

(English Translation of Financial Report Originally Issued in Chinese)

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

**Consolidated Financial Statements**

For The Years Ended December 31, 2011 and 2010  
(Including an Independent Auditor's Audit Report)

Address: 1F., No. 166, Sec. 2, Minquan E. Rd., Taipei City  
Tel. No.: (02)2712-1628

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## Statement of Declaration

The Company is required to prepare consolidated financial statements 2011 (for the years ended December 31, 2011) with its subsidiaries under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. Subsidiaries of the Company under the aforementioned legal rule are identical with the subsidiaries defined under Financial Accounting Standard No. 7 on “Consolidated Financial Statements”. Information on Financial Status and operation performance of such subsidiaries has been included in the disclosure of the aforementioned consolidated financial statement between parent and subsidiaries and therefore will not be prepared separately.

We hereby make said statement accordingly.

Company name: Lungyen Life Service Corp.

Chairman: Lee Shih-Tsung

Date: 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 consolidated balance sheets of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) as of December 31, 2010 and 2011, and the related consolidated statements of income, consolidated statement of comprehensive income in shareholders' equity and consolidated statement 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 consolidated financial statements based on our audits. The financial statements of some investees of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) and its subsidiaries 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 0.07% of the consolidated total assets. The investment loss, net recognized in 2011, was NT\$394 thousand, accounting for 0.02% of the consolidated 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 us to 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 reports of the other auditors, the consolidated 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.) and its subsidiaries of December 31, 2010 and 2011, and the results of their consolidated operations and their consolidated 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.

KPMG

CPA:

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

(English Translation of Financial Report Originally Issued in Chinese)  
Lungyen Life Service Corp. and Subsidiaries  
(Formerly Known as Dahan Development Corp.)

Consolidated Balance Sheets

For The Years Ended December 31, 2011 and 2010

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

Assets	12.31.2011		12.31.2010			Liabilities and shareholders' equity	12.31.2011		12.31.2010	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (Note 4(1))	\$ 1,565,112	4	1,136,551	4	2100 Short-term loan (Note 4(12))	\$ 3,040,000	8	-	-	
1120 Receivable notes and accounts, net (Note 5(7))	203,361	1	31,013	-	2120 Payable notes and accounts, net (Note 4(5))	1,521,114	4	237,241	1	
1310 Financial assets at fair value through profit or loss – current (Notes 4(2) and (6))	916,901	2	1,348,111	4	2130 Payable accounts – related parties (Note 5)	-	-	4,481	-	
1190 Other financial assets – current (Note 6)	1,181,541	3	253,921	1	2160 Payable income tax (Note 4(16))	314,561	1	461,421	1	
1221 Building and land held for sale (Note 4(3))	8,641	-	25,824	-	2170 Payable expenses (Note 4(19))	186,551	-	155,891	-	
1222 Columbarium and Cemetery for sale (Note 4(3))	2,041,731	5	1,686,871	5	2262 Advance receipts for real estate (Note 4(13) and 7)	1,010	-	-	-	
1223 Construction land (Notes 4(4) and 6)	1,094,241	3	3,019,391	9	2263 Advance receipts (Notes 4(14), 5 and 7)	26,375,513	66	25,909,380	81	
1224 Construction in process (Notes 4(5), 6 and 7)	8,153,381	20	5,247,431	16	2268 Balance after unearned receipts for construction in process	18,402	-	-	-	
1225 Land prepayment (Notes 4(6) and 7)	484,011	1	460,451	1	2280 Other current liabilities (Notes 5)	155,841	-	146,441	-	
1240 Balance after construction in process less advance receipts for construction	-	-	40,379	-		31,612,995	79	26,914,867	83	
1285 Deferred marketing expenses (Note 4(7))	8,878,651	22	8,980,281	28	2446 Long-term liabilities with interest:					
1291 Restricted (Note 6)	195,921	1	184,971	1	Payable lease – non-current	-	-	800	-	
1298 Other current assets (Note 4(16))	288,001	1	278,071	1	2810 Other liabilities:					
	25,011.52	63	22,693.311	70	Accrued pension liabilities (Note 4(15))	19,459	-	18,827	-	
<b>Fund and long-term investment:</b>					2820 Deposit received	46,075	-	31,300	-	
1421 Long-term equity investment under the equity method (Note 4(8))	508,031	1	396,221	2	2881 Consolidated credit	2,981	-	2,981	-	
1480 Financial assets carried at cost – non-current (Note 4(2))	68,471	-	71,471	-		68,515	-	53,108	-	
1440 Other financial assets – non-current (Note 7)	61,092	-	70,663	-		31,681,510	79	26,968,775	83	
	637,591	1	538,361	2						
<b>Property, plant and equipment (Notes 4(5), 4(9), 5 and 7):</b>										
1501 Land	2,671,631	7	1,884,421	6	Shareholders' equity (Notes 4(8), 4(16), 4(17), 4(18) and 4(19)):					
1521 House and building	714,971	2	639,761	2	Capital stock:					
1531 Office equipments	92,954	-	93,559	-	3110 Common stock	3,990,842	10	3,821,593	13	
1551 Transportation equipment	45,750	-	37,283	-	Capital surplus:					
1552 Other equipments	35,669	-	-	-	3211 Common stock premium	1,392,072	4	-	-	
1553 Assets rented to others	8,001,551	20	4,629,281	15	3260 Long-term investment	59,736	-	389	-	
1621 Leased assets	30,035	-	30,035	-		1,451,808	4	389	-	
1631 Leasehold improvement	821	-	466	-	Retained earnings:					
1681 Other equipments	-	-	27,797	-	3310 Legal reserve	77,142	-	-	-	
1671 Unfinished construction	1,083,491	3	125,121	-	3320 Special reserve	26,009	-	-	-	
1672 Advance receipts for real estate and equipment	36,534	-	756,331	3	3351 Unappropriated earnings	1,930,921	5	771,421	2	
	12,713,421	32	8,224,061	26		2,034,072	5	771,421	2	
15X9 Less: accumulated depreciation	(636,620)	2	(541,854)	2	Other shareholders' equity:					
1599 Less: accumulated impairment	-	-	(25,662)	-	3420 Accumulated translation adjustment	(13,851)	-	(26,009)	-	
	12,076.80	30	7,656.551	24	3451 Unrealized loss from financial assets	(301)	-	-	-	
<b>Intangible assets (Note 4(10)):</b>						(14,152)	-	(26,009)	-	
1710 Trademark right	192,751	1	-	-	Parent company's shareholders' equity - subtotal	7,462,570	19	4,567,391	15	
1760 Goodwill	542,421	1	134,391	-	Minority interest	712,051	2	663,281	2	
	735,171	2	134,391	-	3610 Total shareholders' equity	8,174,628	21	5,230,681	17	
<b>Other assets:</b>					Significant undertakings or contingencies (Note 7)					
1880 Other deferred expenses	46,475	-	50,067	-						
1860 Deferred income tax assets – non-current (Note 4(18))	561,911	2	487,661	2	Total liabilities and shareholders' equity	\$ 39,856,138	100	32,199,456	100	
1888 Other assets – others (Notes 4(11) and 6)	786,641	2	639,101	2						
	1,395,031	4	1,176,831	4						
<b>Total assets</b>	<b>\$39,856,138</b>	<b>100</b>	<b>32,199,456</b>	<b>100</b>						

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

Chairman:

General Manager:

Chief Accountant:

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

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

## Consolidated Income Statements

For The Years Ended December 31, 2011 and 2010

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

		For The Years Ended December 31,			
		2011		2010	
		Amount	\$	Amount	\$
4000	Operating revenue (Note 5):				
4511	! Construction revenue	\$ 475,025	11	333,042	11
4310	! Leasehold revenue	176,116	4	138,803	5
4700	! Columbarium and Cemetery revenue	2,589,539	58	1,533,281	51
4710	! Funeral service revenue	1,146,153	26	944,853	31
4881	! Other operating revenue	68,009	1	49,195	2
4519	Less: Construction revenue rebate and discount	-	-	3	-
		<u>4,454,842</u>	<u>100</u>	<u>2,999,171</u>	<u>100</u>
5000	Operating cost (Note 4(3) and 5):				
5510	! Construction cost	211,324	5	285,474	10
5310	! Leasehold cost	113,022	3	70,753	2
5690	! Columbarium and Cemetery cost	276,594	6	246,740	8
5691	! Funeral service cost	737,073	17	615,128	21
5800	! Other operating costs	26,004	1	20,687	1
		<u>1,364,017</u>	<u>32</u>	<u>1,238,782</u>	<u>42</u>
5910	Gross profit	3,090,825	68	1,760,389	58
6000	Operating expenses:				
6100	! Selling expenses	877,996	20	692,602	23
6200	! General and administrative expenses (Note 4(19) and 4(5))	388,358	9	230,192	8
		<u>1,266,354</u>	<u>29</u>	<u>922,794</u>	<u>31</u>
6900	Operating profit (loss)	1,824,471	39	837,595	27
7100	Non-operating revenue and gain:				
7110	! Interest revenue	2,731	-	6,767	-
7121	! Income from investment under the equity method (Note 4(8))	12,176	-	20,953	1
7122	! Stock dividend revenue	31,179	1	19,318	1
7130	! Gain from disposal of Property, plant and equipment	-	-	695	-
7170	! Revenue from counter-party default	222,231	5	74,375	2
7310	! Gain on valuation of financial assets (Note 4(2))	-	-	74,097	2
7480	! Miscellaneous revenues (Note 5)	13,812	-	226,453	8
		<u>282,129</u>	<u>6</u>	<u>422,658</u>	<u>14</u>
7500	Non-operating expenses and losses:				
7510	! Interest expenses (Note 4(5))	17,769	-	1,221	-
7530	! Loss from disposal of Property, plant and equipment	30,029	1	468	-
7640	! Loss on valuation of financial assets (Note 4(2))	410	-	-	-
7560	! Exchange loss	1,292	-	4,511	-
7880	! Miscellaneous expenses	23,465	1	972	-
		<u>72,965</u>	<u>2</u>	<u>7,172</u>	<u>-</u>
7900	Continuing operating income before tax	2,033,635	43	1,253,081	41
8110	Income tax expense (Note 4(16))	148,086	3	83,299	3
	Consolidated total income	<u>\$ 1,885,549</u>	<u>40</u>	<u>1,169,782</u>	<u>38</u>
	Attributed to:				
	! Consolidated net income	\$ 1,861,277	39	874,634	28
9602	! Net profit on minority interest	24,272	1	295,148	10
		<u>\$ 1,885,549</u>	<u>40</u>	<u>1,169,782</u>	<u>38</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
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))	\$ 5.30	4.68	2.33	2.33

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

Chairman:

General Manager:

Chief Accountant:

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

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

## Consolidated Statement of Changes in Shareholders' Equity

For The Years Ended December 31, 2011 and 2010  
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	Common stock	Capital surplus	Retained earnings			Other shareholders' equity adjustment:		Minority interest	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)	-	-	5,164	2,147,884
Long-term investment acquired by issuance of new shares	749,243	826,417	-	-	-	-	-	371,511	1,947,171
Loss covered by capital surplus	-	(826,417)	-	-	826,417	-	-	-	-
Loss covered by legal reserve	-	-	(60,106)	-	60,106	-	-	-	-
Consolidated net profit in 2010	-	-	-	-	874,634	-	-	295,148	1,169,782
Change in net value of investee's equity under equity method	-	389	-	-	-	(26,009)	-	(8,536)	(34,156)
Balance – December 31, 2010	3,821,593	389	-	-	771,421	(26,009)	-	663,287	5,230,681
Issuance of new shares upon consolidation	169,249	392,072	-	-	-	-	-	(676,459)	884,862
Consolidated net profit in 2011	-	-	-	-	1,861,277	-	-	24,272	1,885,549
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
Increase in minority interest	-	-	-	-	-	-	-	700,958	700,958
Balance – December 31, 2011	\$ 3,990,842	1,451,808	77,142	26,009	1,930,921	(13,851)	(301)	712,058	8,174,628

Note: The remuneration to directors/supervisors, NT\$343 thousand, and bonus to employees, NT\$6,071 thousand, have been eliminated from the income statement.

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

Chairman: !

General Manager: !

Chief Accountant: !

(English Translation of Financial Report Originally Issued in Chinese)

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

Consolidated Statements of Cash Flows

For The Years Ended December 31, 2011 and 2010

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

	<u>For The Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Consolidated total income	\$ 1,885,549	1,169,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	122,769	112,181
Allowance for doubtful accounts	16,895	-
Gain from price recovery of inventory	(21,100)	-
Gain from investment under equity method	(12,176)	,950
Loss (gain) from disposal and scrapping of Property, plant and equipment	30,029	(227)
Loss (gain) on valuation of financial assets	410	(97)
Estimated reversal of income tax	-	(227,387)
Net changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease in financial assets held for trading	435,156	,896
Decrease (increase) in receivable notes and accounts	27,274	35,002
Decrease (increase) in receivable accounts – related parties	(22,747)	33,583
Decrease (increase) in inventory	(547,831)	629,789
Decrease (increase) in balance after construction in process advance receipts for construction	40,379	(40,379)
Decrease (increase) in deferred marketing expenses	1,630	(140,508)
Decrease (increase) in other current assets	(9,927)	14,348
Increase in other financial assets	(928,808)	(14,814)
Increase in deferred income tax assets	(59,556)	-
Net changes in operating liabilities:		
Increase (decrease) in payable notes and accounts	1282,1	(84,637)
Increase in payable accounts – related parties	-	244
Decrease in payable income tax	(146,866)	-
Increase (decrease) in payable expenses	30,665	,919
Increase in advance receipts	444,738	1,372,973
Increase (decrease) in balance after advance receipts for less construction in process	18,402	(7,748)
Increase in other current liabilities	9,395	75,516
Increase in accrued pension liabilities	632	-
Net cash provided by operating activities	<u>1,342,476</u>	<u>2,703,620</u>



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

Consolidated Statements of Cash Flows (Cont'd)

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

	<u>For The Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from investing activities:		
Acquisition of financial assets carried at cost	-	(6,000)
Proceeds from disposal of financial assets carried at cost	3,000	-
Long-term equity investment under equity method	(30,000)	-
Payment for acquisition of subsidiaries from minority interest	700,958	-
Purchase of property, plant and equipment	(3,941,476)	(865,238)
Proceeds from disposal of Property, plant and equipment	67,934	10,308
Increase in deferred expenses	(4,214)	(4,293)
Increase in restricted assets	(10,946)	(138,148)
Decrease in other financial assets	(6,055)	(215,412)
Increase in other assets	(148,473)	-
Net cash used by investing activities:	<u>(3,369,272)</u>	<u>(1,218,783)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loan	3,040,000	(744,500)
Increase (decrease) in deposit received	14,775	(927)
Decrease in payable lease	(800)	(9,600)
Allocation of cash dividend	(598,626)	-
Net cash inflow (outflow) from financing activities	<u>2,455,349</u>	<u>(755,027)</u>
Effect of net changes in consolidated entities	-	306,060
Net increase in cash and cash equivalents	428,553	1,035,870
Cash and cash equivalents, beginning of the period	<u>1,136,559</u>	<u>100,689</u>
Cash and cash equivalents, ending of the period	<u>\$ 1,565,112</u>	<u>1,136,559</u>
Supplemental disclosures of cash flow information:		
Interest paid this period	\$ 17,769	1,407
Less: Capitalized interest	-	(186)
Excluding the interest paid this period for capitalized interest	<u>\$ 17,769</u>	<u>1,221</u>
Income tax paid	<u>\$ 354,016</u>	<u>420,852</u>
Investing and financing activities not affecting cash flows:		
Property, plant and equipment translated into inventory	<u>\$ 423,092</u>	<u>-</u>
Inventory translated into Property, plant and equipment	<u>\$ 848,789</u>	<u>-</u>
Long-term equity investment acquired by issuance of new shares	<u>\$ -</u>	<u>1,575,660</u>
Issuance of new shares upon consolidation	<u>\$ 1,561,321</u>	<u>-</u>

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

Chairman:

General Manager:

Chief Accountant:

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Lungyen Life Service Corp. and Subsidiaries  
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Notes to Consolidated Financial Statements

For The Years Ended December 31, 2011 and 2010

(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, 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 upon resolution of the temporary shareholders' meeting on October 12, 2010, Lungyen Life Service Co., Ltd. should be consolidated with the Company pursuant to the Merger and Acquisition Act and other related laws. 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 July 1, 2011. The Company was held the surviving company upon the consolidation and renamed Lungyen Life Service Corp. The alteration registration was completed on March 1, 2011.

The Company and its subsidiaries have hired 408 employees and 545 employees respectively as of December 31, 2010 and 2011.

(II) Summary of important accounting policies

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

(1) Basis for preparation of consolidated financial statements

1. Subjects included in the consolidated financial statements:

The subjects include the Company, and the subsidiaries controlled by the Company. The investees' income and gain or loss were included into the consolidated financial statements as of the dates when the investees were controlled by the Company in the same year.

2. The subsidiaries included into the consolidated financial statements on December 31, 2010 and 2011 are stated as follows:

## (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)

Investor	Subsidiary	Type of Business	% of Ownership by the Company Directly or Indirectly		Remark
			12.31.2011	12.31.2010	
The Company	Ching Huang Construction Co., Ltd.	Construction and civil engineering	98.20%	92.55%	A subsidiary in which the Company holds more than 50% of the issued shares with voting right directly
The Company	Yuji Development Corp.	Development and lease of residential areas and buildings, etc.	56.25%	100.00%	A subsidiary in which the Company holds more than 50% of the issued shares with voting right directly
The Company	Lungding Life Science Co. Ltd.	Cultivation, wholesale and retail of flowers and plants, etc.	100.00%	-	% A subsidiary in which the Company holds more than 50% of the issued shares with voting right directly
The Company	Dahan Property Management Co., Ltd.	Development and lease of residential areas and buildings, etc.	80.00%	80.00%	A subsidiary in which the Company and its subsidiary hold more than consolidated 50% of the issued shares with voting right (Note 1)
The Company	Sea Dragon Traders Ltd. (BVI)	Investment	100.00%	100.00%	An investee in which the subsidiaries hold more than 50% of the issued shares with voting right directly (Note 2)
The Company	Lungyen Life Service Co., Ltd.	Funeral service, development and lease of interment premises	-	% 75.00%	Extinguished upon consolidation with the Company on February 1, 2011

Note 1: Lungyen Life Service Co., Ltd. initially held 40% of the shares directly. However, after Lungyen Life Service Co., Ltd. was extinguished upon consolidation with the Company on February 1, 2011, said shares are now held by the Company directly.

Note 2: Lungyen Life Service Co., Ltd. initially held the investee. However, after Lungyen Life Service Co., Ltd. was extinguished upon consolidation with the Company on February 1, 2011, the investee is now wholly held by the Company directly.

When preparing the consolidated financial statements, the Company written off the investment in subsidiaries and shareholders' equity of subsidiaries and the credit and debit as well (e.g. construction in process and unearned receipts for construction, and receivable accounts and payable accounts). Meanwhile, the unrealized income from the projects contracted by any subsidiary from the Company or the subsidiaries were written off under the method adopted by the Company to recognize income.

### 3. Increase/decrease in shares of subsidiaries this period:

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 of Lungyen Life Service Corp. The percentage of ownership became 75.96% while, upon resolution of the temporary shareholders' meeting on October 12, 2010, Lungyen Life Service Corp. should be consolidated pursuant to Merger and Acquisition and other related laws. In order to deal with the consolidation, the Company raised the capital by issuing new shares totaling 16,925 thousand shares to swap 22,899 thousand shares of Lungyen Life Service Corp. The consolidation was approved by the Financial Supervisory Commission of Executive Yuan via its approval letter under Ching-Chen-Fa-Tze

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

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 2011. The Company was held the surviving company upon the consolidation and named into Lungyen Life Service Corp.

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%.

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 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%.

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%.

4. The information about subsidiaries excluded from the consolidated financial statements for this period:

Investor	Subsidiary	Type of Business	% of Ownership by the Company Directly or Indirectly		Remark
			12.31.2011	12.31.2010	
The Company	Beauty Kadan Co., Ltd.	Cultivation, wholesale and retail of flowers and plants, and landscaping, et. al.	50.00%	50.00%	(Note) The Company accounted for less than a majority of the voting rights vested in that company's board of directors. That company's ultimate parent company is Japan-based Beauty Kadan Co., Ltd.

Note: Lungyen Life Service Co., Ltd. initially held the investee. However, after Lungyen Life Service Co., Ltd. was extinguished upon consolidation with the Company on February 1, 2011, said shares are now held by the Company directly.

5. Difference in FY of subsidiaries and holding company: None
6. Difference in accounting policies of subsidiaries and holding company: None
7. Special risk in operation of overseas subsidiaries: None
8. Allocation of earnings of various companies restricted under laws or contract: None
9. Contents of securities issued by parent company as held by subsidiaries: None
10. Information about convertible corporate bond and new shares issued by subsidiaries: None

(2) Accounting estimates

The Company has made necessary estimations, assessments and judgments on the assets, liabilities, income, loss and profit or contingencies based on necessary assumptions

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

and estimations when preparing the financial statements. However, actual results may vary from the assumptions and estimations.

(3) 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 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 exchange rate on the same 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 local currency financial statements are stated into the accumulated translation adjustment under shareholders' equity as net of tax.

(4) Current and non-current assets and liabilities

Current assets include cash or cash equivalents for which the purposes are restricted, and assets held for the purpose of transaction or for a short-term estimated to be realized within a business cycle (generally one year for non-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.

(5) Asset impairment

The Company estimates the collectible amount of the assets to be impaired on the balance sheet date (individual assets other than good will 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 determined to increase the book value to the collectible amount, provided that it shall not exceed the accumulated depreciation or amortization under the circumstance that the impairment loss of the assets is recognized.

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

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

(6) Cash equivalents

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

(7) Financial assets

1. Financial assets at fair value through profit or loss

Such assets include the financial instruments acquired or generated for the purpose of sale within a short term or repurchased for trading, and financial derivatives as held. Except the financial instruments designated 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 rights generated from sale of instruments or labor services. The other receivables refer to the 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 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 other guarantee.

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

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

reversal shall not cause the book value to exceed the cost of the asset 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 accounts and other receivables at the end of period. Allowance for doubtful accounts is determined based on historical experience of occurred debts, customers' credit rating, evaluation of aging and the internal loaning policy

(8) Construction accounting and revenue recognition

Accounting principles for construction and sale of houses

The Company calculates the cost of investment in construction of real estate 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 the 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 in progress" 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 progress", and re-stated into "real estate held for sale" upon completion of the project. The payments 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". After residence delivery after completion of construction is applied, "real estate held for sale" shall be re-stated into "advance receipts for real estate" and "deferred selling expenses" shall be re-stated into current income subject to the part sold. If the completed contract method is applied, the gain on sales shall be calculated accumulatively based on the percentages of completion at the end of the period, and recognized as current gain on the sale less the amount recognized in the previous period.

The year for attribution of income from completion and residence delivery shall be

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

identified as of the date when the construction is completed and the revenue 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 a

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

The sold and unsold construction costs may be amortized based on the percentage of selling price or floor area, provided that no alteration is made 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 under normal operation on the balance sheet date less the cost and selling expenses incurred until completion of the construction.

According to the interpretation letter under (97) Kee-Mi-Tze No. 1 dated June 13, 2008, the revenue from disposal of undeveloped land shall be stated as operating revenue.

Accounting principles for long-term construction projects

The cost of construction projects contracted by subsidiaries is subject to various projects. According to the Statement of Financial Accounting Standards No. 11, the income of the construction projects as contracted for which the completion period exceeds one year and the project amount, project cost and progress may be estimated reasonably shall be calculated based on the percentage of completion method, while those of those for which the completion period is less than one year or for which the project income may not be estimated reasonably shall be calculated based on the completed method. The construction cost is stated as "construction in process" when the cost is invested. The construction progress payment is stated as "advance receipts for construction" when it is received in advance. The gain on construction shall be calculated actively based on the percentages of completion at the end of the period, and recognized as current income on the construction less the accumulated gains recognized in the previous period.

If the accumulated gains recognized in the previous period exceed the calculated accumulatively based on the percentage of completion at the end of the period, the excess is stated as current loss on construction. If the construction project is estimated to suffer loss, it is necessary to recognize the loss in whole. If the loss is estimated to decrease in subsequent years, the decrease shall be written off and recognized as current income.

Subsidiaries evaluate the percentage of completion based on the percentage of invested cost in the total estimated total cost.

If the balance of construction in process exceeds the advance receipts for construction, the advance receipts for construction shall be stated as "less" under construction in process and also stated under current assets. If the balance of advance receipts for



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

construction exceeds the balance of construction in process, the construction process shall be stated as "less" item under advance receipts for construction also stated under current liabilities.

(9) Accounting principles for investment in construction of columbarium and cemetery for sale

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

The construction 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 to 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, part of permanent license already transferred to customers shall be re-stated to 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 construction 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.

(10) 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 proceeds 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.

(11) 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 value of the 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 lower than the fair value, the unamortized difference shall be written off in full when the estimation or underestimation extinguishes. The excess of the investment cost over the fair value of the

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

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 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 shares, the investment shall be stated at the fair value of the new shares delivered or fair value of the swapped equity. The difference between the cost and issuing price of 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 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 impairment loss if the collectible amount less than book value as impairment loss.

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

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

(12) 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 their cost, and valued based on the cost less accumulated depreciation. The expenses borne by the payment made for the assets purchased or constructed before they become available 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

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

which may be acquired without consideration or subject to preemptive right expiration of the lease shall be depreciated based on the estimated useful life 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 are the depreciable assets, which are still in use, are depreciated over the 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 and its subsidiaries stated their obligation to remove or recover estimated during the period other than that during 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. Changes in residual useful years, depreciation and residual value shall be recognized when there are 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

(13) Consolidated goodwill

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

(14) 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 value. According to the amended Statement of Financial Accounting Standards No. 1, the Company re-stated, amortized and depreciated the idle assets 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.

(15) Revenue recognition

The revenue shall be recognized upon transfer of the title and significant risk

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

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 real estate default less refundable amount and necessary expenditure.

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

(16) 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 condition 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 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 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 duties and 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 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.

The Company applies SFAS No. 18 "Accounting for Pension Plans" and uses the actuarial calculation under the defined benefit plan on the date of accounting in each FY. The excess of accumulated benefit obligation in the fair value pension fund assets shall be recognized as the minimum pension liabilities on the balance sheet. Meanwhile, according to the competent securities authority's requirements, 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

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

Law, the Company contributes the pension reserve equivalent to 2% of the monthly salary to the exclusive account at Bank of Taiwan.

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

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

As of January 1, 2008 (incl.), the Company adopted Interpretation under (9) 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 "other expenses" according to the nature of the remuneration. Any differences between the amounts resolved in subsequent shareholders' meetings and the amounts estimated in financial statements are treated as changes in accounting principles, and recognized as income.

(18) Income tax

The income tax is estimated in accordance with the Income Tax and related laws. Excesses and shortages of income tax paid in previous years are treated 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 period and inter-period allocations for its income tax. Whereby tax effect taxable temporary differences are recognized as deferred tax liabilities and 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, that it is more likely than not that deferred income tax assets will not be realized.

The Company's and its domestic subsidiaries' distributable unappropriated earnings treated under the Business Accounting Act less the adjustments 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% rate of income tax and stated as income tax expenses in the year of the decision made by the shareholders' meeting.

(19) Earnings per Share

Earnings per share is computed based on the net income in the period divided by the weighted average shares of outstanding common stock. The bonus to employees which has not yet been resolved by the shareholders' meeting is 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 disclosed 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 attributable to 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 should be computed based on retroactive adjustment.

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

## (20) Disclosure of information by operation department

The operation department is a unit formed by the Company and its subsidiaries, engaged in any operating activities potentially generating revenue and incurring expense (including the revenue and expense generated and incurred in transactions with the other units in the Company and its subsidiaries). The operating department's operating result will be rechecked by the operating policy makers of the Company and its subsidiaries, in order for the Company and its subsidiaries to define the policy for allocation of the department's resources and to assess the department's performance. The department's financial information will also be prepared separately.

## (III) Reasons and effect of changes in accounting policies

As of January 1, 2011, the Company and its subsidiaries have adopted the latest of Financial Accounting Standards No. 41 "Disclosure of Information by Reporting 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 the effect thereof. The Company and its subsidiaries decide and express the policy by 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 is 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 and its subsidiaries in 2011.

As of January 1, 2011, the Company and its subsidiaries have also adopted the amendments to the Statement of Financial Accounting Standards No. 34 "Accounting Principles for Financial Instruments". According to the Statement, the loan stated in initial 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 and its subsidiaries in 2011.

## (IV) Significant account disclosures

## (1) Cash and cash equivalents

	12.31.2011	12.31.2010
Cash on hand and petty cash	\$ 2,285	2,338
Bank deposit		
Checking deposit	61,063	139
Demand deposit	1,490,379	1,132,082
Time deposit	11,385	2,000
Subtotal	1,562,827	1,134,221
Total	\$ 1,565,112	1,136,559

## (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)

## (2) Financial instruments

The financial assets held by the Company and subsidiaries on Dec 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	\$ 549,981	762,694
Beneficiary certificate	366,911	585,417
Total	<u>\$ 916,902</u>	<u>1,348,111</u>
Financial assets carried at cost – non-current		
Investment in stock—PK Venture Capital Corp.	\$ 54,251	54,251
Investment in stock –FORTUNE IC FUND I	11,216	11,216
Investment in stock – J-Garden Corp.	3,000	6,000
Total	<u>\$ 68,477</u>	<u>71,477</u>

1. The Company and subsidiaries valued said financial assets in accordance with the Statement of Financial Accounting Standards No. 34 in 2010 and 2011, and realized the gains on valuation, \$74,097 thousand and \$410 thousand, respectively.
2. The financial assets carried at cost – non-current were carried 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 caused by said financial assets on December 31, 2010 and 2011

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

## 1. Building and land 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	2,244	-	3,475	4,615	8,403	-	13,018
Green Castle Dazhi	4,482	3,079	-	7,561	8,932	7,554	-	16,486
Beitou Dahan	-	-	-	-	4,258	5,346	-	9,604
Muzha Museum Collection	2,934	3,078	-	6,012	4,108	4,308	-	8,416
Subtotal	<u>\$ 8,647</u>	<u>8,401</u>	<u>-</u>	<u>17,048</u>	<u>21,913</u>	<u>25,611</u>	<u>-</u>	<u>47,524</u>
Less: Allowance for loss on price decline				<u>(8,400)</u>				<u>(21,700)</u>
Net				<u>\$ 8,648</u>				<u>25,824</u>

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

## 2. Columbarium and cemetery for sale

Project	12.31.2011	12.31.2010
True Dragon Tower	\$ 1,131,885	1,181,741
Lung Tai Ling	245,719	245,741
Cemetery Area	386,426	209,631
Bamboo Abode	40,909	49,757
Chia Yun Tower	102,824	-
Fu Tien Tower	133,975	-
Total	\$ 2,041,738	1,686,871

3. The allowance for loss on price decline of inventory is the total 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 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 increase in operating cost, \$21,100 thousand, was recognized.

4. On December 31, 2011, the subsidiaries acquired Chia Yun Tower and Fu Tien Tower, and had their land ownership registered under another person's name. Please refer to Note 4(5).

## (4) Construction land

Project	12.31.2011	12.31.2010
Land No. 737 and 738 <sup>st</sup> Subsection, Chungnan	\$ -	2,160,863
2 <sup>nd</sup> Subsection, Li Ho Section, Hsinyi District	569,314	569,314
Land No. 730, 9 <sup>th</sup> Subsection, Jen Ai	240,060	239,760
2 <sup>nd</sup> Subsection, Xi Hu Section, Neihu District	38,748	38,613
4 <sup>th</sup> Subsection, Jing Hua Section, Daan District	8,989	8,989
Land No. 211, 2 <sup>nd</sup> Subsection, Yu Cheng Section, Nangang District	172,459	-
3 <sup>rd</sup> Subsection, Daan Section, Daan District	71,374	-
Min Chi Section, Sanchung	-	16,359
Subtotal	1,100,944	3,033,898
Less: Allowance for loss on price decline	(6,700)	(14,500)
Net	\$ 1,094,244	3,019,398

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.



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

## (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>
<u>12.31.2011</u>					
Chung Nan Section, Nangang	\$ 2,160,863	29,984	2,190,847	Self-building on self land	2015
Heng Chou S. Road	40,873	560	41,433	C	TBD
Total	<u>\$ 2,201,736</u>	<u>30,544</u>	<u>2,232,280</u>		
<u>12.31.2010</u>					
Tung Shi, Hsichih	\$ 581,030	237,035	818,065	Self-building on self land	2012
Heng Chou S. Road	40,873	480	41,353	C	TBD
Total	<u>\$ 621,903</u>	<u>237,515</u>	<u>859,418</u>		

- (1) In 2010 and 2011, the total interest expenditures of the Company were \$186 thousand and \$17,769 thousand. The capitalized interest on real estate 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 real estate, 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 real estate in process, Tung Shih, Hsichih, as the Group's operation office premises in order to upgrade the utilization of assets. Therefore, the relevant book value, \$840,418, was re-stated into the property, plant & equipment-unfinished construction whole subject to the nature of future occupation.

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

## 2. Columbarium and cemetery in process

Project	12.31.2011		
	Land Cost	Project Cost	Total
True Dragon Tower	\$ 202,660	1,923,816	2,126,476
Sanzhi Area	97,997	342,386	440,383
Cemetery Area	1,386,837	11,921	1,398,758
Hua-lien Tower	97,956	422,203	520,159
Chia Yun Tower	17,353	7,698	25,051
Fu Tien Tower	189,438	77,625	267,063
Wanshoushan Tomb	1,041,677	-	1,041,677
Others	67,874	33,660	101,534
Total	\$ 3,101,792	2,819,309	5,921,101

Project	12.31.2010		
	Land Cost	Project Cost	Total
True Dragon Tower	\$ 212,424	1,998,219	2,210,643
Sanzhi Area	97,997	91,976	189,973
Cemetery Area	1,368,416	112,075	1,480,491
Hua-lien Tower	97,956	405,227	503,183
Others	-	3,724	3,724
Total	\$ 1,776,793	2,611,221	4,388,014

- (1) In both 2010 and 2011, the capitalized interest on columbarium and cemetery in process was \$0.
- (2) Please refer to Note 6 for the details about the bank loans incurred by said construction in process on December 31, 2010 and 2011.
- (3) In order to launch into the funeral service and increase channels throughout the nation, the subsidiaries acquired the whole ownership and title to operate Chia Yun Tower, Wanshoushan Tomb in Wanli District, New Taipei City (including ancillary Futan Life Memorial Museum and Diamond Sutra Tower), and the partial land ownership of Taichung Pao-Shan Cemetery, Taoyuan Fu-Geng Cemetery and Hsintien Temple Cemetery, respectively in September and November 2011. The total payment was \$1,642,440 thousand (after tax). Until December 31, 2011, payment in the amount of \$462,668 thousand has been made, and the remaining payment, \$1,179,772 thousand, was stated as payable accounts.
- (4) Given laws prohibit any private corporation from acquiring agricultural land, the subsidiaries (hereinafter referred to as the "appointer") and Lee Shih-Tsung (hereinafter referred to as the "appointee") entered into a real estate contract in order to have the land ownership of Chia Yun Tower and Futan Tower registered under the name of the appointee, requiring the appointee to affix his seal and documents

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

required for registration of the land ownership and then submit the same to the appointer after acquiring the ownership right. Meanwhile, the appointer issued a promissory note bearing the amount equivalent to the amount of the land owned under his name and submitted the promissory to the appointer.

## (6) Land prepayment

Item	12.31.2011	12.31.2010
2 <sup>nd</sup> Subsection, Li Ho Section, Hsinyi District	\$ 131,886	131,886
3 <sup>rd</sup> Subsection, Hua Kung Section, Shihlin District	252,510	252,510
Land No. 212, 2 <sup>nd</sup> Subsection, Yu Cheng Section, Nangang District	98,217	-
3 <sup>rd</sup> Subsection, Daan Section, Daan District	-	71,275
Others	1,400	4,788
Total	\$ 484,013	460,459

## (7) Deferred marketing expenses

Item	12.31.2011	12.31.2010
Cemetery	\$ 5,668,983	5,696,388
Contract	3,184,895	3,278,117
Warrant	24,778	5,781
Total	\$ 8,878,656	8,980,286

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

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

	12.31.2011		12.31.2010	
	Book Value	% of Ownership	Book Value	% of Ownership
Long-term equity investment under the equity method:				
Beauty Kadan Co., Ltd.	\$ 21,780	50.00%	20,534	50.00%
Asia Best Healthcare Co., Ltd.	456,947	16.35%	375,694	34.00%
Ruei Da Venture Capital Co., Ltd.	29,305	47.62%	-	-
Total	\$ 508,032		396,228	

1. In 2010 and 2011, the Company recognized the investment income on the same as valuated 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 settled by it independently. The investment gain (loss), capital surplus and accumulated translation adjustment recognized in 2010 and 2011 are stated as follows:

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

	2011				2010		
	Investment Income	Capital surplus	Translation Adjustment	Unrealized loss from financial assets	Investment Income	Capital surplus	Translation Adjustment
Beauty Kadan Co., Ltd.	\$ 1,246	-	-	-	7,407	-	-
Asia Best Healthcare Co., Ltd.	11,324	59,441	10,488	-	13,546	(389)	(29,914)
Ruei Da Venture Capital Co., Ltd.	(394)	-	-	(301)	-	-	-
<b>Total</b>	<b>\$ 12,176</b>	<b>59,441</b>	<b>10,488</b>	<b>(301)</b>	<b>20,953</b>	<b>(389)</b>	<b>(29,914)</b>

- Asia Best Healthcare Co., Ltd. valuated 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 percentage, the net value of the equity initially held by the Company decreased and the capital surplus was adjusted as \$59,441 thousand.
- In 2011, the Company increased the investment in Ruei Da Venture Capital Co., Ltd. by \$30,000 thousand, and held 47.62% ownership. Because of the Company's significant influence over Ruei Da, it was valuated under the equity method.

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

(9) Property, plant and equipment

Item	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
<u>12.31.2011</u>				
Land	\$ 2,671,636	-	-	2,671,636
House and building	714,976	242,294	-	472,682
Office equipments	92,954	86,713	-	6,241
Transportation equipment	45,750	35,286	-	10,464
Other equipments	35,669	19,980	-	15,689
Assets rented to others	8,001,554	222,086	-	7,779,468
Leased assets	30,035	29,726	-	309
Leasehold improvement	821	535	-	286
Unfinished construction	1,083,496	-	-	1,083,496
Advance receipts for real estate and equipment	36,534	-	-	36,534
<b>Total</b>	<b>\$ 12,713,425</b>	<b>636,620</b>	<b>-</b>	<b>12,076,805</b>
<u>12.31.2010</u>				
Land	\$ 1,884,427	-	-	1,884,427
House and building	639,763	223,917	-	415,846
Transportation equipment	37,283	33,365	-	3,918
Office equipments	93,559	80,529	-	13,030
Leased assets	30,035	19,326	-	10,709
Assets rented to others	4,629,280	167,919	25,662	4,435,705
Leasehold improvement	466	433	-	33
Other equipments	27,797	16,365	-	11,432
Unfinished construction	125,120	-	-	125,120
Advance receipts for real estate and equipment	756,330	-	-	756,330
<b>Total</b>	<b>\$ 8,224,060</b>	<b>541,854</b>	<b>25,662</b>	<b>7,656,550</b>

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

- Please refer to Note 6 for the details about circumstances by said property, plant and equipment on December 31, 2010 and 2011.
- The Company has entered into a contract with a third party to use the third party to process and consolidate the purchase of land reserved for office buildings. 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 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.
- On December 31, 2010 and 2011, the assets rented to others are stated as follows:

Item	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
<u>12.31.2011</u>				
Land	\$ 5,251,898	-	-	5,251,898
House and building	2,749,656	222,086	-	2,527,570
Total	<u>\$ 8,001,554</u>	<u>222,086</u>	<u>-</u>	<u>7,779,468</u>
<u>12.31.2010</u>				
Land	\$ 2,966,246	-	-	2,966,246
House and building	1,663,040	167,919	25,662	1,469,459
Total	<u>\$ 4,629,286</u>	<u>167,919</u>	<u>25,662</u>	<u>4,435,705</u>

## (10) Intangible assets:

The changes in the initial cost of the Company's intangible assets in 2010 and 2011 are stated as follows:

	Goodwill	Trademark right
Balance – January 1, 2010	\$ -	-
Stock swap income	134,397	-
Balance – December 31, 2010	134,397	-
Corporate merger income	408,031	192,750
Balance – December 31, 2011	<u>\$ 542,428</u>	<u>192,750</u>

The Company acquired the trademark right due to the merger in 2011. Application for an extension of the valid trademark term may be made at cost. The Company expects to continue applying for extending its valid term and anticipates that the

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

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 Corp. The percentage of ownership became 75%. Meanwhile, according to the acquisition price amortization report, the Company divided the excess acquisition cost over the fair value of the identifiable net assets acquired, \$456,757 thousand into the property, plant and equipment at fair value in excess of book value, \$382,000 thousand, and goodwill, \$134,397 thousand. On February 1, 2011, the Company increased capital by \$169,249 thousand by issuing new shares to swap the common stock totaling 22,899 thousand shares from Lungyen Life Service Corp. The percentage of ownership 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. Further, upon evaluation of the consolidation of deferred income tax liabilities on December 31, 2011, no income tax effects would be recognized, therefore, goodwill was reduced by \$17,182 thousand.

## (11) Other assets - others

	12.31.2011	12.31.2010
Cost of agricultural land held for transfer registration	\$ 391,608	391,608
Fine art	380,531	232,090
Idle land	6,926	6,926
Others	7,584	8,479
Total	<u>\$ 786,649</u>	<u>639,103</u>

- The Company purchased 49 parcels of agricultural land including Land No. 248, Pu Tou Ken Subsection, New Hsiao Keelung Section, Sanchi Hsiang, Taipei City, 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, Pu Tou Subsection, Gung Pu Section, San Chi Hsiang, etc., occupying an area of 81,866 square meters, at the price of \$1,300,000 thousand, for development of cemetery in October 2008. Given that laws prohibit any private corporation from acquiring agricultural land, the Company (hereinafter referred to as "Party A") entered a power of attorney with the individual who was a natural person (hereinafter referred to as "Party B") then agreed

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

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 changeover of the land, and Party B will raise no objection. Further, until December 2011, the premises occupying areas of 208,523 square meters and 504 square meters at Kent Subsection, New Hsiao Keelung Section and Pa Lien Xi Tou Subsection, respectively, have not yet been transferred officially.

2. Please refer to Note 6 for the details about circumstances by said property, plant and equipment on December 31, 2010 and 2011.

## (12) Short-term loan

Nature	Maturity	Interest Rate Range	Amount
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.

## (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	12.31.2010
Columbarium and cemetery	\$ 15,857,111	14,966,91
Pre-need contract	9,463,807	10,047,77
Warrant	160,120	56,308
Permanent Management Fee	854,138	799,348
Others	40,337	39,034
Total	\$ 26,375,513	25,909,38



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

## (15) Pension reserve

The Company and its subsidiaries completed the actuarial of employee pension on December 31, 2010 and 2011. The information about contribution of pension fund and accrued pension liabilities in 2010 and 2011 is adjusted as follows:

	12.31.2011	12.31.2010
Benefit obligation:		
Vested benefit obligation	\$ -	-
Non-vested benefit obligation	(17,443)	(14,783)
Accumulated benefit obligation	(17,443)	(14,783)
Projected effects of increase in salary	(7,234)	(6,083)
Projected benefit obligation	(24,677)	(20,866)
Fair value of pension fund assets	6,754	7,377
Contribution	(17,923)	(13,489)
Unrecognized transitional benefit obligation	1,856	2,321
Unrecognized pension loss (gain)	(3,392)	(7,659)
Accrued pension liabilities	\$ (19,459)	(18,827)

Until December 31, 2011 and 2010, the employee vested benefits under the Company's Employees' Pension Plan were both \$0.

The subsidiaries' net pension costs consist of the following:

	2011	2010
Service cost	\$ 175	483
Interest cost	469	694
Expected rate of return	(157)	(74)
Amortization	464	425
Amortization of pension loss (gain)	(253)	168
Net pension cost	\$ 698	1,696

The actuarial is based on the following hypotheses:

	2011	2010
Discount rate	2.0%	2.25%
Salary adjustment rate	2.0%	2.0%
Expected rate of return for pension assets	2.0%	2.0%

The Company's and its subsidiaries' pension expenses under the defined contribution plan in 2010 and 2011 were \$13,064 thousand and \$14,498 thousand, and \$6,813 thousand and \$10,771 thousand therefrom were contributed to the Bureau of Labor Insurance.

## (16) Income tax

1. According to the amended Income Tax Act promulgated on June 15, 2010 applicable

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

corporation income tax rate shall be no more than 17% as of 2010. The Company 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 and its subsidiaries' income tax expenses in 2010 and 2011 are stated as follows:

	2011	2010
Current income tax expense	\$ 170,677	98,559
Deferred income tax (gain) expenses	(29,555)	51,364
Income tax overestimates for previous years	-	(6,830)
Reversal of unappropriated earnings plus 10% income tax expenses for previous years	-	(89,528)
Unappropriated earnings plus 10% income tax expenses	6,964	29,734
Income tax expenses of continuing operations	<u>\$ 148,086</u>	<u>83,299</u>

Said deferred income tax (gain) expenses are stated as follows:

	2011	2010
Excess allowance for bad debt	\$ 5,528	-
Unrealized foreign exchange gain	887	(446)
Gain from foreign investment under equity method	-	3,937
Contract revenue book-tax difference	(3,088)	(1,612)
Carry-forward loss	(32,145)	(307)
Effects of changes in income tax rate	-	56,003
Deferred income tax valuation allowances	(738)	(6,212)
Others	1	1
Deferred income tax (gain) expenses	<u>\$ (29,555)</u>	<u>51,364</u>

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

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 and its subsidiaries' income statements as computed at the statutory rate is stated as follows:

	2011	2010
Income tax computed based on income before tax \$	343,279	213,024
Income tax overestimates for previous years	-	(6,830)
Gain from investment under equity method	(8,488)	(3,562)
Income from tax-free land transactions	(161,323)	(64,687)
Loss (gain) on valuation of financial assets	202	(9,644)
Stock dividend revenue	(4,506)	(3,284)
Income from tax-free securities transactions	-	(3,736)
Permanent management fee book-tax difference	11,816	12,118
Write-off and recovery of advance receipts for temporary shelter management fee	(15,112)	(13,537)
Reversal of unappropriated earnings plus 10% income tax expenses for previous years	-	(89,528)
Realized investment loss	-	(35,033)
Reversal of fine exclusion	-	(42,764)
Carry-forward loss	(32,633)	354
Unappropriated earnings plus 10% income tax expenses	6,964	29,734
Deferred income tax assets valuation allowances	392	810
Effects of changes in income tax rate	-	48,519
Consolidated income tax effects	-	22,208
Others	7,495	29,137
Income tax expenses of continuing operations \$	<u>148,086</u>	<u>83,299</u>

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

4. On December 31, 2010 and 2011, the temporary difference, carry-forward and individual income tax effect of the Company's and its subsidiaries' 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:				
Excess of bad debt	\$ 4,443	755	3,812	648
Unrealized loss on price decline of inventory	3,147	535	21,856	3,716
Organization cost book-tax difference in time of recognition	-	-	7	1
Unrealized foreign exchange loss	-	-	4,697	798
Carry-forward loss	33,814	5,732	226,478	38,501
Subtotal		7,022		43,664
Less: Valuation allowances		(1,026)		(37,279)
Deferred income tax assets – current, net		5,996		6,385
Deferred income tax liabilities – current:				
Unrealized foreign exchange gain	(521)	(89)	-	-
Deferred income tax assets – current, net	\$	5,907		6,385
Deferred income tax assets – non-current:				
Pension expense	\$ 10,445	1,776	10,445	1,776
Contract revenue book-tax difference	56,423	9,592	38,258	6,504
Cemetery revenue book-tax difference	3,286,311	558,672	2,920,988	496,568
Accumulated translation adjustment	-	-	58,801	9,996
Deferred income tax assets – non-current, net		570,040		514,844
Deferred income tax liabilities – non-current:				
Consolidated goodwill amortization book-tax difference	(33,148)	(5,635)	-	-
Gain from investment under equity method	-	-	159,872	(27,178)
Accumulated translation adjustment	(14,647)	(2,490)	-	-
Subtotal		(8,125)		(27,178)
Deferred income tax assets – non-current, net	\$	561,915		487,666

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

5. Until December 31, 2011, the loss that has not yet carried forward by the subsidiaries and the last deductible year thereof are stated as follows:

Deductible Year	Last Deductible Year	Subsidiaries
Authorized loss in 2006	2016	\$ 15,975
Authorized loss in 2007	2017	8,649
Authorized loss in 2007	2018	4,376
Loss returned in 2010	2020	3,219
Loss returned in 2011	2021	1,595
Total		<u>\$ 33,814</u>

6. The Company's and its subsidiaries' income tax returns through to 2009 have been authorized by the Tax Authority. The income tax returns of the company distinguished upon consolidation, Lungyen Life Service Corp., through to 2006 have also been authorized by the Tax Authority. For the income tax returns of Lungyen Life Service Corp. through to 2007, the gain and loss on sale of columbarium and tax income from sale of land were re-computed in accordance with the official letter of the 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 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.

7. The information about the Company's unappropriated earnings on Dec 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
	<u>2011 (Projected)</u>	<u>2010 (Projected)</u>
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 stock 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 68,698 thousand shares for

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

Lungyen Life Service Corp. (according to the swap ratio, the new shares issued by the Company may swap the outstanding shares of Lungyen Life Service Corp. 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. On the capital increase, the Company's paid-in capital and capital surplus were \$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 Lungyen Service Co., Ltd. upon the resolution made at the temporary shareholders' meeting on October 12, 2010. In order to deal with the consolidation, the Company increased capital by issuing new shares totaling 16,925 thousand shares to swap 22,899 thousand shares from Lungyen Life Service Corp. (according to the swap ratio, the new shares issued by the Company may swap the outstanding shares of Lungyen Life Service Corp. 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. On the capital increase and consolidation, the Company's paid-in capital and capital surplus were \$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:

	12.31.2011	12.31.2010
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 the issuance of shares 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 decided 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 income, less taxes and duties, and any deficit for the previous years, if 10% should be appropriated as legal reserve, and a certain amount set aside as special reserve

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

according to actual circumstances, and of the balance, if any, 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 earnings allocation proposal submitted by the Board of Directors as resolved by shareholders' meeting. Meanwhile, the cash dividend allocable should be no less than 10% of the dividend. On October 12, 2010, the amendments to the Company's articles of incorporation approved upon resolution of the temporary shareholders' meeting, provided that 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 and bonus; (2) no more than 2% as the remuneration to directors; (3) no less than 1% as the bonus to employees. Even if 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 be the employees of affiliated companies that comply with specific requirements. In order to protect shareholders' equity, and according to the funding need for the coming 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 should be no less than 10% of the stock dividend allocated to shareholders.

2. The Company's general shareholders' meeting held on June 9, 2010 adopted 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 unallocated loss. Notwithstanding, said proposal was revoked by the FSC's 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 issued by said shareholders' meeting should be amended to have the legal reserve, \$60,120 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, 2010 is as follows:

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

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

Said appropriation of retained earnings is consistent with that approved 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 on the annual net income, if any, less the legal (special) reserves and earnings reserved as retained earnings and multiplying 1% and 2% respectively, were \$12,343 thousand and \$6,171 thousand, and \$24,686 thousand and \$12,343 thousand, respectively. Notwithstanding, the difference in the amount allocated upon resolution of the shareholders' meeting and in the estimates, if any, will be due to 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 proposed 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



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

## (21) Information about financial instruments

## 1. Information about fair value:

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

	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	\$ 916,903	916,903	-	1,348,111	1,348,111	-
Financial assets carried at cost – non-current	68,471	-	See Paragraph (2)	71,471	-	See Paragraph (2)
Financial liabilities						
Payable lease (including current portion)	-	-	-	10,400	-	10,400

2. The methods and assumptions used by the Company and subsidiaries 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 values of financial instruments at fair value through profit of loss are determined 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 investment which cannot be measured at fair value should be stated at the cost, if any. An impairment loss is recognized when there is objective evidence of impairment. A reversal of this impairment loss is not allowed.
- (3) Payable lease: The fair values thereof are determined by the present values of future cash flows.
- (4) The current incomes recognized based on the changes in fair value are estimated based

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on the market price in 2010 and 2011 were \$74,097 thousand and \$410 thousand for gains.

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

The Company and its subsidiaries have a vast clientele. Meanwhile, the Company and its subsidiaries did not concentrate any transactions on one customer, and the regions of distribution were dispersed. Therefore, there should be no likelihood of concentrated credit risk on receivable accounts. In order to reduce credit risk, the Company would evaluate customers' financial status periodically, and provided that generally it would not ask the customers to furnish collateral.

(3) Liquidity risk

The Company maintained sufficient capital and working funds to fulfill all contractual obligations to be performed by the Company. The Company does not anticipate any liquidity risks associated with failure to secure 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 the debt instruments will fluctuate with changes in such floating interest rate and thereby result in fluctuation in future cash flows.

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

## (V) Transactions with related parties

## (1) Name and relationship of related parties

Name	Relationship with the Company
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 second degree relative of the Company's Chairman.
Lee Investment Co., Ltd. (Lee Investment)	Its directors are 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	!!! C
Liu Ping	A second degree relative of the Company's Chairman
All directors and supervisors, and presidents and vice presidents	Main management of the Company and its subsidiaries

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

## 1. Purchases

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

Name	2011	
	Amount	%
Columbarium and Cemetery revenue ! Hsin Wei International	\$ 118,080	3

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

## 2. Purchases

The purchases from related parties in 2010 and 2011 are stated as follows:

Name	2011		2010	
	Amount	%	Amount	%
Funeral service cost Beauty Kadan	\$ 19,060	1	49,094	4

Said purchases were at the price agreed by both parties. The payment thereof

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was 30 days upon inspection and acceptance, which was identical with applicable to the general customers.

3. Contract awarding

In 2010 and 2011, the related parties who awarded contracts to subsidiaries are stated as follows:

Name	Project Title	Total Contract Amount	Pricing	Accumulated Pricing
<u>2011</u>				
Fu Yuan International	National Palace Museum	\$ 347,249	102,123	102,123
<u>2010</u>				
Fu Yuan International	National Palace Museum	\$ 56,043	-	-

The contract amount for the projects contracted by related parties subsidiaries was calculated based on the project budget plus reasonable overheads, and approved upon delegation of authorization.

4. Credit and debt

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

Name	12.31.2011		12.31.2010	
	Amount	%	Amount	%
<u>Payable accounts-related parties</u>				
Beauty Kadan	\$ -	-	4,481	2
<u>Other payables-related parties (Stated as other current liabilities)</u>				
Hsin Wei International Lease	\$ 2,508	2	-	-
Lee Chia-Chen	-	-	29,120	20
	\$ 2,508	2	29,120	20
<u>Receivable accounts</u>				
Fu Yuan International	\$ 22,747	11	-	-
<u>Other receivables-related parties (Stated as other financial assets-current)</u>				
Beauty Kadan (Note)	\$ 503	-	-	-

Note: Out-of-pocket expenses for operating expenses, payment of goods, etc.

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

## 5. Lease contract

The lease between the Company and related parties in 2010 and 2011 are as follows:

Lessee	Object/Premises	Duration	Monthly rent (before tax)	Rent revenue
2011	!	!	!	!
Hsin Wei International	7F, No. 150, Tunhua N. Road, Taipei City	05.2011 – 12.2012	\$ 3	23

  

Lessor	Object/Premises	Duration	Monthly rent (before tax)	Rent expenditure	Deposit (Stated as other financial assets-non-current)
2011					
Hsin Wei International	35 vehicles including limousines, official business cars, executive cars and VIP cars	09.01.2007 – 06.30.2014	\$12 – 762	24,762	16,000
2010					
Hsin Wei International	42 vehicles including limousines, official business cars, executive cars and VIP cars	09.01.2007 – 06.24.2012	\$12 – 762	\$ 36,371	16,000

## 6. Asset transactions

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

## 7. 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).

## 8. Others

- (1) In 2011, as Lee Investment entrusted the Company to provide real estate and management service with respect to its real estate development project in Daan Section, Daan District, Taipei City from January 1, 2010 until October 31, 2011, the Company recognized the consultation service fees \$1,905 thousand (stated as other revenue) in 2011.
- (2) Until December 31, 2011, the cost spent by the Company in entrusting Mr. Shih-Tsung to purchase the construction land and individual projects has been \$668,016 thousand. Mr. Lee was entrusted to process and integrate the related to the land reserved for construction projects.
- (3) The exchanges of columbariums between the Company and Hsin Wei International in 2011 are detailed in Note 5(2).1.
- (4) 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.

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

## (3) Total remuneration to main management

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

	2011	2010
Salary	\$ 36,864	17,952
Bonus and special allowances	6,793	4,605
Professional practice	1,643	3,954
Bonus to employees	1,157	1,697
	<u>\$ 46,457</u>	<u>28,208</u>

## (VI) Pledged assets

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

Item	12.31.2011	12.31.2010	Purpose
Restricted assets	\$ 195,922	184,976	Trust accounts
Financial assets at fair value through profit or loss - current	287,438	261,947	To secure the acquiring service for credit account transactions
Other financial assets-current	-	1,923	To secure issuance of the CPC debit card
Construction land	569,314	2,730,177	To secure the loan
Real estate in process (residential area and buildings)	2,160,863	2,129,786	C
Real estate 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	1,378,356	To secure the loan and also the acquiring service for credit account transactions
Other assets-others	10,591	10,591	To secure the acquiring service for credit account transactions
Total	<u>\$ 9,481,988</u>	<u>6,697,756</u>	

## (VII) Significant undertakings or contingencies

- (1) On December 31, 2010 and 2011, the total amounts of contracts concluded by the subsidiaries for construction in process (before tax) were \$56,043 thousand and \$46,249 thousand, and already valued as \$0 and \$102,123 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 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 Dist. in February 2007. Notwithstanding, in March 2007, the joint owners of said land initiated the proceeding for

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"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. Withstanding, 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

- (4) The information about the trust registration of real estate process made by the Company to secure successful performance and delivery of any construction contract work on December 31, 2010 and 2011 is stated as follows:

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

Said trust projects were contracted by the Company to the trust 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 trustees to secure financing to the Company by the lending organizations of said projects.

On December 31, 2011, said construction in process was scheduled to start as the Group's operation office premises and, therefore, was re-stated to the property, plant and equipment, 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:

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Project Title	Land Owner or Co-Investors	Location	Nature	Joint Venture Deposit!		Projected Year of Completion
				12.31.2011	12.31.2010	
Yen Chi Urban Renewal Project (Note 1)	36 persons including Chen Hsu Ching-Yun, etc.	Land at 1 <sup>st</sup> 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 <sup>st</sup> Subsection, Chung Shan Section, Chung Shan District	C	8,400	8,400	TBD
National Palace Museum Project (Note 2)	Fu Yuan International	Land at 6 <sup>th</sup> Subsection, Chi Shan Road, Shihlin District, Taipei City	Joint construction and separate sale	-	9,127	C

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



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- (6) The trust by the Company and its subsidiaries 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 \$68,53 thousand pursuant to the contract, and parties to the contract delivered the promissory note bearing \$50,000 thousand and the contract bearing \$15,000 thousand, respectively, to 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	C (Note)
Gung Pu Section, Sanchi Hsiang	Lee Shih-Tsung	C (Note)
1 <sup>st</sup> Subsection, Jen Ai, Taipei City	Lee Shih-Tsung	C (Note)
Yu Cheng Section, Nangang District	Lee Shu-Rong	C (Note)
Niu Chou Pu Section and Chung Ho Section, Shuishang Hsiang, Chiayi County	Lee Shih-Tsung	The relevant documents required by said land ownership transfer registration were delivered to the attorney-at-law appointed by the subsidiaries, and the trustee issued the promissory note bearing the equivalent amount to the subsidiaries.
Wanli Chia Tou Sub-section, Pa Tou Tze Sub-section and Yuan Tang Tze Sub-section, Hsia Wanli Chia Tou Section, New Taipei City	Lee Shih-Tsung	C

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

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- (7) On December 31, 2010 and 2011, the Installment Account Receivables from the contract advance booking of the columbarium of True Dragon Tower and of the pre-funeral service entered into between the Company and customers were \$9,980,081 and \$9,350,196 thousand. The price was fixed, while the commodity or labor service not yet been provided. In order to reflect the economic substance of the transactions the Company wrote off the Installment Account Receivable against Advances 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 \$271,000 thousand and \$981,918 thousand respectively. The payments made for integration of 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) On December 31, 2011, the subsidiaries and National Chiayi University entered into a non-exclusive license agreement with respect to plant/strain of relevant phalaenopsis specimens, requiring that the subsidiaries pay royalty to National Chiayi University on a pro rata basis from the revenue of products generated by the selected plant/strain on a yearly basis for the duration of the agreement (five years as of the effective date of the agreement).
- (10) On December 31, 2011, the total amounts of the contracts for purchase of crematories (land) concluded by the subsidiaries were \$180,920 thousand, while the amounts have been paid before December 31, 2011.
- (11) In order to upgrade the quality of funeral service and ensure reliability of performance, the Company (hereinafter referred to the "Client") entered into the 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 from each pre-need contract sold by the Company should be transferred to the Trustee 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. From until December 31, 2010 and 2011, a total of NT\$4,221,503 thousand and 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 total 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.
- (12) In order to maintain the safety and cleanliness of the 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 customers lump sum or periodically. On December 31, 2010 and 2011, the balances of the exclusive account were \$851,132 thousand and \$915,113 thousand (stated as other financial assets - current).

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(13) The Company acquired the land and building at Dui Tze Section 1, U Township, Taipei County. Notwithstanding, the contractor, Chao Yang Construction Co., Ltd., claimed damages of \$215,256 thousand plus the interest accruing at the statutory rate from September 20, 1996 until the date of payment against the original owner-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 20, 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 mentioned before, Chao Yang is unlikely to receive a ruling in its favor.

(VIII) Significant disaster loss: None

(IX) Significant subsequent events: None

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

## (X) Others

## (1) Assets/liabilities liquidity analysis

On December 31, 2010 and 2011, the liquidity analysis about the assets/liabilities of the Company and subsidiaries 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
<b>Assets</b>			
Receivable notes and accounts	\$ 203,360	-	203,360
Other financial assets-current	1,181,541	-	1,181,541
Inventory	2,053,994	9,728,030	11,782,024
Deferred marketing expenses	687,078	8,191,578	8,878,656
Restricted assets	-	195,922	195,922
Other current assets	288,003	-	288,003
<b>Total</b>	<b>\$ 4,413,976</b>	<b>18,115,530</b>	<b>22,529,506</b>
<b>Liabilities</b>			
Short-term loan	\$ 3,040,000	-	3,040,000
Payable notes and accounts	1,521,114	-	1,521,114
Payable income	314,561	-	314,561
Payable expenses	186,555	-	186,555
Advance receipts for real estate	1,010	-	1,010
Advance receipts	2,540,576	23,834,937	26,375,513
Balance after advance receipts for construction less construction in process	18,402	-	18,402
Other current liabilities	155,840	-	155,840
<b>Total</b>	<b>\$ 7,778,058</b>	<b>23,834,937</b>	<b>31,612,995</b>

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12.31.2010	Anticipated to Collect or Repay Within 12 Months	Anticipated to Collect or Repay Beyond 12 Months	Total
<b>Assets</b>			
Receivable notes and accounts net	\$ 31,013	-	31,013
Other financial assets-current	7,243	-	7,243
Inventory	604,431	9,875,936	10,480,367
Deferred marketing expenses	969,494	8,010,792	8,980,286
Other current assets	147,759	-	147,759
Restricted assets	-	184,976	184,976
<b>Total</b>	<b>\$ 1,759,940</b>	<b>18,071,704</b>	<b>19,831,644</b>
<b>Liabilities</b>			
Payable notes and accounts (including related parties)	\$ 206,729	-	206,729
Payable income tax	461,122	-	461,122
Payable expenses	155,517	-	155,517
Advance receipts	3,646,724	22,262,656	25,909,380
Other current liabilities-others	146,382	-	146,382
<b>Total</b>	<b>\$ 4,616,474</b>	<b>22,262,656</b>	<b>26,879,130</b>

(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)	\$ 170,368	171,779	26,290	368,437	149,980	122,435	272,415
Labor and health insurance	9,557	18,502	1,908	29,967	11,451	2,851	14,302
Pension expense	5,243	8,892	1,061	15,196	9,743	4,621	14,364
Other human resources expenses	4,115	12,035	2,487	18,637	3,918	16,273	20,191
Depreciation expenses	85,168	15,732	13,136	114,036	86,742	12,488	99,230
Amortization expenses	88	7,220	1,425	8,733	-	8,100	8,100

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, respectively.

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thousand, and \$12,343 thousand and \$24,686 respectively.

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

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

Currency Unit: Thousand of NTD

	12.31.2011			12.31.2010		
	Foreign Currency	Foreign Exchange Rate	NTD	Foreign Currency	Foreign Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
RMB	\$	5	4.807	-	-	-
JPY		1,365	0.391	-	-	-
THB		85	0.965	-	-	-
HKD		-	3.897	-	-	-
USD		670	30.275	431	30.368	13,800
<u>Non-monetary items</u>						
USD		5,615	30.275	6,164	30.368	187,110
<u>Long-term equity investment under the equity method (Note)</u>						
USD		15,093	30.275	12,897	30.368	375,600

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

- (4) According to the FSC official letter under Ching-Kuan-Cheng-Tze No. 0990004943 dated February 2, 2010, as of 2013, listed companies, OTC companies and public companies should prepare their financial statements in accordance with internal financial reporting standards, international accounting standards, and interpretation and related guidelines for the preparation of financial statements recognized by FSC (later referred to as "IFRSs"). To deal with said amendments, the Company has issued a dedicated taskforce and defined the plans adopting IFRSs. The plans were drafted by the president, Wei-Long Liu. The important contents, schedule of completion and status of the plans are stated as follows:

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

Contents	Execution Unit (or Responsible Personnel)	Status
1. Evaluation stage (from January 1, 2010 until December 31, 2011):		
è Define the plans adopting IFRSs and establish a dedicated taskforce	Accounting Dept.	Completed
è Initiation of 1 <sup>st</sup> stage employees' internal training	HR Dept.	Completed
è Comparison and analysis of the difference in the existing accounting policies and IFRSs	Accounting Dept.	Completed
è Evaluate the adjustment to be made on the existing accounting policies	Accounting Dept.	Completed
è Evaluate the applicability of the Statement "Initial Adoption of IFRS"	Accounting Dept.	Completed
è Evaluate the adjustment to be made on the related information systems and internal controls	IT Dept.	Completed
2. Preparation stage (from January 1, 2011 until December 31, 2012):		
è Decide how to adjust the existing accounting policies according to IFRSs	Accounting Dept.	Completed
è Decide how to apply the Statement "Initial Adoption of IFRS"	Accounting Dept.	Pending
è Adjust the related information system and internal control	IT Dept.	Pending
è Initiation of 2 <sup>nd</sup> stage employees' internal training	HR Dept.	Pending
3. Implementation stage (from January 1, 2012 until December 31, 2013):		
è Testing of the operation of related information systems	IT Dept.	Pending
è Collection of data for preparation of balance sheet and comparative financial statements according to IFRSs	Accounting Dept.	Pending
è Prepare financial statements according to IFRSs	Accounting Dept.	Pending

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

- (5) The potential important difference in the current accounting principles and those adopted in the preparation of financial statements according to IFRSs as used by the Company is stated as follows:

Accounting Issue	Remark
Revenue	The design of architectural structure constructed by consolidated companies was led by the construction industry, while no significant adjustment may be made by general consumers to the entire architectural structure of the real estate purchased by them, except that they may modify the internal detailed work thereof. In that case, it does not meet the definition of "Main Architectural Structure Design" governed by IFRS and, therefore, no percentage of completion method may apply. The year for attribution of income from completion and residential delivery shall be identified as of the date when the residence may be delivered and also is delivered physically and title transfer registration is completed. Notwithstanding, IFRSs provide that it shall be identified as of the date when the contract is concluded or title transfer registration is completed (whichever is later), namely when the significant risk and remuneration in the real estate title have transferred to the buyer.
Deferred marketing expenses	All of the selling expenses incurred by consolidated companies from presale, including advertisement fees, commission expense and personnel salary, shall be deferred according to this country's accounting standards. Notwithstanding, IFRSs provide that only the commission expenses paid for sale of real estate may be deferred, and if it may be attributed to a contract and the projected economic effects will flow to consolidated companies, such expenses shall be stated as intangible assets and deferred accordingly.
Investment-oriented real estate	No relevant requirements are provided in this country's financial accounting standards. When the Company initially adopted IFRSs, in order to measure rents and/or revalue capital, if there is sufficient evidence showing that investment-oriented real estate is rented continuously and may generate stable mid-term or long-term cash flow, the fair value thereof shall be stated as the cost thereof.
Lease accounting	<ol style="list-style-type: none"><li>1. Because the lease of the Company's existing equipments complies with the requirements about capital lease provided in this country's accounting standards, such lease is stated as operating lease. Notwithstanding, according to IFRSs, the Company shall determine per the contract whether to assume the risk and rewards of leased assets to decide whether it shall be stated as capital lease.</li><li>2. The lease payment under operating lease shall be stated based on the straight line method for the duration of lease, unless there is an alternative system better able to reflect the time of users' benefits.</li></ol>
Employees' benefits-defined pension plan	<ol style="list-style-type: none"><li>1. The minimum pension liabilities shall be stated according to this country's accounting standards. IFRSs do not provide the method for the minimum pension liability, therefore, after adoption of the IFRSs, the minimum pension liability shall be reversed.</li><li>2. According to this country's existing accounting standards, the discount rate shall be based on the imputed interest rate for the long-term averaged rate of return for pension fund or insurance company pension contracts. After adoption of the IFRSs, said discount rate shall be based on the market interest rate for similar financial instruments.</li></ol>



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

be based on the market yield rate of the high-quality corporate bond or government bond yield rate.

3. The actuarial of income is amortized under straight line method according to the corridor method and stated as net pension cost or stated as net pension cost without amortization. After adoption of IFRS, the Company's current actuarial income shall be stated as of consolidated income in whole.

Employees' benefit-leave pay: No relevant requirements about cumulative leave with pay are provided in this country's accounting standards currently. After adoption of IFRSs, in the case of cumulative leave with pay, it shall be stated when the employee provides service and thereby increases the future leave with pay.

(6) Said evaluation is made by the Company based on IFRSs. Notwithstanding, the potential important differences between the current accounting policies those adopted in the preparation of financial statements according to IFRSs appeared based on the preliminary decision made subject to the current environment and conditions which might vary due to changes in environment or conditions.

(7) Reclassification:

Some figures in the consolidated financial statements for 2010 of the Company and its subsidiaries have been reclassified to cope with the expression in the consolidated financial statements for 2011. The reclassification would not produce material effects to the consolidated financial statements.

(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		
0	Lungyen Life Service Corp.	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 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 70% of the amount of the land, buildings or operating equipments purchased and cannot exceed 20% of the Company's latest net value.

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

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

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

## 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	
C	Stock of Yuji Development Corp.	C	C	90,000	910,154	56.25%	10.11	
C	Stock of Dahan Property Management Co., Ltd.	C	C	400	3,605	80.00%	9.01	
C	Stock of Sea Dragon Traders Ltd. (BVI)	C	C	1	107,311	100.00%	107,311	
C	Stock of Lungding Life Science Co., Ltd.	C	C	2,000	18,512	100.00%	9.26	
C	Beauty Kadan Co., Ltd.	The investee under equity method	C	1,425	21,780	50.00%	15.28	
C	Stock of Asia Best Healthcare Co., Ltd.	C	C	112	456,947	16.35%	4,072.61	
C	Stock of Ruei Da Venture Capital Co., Ltd.	C	C	3,000	29,305	47.62%	9.77	
C	CHT securities	-	Financial assets at fair value through profit or loss - current	2,662	266,226	-	100.00	Pledged in whole
C	Hsin Yi securities	-	C	433	16,151	-	37.30	
C	LUMAX securities	-	C	220	13,354	-	60.70	
C	eMemory Technology securities	-	C	315	21,074	-	66.90	
C	Morningstar securities	-	C	80	12,640	-	158.00	
C	Chenbro securities	-	C	1,128	36,314	-	32.20	Pledged in part
C	Insyde securities	-	C	70	10,045	-	143.50	
C	PChome securities	-	C	40	4,160	-	104.00	
C	Cathay R1 Fund	-	C	3,200	45,056	-	14.08	
C	Cathay R2 Fund	-	C	10,000	125,900	-	12.59	
C	Berkshire-A securities	-	C	-	72,970	-	USD 114,75	
C	FORTUNE IC FUND I	-	Financial assets carried at cost - non-current	600	11,216	4.86%	12.26	
C	Kun Kee Erh Investment Co., Ltd. securities	-	C	6,000	54,255	8.57%	9.04	
C	Kuo Hua Life securities	-	C	44	-	0.01%	-	

Note: The equities in said subsidiaries held by the Company were written off when the Company prepared the consolidated financial statements.

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

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	
					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,	180,560	-	-	12,744	180,640	180,000	640	-	-
C	Stock of Ching Huang Construction Co., Ltd.	Long-term equity investment under the equity method	(Note 1)	(Note 1)	2,	29,380	17,325	154,743	-	-	-	-	19,639	174,793
C	Stock of Yuji Development Corp.	C	(Note 1)	(Note 1)	1,	12,668	89,000	890,000	-	-	-	-	90,000	910,154

Note 1: Participation in capital increase in cash.

Note 2: The equities in said subsidiaries held by the Company were written off when the Company prepared the consolidated financial statements.

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	-
C	Fu An Section, Xi Tun District, Taichung City	03.08.2011	872,453	872,453	Sun A Enterprise Co., Ltd.	C	-	-	-	-	Price negotiation	Business place	-
C	Park Section, Chung Chen District, Taipei City	04.19.2011	1,201,100	1,201,100	Cheng Lin Construction Co., Ltd.	C	-	-	-	-	Public tendering	Assets rented to others	-
C	Huei Chi Section, Taoyuan City	04.20.2011	245,324	245,324	Cheng Rong-Sheng	C	-	-	-	-	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. 17-1 and 17-2 4th Subsection Ling Yi Section, Chung Chen District, Taipei City	03.01.2011	08.31.2005	\$ 152,120	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,

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

exclusive of the previous pricing, \$32,960 thousand, upon consolidation of Lungyen Life Service Corp.

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

Note 3: The trades between the Company and the subsidiary were written off the Company prepared the consolidated financial statements.

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

9. Trades for derivatives: None.

(2) Information about reinvestees

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

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	19,630	98.20%	174,793	139	(9,373)	Subsidiaries
C	Yuji Development Corp.	No. 22-4, Yuan Tang, 2 Lin, Huar Tang Li, New Taipei City	Funeral service	900,000	10,000	90,000	66.25%	910,154	17,756	9,990	C
C	Dahan Property Management Co., Ltd.	7F, No. 150, Tunhua N. Road, Taipei City	Development, lease and sale of residential areas and building	3,870	2,000	400	80.00%	3,605	(169)	(135)	C
C	Sea Dragon Traders Ltd. (BVI)	Citco Building, P.O. Box 662, Road Town, Tortola, British Virgin Islands.	Investment	114,529	-	110	100.00%	107,311	(11,377)	(11,377)	C
C	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)	C
C	Beauty Kadar Co., Ltd.	6F, 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	
C	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	
C	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)	

Note: The equities in said subsidiaries held by the Company were written off when the Company prepared the consolidated financial statements.

2. Loans to third parties: None.

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

4. Marketable securities held at ending:

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

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	a	Financial assets at fair value through profit or loss	14,845	\$ 178,908	-	12.05	
C	J-Garden Corp.	a	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	a	Financial assets at fair value through profit or loss	170	2,048	-	12.08	
Sea Dragon Trade Ltd. (BVI)	Secton Dickinson	a	C	43	USD 3,206	-	74.40	
Lungding Life Science Co., Ltd.	ING Taiwan Money Market Fund	a	C	954	15,006	- %	15.74	

Note: The equities in said subsidiaries held by the Company were written off when the Company prepared the consolidated financial statements.

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	Buy-Beginning				Sell				Ending	
					No. of Unit	Amount	No. of Unit	Amount	No. of Unit (thousand)	Selling Price	Book Value	Gain or Loss from Disposition	No. of Unit (thousand)	Amount
Yuji Development Corp.	FSITC Money Market Fund (formerly NITC Money Market Fund)	Financial assets at fair value through profit or loss	a	a	34	\$ 5,820	2,908	500,000	2,943	506,245	505,550	695	-	-
C	ING Taiwan Hong-Yang Money Market Fund	C	a	a	-	-	35,728	590,000	35,728	590,461	590,000	461	-	-
C	Taishin 169 Fund	C	a	a	-	-	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, not more than \$20,000
C	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.	C	-	-	-	-	\$1,664,584, see Hungtu appraisal report; \$1,663,202, see Hungtai appraisal report	C	Miscellaneous rights remain uncanceled and untransferred, and retained payment outstanding
C	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.	C	-	-	-	-	\$130,212, see Hungtu appraisal report	C	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:

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

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 Life Services Corp.	Parent and subsidiary	Sale	\$ 296,940 (Note 1)	87.26%	30-60 day postdated check	-	-	50,633	69.00 %	

Note 1: The sale revenue recognized under percentage of completion method

Note 2: Written off when preparing the consolidated financial statement

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

10. Trades for derivatives: None.

(3) Information about investment in Mainland China

The Directors' Meeting resolved on March 31, 2011 that the Company 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 the Ministry of Economic Affairs on July 1, 2011 upon review. Notwithstanding, the Company has not yet made the investment so far.

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

(4) Business affiliation and important transactions between subsidiaries and company  
2011

No. (Note 1)	Trader	Trading Counterpart	Relationship with trader (Note 2)	Status			
				Title	Amount	Trading Terms	Proportion to consolidated total revenue or total assets
0	Lungyen Life Service Corp.	Ching Huang Construction Co., Ltd.	1	Real estate in process	\$ 52,768	-	- %
0	C	C	1	Unfinished construction	569,999	-	1%
0	C	C	1	Payable accounts	47,864	100% 30day postdate check	- %
0	C	C	1	Other payables	2,770	C	- %
0	C	C	1	Rent revenue	1,696	-	- %
0	C	Dahan Property Management Co., Ltd.	1	Rent revenue	14	-	- %
0	C	Yuji Development Corp.	1	Rent revenue	301	-	- %
0	C	C	1	Receivable rent	323	-	- %
0	C	C	1	Other receivables	6,000	-	- %
0	C	C	1	Miscellaneous revenue	6,000	-	- %
1	Ching Huang Construction Co., Ltd.	Lungyen Life Service Corp.	2	Advance receipts for construction	622,767	-	1%
1	C	C	2	Receivable accounts	50,634	100% 30day postdate check	- %
1	C	C	2	Construction revenue	296,940	-	- %
1	C	C	2	Construction cost	296,940	-	- %
1	C	C	2	Rent expenditure	1,696	-	- %
2	Dahan Property Management Co., Ltd.	Lungyen Life Service Corp.	2	Rent expenditure	14	-	- %
3	Yuji Development Corp.	Lungyen Life Service Corp.	2	Rent expenditure	301	-	- %
3	C	C	2	Other payables	6,323	-	- %
3	C	C	2	Management fee	6,000	-	- %

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

2010

No. (Note 1)	Trader	Trading Counterpart	Relationship with trader (Note 2)	Status			
				Title	Amount	Trading Terms	Proportion to consolidated total revenue or total assets
0	Dahan Construction Co., Ltd.	Ching Huang Construction Co., Ltd.	1	Real estate in process	\$ 223,805	-	- %
0	C	C	1	Payable accounts	13,255	100% 30day postdate check	- %
0	C	C	1	Rent revenue	1,944	-	- %
0	C	C	1	Miscellaneous revenue	834	-	- %
0	C	Dahan Property Management Co., Ltd.	1	Rent revenue	17	-	- %
1	C	Lungyen Life Service Corp.	1	Rent expenditure	4,229	-	- %
1	Ching Huang Construction Co., Ltd.	Dahan Construction Co., Ltd.	2	Advance receipts for construction	223,805	-	5%
1	C	C	2	Receivable accounts	13,255	100% 30day postdate check	- %
1	C	C	2	Construction revenue	43,734	-	- %
1	C	C	2	Construction cost	43,734	-	- %
1	C	C	2	Rent expenditure	1,944	-	- %
1	C	C	2	Operating expenses	834	-	- %
1	C	Lungyen Life Service Corp.	3	Advance receipts for construction	133,366	-	- %
1	C	C	3	Operating revenue	12,454	-	- %
1	C	C	3	Operating cost	12,454	-	- %
2	Dahan Property Management Co., Ltd.	Dahan Construction Co., Ltd.	2	Rent expenditure	17	-	- %
2	C	Lungyen Life Service Corp.	3	Rent revenue	99	-	- %
2	C	C	3	Rent expenditure	2,823	-	- %
3	C	Yuji Development Corp.	3	Rent revenue	3	-	- %
3	Lungyen Life Service Corp.	Dahan Construction Co., Ltd.	2	Rent revenue	4,229	-	- %
3	C	Dahan Property Management Co., Ltd.	3	Rent revenue	2,823	-	- %
3	C	C	3	Rent expenditure	99	-	- %
3	C	Ching Huang Construction Co., Ltd.	3	Unfinished construction	9,766	-	- %
3	C	C	3	Construction in process	123,600	-	- %
4	Yuji Development Corp.	Dahan Property Management Co., Ltd.	3	Rent expenditure	3	-	- %

Note 1: Said transactions shall be numbered as follows:

1. "0" for parent company
2. Subsidiaries are numbered from "1".

Note 2: Transactions with stakeholders are divided into three categories as follows:

1. Parent company to subsidiaries;
2. Subsidiaries to parent company;
3. Subsidiaries to subsidiaries.



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

(XII) Financial information by department

(1) General information

The consolidated companies consist of five departments, namely Columbarium Sales Dept., Funeral Service Dept., Property Lease Dept., Cemetery Operation Dept., and other departments and construction sales department. Columbarium Sales Dept. is primarily engaged in columbarium-related business. Funeral Service Dept. is engaged in funeral service business. Property Lease Dept. is engaged in lease property. Cemetery Operation Dept. and other departments are engaged in management and operation of cemeteries. Construction Sales Dept. is engaged in building construction business.

The consolidated companies' departments shall be the units dedicated to strategic business to provide different products and services. Given that the local marketing strategies as needed vary according to each strategic business, it is necessary to manage the units separately. Most of the business units are acquired separately and the competent management teams are retained.

## (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)

## (2) Information by operation departments of consolidated companies, and adjustment

	Sales for Columbarium and Cemetery	Life Service	Real Property Lease	Operation of Cemeteries and Others	Sales for Construction	Adjustment and Write-off	Total
2011							
Revenue							
Revenue from external customers	\$ 2,589,539	1,146,153	176,116	68,009	475,025	-	4,454,842
Inter-departmental revenue	-	-	2,011	-	296,940	(298,951)	-
Interest revenue	-	-	-	2,731	-	-	2,731
Total revenues	<u>\$ 2,589,539</u>	<u>1,146,153</u>	<u>178,127</u>	<u>70,740</u>	<u>771,965</u>	<u>(298,951)</u>	<u>4,457,573</u>
Interest expense	\$ -	-	204	17,565	-	-	17,769
Depreciation and amortization	-	-	-	-	-	122,769	122,769
Investment Income	-	-	-	12,176	-	-	12,176
Other important non-cash items:							
Impairment loss	-	-	-	-	-	-	-
Departmental income	<u>\$ 1,195,357</u>	<u>214,342</u>	<u>32,962</u>	<u>242,414</u>	<u>210,458</u>	<u>(9,984)</u>	<u>1,885,549</u>
Departmental assets	<u>\$ 7,962,839</u>	<u>103,786</u>	<u>7,779,468</u>	<u>-</u>	<u>3,335,172</u>	<u>20,674,873</u>	<u>39,856,138</u>
2010							
Revenue							
Revenue from external customers	\$ 1,533,281	944,853	138,800	49,195	333,042	-	2,999,171
Inter-departmental revenue	-	-	9,112	-	56,188	(65,300)	-
Interest revenue	-	-	-	6,767	-	-	6,767
Total revenues	<u>\$ 1,533,281</u>	<u>944,853</u>	<u>147,912</u>	<u>55,962</u>	<u>389,230</u>	<u>(65,300)</u>	<u>3,005,938</u>
Interest expense	\$ -	-	-	1,221	-	-	1,221
Depreciation and amortization	-	-	-	-	-	112,181	112,181
Investment Income	-	-	-	20,953	-	-	20,953
Other important non-cash items:							
Impairment loss	-	-	-	-	-	-	-
Departmental income	<u>\$ 483,016</u>	<u>170,595</u>	<u>41,337</u>	<u>471,685</u>	<u>4,209</u>	<u>(1,060)</u>	<u>1,169,782</u>
Departmental assets	<u>\$ 6,074,889</u>	<u>90,531</u>	<u>7,779,468</u>	<u>-</u>	<u>3,945,019</u>	<u>14,309,549</u>	<u>32,199,456</u>

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

(3) Overview of business

1. Information by territory

The information about consolidated companies by territory is stated as follows. Revenue is classified based on the geographical location where customer is situated, while non-current assets are classified based on the geographical location of assets.

Revenue from external customers:

<u>Territory</u>	<u>2011</u>	<u>2010</u>
Taiwan	\$ 4,454,324	2,999,171
Japan	518	-
Total	<u>\$ 4,454,842</u>	<u>2,999,171</u>

Non-current assets:

<u>Territory</u>	<u>2011</u>	<u>2010</u>
Taiwan	<u>\$ 13,645,107</u>	<u>8,480,117</u>

2. Information about important customers

Consolidated companies had no customers from whom the revenues accounted for more than 10% of the revenues in the income statement in 2010 and 2011.