Unrealized interest revenue shall be stated as less items under receivable notes and accounts.

(15) Employees' pension plan

The Company has put in place a pension plan covering all formal employees. According to the plan, each employee who meets the retirement conditions may earn two base units for each year of his/her service seniority. Each employee will earn two base units for the first 15 years of service seniority, provided that the employee shall earn no more than 45 base units ultimately. The residual seniority more than a half year shall be counted as one year, while the residual seniority less than a half year shall be counted as a half year. The criteria on base units for pension shall be based on the average salary of the last one month prior to approval of the retirement. Further, where the employee is incapacitated due to mental defect or physical handicap when performing his/her duty and is retired compulsorily, the Company shall pay said pension plus 20%. Under the plan, the pension shall be borne by the Company in whole. The "Labor Pension Act" (hereinafter referred to as the "new system") was enforced as of July 1, 2005. If the employee who applied for the plan initially selects to apply for the service seniority under the new system, the defined contribution plan shall apply. Meanwhile, the defined contribution plan shall also apply to the service seniority of employees who are hired upon enforcement of the new system. The contribution rate of pension fund allocated by the Company must not be less than 6% of employees' monthly salaries, and the fund shall be saved in the labor pension fund account. Notwithstanding, the Company's pension plan has not yet been amended to deal with the enforcement of the new system. Therefore, any matters not provided in the

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pension plan shall be handled in accordance with the Labor Pension Act.

The Company applies SFAS No. 18 "Accounting for Pension Plans" and completes the actuarial calculation under the defined benefit plan on the date of final accounting in each FY. The excess of accumulated benefit obligation in the fair value of pension fund assets shall be recognized as the minimum pension liabilities on the balance sheet. Meanwhile, according to the competent securities authority's requirement, the Company recognizes the net pension cost pursuant to the standards, including the current service cost and transitional net assets, previous service cost and pension income amortized by the straight line method over the employee's residual service seniority of 15 years. According to the Labor Standard Law, the Company contributes the pension reserve equivalent to 2% of the total monthly salary to the exclusive account at Bank of Taiwan.

Under the defined contribution plan, the Company contributes 6% of the monthly salary to the Bureau of Labor Insurance pursuant to the Labor Pension Act. The contributions are stated as current expenses.

(16) Bonus to Employees and Remuneration to Directors and Supervisors

As of January 1, 2008 (incl.), the Company adopted Interpretation under (96) Kee-Mi-Tze No. 052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the ARDF and makes an accrual for the amount of directors' and supervisors' remuneration for inclusion in the accounts as either "operating cost" or "operating expenses" according to the nature of the remuneration. Any differences between the amounts resolved in subsequent shareholders' meetings and the amounts estimated in the financial statements are treated as changes in accounting principles, and recognized as current income.

(17) Income tax

The income tax is estimated in accordance with the Income Tax Act and related laws. Excesses and shortages of income tax paid in previous years are presented as adjustments to income tax expenses for the current year. If the difference between the accounting income and taxable income is of the nature of time, the Company applies intra-period and inter-period allocations for its income tax. Whereby tax effects of taxable temporary differences are recognized as deferred tax liabilities and tax effects of deductible temporary differences, carry-forward loss and income tax deductions are recognized as deferred income tax assets. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

The Company's distributable unappropriated earnings treated under the Business Accounting Act less the adjustment required by tax laws may be reserved at the discretion of the annual shareholders' meeting in the next year's meeting. The unappropriated earnings may be subject to a one-time additional 10% corporation income tax and stated as income tax expenses in the year of the resolution made by the shareholders' meeting.

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(18) Earnings per Share

Earnings per share is computed based on the net income in the current period dividing by the weighted average shares of outstanding common stock. The bonus to employees which has not yet been resolved by the shareholders' meeting but may be allocated in the form of stock is referred to as potential common stock. If the common stock has the function of dilution, only the basic earnings per share should be disclosed; otherwise, diluted earnings per share should be disclosed too. Earnings per share is diluted under the hypothesis that all potential common stocks with the function of dilution are outstanding in the current period. Therefore, the income in the current period and outstanding common stocks are adjusted due to the effect of potential common stock with the function of dilution. The new shares increased due to earnings and capital surplus increase shall be computed based on retroactive adjustment.

(19) Disclosure of information by operation department

The Company has disclosed the information by operation department in the consolidated financial statement. Therefore, no information by operation department was disclosed in the individual financial statement.

(III) Effects of changes in accounting policies

As of January 1, 2011, the Company has adopted the Statement of Financial Accounting Standards No. 41 "Disclosure of Information by Operation Department". According to the Statement, the enterprise shall disclose information helpful for users of the financial statement to evaluate the business activities conducted by the enterprise and the nature of economic environment under which the enterprise operates and financial effect thereof. The Company decides and expresses the operation department based on the information provided to the decision policy maker internally. Meanwhile, according to the Statement, the Company has disclosed the information by department in the consolidated financial statement. Therefore, no information by department was disclosed in the individual financial statement. The Statement also replaces the Statement of Financial Accounting Standards No. 20 "Disclosure of financial information by department". Notwithstanding, said changes in the accounting principles would not produce any effect on the income in the financial statements of the Company in 2011.

As of January 1, 2011, the Company has also adopted 3rd amendments to the Statement of Financial Accounting Standards No. 34 "Accounting Principles for Financial Instruments". According to the Statement, the loan stated initially and receivable accounts shall apply the recognition, subsequent evaluation and impairment with respect to the loans and receivable accounts under the Statements. Notwithstanding, said changes in the accounting principles would not produce any effect on the income in the financial statements of the Company in 2011.

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(IV) Significant account disclosures

(1) Cash and cash equivalents

	12.31.2011	12.31.2010
Cash on hand and petty cash	\$ 2,006	90
Bank deposit		
Checking deposit	60	10
Demand deposit	411,696	10,319
Subtotal	411,756	10,329
Total	\$ 413,762	10,419

(2) Financial instruments

The financial assets held by the Company on December 31, 2010 and 2011 are specified as follows:

	12.31.2011	12.31.2010
Financial assets at fair value through profit or loss		
- current		
Financial assets held for trading:		
Listed (OTC) stock	\$ 452,934	-
Beneficiary certificate	170,956	278,933
Total	\$ 623,890	278,933
Financial assets carried at cost – non-current		
Investment in stock—PK Venture Capital Corp.	\$ 54,255	-
Investment in stock –FORTUNE IC FUND I	11,216	-
Total	\$ 65,471	-

1. The Company valued said financial assets in accordance with the Statement of Financial Accounting Standards No. 34 in 2010 and 2011, and recognized the losses on valuation, \$929 thousand and \$10,691 thousand, respectively.
2. The financial assets carried at cost – non-current were stated at cost, as there was no quoted price in active market and with fair value available.
3. Please refer to Note 6 for the details about circumstances secured by said financial assets on December 31, 2011.

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(3) Building and land held for sale, and columbarium and cemetery

1. Real estate held for sale

Project	12.31.2011				12.31.2010			
	Land held for sale	Building held for sale	Realized gain	Total	Land held for sale	Building held for sale	Realized gain	Total
Summer Palace	\$ 1,231	2,297	-	3,528	4,615	8,615	-	13,230
Green Castle Dazhi	4,482	3,181	-	7,663	8,932	7,791	-	16,723
Beitou Dahan	-	-	-	-	4,258	5,521	-	9,779
Muzha Museum Collection	2,934	3,085	-	6,019	4,108	4,319	-	8,427
Subtotal	\$ 8,647	8,563	-	17,210	21,913	26,246	-	48,159
Less: Allowance for loss on price decline				(8,400)				(21,700)
Net				\$ 8,810				26,459

2. Bone ash tower and burial area held for sale

Project	12.31.2011
True Dragon Tower	\$ 1,131,885
Lung Tai Ling	245,719
Cemetery Area	386,426
Bamboo Abode	40,909
Total	\$ 1,804,939

3. The allowance for loss on price decline of inventory is the total of the allowance for loss on price decline of inventory for construction land and building and land held for sale upon valuation adjustment at the end of the period. As a result of the sale of the building and land held for sale for which the allowance for loss on price decline of inventory has already been provided in 2011, the net realized value increased and decrease in operating cost, \$21,100 thousand, was recognized.

(4) Construction land

Project	12.31.2011	12.31.2010
2 nd Subsection, Li Ho Section, Hsinyi District	\$ 569,314	569,314
2 nd Subsection, Xi Hu Section, Neihu District	38,748	26,868
4 th Subsection, Jing Hua Section, Daan District	8,989	8,989
Land No. 730, 1 st Subsection, Jen Ai	240,060	18,010
Land No. 211, 2 nd Subsection, Yu Cheng Section, Nangang District	172,459	-
3 rd Subsection, Daan Section, Daan District	71,374	-
Min Chi Section, Sanchung	-	16,359
Subtotal	1,100,944	639,540
Less: Allowance for loss on price decline	(6,700)	(14,500)
Net	\$ 1,094,244	625,040

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On December 31, 2010 and 2011, the Company furnished said construction land, in part, to secure the bank loan. For details, please refer to Note 6.

(5) Construction in process

1. Real estate in process

	<u>Land Cost</u>	<u>Project Cost</u>	<u>Total</u>	<u>Mode of Investment</u>	<u>Projected Year of Completion</u>
12.31.2011					
Heng Chou S. Road	\$ 40,873	560	41,433	Self-building on self land	TBD
Chung Nan Section, Nangang	2,160,863	29,984	2,190,847	"	2015
Total	\$ 2,201,736	30,544	2,232,280		
12.31.2010					
Tung Shi, Hsichih	\$ 581,031	259,346	840,377	Self-building on self land	2012
Heng Chou S. Road	40,873	480	41,353	"	TBD
Total	\$ 621,904	259,826	881,730		

- (1) In 2010 and 2011, the total interest expenditures of the Company were \$186 thousand and \$17,758 thousand. The capitalized interest on construction in process was \$186 thousand and \$0 respectively. The capitalization interest rate applied in 2010 was 1.34%.
- (2) On December 30, 2010 and 2011, all of said projects failed to meet the conditions applicable under the percentage of completion method.
- (3) On December 31, 2010 and 2011, the Company furnished said construction in process, in part, to secure the bank loan. For details, please refer to Note 6.
- (4) On December 31, 2011, the Company planned to arrange the construction in process, Tung Shih, Hsichih, as the Group's operation office premises in the future in order to upgrade the utilization of assets. Therefore, the relevant book value, \$840,491 thousand, was re-stated into the property, plant & equipment-unfinished construction in whole subject to the nature of future occupation.

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2. Columbarium and cemetery in process

<u>Project</u>	12.31.2011		
	<u>Land Cost</u>	<u>Project Cost</u>	<u>Total</u>
True Dragon Tower	\$ 202,660	1,923,816	2,126,476
Sanzhi Area	97,997	471,680	569,677
Cemetery Area	1,386,837	11,921	1,398,758
Hua-lien Tower	97,956	422,203	520,159
Others	-	23,771	23,771
Total	\$ 1,785,450	2,853,391	4,638,841

(1) In 2011, the capitalized interest on columbarium and cemetery in process was \$0.

(2) Please refer to Note 6 for the details about the bank loan secured by said work in process on December 31, 2011.

(6) Land prepayment

<u>Item</u>	<u>12.31.2011</u>	<u>12.31.2010</u>
2 nd Subsection, Li Ho Section, Hsinyi District	\$ 131,886	131,886
3 rd Subsection, Hua Kung Section, Shihlin District	252,510	-
Land No. 212, 2 nd Subsection, Yu Cheng Section, Nangang District	98,217	-
Others	1,400	4,788
Total	\$ 484,013	136,674

(7) Deferred marketing expenses

<u>Item</u>	<u>12.31.2011</u>
Cemetery	\$ 5,668,983
Pre-need contract	3,184,895
Warrant	24,778
Total	\$ 8,878,656

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(8) Long-term equity investment under the equity method

The Company's long-term equity investment under the equity method on December 31, 2010 and 2011 is stated as follows:

	12.31.2011		12.31.2010	
	Book Value	% of	Book Value	% of
		Ownership		Ownership
Long-term equity investment under the equity method:				
Ching Huang Construction Co., Ltd.	\$ 174,793	98.20%	29,380	92.55%
Yuji Development Corp.	910,154	56.25%	12,668	100.00%
Dahan Property Management Co., Ltd.	3,605	80.00%	1,870	40.00%
Lung Yen Life Service Co., Ltd.	-	-%	2,435,703	75.00%
Lungding Life Science Co., Ltd.	18,512	100.00%	-	-%
Sea Dragon Traders Ltd. (BVI)	107,311	100.00%	-	-%
Beauty Kadan Co., Ltd.	21,780	50.00%	-	-%
Asia Best Healthcare Co., Ltd.	456,947	16.35%	-	-%
Ruei Da Venture Capital Co., Ltd.	29,305	47.62%	-	-%
Total	\$ 1,722,407		2,479,621	

1. In 2010 and 2011, the Company recognized the investment income on the investees valued under the equity method based on the financial statements audited by an independent auditor, who also expressed a non-modified opinion on such financial statements, except Beauty Kadan Co., Ltd., the investment income on which was recognized based on the financial statements for the same period ended settled by it independently. The investment gain (loss), capital surplus and accumulated translation adjustment recognized in 2010 and 2011 are stated as follows:

	2011				2010		
	Investment Income	Capital surplus	Translation Adjustment	Unrealized loss from financial assets	Investment Income	Capital surplus	Translation Adjustment
Ching Huang Construction Co., Ltd.	\$ (9,373)	38	-	-	(4,666)	-	-
Yuji Development Corp.	9,990	(132)	-	-	(292)	-	-
Dahan Property Management Co., Ltd.	(135)	-	-	-	414	-	-
Lung Yen Life Service Co., Ltd.	50,136	-	-	-	885,665	389	(26,009)
Lungding Life Science Co., Ltd.	(1,488)	-	-	-	-	-	-
Sea Dragon Traders Ltd. (BVI)	(11,377)	-	4,159	-	-	-	-
Beauty Kadan Co., Ltd.	1,246	-	-	-	-	-	-
Asia Best Healthcare Co., Ltd.	11,324	59,441	10,488	-	-	-	-
Ruei Da Venture Capital Co., Ltd.	(394)	-	-	(301)	-	-	-
Total	\$ 49,929	59,347	14,647	(301)	881,121	389	(26,009)

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2. On February 5, 2010, the Company increased capital by \$749,243 thousand by issuing new shares to swap the common stock totaling 68,698 thousand shares from Lungyen Life Service Co., Ltd. Please refer to Note 4(17). Upon swap of the stock, the percentage of the Company's ownership in Lungyen Life Service Corp. became 75% and it was valued under equity method since the Company had controls in it. Meanwhile, upon resolution of the temporary shareholders' meeting on October 12, 2010, Lungyen Life Service Corp. should be consolidated with the Company. In order to deal with the consolidation, the Company increased the capital by issuing new shares totaling 16,925 thousand shares to swap 22,899 thousand shares from Lungyen Life Service Corp. Please refer to Note 4(17).
3. Asia Best Healthcare Co., Ltd. valued by the Company under the equity method increased capital in cash by issuing new shares in 2011. Since the Company subscribed for the new shares based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company increased and the capital surplus was adjusted as \$59,441 thousand.
4. In 2011, the Company increased the investment in Rwei Da Venture Capital Co., Ltd. by \$30,000 thousand, and held 47.62% ownership. Because of the Company's significant influence over Rwei Da, it was valued under the equity method.
5. In 2011, the Company's subsidiary, Chin Huang Construction Co., Ltd., increased capital in cash by \$155,000 thousand and issued new shares at par value. Since the Company subscribed for the new shares at the price of \$154,748 thousand based on the percentage other than the original ownership percentage, the Company's ownership percentage increased from 92.55% to 98.20%. Since the Company subscribed for the new shares based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company increased and the capital surplus was adjusted as \$38 thousand.
6. In 2011, the Company's subsidiary, Yuji Development Corp., increased capital in cash by \$1,590,000 thousand and issued new shares at par value, in order to launch into the funeral service and increase channels throughout the nation. Since the Company subscribed for the new shares at the price of \$890,000 thousand based on the percentage other than the original ownership percentage, the Company's ownership percentage increased from 100% to 56.25%. Further, since the Company subscribed for the new shares based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company decreased and the capital surplus was adjusted as \$132 thousand.
7. In 2011, the Company invested \$20,000 thousand in order to incorporate Lungding Life Science Co., Ltd. in order to launch into the business of flowers and plants cultivation. The Company's ownership percentage was 100%.

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8. On December 31, 2010 and 2011, the Company has included the investees over which it had control into the consolidated quarterly financial statements for 2010 and 2011 in accordance with Statement of Financial Accounting Standards No. 7.

(9) Property, plant and equipment

Item	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
12.31.2011				
Land	\$ 2,671,636	-	-	2,671,636
House and building	714,976	242,294	-	472,682
Office equipments	90,428	85,127	-	5,301
Transportation equipment	45,750	35,286	-	10,464
Other equipments	33,710	19,571	-	14,139
Assets rented to others	8,001,689	222,086	-	7,779,603
Leased assets	30,035	29,726	-	309
Leasehold improvement	821	535	-	286
Unfinished construction	1,076,935	-	-	1,076,935
Advance receipts for real estate and equipment	36,534	-	-	36,534
Total	\$ 12,702,514	634,625	-	12,067,889
12.31.2010				
Office equipments	\$ 1,274	915	-	359
Other equipments	3,197	2,908	-	289
Total	\$ 4,471	3,823	-	648

1. Please refer to Note 6 for the details about circumstances secured by said property, plant and equipment on December 31, 2011.
2. The Company has entered into a contract with a third party to entrust the third party to process and consolidate the purchase of land reserved for office buildings and the land was registered in the third party's name, in part. Upon consolidation of the land, the title of the land would be transferred to the Company unconditionally. The Company took the precautionary action to have the documents required by registration of transfer of the land ownership kept in the custody of the attorney-at-law appointed by the Company. Meanwhile, the third party also issued a promissory note bearing the same value to the Company.

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3. On December 31, 2011, the assets rented to others are stated as follows:

Item	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
12.31.2011				
Land	\$ 5,251,898	-	-	5,251,898
House and building	2,749,791	222,086	-	2,527,705
Total	\$ 8,001,689	222,086	-	7,779,603

(10) Intangible assets:

The changes in the initial cost of the Company's intangible assets in 2011 are stated as follows:

	Goodwill	Trademark right
Balance – January 1, 2011	\$ -	-
Stock swap income	542,428	192,750
December 31, 2011	\$ 542,428	192,750

The Company acquired the trademark right due to the merger in 2011. An application for an extension of the valid trademark term may be made at low cost. The Company expects to continue applying for extending its valid term and also anticipates that the trademark right will continue generating net cash inflow. According to Statement of Financial Accounting Standards No. 37 "Accounting Principles for Intangible Assets", the trademark right is stated as an indefinite-life intangible asset.

On February 5, 2010, the Company increased capital by \$749,243 thousand by issuing new shares to swap the common stock totaling 68,698 thousand shares from Lungyen Life Service Co., Ltd. Upon swapping of the stock, the Company's ownership in the shares of Lungyen Life Service Co., Ltd. was 75%. Meanwhile, according to the acquisition price amortization report, the Company divided the excess of the acquisition cost over the fair value of the identifiable net assets acquired, \$456,757 thousand, into the fixed assets at fair value in excess of book value, \$322,360 thousand, and goodwill, \$134,397 thousand. On February 1, 2011, the Company increased the capital by \$169,249 thousand to swap 22,899 thousand shares from Lungyen Life Service Co., Ltd. Upon the swapping, the Company's ownership of shares of Lungyen Life Service Co., Ltd. became 25%. The shares of Lungyen Life Service Corp. initially held by the Company extinguished at the same time of consolidation. According to the acquisition price amortization report, the Company categorized the excess of the acquisition cost over the fair value of the identifiable net assets acquired, \$884,569 thousand, into the property, plant and equipment at fair value in excess of book value, \$266,606 thousand, goodwill, \$425,213 thousand, and trademark right, \$192,750 thousand. Meanwhile, upon evaluation, there was no income tax effect generated from

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consolidation of the deferred income tax liabilities, and goodwill was adjusted as NT\$17,182 thousand.

(11) Other assets - others

	<u>12.31.2011</u>	<u>12.31.2010</u>
Cost of agricultural land held for transfer registration	\$ 391,608	-
Fine art	380,531	-
Others	7,553	8,402
Total	\$ 779,692	8,402

1. The Company purchased 49 parcels of agricultural land including Land No. 248, Pu Tou Ken Subsection, New Hsiao Keelung Section, Sanchi Hsiang, Taipei County, etc., occupying an area of 247,871 square meters, at the price of \$450,000 thousand, in 2004, and also purchased 6 parcels of agricultural land including Land No. 159, Pai Lien Xi Tou Subsection, Gung Pu Section, San Chi Hsiang, etc., occupying an area of 61,866 square meters, at the price of \$1,300,000 thousand, for development of cemeteries, in October 2008. Given that laws prohibit any private corporation from acquiring agricultural land, the Company (hereinafter referred to as "Party A") entered into a power of attorney with the individual who was a natural person (hereinafter referred to as "Party B") then agreed that Party B should affix the seal/signature into the relevant documents required by the land title transfer registration and then deliver the same to Party A for record. Party A may proceed with the transfer registration unconditionally automatically after the land is developed and the land administration authority completes the change in category of the land, and Party B would raise no objection. Further, until December 31, 2011, the premises occupying areas of 208,523 square meters and 504 square meters at Pu Tou Ken Subsection, New Hsiao Keelung Section and Pa Lien Xi Tou Subsection, Gung Pu Section, respectively, have not yet been transferred officially.

2. Please refer to Note 6 for the details about circumstances secured by said assets on December 31, 2011.

(12) Short-term loan

<u>Nature</u>	<u>Maturity</u>	<u>Interest Rate Range</u>	<u>Amount</u>
12.31.2011			
Secured loan	01.18.2012~03.30.2012	0.62%~2.03%	\$ 3,040,000

Said secured loan was secured by the construction land and property, plant & equipment as collateral. Please refer to Note 6.

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(13) Advance receipts for real estate

Project	12.31.2011		
	Advance receipts for land	Advance receipts for building	Total
Summer Palace	\$ 210	800	1,010

(14) Advance receipts

Item	12.31.2011
Columbarium and cemetery	\$ 15,857,111
Pre-need contract	9,463,807
Warrant	160,120
Permanent Management Fee	831,733
Others	40,337
Total	\$ 26,353,108

(15) Pension reserve

The Company completed the actuarial of employee pension on December 31, 2011. The information about contribution of pension fund and accrued pension liabilities in 2011 is adjusted as follows:

	12.31.2011
Benefit obligation:	
Vested benefit obligation	\$ -
Non-vested benefit obligation	(17,443)
Accumulated benefit obligation	(17,443)
Projected effects of increase in salary	(7,234)
Projected benefit obligation	(24,677)
Fair value of pension fund assets	6,754
Contribution	(17,923)
Unrecognized transitional benefit obligation	1,856
Unrecognized pension loss (gain)	(3,392)
Minimum pension liabilities	-
Accrued pension liabilities	\$ (19,459)

Until December 31, 2011, the employee vested benefits under the Company's Employees' Pension Plan were \$0.

The Company's net pension costs consist of the following:

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	<u>2011</u>
Service cost	\$ 175
Interest cost	469
Expected rate of return	(157)
Amortization	464
Amortization of pension loss (gain)	(253)
Net pension cost	<u>\$ 698</u>

The actuarial is based on the following hypotheses:

	<u>2011</u>
Discount rate	2.0%
Salary adjustment rate	2.0%
Expected rate of return for pension assets	2.0%

The Company's pension expenses under the defined contribution plan in 2010 and 2011 were \$546 thousand and \$13,816 thousand, and \$451 thousand and \$6,587 thousand therefrom were contributed to Bureau of Labor Insurance.

(16) Income tax

1. According to the amended Income Tax Act promulgated on June 15, 2010, the applicable corporation income tax rate shall be no more than 17% as of 2010. The Company has adopted the statutory corporation income tax rate, 17%, as of 2010 and 2011, and computed the basic tax in accordance with the "Income Basic Tax Regulations".
2. The Company's income tax expenses in 2010 and 2011 are stated as follows:

	<u>2011</u>	<u>2010</u>
Current income tax expense	\$ 161,762	-
Deferred income tax gain	(29,664)	-
Unappropriated earnings plus 10% income tax expenses	6,964	-
Income tax expenses of continuing operations	<u>\$ 139,062</u>	<u>-</u>

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Said deferred income tax gain is stated as follows:

	<u>2011</u>	<u>2010</u>
Unrealized foreign exchange gain	\$ 887	-
Contract revenue book-tax difference	(3,088)	-
Consolidated goodwill amortization book-tax difference	5,635	-
Carry-forward loss	(32,563)	337
Effects of changes in income tax rate	-	6,513
Deferred income tax valuation allowances	(535)	(6,850)
Deferred income tax gain	<u>\$ (29,664)</u>	<u>-</u>

3. In 2010 and 2011, the difference between the income tax and income tax expenses based on the income before tax referred to in the Company's income statements as computed at the statutory rate is stated as follows:

	<u>2011</u>	<u>2010</u>
Income tax computed based on income before tax	\$ 340,058	148,688
Gain from investment under equity method	(8,488)	(149,790)
Income from tax-free land transactions	(161,323)	1,890
Loss on valuation of financial assets	491	-
Stock dividend revenue	(4,506)	-
Permanent management fee book-tax difference	12,370	-
Write-off and recovery of advance receipts for temporary shelter management fee	(15,112)	-
Deferred income tax gain	-	(337)
Carry-forward loss	(32,563)	(295)
Unappropriated earnings plus 10% income tax expenses	6,964	-
Others	1,171	(156)
Income tax expenses of continuing operations	<u>\$ 139,062</u>	<u>-</u>

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4. On December 31, 2010 and 2011, the temporary difference, carry-forward loss and individual income tax effect of the Company's deferred income tax assets (liabilities) are stated as follows:

	12.31.2011		12.31.2010	
	Amount	Income Tax Effect	Amount	Income Tax Effect
Deferred income tax assets – current:				
Unrealized loss on price decline of inventory	\$ 3,147	535	21,856	3,716
Carry-forward loss	-	-	193,291	32,860
Subtotal		535		36,576
Less: Valuation allowances		-		(36,576)
Deferred income tax assets – current, net		535		-
Deferred income tax liabilities – current:				
Unrealized foreign exchange gain	(521)	(89)	-	-
Deferred income tax assets – current, net		<u>\$ 446</u>		<u>-</u>
Deferred income tax assets – non-current:				
Pension expense	\$ 10,445	1,776	-	-
Contract revenue book-tax difference	56,423	9,592	-	-
Cemetery revenue book-tax difference	3,286,311	558,672	-	-
Deferred income tax assets – non-current, net		570,040		-
Deferred income tax liabilities – non-current:				
Consolidated goodwill amortization book-tax difference	(33,148)	(5,635)	-	-
Accumulated translation adjustment	(14,647)	(2,490)	-	-
Subtotal		(8,125)		-
Deferred income tax assets – non-current, net		<u>\$ 561,915</u>		<u>-</u>

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5. The Company's income tax returns through to 2009 have been authorized by the Tax Authority. The income tax returns of the company extinguished upon consolidation, Lungyen Life Service Co., Ltd., through to 2006 have also been authorized by the Tax Authority. For the income tax returns of Lungyen Life Service Co., Ltd. through to 2007, the gain and loss on sale of columbarium and tax-free income from sale of land were re-computed in accordance with the official letter of Ministry of Finance under Tai-Tsai-Shui-Tze No. 09704570360 dated January 7, 2009, and the relevant information was also communicated to the Tax Authority. Notwithstanding, adhering to a conservative and stable policy, the Company also stated the additional tax \$84,105 thousand payable in accordance with the official letter of the Ministry of Finance under Tai-Tsai-Shui-Tze No. 09704570360 and collections in installment, due to the difference in time when the columbarium was recognized.

6. The information about the Company's unappropriated earnings on December 31, 2010 and 2011 is stated as follows:

	12.31.2011	12.31.2010
Unappropriated earnings generated after 1998	\$ 1,930,921	771,421
Imputation credit account (ICA)	\$ 513,975	6,379
	2011 (Projected)	2010 (Projected)
Creditable ratio for appropriation of earnings applicable to residents in the R.O.C.	20.96%	20.48%

(17) Capital stock

Until December 31, 2010 and 2011, the Company's authorized capital stocks both totaled \$6,000,000 thousand, at the par value of \$10 per share, divided into 600,000 thousand shares, and 399,084 thousand shares and 382,159 thousand shares were issued respectively.

In order to enhance the business performance and corporate value, the Company increased the capital by issuing new shares totaling 74,924 thousand shares upon resolution of the Board of Directors on November 6, 2009 to succeed to 68,698 thousand shares from Lungyen Life Service Co., Ltd. (according to the swap ratio, the new shares issued by the Company may swap the outstanding shares of Lungyen Life Service Co., Ltd. at 1:0.9169). The capital increase upon issuance of new shares was reported and effective as of January 19, 2010 and the base date for the stock swap was set as February 5, 2010. Owing to the capital increase, the Company's paid-in capital and capital surplus became \$749,243 thousand and \$826,417 thousand.

In order to respond to the merger and acquisition policy encouraged by the Government, and to enhance the effect of future resources integration and utilization, and development of strategic businesses, the Company was consolidated with Lung Yen Life Service Co., Ltd.

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upon the resolution made at the temporary shareholders' meeting held on October 12, 2010. In order to deal with the consolidation, the Company increased the capital by issuing new shares totaling 16,925 thousand shares to swap 22,899 thousand shares from Lungyen Life Service Co., Ltd. (according to the swap ratio, the new shares issued by the Company may swap the outstanding shares of Lungyen Life Service Co., Ltd. at 1:1.353). The capital increase upon issuance of new shares and consolidation were reported and effective as of January 26, 2011 and the relevant base date was set as February 1, 2011. Owing to the capital increase and consolidation, the Company's paid-in capital and capital surplus became \$169,249 thousand and \$1,392,072 thousand.

(18) Capital surplus

1. The Company's capital surplus on December 31, 2010 and 2011 is stated as follows:

	<u>12.31.2011</u>	<u>12.31.2010</u>
Capital surplus – common stock premium	\$ 1,392,072	-
Capital surplus – long-term investment	59,736	389
	<u>\$ 1,451,808</u>	<u>389</u>

2. Pursuant to the R.O.C. Company Act, capital surplus shall be first used to offset a deficit and then the realized capital surplus may be capitalized. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

3. On October 12, 2010, the Company's temporary shareholders' meeting resolved to offset the loss against the capital surplus, \$826,417 thousand. For details, please refer to Note 4(19).

(19) Appropriation of earnings and dividend policy

1. According to the Company's articles of incorporation, of the annual net income, less taxes and duties, and any deficit for the previous years, if any, 10% should be appropriated as legal reserve, and a certain amount set aside or reserved as special reserve according to actual circumstances, and of the balance, if any, 2% should be set aside as the remuneration to directors/supervisors, and no less than 1% as bonus to employees. The remainder allocable, if any, may be allocated subject to the earnings allocation proposal submitted by the Board of Directors as resolved by a shareholders' meeting. Meanwhile, the cash dividend allocable should be no less than 10% of the stock dividend. On October 12, 2010, the amendments to the Company's articles of incorporation approved upon resolution of the temporary shareholders' meeting, provided that the balance of earnings, if any, should be reserved as retained earnings, in part, and the remainder, if any, should be allocated in the following manners: (1) no less than 97% as the common stock dividend

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and bonus; (2) no more than 2% as the remuneration to directors; (3) no less than 1% as the bonus to employees. In the event that the bonus to employees referred to in the preceding paragraph is allocated in the form of stock dividend, the counterparts whom the stock dividend may be allocated to shall include the employees of affiliated companies that comply with specific requirements. In order to protect shareholders' equity, and according to the funding need for the following years measured based on the Company's future budget planning, the retained earnings may be allocated in the form of stock dividend, and the allocated cash dividend shall be no less than 10% of the stock dividend allocated to shareholders.

2. The Company's general shareholders' meeting held on June 9, 2010 resolved the proposal for appropriation of profit or loss for 2009. The amount allocated upon resolution was not different from the accounting estimates. The Company also proceeded with the capital decrease by \$989,740 thousand in an attempt to cover the accumulated loss. Notwithstanding, said proposal was revoked by the FSC via its official letter under Ching-Kuan-Chen-Fa-Tze No. 090038429 dated July 28, 2010, and the Company's board of director meeting held on August 24, 2010 resolved that no further application would be submitted.

Given that no further proposal for capital decrease would be submitted upon resolution, the Company's temporary shareholders' meeting held on October 12, 2010 resolved that said proposal for appropriation of profit or loss for 2009 as ratified by said shareholders' meeting should be amended to have the legal reserve, \$60,106 thousand, and capital surplus, \$826,417 thousand, cover the loss. For the relevant information, please visit the M.O.P.S.

3. The information about stock dividend per share, bonus to employees, and remuneration to directors/supervisors allocated according to the proposal for allocation of earnings resolved by the Company's general shareholders' meeting held on June 28, 2011 is stated as follows:

	<u>2010</u>
Common stock dividend per share (NT\$)	
Cash	<u>\$ 1.5</u>
Bonus to employees - cash	\$ 6,171
Remuneration to directors/supervisors	<u>12,343</u>
Total	<u>\$ 18,514</u>

Said appropriation of retained earnings is consistent with that recognized in the Company's financial statement 2010.

4. The accounting estimates for payable bonus to employees and remuneration to directors/supervisors in 2010 and 2011 were determined based on past experience. The bonuses to employees and remunerations to directors/supervisors stated based on the annual net income, if any, less the legal (special) reserves and earnings reserved as

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retained earnings and multiplying 1% and 2% respectively, were \$6,171 thousand and \$12,343 thousand, and \$12,343 thousand and \$24,686 thousand, respectively. Notwithstanding, the difference in the amount allocated upon resolution of the shareholders' meeting and in the estimates, if any, will be stated as the changes in accounting estimates and as the income for the year of allocation.

5. Please visit the M.O.P.S. after the relevant meeting for the proposal for allocation of earnings, bonus to employees and remuneration to directors/supervisors approved by the Company's Board of Directors and resolved by the shareholders' meeting.

(20) EARNINGS PER SHARE

In 2010 and 2011, the Company's Basic earnings per share and Diluted earnings per share were computed as follows:

Unit: Thousand NTD/for Earnings per share, NTD per share

	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
Net income before income tax	\$ 2,000,339	1,861,277	874,634	874,634
Weighted average number of outstanding shares	397,674	397,674	375,916	375,916
Bonus to employees not yet resolved by a shareholders' meeting but allocable in the form of stock dividend	166	166	58	58
Number of dilutable shares	397,840	397,840	375,974	375,974
Basic earnings per share	\$ 5.03	4.68	2.33	2.33
Diluted earnings per share	\$ 5.03	4.68	2.33	2.33

(21) Information about financial instruments

1. Information about fair value:

The non-derivative short-term financial assets and liabilities of the Company include cash and cash equivalents, receivable/payable notes and accounts, receivables/payables-stakeholders, other financial assets-current, restricted assets, short-term loan, payable expenses and other current liabilities. The fair values thereof were determined based on their book values on the balance sheet date because of the short maturities of such instruments.

In addition to said financial assets and liabilities, the information about the fair values of the other financial assets and liabilities determined and valued based on their market values on December 31, 2010 and 2011 is stated as follows:

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	12.31.2011			12.31.2010		
	Fair Value			Fair Value		
	Book Value	Determined based on market price	Estimated under evaluation method	Book Value	Determined based on market price	Estimated under evaluation method
Financial assets:						
Financial assets at fair value through profit or loss - current	\$ 623,890	623,890	-	278,933	278,933	-
Financial assets carried at cost – non-current	65,471	-	See Paragraph (2)	-	-	-

2. The methods and assumptions used by the Company to estimate the fair values of the above financial instruments are summarized as follows:

- (1) Financial assets at fair value through profit or loss - The fair values of financial instruments at fair value through profit of loss are determined at their market value, if any. If there is no market value available for reference, the fair values are determined by using the valuation technique. The information used as the basis for determining the Company's assumptions in applying valuation technique is consistent with that used by market participants in determining the prices of the financial instruments.
- (2) Financial assets carried at cost – non-current: The equity instrument investment which cannot be measured at fair value should be stated at the cost initially recognized. An impairment loss is recognized when there is objective evidence of impairment. A reversal of this impairment loss is not allowed.
- (3) The current incomes recognized based on the changes in fair values estimated based on the market price in 2010 and 2011 were \$929 thousand and \$10,691 thousand for losses.

3. Information about financial risk

(1) Market risk:

The Company's investment in listed (OTC) stock and beneficiary certificates was classified as "financial assets at fair value through profit or loss". These assets were measured at their fair values, which will be influenced by the fluctuation in market value.

(2) Credit risk

The Company was used to subscribe for beneficiary securities from financial organizations with a fair credit rating. The Company controlled the credit risk exposure to each financial organization and considered that there should be no likelihood of important credit risk concentration.

The Company has a vast clientele. Meanwhile, the Company and its subsidiaries did not concentrate any transactions on one single customer, and the regions of

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distribution were dispersed. Therefore, there should be no likelihood of concentrated credit risk on receivable accounts. In order to reduce the credit risk, the Company would evaluate customers' financial status periodically, provided that generally it would not ask the customers to furnish collateral.

(3) Liquidity risk

The Company maintained sufficient capital and working funds to deal with all contractual obligations to be performed by the Company. The Company does not anticipate any liquidity risks associated with failure to source required funding to perform contractual obligations.

(4) Cash flow risk due to changes in interest rate

The Company's short-term loans in 2011 referred to the debt instruments at floating interest rate. Accordingly, the yield rate of these debt instruments will fluctuate with changes in such floating interest rate and thereby result in fluctuation in future cash flows.

(V) Transactions with related parties

(1) Name and relationship of related parties

<u>Name</u>	<u>Relationship with the Company</u>
Ching Huang Construction Co., Ltd. (Ching Huang Construction)	The Company's subsidiary
Dahan Property Management Co., Ltd. (Dahan Property Management)	//
Yuji Development Corp. (Yuji Development)	//
Lungyen Life Service Co., Ltd. (Lungyen Life Service)	// The Company's subsidiary (extinguished upon consolidation on February 1, 2011)
Beauty Kadan Co., Ltd. (Beauty Kadan)	The Company's investee under equity method
Hsin Wei International Lease Co., Ltd. (Hsin Wei International)	Related party
Fu Yuan International Development Co., Ltd. (Fu Yuan International)	Its chairman of board is a second degree relative of the Company's Chairman.
Lee Investment Co., Ltd. (Lee Investment)	Its directors are as same as those of the Company.
Lee Shih-Tsung	The Company's Chairman
Lee Chia-Cheng (formerly known as Lee Yi-Lun)	A second degree relative of the Company's Chairman
Lee Shu-Rong	//
Liu Ping	A second degree relative of the Company's Chairman

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(2) Significant transactions with related parties are stated as follows:

1. Sale

The purchases from related parties in 2011 are stated as follows:

<u>Name</u>	<u>2011</u>	
	<u>Amount</u>	<u>%</u>
Columbarium and Cemetery revenue		
Hsin Wei International	<u>\$ 118,080</u>	<u>3</u>

Said purchases were at the price agreed by both parties. The payment should be collected pursuant to the agreement, which was identical with those for arm's length transactions.

2. Purchase

The purchases from related parties in 2011 are stated as follows:

<u>Name</u>	<u>2011</u>	
	<u>Amount</u>	<u>%</u>
Funeral service cost		
Beauty Kadan	<u>\$ 19,060</u>	<u>2</u>

Said purchases were at the price agreed by both parties. The payment term thereof was 30 days upon inspection and acceptance, which was identical with that applicable to the general customers.

3. Contract awarding

In 2010 and 2011, the related parties to whom the Company awarded the contract for construction in process are stated as follows:

<u>Name</u>	<u>Project Title</u>	<u>Total Contract Amount</u>	<u>Pricing</u>	<u>Accumulated Pricing</u>
2011				
Ching Huang Construction	Tung Shi, Hsichih	\$ 719,311	-	223,805
"	New Hsiao	412,000	189,634	346,194
"	Keelung Section, Sanchi Hsiang			
"	Neihui Logistic Center	124,718	43,002	52,768
		<u>\$ 1,256,029</u>	<u>232,636</u>	<u>622,767</u>
2010				
Ching Huang Construction	Tung Shi, Hsichih	<u>\$ 719,311</u>	<u>90,680</u>	<u>223,805</u>

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- (1) The amount of any contracts awarded by the Company to a related party was based on the project budget plus reasonable overhead and profit approved upon delegation of authorization. The unrealized gains from upstream transaction with Ching Huang Construction were \$356 thousand and \$9,510 thousand as a result of contracts awarded to Ching Huang Construction in 2010 and 2011, which has been stated as the investment income adjustment.
- (2) On December 31, 2010 and 2011, the related parties' secured notes collected by the Company due to said contracts were \$71,931 thousand and \$216,711 thousand.

4. Credit and debt

The credit and debt between the Company and related parties on December 31, 2010 and 2011 are stated as follows:

<u>Name</u>	<u>12.31.2011</u>		<u>12.31.2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Payable accounts-related parties				
Ching Huang Construction	<u>\$ 47,864</u>	<u>16</u>	<u>13,255</u>	<u>11</u>
Other payables-related parties (Stated as other payables)				
Ching Huang Construction	\$ 2,770	2	-	-
Hsin Wei International Lease	2,508	2	-	-
	<u>\$ 5,278</u>	<u>4</u>	<u>-</u>	<u>-</u>
Other receivables-related parties (Stated as other financial assets-current)				
Yuji Development	\$ 6,323	1	-	-
Beauty Kadan (Note)	503	-	-	-
	<u>\$ 6,826</u>	<u>1</u>	<u>-</u>	<u>-</u>

Note: Out-of-pocket expenses for operating expenses, and payment of good, et al.

5. Funding

The funding between the Company and related parties in 2011 are stated as follows:

<u>Other receivables-related parties Name</u>	<u>2011</u>				
	<u>Actual Disbursement</u>	<u>Balance-ending (Note 1)</u>	<u>Maximum Balance (Notes 1 and 2)</u>	<u>Interest Rate Range (%)</u>	<u>Interest revenue</u>
Yuji Development	\$ -	<u>500,000</u>	<u>500,000</u>	6	-

(Note 1) Maximum balance and balance-ending as the limit.

(Note 2) Maximum balance: the maximum balance accumulated until the end of the current year

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6. Lease contract

The office premises leased by the Company to related parties in 2010 and 2011 are stated as follows:

<u>Lessee</u>	<u>Object/Premises</u>	<u>Duration</u>	<u>Monthly rent (Before tax)</u>	<u>Rent revenue</u>	
2011					
Ching Huang Construction	7F, No. 150, Tunhua N. Road, Taipei City	09.2009~10.2011	\$ 162	1,620	
		11.2011~10.2012	38	76	
Dahan Property Management	7F, No. 150, Tunhua N. Road, Taipei City	09.2008~10.2011	1	14	
Yuji Development	7F, No. 150, Tunhua N. Road, Taipei City	05.2011~12.2012	3	20	
"	11F, No. 150, Tunhua N. Road, Taipei City	12.2011~08.2016	281~309	281	
Hsin Wei International	7F, No. 150, Tunhua N. Road, Taipei City	05.2011~12.2012	3	23	
				<u>\$ 2,034</u>	
2010					
Ching Huang Construction	7F, No. 150, Tunhua N. Road, Taipei City	09.2009~10.2011	\$ 162	1,944	
Dahan Property Management	7F, No. 150, Tunhua N. Road, Taipei City	09.2008~10.2011	1	17	
				<u>\$ 1,961</u>	
<u>Lessor</u>	<u>Object/Premises</u>	<u>Duration</u>	<u>Monthly rent (Before tax)</u>	<u>Rent expenditure</u>	<u>Deposit (Stated as other financial assets-non-current)</u>
2011					
Hsin Wei International	33 vehicles including limousines, official business cars, executive cars and VIP cars	09.01.2007~ 08.22.2013	\$ 12~762	<u>22,638</u>	<u>16,000</u>
2010					
Lungyen Life Service	7F, No. 150, Tunhua N. Road, Taipei City and parking lots	01.2009~ 10.2011	\$ 352	<u>4,229</u>	<u>-</u>

7. Asset transactions

Until December 31, 2011, the Company has purchased the transportation equipment from Hsin Wei International Lease Co., Ltd. and Lee Investment at the prices of \$2,000 thousand (after tax) and \$1,880 thousand (after tax) respectively.

8. Trust contract

The Company has entered into the land trust contracts with Lee Shih-Tsung, Lee Chia-Chen, Lee Shu-Rong and Liu Ping. Please refer to Note 7(6).

9. Others

- (1) In 2011, as Lee Investment entrusted the Company to provide relevant advice and management service with respect to its real estate development project in Daan Section,

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Daan District, Taipei City from January 1, 2010 until October 31, 2011, and the Company recognized the consultation service fees as \$1,905 thousand (stated as miscellaneous revenue) in 2011.

- (2) In 2010, the Company recognized the revenue from the assistance and advice on management and operation provided by the Company to Ching Huang Construction as \$834 thousand (stated as miscellaneous revenue).
- (3) In 2011, the Company recognized the revenue from the assistance and advice on management and operation provided by the Company to Yuji Development Corp. as \$6,000 thousand (stated as miscellaneous revenue).
- (4) Until December 31, 2011, the cost spent by the Company in entrusting Mr. Lee Shih-Tsung to purchase the construction land and individual projects has been no more than \$668,016 thousand. Mr. Lee was entrusted to process and integrate the matters related to the land reserved for construction projects.
- (5) The exchanges of columbariums between the Company and Hsin Wei International in 2011 are detailed in Note 5(2).1.
- (6) Please refer to Note 7(5) for the details about the agreement concluded by the Company and Fu Yuan International for termination of the joint venture building contract on December 31, 2011.

(3) Total remuneration to main management

The information about the total remuneration to the main management of the Company, including directors, supervisors, presidents and vice presidents, in 2010 and 2011 is stated as follows:

	<u>2011</u>	<u>2010</u>
Salary	\$ 35,700	5,045
Bonus and special allowances	6,374	100
Professional practice	1,643	3,172
Bonus to employees	1,002	1,697
	<u>\$ 44,719</u>	<u>10,014</u>

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(VI) Pledged assets

The Company has provided the following assets as collateral on December 31, 2010 and 2011:

<u>Item</u>	<u>12.31.2011</u>	<u>12.31.2010</u>	<u>Purpose</u>
Restricted assets	\$ 195,922	184,976	Trust accounts
Financial assets at fair value through profit or loss - current	287,438	-	To secure the acquiring service for credit account transactions
Construction land	569,314	569,314	To secure the loan
Construction in process (residential area and buildings)	2,160,863	840,377	"
Construction in process (columbarium and cemetery)	1,289,409	-	To secure the acquiring service for credit account transactions
Deductible balance for property, plant and equipment	4,968,451	-	To secure the loan and also the acquiring service for credit account transactions
Other assets-others	10,591	-	To secure the acquiring service for credit account transactions
Total	\$ 9,481,988	1,594,667	

(VII) Significant undertakings or contingencies

- (1) On December 31, 2010 and 2011, the total amounts of contracts concluded by the Company for construction in process (before tax) were \$719,311 thousand and \$1,256,029 thousand, and already valued as \$223,805 thousand and \$622,767 thousand respectively. For details, please refer to Note 5(2).
- (2) On December 31, 2011, the Company has concluded the real estate contracts with customers, totaling \$94,411 thousand (before tax) in order to sell the residual houses and assets rented to others. Meanwhile, \$1,010 thousand has been collected per the contracts.
- (3) The Company purchased the land at Li Ho Section, Hsin Yi District in February 2007. Notwithstanding, in March 2007, the joint owners of said land initiated the proceeding for "Declaration of non-existence of land transaction" with the court and, therefore, the registration of land transfer was hindered. Later, Taipei District Court rendered a judgment in favor of the Company. The adverse parties, in disagreement with the judgment, filed an appeal. However, the adverse parties withdrew the appeal in June 2009. Therefore, the judgment in favor of the Company became final and irrevocable. Notwithstanding, the action was withdrawn in March 2010. The Company filed an action with the court in April 2009, claiming registration of title transfer. However, the joint owners of said land also filed an action in June 2009 claiming that the registration should be prohibited. According to the Company's attorney-at-Law, it is very likely that the Company may win the suit.
- (4) The information about the trust registration of construction in process made by the Company to secure successful performance and delivery of any construction project and work on

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December 31, 2010 and 2011 is stated as follows:

Work in process	Object	Trustee	Duration
Tung Shi, Hsichih	Land	Chinatrust	From date of contract until date of completion of the object under trust
"	Building	Chao-Fu Real Estate Management Corporation	"

Said trust projects were contracted by the Company to the trustees for the purpose of management and operation of the projects, and for real estate management and transfer. Meanwhile, the land trust transfer of the projects was registered to the trustees, and the proprietor in the construction license was changed into the trustee to secure financing to the Company by the lending organizations of said projects.

On December 31, 2011, said construction in process was scheduled to serve as the Group's operation office premises and, therefore, was re-stated into the fixed assets, while said trust registration remained unchanged.

- (5) The joint venture building contracts and urban renewal projects concluded by the Company on December 31, 2010 and 2011 are stated as follows:

Project Title	Land Owner or Co-Investors	Location	Nature	Joint Venture Deposit		Projected
				12.31.2011	12.31.2010	Year of Completion
Yen Chi Urban Renewal Project (Note 1)	36 persons including Chen Hsu Ching-Yun, etc.	Land at 1 st Subsection, Jen Ai Section, Daan District, Taipei City	Urban renewal	\$ -	7,396	-
Shou Cheng Urban Renewal Project	2 persons including Hsu Chun-Huei, etc.	Land at 1 st Subsection, Chung Shan Section, Chung Shan District	"	8,400	8,400	TBD
National Palace Museum Project (Note 2)	Fu Yuan International	Land at 6 th Subsection, Chi Shan Road, Shihlin District, Taipei City	Joint construction and separate sale	-	9,127	"

Note 1: The Company has entered into an agreement for termination of the joint venture building contract with the owners on September 30, 2011, and the relevant deposits were recalled successively.

Note 2: The Company has entered into an agreement for termination of the joint venture

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building contract with Fu Yuan International on March 4, 2011, and the relevant deposits were recalled successively.

- (6) The trust by the Company for purchase of land on December 31, 2010 and 2011 is stated as follows:

Trust Object	Trustee	Remark
Ching Hua Section, Daan District, Taipei City	Liu Ping	The contract amount was \$460,370 thousand. Meanwhile, the Company has paid \$68,531 thousand pursuant to the contract, and the parties to the contract delivered the promissory note bearing \$50,000 thousand and the check bearing \$15,000 thousand, respectively, to the witness attorney-at-law as the performance bond.
Part of land at Hsihchi District, New Taipei City	Lee Chia-Chen	The relevant documents required by said land ownership transfer registration were delivered to the attorney-at-law appointed by the Company, and the trustee issued the promissory note bearing the equivalent amount to the Company.
New Hsiao Keelung Section, Sanchi Hsiang	Song Mei-Hua	// (Note)
Gung Pu Section, Sanchi Hsiang	Lee Shih-Tsung	// (Note)
1 st Subsection, Jen Ai, Taipei City	Lee Shih-Tsung	// (Note)
Yu Cheng Section, Nangang District	Lee Shu-Rong	// (Note)

Note : The Company was consolidated with Lungyen Life Service Co., Ltd. on February 1, 2011, and the matter was consolidated into financial statements accordingly.

- (7) On December 31, 2011, the Installment Account Receivables from the contracts for advance booking of the columbarium of True Dragon Tower and of for the pre-need funeral service contract entered into between the Company and customers was \$9,350,196 thousand. The price was fixed, while the commodity or labor service has not yet been provided. In order to reflect the economic substance of the transactions, the Company wrote off the Installment Account Receivable against Advance receipts and stated it at net cost when preparing the financial statements.
- (8) On December 31, 2010 and 2011, the total amounts of contracts for purchase of construction land and lease of land for property concluded by the Company were \$271,602 thousand and

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\$981,918 thousand respectively. The payments made for integration of the land were \$136,674 thousand and \$664,241 thousand (stated as land prepayment and property, plant and equipment), and the refundable deposits thereof were both \$93,354 thousand.

- (9) In order to upgrade the quality of funeral service and ensure the ability of performance, the Company (hereinafter referred to the “Client”) entered into the trust contract with Union Bank of Taiwan (hereinafter referred to as the “Trustee”) in April 2004, agreeing that as of the date when the contract was signed, 75% of the proceeds (after tax) from each pre-need contract sold by the Company should be transferred to the Trustee under trust, and real estate should be delivered and transferred to the Trustee. Notwithstanding, on April 1, 2010, the Company’s Trustee was changed into Industrial Bank of Taiwan. Further, until December 31, 2011, a total of NT\$4,739,923 thousand (including time deposit \$240,000 thousand, stated as other financial assets – current) have been used to purchase financial instruments, and the real estate was delivered and transferred to the Trustee, to have the Trustee manage and dispose of the trust property for the intended purposes per the Client’s instruction.
- (10) In order to maintain the safety and cleanliness of the funeral facilities and to organize sacrifice ceremonies and to meet the need for internal administrative management, the Company opened an exclusive account for management fees collected from consumers in a lump sum or periodically. On December 31, 2011, the balance of the exclusive account was \$915,113 thousand, stated as other financial assets – current.
- (11) The Company acquired the land and building at Dui Tze Section, Tamsui Township, Taipei County. Notwithstanding, the contractor, Chao Yang Construction Co., Ltd., claimed damages of \$215,256 thousand plus the interest accruing at the statutory interest rate from September 20, 1996 until the date of payment against the original owner and subcontractor, and also included the Company into its claim as an additional defendant in 2008. The claim was revoked upon the judgment rendered by Shihlin District Court on October 23, 2009. Disagreeing with the judgment, Chao Yang filed an appeal and claimed damages in the amount of \$80,000 thousand. Currently, the appeal is pending examination before the Taiwan High Court. According to the attorney-at-law, because it is impossible for Chao Yang to prove the requirements constituting the statutory mortgage as mentioned before, Chao Yang is unlikely to receive a ruling in its favor.

(VIII) Significant disaster loss: None

(IX) Significant subsequent events: None

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(X) Others

(1) Assets/liabilities liquidity analysis

On December 31, 2010 and 2011, the liquidity analysis about the assets/liabilities of the Company related to the business activities conducted by them is stated as follows:

12.31.2011	Anticipated to Collect or Repay Within 12 Months	Anticipated to Collect or Repay Beyond 12 Months	Total
Assets			
Receivable notes and accounts	\$ 121,851	-	121,851
Other financial assets-current	1,176,355	-	1,176,355
Inventory	645,194	9,617,933	10,263,127
Deferred marketing expenses	687,078	8,191,578	8,878,656
Restricted assets	-	195,922	195,922
Other current assets	158,999	-	158,999
Total	\$ 2,789,477	18,005,433	20,794,910
Liabilities			
Short-term loan	\$ 3,040,000	-	3,040,000
Payable notes and accounts	252,425	-	252,425
Payable accounts-related parties	47,864	-	47,864
Payable income tax	311,958	-	311,958
Payable expenses	180,306	-	180,306
Other payables	132,971	-	132,971
Advance receipts for real estate	1,010	-	1,010
Advance receipts	2,528,171	23,824,937	26,353,108
Other current liabilities	23,114	-	23,114
Total	\$ 6,517,819	23,824,937	30,342,756

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12.31.2010	Anticipated to Collect or Repay Within 12 Months	Anticipated to Collect or Repay Beyond 12 Months	Total
Assets			
Other financial assets-current	\$ 5	26,077	26,082
Inventory	43,343	1,626,560	1,669,903
Restricted assets	-	184,976	184,976
Other current assets	38,339	-	38,339
Total	\$ 81,687	1,837,613	1,919,300
Liabilities			
Payable notes and accounts	\$ 120,332	-	120,332
Payable expenses	26,448	-	26,448
Other current liabilities	209	-	209
Total	\$ 146,989	-	146,989

- (2) Human resources spending, depreciation, depletion and amortization expenses are summarized by function as follows:

By function By nature	2011				2010		
	Operating Cost	Operating Expense	Others (Note 2)	Total	Operating Cost	Operating Expense	Total
Human resources expenses							
Salary (Note 1)	\$ 165,748	162,596	23,584	351,928	-	36,860	36,860
Labor and health insurance	9,203	17,746	1,806	28,755	-	771	771
Pension expense	5,019	8,434	1,061	14,514	-	546	546
Other human resources expenses	4,008	11,754	2,413	18,175	-	278	278
Depreciation expenses	85,168	7,914	13,136	106,218	-	331	331
Amortization expenses	-	6,411	1,425	7,836	-	804	804

Note 1: In 2010 and 2011, the bonus to employees and remuneration to directors/supervisors stated by the Company were \$6,171 thousand and \$12,343 thousand, and \$12,343 thousand and \$24,686 respectively.

Note 2: They mean the cemetery management center-related expenses (stated as less item-advance receipts for management fees) and deferred marketing expenses generated from the sale of contracts.

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- (3) The information about foreign currency financial assets and liabilities rendering material effect on the Company:

	Currency Unit: Thousand of NTD					
	12.31.2011			12.31.2010		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB	\$	5	4.807	23	-	-
JPY		26	0.391	10	-	-
THB		85	0.965	85	-	-
HKD	-		3.897	1	-	-
USD		331	30.275	10,076	-	-
<u>Non-monetary items</u>						
USD		2,409	30.275	72,970	-	-
<u>Long-term equity investment under the equity method (Note)</u>						
USD		18,638	30.275	564,258	-	-

Note: The amount equivalent to the investee's net value multiplying by % of ownership at the end of the period.

- (4) Disclosure of consolidated information

The Company acquired 75% of the equity of Lungyen Life Service Co., Ltd. and its control power on February 5, 2010. Then, the Company acquired the remaining 25% of Lungyen Life Service Corp. and consolidated with Lung Yen Life Service Corp. on February 1, 2011. The Company is the surviving company upon the consolidation. Assuming that the consolidation has already taken place at the beginning of 2011 and that the consolidation has already taken place since the control power was acquired in 2010, the pro forma supplementary information is disclosed as follows:

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	<u>12.31.2010</u>	
<u>Balance Sheet</u>		
Assets		
Current assets	\$	22,505,174
Financial assets carried at cost – non-current		65,471
Long-term equity investment under the equity method		556,545
Other financial assets – non-current		15,626
Property, plant and equipment		7,655,490
Intangible assets		134,397
Other assets		1,224,783
Total assets	\$	32,157,486
Current liabilities		
Payable lease – non-current	\$	26,879,130
Other liabilities		800
		710,162
Total liabilities		27,590,092
Shareholders' equity		4,567,394
Total liabilities and shareholders' equity	\$	32,157,486

	<u>2011</u>	<u>2010</u>
<u>Income Statement</u>		
Operating revenue-net	\$ 4,356,845	2,950,982
Cost of goods sold	1,320,908	1,206,874
Gross profit	3,035,937	1,744,108
Operating expenses	1,243,293	915,202
Net profit	1,792,644	828,906
Non-operating revenue and gain	312,217	429,608
Non-operating expenses and losses	98,213	302,485
Continuing operating income before tax	2,006,648	956,029
Income tax expense	(145,371)	(81,395)
Net income before income tax	\$ 1,861,277	874,634

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(XI) Disclosures

(1) Information about significant transactions:

1. Loans to third parties:

Unit: Thousand NTD

NO.	Lender	Borrower	Account Title	Maximum Balance	Balance-ending	Balance of Actual Disbursement	Interest Rate Range	Nature	Amount	Reason for short-term financing	Allowance for bad debt	Collateral		Limit on loans granted to single party	Ceiling on total loans granted
												Name	Value		
	Lung Yen Co., Ltd.	Yuji Development Corp.	Other receivables-related parties	500,000	500,000	-	6.00%	Short-term financing	-	Working fund	-	-	-	1,492,514	2,985,028

Note 1: The maximum amount of total loans to others shall not exceed 40% of the Company's net assets. The total amount of loans granted to a single business partner of the Company shall be limited to the total amount of business transactions between the Company and the business partner and shall be no more than 20% of the Company's latest net value. The short-term financing shall be no more than the working fund as needed or 70% of the amount of the land, buildings or operating equipments purchased and no more than 20% of the Company's latest net value.

Note 2: Said net value is based on that identified in the latest auditor's report.

2. Endorsement/guarantee in favor of third parties: None.

3. Marketable securities held at ending:

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending				Remark
				Quantity of shares (thousand shares)/unit	Book Value	% of Ownership	Market Value (NTD) per Unit	
The Company	Stock of Ching Huang Construction Co., Ltd.	The Company's subsidiary	Long-term equity investment under the equity method	19,639	174,793	98.20%	10.04	
"	Stock of Yuji Development Corp.	"	"	90,000	910,154	56.25%	10.11	
"	Stock of Dahan Property Management Co., Ltd.	"	"	400	3,605	80.00%	9.01	
"	Stock of Sea Dragon Traders Ltd. (BVI)	"	"	1	107,311	100.00%	107,311	
"	Stock of Lungding Life Science Co., Ltd.	"	"	2,000	18,512	100.00%	9.26	
"	Beauty Kadan Co., Ltd.	The investee under equity method	"	1,425	21,780	50.00%	15.28	
"	Stock of Asia Best Healthcare Co., Ltd.	"	"	112	456,947	16.35%	4,072.61	
"	Stock of Ruei Da Venture Capital Co., Ltd.	"	"	3,000	29,305	47.62%	9.77	
"	CHT securities	-	Financial assets at fair value through profit or loss - current	2,662	266,226	-	100.00	Pledged in whole
"	Hsin Yi securities	-	"	433	16,151	-	37.30	
"	LUMAX securities	-	"	220	13,354	-	60.70	
"	eMemory Technology securities	-	"	315	21,074	-	66.90	
"	Morningstar securities	-	"	80	12,640	-	158.00	
"	Chenbro securities	-	"	1,128	36,314	-	32.20	Pledged in part
"	Insyde securities	-	"	70	10,045	-	143.50	
"	PChome securities	-	"	40	4,160	-	104.00	
"	Cathay R1 Fund	-	"	3,200	45,056	-	14.08	
"	Cathay R2 Fund	-	"	10,000	125,900	-	12.59	
"	Berkshire-A securities	-	"	-	72,970	-	USD 114,755	
"	FORTUNE IC FUND I	-	Financial assets carried at cost - non-current	600	11,216	4.86%	12.26	
"	Kun Kee Erh Investment Co., Ltd. securities	-	"	6,000	54,255	8.57%	9.04	
"	Kuo Hua Life securities	-	"	44	-	0.01%	-	

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4. The amount of the same securities cumulatively bought or sold that exceeds NT\$100 million or 20% of the paid-in capital:

Unit: Thousand shares; Thousand of NTD

Buyer/Seller	Type and Name of Securities	Account Title	Trading Counterpart	Relationship	Beginning		Buy		Sell				Ending	
					No. of Unit	Amount	No. of Unit	Amount	No. of Unit	Selling Price	Book Value	Gain or Loss from Disposition	No. of Unit	Amount
The Company	Jih Sun Bond Fund	Financial assets at fair value through profit or loss	-	-	12,744	180,560	-	-	12,744	180,640	180,000	640	-	-
"	Stock of Ching Huang Construction Co., Ltd.	Long-term equity investment under the equity method	Note	Note	2,314	29,380	17,325	154,748	-	-	-	-	19,639	174,793
"	Stock of Yuji Development Corp.	"	Note	Note	1,000	12,668	89,000	890,000	-	-	-	-	90,000	910,154

Note: Participation in capital increase in cash

5. The acquisition of real property exceeding NT\$100 million or 20% of the paid in capital:

Currency Unit: Thousand of NTD

Acquired by	Name of Property	Date of Trading or Fact	Trading Value	Payment	Trading Counterpart	Relationship	Information about previous transfer, if the trading counterpart is a related party				Pricing Reference	Purpose of Acquisition and Use	Others
							Owner	Relationship with the issuer	Date of Transfer	Amount			
The Company	Taipei World Financial Center	08.18.2010	1,820,000	1,820,000	Chinfon Bank Financial Restructuring Fund of Executive Yuan Central Deposit Insurance Corporation (CDIC)	Non-related party	-	-	-	-	Public tendering	Assets rented to others	-
"	Fu An Section, Xi Tun District, Taichung City	03.08.2011	872,453	872,453	Sun A Enterprise Co., Ltd.	"	-	-	-	-	Price negotiation	Business place	-
"	Park Section, Chung Chen District, Taipei City	04.19.2011	1,201,100	1,201,100	Cheng Lin Construction Co., Ltd.	"	-	-	-	-	Public tendering	Assets rented to others	-
"	Huei Chi Section, Taoyuan City	04.20.2011	245,324	245,324	Cheng Rong-Sheng	"	-	-	-	-	Price negotiation	Business place	-

6. The disposition of real property exceeding NT\$100 million or 20% of the paid in capital:

Currency Unit: Thousand of NTD

Disposed by	Name of Property	Date of Trading or Fact	Date of Initial Acquisition	Book Value	Trading Value	Payment	Gain or Loss from Disposition	Trading Counterpart	Relationship	Purpose	Pricing Reference	Others
The Company	Three pieces of land including Land Nos. 17, 17-1 and 17-2 4th Subsection Ling Yi Section, Chung Chen District, Taipei City	03.01.2011	08.31.2009	\$ 152,126	400,000	400,000	247,874	Lee Ching-Kang	Non-related party	Working fund	According to the appraisal report, the market value of the land is \$382,925 approximately.	None

7. Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital:

Currency Unit: Thousand of NTD

Company	Trading Counterpart	Relationship	Status of Trade				Special terms and conditions of trade and reasons		Receivable (payable) notes and accounts		Remark
			Purchase (Sales)	Amount (Note 1)	Percentage to total purchase (sales)	Credit Term	Unit Price	Credit Term	Balance (Note 2)	Percentage to total receivable (payable) notes and accounts	
The Company	Ching Huang Construction Co., Ltd.	The Company's subsidiary	Purchase	\$ 189,634	57.15%	Paid in the form of postdated check to be matured within 30 days-60 days	-	-	(47,864)	15.94%	

Note 1: The pricing made by Ching Huang Construction Co., Ltd. to the Company in 2011, exclusive of the previous pricing, \$32,960 thousand, upon consolidation of Lungyen Life Service Co., Ltd.

Note 2: The balance of purchase-related accounts on December 31, 2011.

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Notes to Financial Statements of Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.) (Cont'd)

8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital:
None.
9. Trades for derivatives: None.

(2) Information about reinvestees

1. Information about investees, such as name and location, et al.:

Unit: Thousand shares; Thousand of NTD

Investor	Investee	Location	Major business activities	Initial Amount of Investment		Held at ending			Current gain (loss) of investee	Investment gain (loss) recognized in the current period	Remark
				Current period-ending	Previous period-ending	Quantity of shares	Percentage	Book Value			
The Company	Ching Huang Construction Co., Ltd.	7F, No. 150, Tunhua N. Road, Taipei City	Civil engineering	\$ 204,332	49,584	19,639	98.20%	174,793	139	(9,373)	Subsidiaries
"	Yuji Development Corp.	No. 22-4, Yuan Tang, 2 Lin, Huan Tang Li, New Taipei City	Funeral service	900,000	10,000	90,000	56.25%	910,154	17,756	9,990	"
"	Dahan Property Management Co., Ltd.	7F, No. 150, Tunhua N. Road, Taipei City	Development, lease and sale of residential areas and building investment	3,870	2,000	400	80.00%	3,605	(169)	(135)	"
"	Hailong Trade Company (BVI)	Citco Building, P. O. Box 662, Road Town, Tortola, British Virgin Islands.		114,529	-	1	100.00%	107,311	(11,377)	(11,377)	"
"	Lungding Life Science Co., Ltd.	Suite B28, No. 325, Wu Shulin, Hou Pi District, Tainan City	Flower and plant cultivation	20,000	-	2,000	100.00%	18,512	(1,488)	(1,488)	"
"	Beauty Kadan Co., Ltd.	4F, No. 285, Sec. 4, Chung Hsiao E. Road, Taipei City	Wholesale of flowers and plants	20,534	-	1,425	50.00%	21,780	2,492	1,246	
"	Asia Best Healthcare Co., Ltd. (Cayman)	Marquee Place, Suite 300, 430 West Bay Road, P.O.Box 32052, Grand Cayman KY1-1208,	Long-term care	375,694	-	112	16.35%	456,947	38,932	11,324	
"	Ruei Da Venture Capital Co., Ltd.	4F, No. 560, Sec. 4, Chung Hsiao E. Road, Taipei City	Investment	30,000	-	3,000	47.62%	29,305	(827)	(394)	

2. Loans to third parties: None.
3. Endorsement/guarantee in favor of third parties: None.
4. Marketable securities held at ending:

Unit: Thousand shares

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending				Remark
				Unit	Book Value	% of Ownership	Market Value (NTD) per share	
Ching Huang Construction Co., Ltd.	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	14,845	\$ 178,908	-	12.05	
"	J-Garden Corp.	-	Financial assets carried at cost - non-current	-	3,000	5.00	91,848.46	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Bond Fund	-	Financial assets at fair value through profit or loss	170	2,048	-	12.08	
Sea Dragon Traders Ltd. (BVI)	Becton Dickinson	-	"	43	USD3,206	-	74.40	
Lungding Life Science Co., Ltd.	ING Taiwan Money Market Fund	-	"	954	15,006	-%	15.74	

(English Translation of Financial Report Originally Issued in Chinese)
Notes to Financial Statements of Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.) (Cont'd)

5. The amount of the same securities cumulatively bought or sold that exceeds NT\$100 million or 20% of the paid-in capital:

Unit: Thousand shares; Thousand of NTD

Buyer/Seller	Type and Name of Securities	Account Title	Trading Counterpart	Relationship	Beginning		Buy		Sell			Ending		
					No. of Unit	Amount	No. of Unit	Amount	No. of Unit	Selling Price	Book Value	Gain or Loss from Disposition	No. of Unit	Amount
Yuji Development Corp.	FSITC Money Market Fund (formerly NITC Money Market Fund)	Financial assets at fair value through profit or loss	-	-	34	\$ 5,82	2,909	500,000	2,943	506,245	505,550	695	-	-
"	ING Taiwan Hong-Yang Money Market Fund	"	-	-	-	-	35,728	590,000	35,728	590,461	590,000	461	-	-
"	Taishin 169 Fund	"	-	-	-	-	38,412	500,000	38,412	500,472	500,000	472	-	-

6. The acquisition of real property exceeding NT\$100 million or 20% of the paid in capital:

Acquired by	Name of Property	Date of Trading or Fact	Trading Value	Payment	Trading Counterpart	Relationship	Information about previous transfer, if the trading counterpart is a related party				Pricing Reference	Purpose of Acquisition and Use	Others
							Owner	Relationship with the issuer	Date of Transfer	Amount			
Yuji Development Corp.	Land and building including Taichung Pao-Shan Memorial Park	12.30.2011	180,920	Outstanding before December 31, 2011	Hong Hsin-Tai, et al.	Non-related party	-	-	-	-	Price negotiation	Working fund	Repay overdue tax on behalf of the original land owner, no more than \$20,000
"	Land and building including Wanshoushan Tomb	11.02.2011	1,513,310	\$1,123,642 outstanding before December 31, 2011	Hong Hsin-Tai, et al.	"	-	-	-	-	\$1,664,584, see Hungtu appraisal report; \$1,663,202, see Hungtai appraisal report	"	Miscellaneous rights remain uncanceled and untransferred, and retained payment outstanding
"	Land and building including columbarium and cemetery in Chia Yu Tower	09.30.2011	129,130	\$56,130 outstanding before December 31, 2011	Chia Yu Development Co., Ltd.	"	-	-	-	-	\$130,212, see Hungtu appraisal report	"	Miscellaneous rights remain uncanceled, and retained payment outstanding

7. The disposition of real property exceeding NT\$100 million or 20% of the paid in capital:
None

8. Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital:

Currency Unit: Thousand of NTD

Company	Trading Counterpart	Relationship	Status of Trade				Special terms and conditions of trade and reasons		Receivable (payable) notes and accounts		Remark
			Purchase (Sales)	Amount	Percentage to total purchase (sales)	Credit Term	Unit Price	Credit Term	Balance	Percentage to total receivable (payable) notes and accounts	
Ching Huang Construction Co., Ltd.	Lungyen Co., Ltd.	Parent and subsidiary	Sale	\$ 296,940 (Note)	87.26%	30-60 day postdated check	-	-	50,633	69.00%	

Note: The sales revenue recognized under percentage of completion method in 2011

9. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital:
None.

10. Trades for derivatives: None.

(3) Information about investment in Mainland China

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Notes to Financial Statements of Lungyen Life Service Corp.
(Formerly Known as Dahan Development Corp.) (Cont'd)

The Directors' Meeting resolved on March 31, 2011 that the Company may invest no more than US\$40,000 thousand in establishing Lungyen (China) Life Service Corp., and the investment was also ratified by the Investment Commission of MOEA on July 1, 2011 upon review. Notwithstanding, the Company has not yet made the investment so far.

(XII) Financial information by department

The Company has disclosed the segment information in the consolidated financial statements in accordance with Paragraph 5 of Statement of Financial Accounting Standards No. 41 and, therefore, omitted the same in the individual financial statements.

Lungyen Life Service Corp.

Statement of Columbarium and Cemetery for Sale

December 31, 2011

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

<u>Item</u>	<u>Memo</u>	<u>Amount</u>
True Dragon Tower		\$ 1,131,885
Lung Tai Ling		245,719
Cemetery Area		386,426
Bamboo Abode		40,909
Total		<u>\$ 1,804,939</u>

Statement of Changes in Construction in Process (Real Estate in Process)

For The Year Ended December 31, 2011

Project Title	Balance-ending	Current Increase					Current Transfer Out (Note)	Balance-ending	Secured or Pledged Amount
		Land Cost	Project Cost	Capitalized interest	Realized gain	Consolidated Transfer in			
Tung Shi,	\$ 840,377	-	114	-	-	-	840,491	-	-
Hsichih									
Heng Chou	41,353	-	80	-	-	-	-	41,433	-
S. Road									
Chung Nan	-	-	6,337	-	-	2,184,510	-	2,190,847	2,160,863
Section,									
Nangang									
Total	<u>\$ 881,730</u>	<u>-</u>	<u>6,531</u>	<u>-</u>	<u>-</u>	<u>2,184,510</u>	<u>840,491</u>	<u>2,232,280</u>	

Note: Transfer out to property, plant and equipment

Lungyen Life Service Corp.**Statement of Changes in Construction in Process
(Columbarium and Cemetery in Process)****For The Year Ended December 31, 2011****(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

Project Title	Balance-ending	Current Increase		Carry-forward Upon Completion	Balance-ending	Secured or Pledged Amount
		Consolidated Transfer in	Investment			
True Dragon Tower	\$ -	2,214,939	84,419	172,882	2,126,476	-
Sanzhi Area Cemetery Area	-	347,819	221,858	-	569,677	-
Hua-lien Tower	-	1,510,916	100,157	212,315	1,398,758	1,289,40
Others	-	505,269	14,890	-	520,159	-
Total	\$ -	4,582,842	441,196	385,197	4,638,841	-

Statement of Deferred Marketing Expenses**December 31, 2011**

Item	Cemetery	Pre-need contract	Warrant	Total
Commission	\$ 4,350,059	3,040,463	22,588	7,413,110
Salary	715,052	-	-	715,052
Advertisement expenses	537,290	139,955	2,171	679,416
Service charges	28,445	1,119	-	29,564
Printing expenses	20,950	2,389	12	23,351
Insurance premium	11,410	-	-	11,410
Rent	5,777	245	7	6,029
Packaging expenses	-	724	-	724
Total	\$ 5,668,983	3,184,895	24,778	8,878,656

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.

Statement of Changes in Long-term Equity Investment under Equity Method

For The Year Ended December 31, 2011

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

Name	Balance-ending		Current Increase		Current Decrease		Balance-ending			Market Value or Net Value of Equity		Security or Pledge
	Quantity of shares	Amount	Quantity of shares	Amount	Quantity of shares	Amount	Quantity of shares	% of Ownership	Amount	Unit Price	Total Price	
Ching Huang Construction Co., Ltd.	2,314	\$ 29,380	17,325	154,786	-	9,373	19,639	98.20%	174,793	10.04	197,114	None
Yuji Development Corp.	1,000	12,668	89,000	899,990	-	2,504	90,000	56.25%	910,154	10.11	910,154	"
Dahan Property Management Co., Ltd.	200	1,870	200	1,870	-	135	400	80.00%	3,605	9.01	3,605	"
Lungyen Life Service Co., Ltd.	68,698	2,435,703	-	50,136	68,698	2,485,839	-	- %	-	-	-	"
Hailong Trade Company (BVI)	-	-	1	118,688	-	11,377	1	100.00%	107,311	107,311	107,311	"
Lungding Life Science Co., Ltd.	-	-	2,000	20,000	-	1,488	2,000	100.00%	18,512	9.26	18,520	"
Beauty Kadan Co., Ltd.	-	-	1,425	21,780	-	-	1,425	50.00%	21,780	15.28	21,780	"
Asia Best Healthcare Co., Ltd.	-	-	112	456,947	-	-	112	16.35%	456,947	4,072.61	456,947	"
Ruei Da Venture Capital Co., Ltd.	-	-	3,000	30,000	-	695	3,000	47.62%	29,305	9.77	29,305	"
Total		\$ 2,479,621		1,754,197		2,511,411			1,722,407			

Note 1: The current increase is a result of the transfer in of NT\$512,627 thousand from the equity investment originally held by Lungyen Life Service Co., Ltd., recognition of the investment income of NT\$72,696 thousand, increase in equity investment of NT\$1,094,748 thousand and shareholders' equity adjustment of NT\$74,126 thousand, upon consolidation of Lungyen Life Service Corp.

Note 2: The current decrease is a result of the write-off of NT\$2,485,839 thousand from the equity investment of Lungyen Life Service Co., Ltd., recognition of investment loss of NT\$22,767 thousand, shareholders' equity adjustment of NT\$433 thousand and receipt of cash dividend of NT\$2,372 thousand.

Lungyen Life Service Corp.**Statement of Changes in Property, Plant and Equipment****December 31, 2011****(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

Item	Balance-ending	Current Increase	Current Decrease	Current Transfer	Balance-ending	Secured or Pledged Amount
Land	\$ -	-	-	2,671,636	2,671,636	
House and building	-	1,050	3,039	716,965	714,976	
Office equipments	1,274	938	2,491	90,707	90,428	
Transportation equipment	-	8,673	680	37,757	45,750	
Other equipments	3,197	6,603	428	24,338	33,710	
Assets rented to others	-	289	110,451	8,111,851	8,001,689	A part of such assets are applied to secure the acquiring service for credit card transactions
Leased assets	-	-	-	30,035	30,035	
Leasehold improvement	-	355	-	466	821	
Unfinished construction	-	208,617	-	868,318	1,076,935	A part thereof is applied to secure the bank loans.
Advance receipts for real estate and equipment	-	3,695,756	-	(3,659,222)	36,534	
Total	\$ 4,471	3,922,281	117,089	8,892,851	12,702,514	

Note 1: The current decrease refers to the cost spent in disposal and scrapping of property, plant and equipment.

Note 2: The current transfer refers to the total of NT\$8,467,677 thousand transferred in upon consolidation of Lungyen Life Service Co., Ltd., NT\$8,298 thousand transferred in from real estate for sale rented to others, NT\$840,491 thousand transferred in from construction in process-real estate in process, NT\$152,422 thousand transferred out to real estate for sale, NT\$172,459 thousand transferred out to construction land, NT\$98,217 thousand transferred out to land prepayment, and NT\$517 thousand transferred to others.

Lungyen Life Service Corp.**Statement of Changes in Accumulated Depreciation****For The Year Ended December 31, 2011****(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

Item	Balance-ending	Current Increase	Current Decrease	Current Transfer	Balance-ending
House and building	\$ -	17,606	1,652	226,340	242,294
Office equipments	916	7,427	2,191	78,975	85,127
Transportation equipment	-	2,323	680	33,643	35,286
Other equipments	2,907	3,637	328	13,355	19,571
Assets rented to others	-	64,728	14,275	171,633	222,086
Leased assets	-	10,400	-	19,326	29,726
Leasehold improvement	-	97	-	438	535
Total	\$ 3,823	106,218	19,126	543,710	634,625

Note 1: The current increase refers to the total of provision of depreciation, stated as operating cost of NT\$85,168 thousand, operating expenses of NT\$7,775, deferred marketing expenses of NT\$10,400 thousand, less: advance receipts for management fee of NT\$2,736 thousand and others at NT\$139 thousand.

Note 2: The current decrease refers to disposal and scrapping of accumulated depreciation.

Note 3: The current transfer refers to the transfer in of NT\$543,716 thousand upon consolidation of Lungyen Life Service Co., Ltd. and transfer out of NT\$6,000 to real estate held for sale.

Statement of Short-Term Loan**December 31, 2011**

Bank	Type of Loan	Balance-ending	Duration	Interest Rate	Limit	Pledged or Secured Assets
Chinatrust	Pledged loan	\$ 460,000	10.21.2011~02.24.2012	1.63%~2.03%	1,370,000	Property, plant and equipment
Changhwa Bank	"	1,700,000	11.07.2011~03.30.2012	0.62%~1.5%	1,700,000	Assets rented to others
"	"	880,000	11.04.2011~03.23.2012	0.62%~1.5%	900,000	"
Total		\$ 3,040,000				

Lungyen Life Service Corp.
Statement of Advance Receipts
December 31, 2011

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

<u>Item</u>	<u>Amount</u>
Columbarium and cemetery	\$ 15,857,111
Pre-need contract	9,463,807
Warrant	160,120
Permanent Management Fee	831,733
Others	40,337
Total	<u>\$ 26,353,108</u>

Statement of Operating Revenue
For The Year Ended December 31, 2011

<u>Item</u>	<u>Memo</u>	<u>Amount</u>	<u>Remark</u>
Construction revenue	House	\$ 8,989	
	Land	422,693	
Subtotal		<u>431,682</u>	
Leasehold revenue		169,570	
Columbarium and Cemetery revenue	True Dragon Tower	2,198,259	
	Cemetery Area	259,316	
Subtotal		<u>2,457,575</u>	
Funeral service revenue		1,050,752	
Other operating revenue		62,319	
Net		<u>\$ 4,171,898</u>	

Lungyen Life Service Corp.

Statement of Operating Cost

For The Year Ended December 31, 2011

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

<u>Item</u>	<u>Memo</u>	<u>Amount</u>	<u>Remark</u>
Construction cost	House	\$ 13,177	
	Land	178,277	
	Gain from price recovery of inventory	<u>(21,100)</u>	
Subtotal		<u>170,354</u>	
Columbarium for sale-True Dragon Tower, beginning		-	
Cemetery for sale-ending		-	
Add: Carry-forward upon completion of True Dragon Tower and Cemetery in 2011		385,197	
Consolidated Transfer in		1,676,948	
Others		1,492	
Less: Columbarium for sale-True Dragon Tower, ending		(1,131,885)	
Columbarium for sale-Lung Tai Ling, ending		(245,719)	
Cemetery for sale and Bamboo Abode, ending		<u>(427,335)</u>	
Subtotal		<u>258,698</u>	
Add: Funeral service cost		677,996	
Leasehold cost (Note)		109,538	
Other service costs		<u>22,952</u>	
Subtotal		<u>810,486</u>	
Total operating costs		<u><u>\$ 1,239,538</u></u>	

Note: Leasehold cost refers to the total of the depreciation related to property, plant and equipment of NT\$68,150 thousand, and the related taxes, management and other expenses of NT\$41,388 thousand.

Lungyen Life Service Corp.

Statement of Operating Expenses

For The Year Ended December 31, 2011

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

<u>Item</u>	<u>Selling expenses</u>	<u>Management fee</u>	<u>Total</u>
Salary expenditure	\$ 97,313	162,596	259,909
Rent expenditure	792	2,644	3,436
Stationery	-	451	451
Pension	-	8,434	8,434
Postage	-	3,894	3,894
Advertisement expenses	78,274	183	78,457
Water, electricity and gas	-	3,751	3,751
Insurance premium	1,553	18,339	19,892
Entertainment allowance	-	6,291	6,291
Tax and levy	12	14,891	14,903
Depreciation	-	7,775	7,775
Amortizations	-	6,411	6,411
Donation	-	33,165	33,165
Loss on bad debt	-	1,190	1,190
Traveling expenses	-	4,406	4,406
Freight	-	382	382
Repair and maintenance	-	6,268	6,268
Meal	-	3,122	3,122
Workers' fringe benefits	-	7,975	7,975
Commission expenditure	643,065	-	643,065
Service charges	4,181	16,942	21,123
Other expenses	13,363	24,678	38,041
Total	<u>\$ 838,553</u>	<u>333,788</u>	<u>1,172,341</u>

Lungyen Life Service Corp.

Statement of Non-Operating Revenue and Gain

For The Year Ended December 31, 2011

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

<u>Item</u>	<u>Memo</u>	<u>Amount</u>	<u>Remark</u>
Interest revenue		\$ 2,612	
Gain from investment under equity method		49,929	
Stock dividend revenue		29,728	
Revenue from counter-party default		215,789	
Miscellaneous revenue		18,598	
Total		<u>\$ 316,656</u>	

Statement of Non-Operating Expenses and Losses

<u>Item</u>	<u>Memo</u>	<u>Amount</u>	<u>Remark</u>
Interest expense		\$ 17,758	
Loss from disposal of Property, plant and equipment		30,029	
Loss on valuation of financial assets		10,691	
Exchange loss		1,290	
Miscellaneous expenses	Loss on bad debt for long-term receivable accounts	15,626	
	Others	942	
Total		<u>\$ 76,336</u>	