

(English Translation of Financial Report Originally Issued in Chinese)

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

Financial Statements

For The Nine Months Ended September 30, 2012 and 2011
(With Review Report of Independent Auditors)

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Independent Auditor's Audit Report

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

We have audited the balance sheets of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) as of September 30, 2012 and 2011 and the related statements of income and statements of cash flows for Q3 of 2012 and 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as described in the following paragraph, we planned and conducted our audits in accordance with Statement of Auditing Standards No. 36 "Audit of Financial Statements". Given that we only conducted analysis, comparison and inquiry but did not conduct the audits in accordance with the generally accepted auditing standards, it is impossible for us to show our audit opinions on the overall financial statement presentation.

As stated in Note 4(8) of Financial Statements, the long-term equity investments under equity method of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) were NT\$1,350,885 thousand and NT\$811,299 thousand on September 30, 2012 and 2011. The cumulative translation adjustment were NT\$4,549 thousand and NT\$15,450 thousand; the capital surplus of long-term equity investments were NT\$0 and NT\$59,441 thousand and the gain of unearned financial assets were NT\$970 and NT\$0 thousand on September 30, 2012 and 2011. The investment gains, NT\$75,805 thousand and investment loss NT\$4,884 thousand, in Q3 of 2012 and 2011 were evaluated under equity method based on the financial statements of the investees for the same period unaudited by an independent auditor. Meanwhile, the "information about reinvestees" as stated in Note 11(2) was provided by the investee, while we did not conduct the audits in accordance with the auditing procedure stated in Paragraph 2.

In our opinion, if the financial statements of the investees and information about the reinvestees referred to in the preceding paragraph were audited by an independent auditor, the quarterly financial statements stated in Paragraph 1 might have been adjusted. Except that, we found that no amendments were required to be made to the financial statements referred to in Paragraph 1, in all

material respects, for violation of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the accounting principles generally accepted in the Republic of China.

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

KPMG

CPA:

Approval Document issued by the
competent securities authority:
October 30, 2012

(2000) Tai-Tsai-Chen (6) No. 62474
(1999) Tai-Tsai-Chen (6) No. 18311

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

Balance Sheet

For The Nine Months Ended September 30, 2012 and 2011

(Reviewed only)

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

	9.30.2012		9.30.2011			9.30.2012		9.30.2011	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and shareholders' equity				
Current assets :					Current liabilities :				
1100 Cash and cash equivalents (Note 4(1))	\$ 147,578	-	384,547	1	2100 Short-term loan (Note 4(12))	\$ 2,370,000	7	2,440,000	7
1120 Receivable notes and accounts, net (Note 7)	200,297	1	29,755	-	2120 Payable notes and accounts (Note 4(5) and 5)	235,247	1	200,240	1
1310 Financial assets at fair value through profit or loss – current (Note 4(2) and 6)	578,352	2	597,767	2	2130 Payable accounts – related parties (Note 5)	23,189	-	130,165	-
1190 Other financial assets – current (Note 5 and 7)	1,266,375	3	1,193,386	3	2160 Payable income tax	182,714	-	247,522	1
1221 Building and land held for sale (Note 4(3))	6,803	-	18,818	-	2170 Payable expenses	160,110	-	165,118	-
1222 Columbarium and cemetery for sale (Note 4(3))	1,717,377	5	1,781,961	5	2210 Other payable accounts (Note 4(19) and 5)	115,753	-	146,948	-
1223 Construction land (Note 4(4) and 6)	1,094,244	3	1,093,944	3	2262 Advance receipts for real estate (Note 4(13) and 7)	1,010	-	19,669	-
1224 Construction in process (Note 4(5), 5, 6 and 7)	6,936,812	18	6,733,628	18	2263 Advance receipts (Note 4(14), 5 and 7)	27,006,145	71	26,437,316	72
1225 Land payment (Note 4(6) and 7)	486,565	1	506,089	2	2280 Other current liabilities	43,974	-	56,305	-
1285 Deferred marketing expenses (Note 4(7))	8,849,178	23	8,983,856	24		<u>30,138,142</u>	<u>79</u>	<u>29,843,283</u>	<u>81</u>
1291 Restricted assets (Note 6)	344,976	1	195,922	1	Other liabilities :				
1298 Other current assets (Note 4(16))	205,962	1	153,218	-	2810 Accrued pension liabilities (Note 4(15))	19,459	-	18,827	-
	<u>21,834,519</u>	<u>58</u>	<u>21,672,891</u>	<u>59</u>	2820 Deposit received	45,011	-	42,564	-
Fund and long-term investment :						<u>64,470</u>	<u>-</u>	<u>61,391</u>	<u>-</u>
1421 Long-term equity investment under equity method (Note 4(8))	1,350,885	4	811,299	2	Total liabilities	<u>30,202,612</u>	<u>79</u>	<u>29,904,674</u>	<u>81</u>
1480 Financial assets carried at cost – non-current (Note 4(2))	521,819	1	65,471	-	Shareholders' equity (Note 4(8), (16), (17) and (19)) :				
1440 Other current assets – non-current (Note 5)	44,859	-	59,341	-	3110 Capital stock – common stock	3,990,842	11	3,990,842	11
	<u>1,917,563</u>	<u>5</u>	<u>936,111</u>	<u>2</u>	Capital surplus :				
Property, plant and equipment (Note 4(5), 4(9), 5, 6 and 7) :					3211 Common stock premium	1,392,072	4	1,392,072	4
1501 Land	1,974,767	5	2,671,636	8	3260 Long-term investment	59,736	-	59,829	-
1521 House and building	639,816	2	717,695	2		<u>1,451,808</u>	<u>4</u>	<u>1,451,901</u>	<u>4</u>
1531 Office equipment	91,210	-	90,428	-	Retained earnings :				
1551 Transportation equipment	95,629	-	43,870	-	3310 Legal reserve	263,270	1	77,142	-
1552 Other equipment	38,345	-	31,185	-	3320 Special reserve	14,153	-	26,009	-
1553 Assets rented to others	7,794,207	21	8,045,264	22	3351 Unappropriated earnings	2,044,682	5	1,361,047	4
1621 Leased assets	30,035	-	30,035	-		<u>2,322,105</u>	<u>6</u>	<u>1,464,198</u>	<u>4</u>
1631 Leasehold improvement	821	-	821	-	Other shareholders' equity :				
1671 Unfinished construction	2,094,516	6	1,026,224	3	3420 Accumulated translation adjustment	(17,626)	-	(13,205)	-
1672 Prepayment for equipment	38,389	-	35,763	-	3451 Unrealized loss from financial assets	669	-	-	-
15X9 Less : accumulated depreciation	(694,940)	(2)	(612,976)	(2)	Total shareholders' equity	<u>7,747,798</u>	<u>21</u>	<u>6,893,736</u>	<u>19</u>
1599 Less: accumulated impairment	-	-	7,400	-	Significant undertakings or contingencies (Note 7)				
	<u>12,102,795</u>	<u>32</u>	<u>12,072,545</u>	<u>33</u>	Total liabilities and shareholders' equity	<u>\$ 37,950,410</u>	<u>100</u>	<u>36,798,410</u>	<u>100</u>
Intangible assets (Note 4(10)) :									
1710 Trademark right	192,750	1	192,750	1					
1760 Goodwill	542,428	1	559,610	2					
	<u>735,178</u>	<u>2</u>	<u>752,360</u>	<u>3</u>					
Other assets :									
1860 Deferred income tax assets – non-current (Note 4(16))	536,495	1	537,873	1					
1880 Other deferred expenses	44,168	-	46,938	-					
1888 Other assets – others (Note 4(11) and 11)	779,692	2	779,692	2					
	<u>1,360,355</u>	<u>3</u>	<u>1,364,503</u>	<u>3</u>					
Total assets	<u>\$ 37,950,410</u>	<u>100</u>	<u>36,798,410</u>	<u>100</u>					

(Please refer to the accompanying notes for details.)

Chairman: Lee Shih-Tsung

General Manager: Liu Wei-Long

Chief Accountant: Jan Shu-Chuan

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

Income Statements

For The Nine Months Ended September 30, 2012 and 2011
(Reviewed only)

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

	First Three Quarters of 2012		First Three Quarters of 2011	
	Amount	%	Amount	%
4000 Operating revenue (Note 5) :				
4511 Construction revenue	\$ 3,974	-	410,548	14
4310 Leasehold revenue	162,802	5	113,211	4
4700 Columbarium and cemetery revenue	1,948,381	64	1,635,280	55
4710 Funeral service revenue	889,679	29	759,982	26
4881 Other operating revenue	60,045	2	35,456	1
	<u>3,064,881</u>	<u>100</u>	<u>2,954,477</u>	<u>100</u>
5000 Operating cost (Note 5) :				
5510 Construction cost	2,295	-	160,048	5
5310 Leasehold cost	88,982	3	63,304	2
5690 Columbarium and cemetery cost	198,162	6	178,515	6
5691 Funeral service cost	537,762	18	494,004	17
5800 Other operating cost	20,529	1	19,422	1
	<u>847,730</u>	<u>28</u>	<u>915,293</u>	<u>31</u>
5910 Gross profit	2,217,151	72	2,039,184	69
6000 Operating expenses :				
6100 Selling expenses	611,379	20	576,398	19
6200 General and administrative expenses (Note 5)	211,859	7	232,460	8
	<u>823,238</u>	<u>27</u>	<u>808,858</u>	<u>27</u>
6900 Operating profit	1,393,913	45	1,230,326	42
7100 Non-operating revenue and gain :				
7110 Interest revenue	6,745	-	1,707	-
7121 Income from investment under the equity method (Note 4(8))	75,805	2	45,252	2
7122 Dividend revenue	24,085	1	29,728	1
7160 Foreign exchange gain	-	-	2,314	-
7170 Revenue from counter-party default (Note 5)	134,586	4	122,008	4
7310 Gain on valuation of financial assets (Note 4(2))	25,296	1	-	-
7480 Miscellaneous revenues (Note 5)	27,034	1	9,840	-
	<u>293,551</u>	<u>9</u>	<u>210,849</u>	<u>7</u>
7500 Non-operating expenses and loss :				
7510 Interest expenses (Note 4(5))	19,525	1	8,518	-
7530 Loss from disposal of property, plant and equipment	198	-	18,680	1
7640 Loss on valuation of financial assets (Note 4(2))	-	-	16,290	-
7560 Foreign exchange loss	338	-	-	-
7630 Loss on impairment (Note 4(9))	-	-	7,400	-
7880 Miscellaneous expenses	575	-	16,562	1
	<u>20,636</u>	<u>1</u>	<u>67,450</u>	<u>2</u>
7900 Continuing operating income before tax	1,666,828	53	1,373,725	47
8110 Income tax expense (Note 4(16))	181,542	6	82,322	3
9600 Net Income	<u>\$ 1,485,286</u>	<u>47</u>	<u>1,291,403</u>	<u>44</u>
			<u>Before Tax</u>	<u>After Tax</u>
9750 Basic earnings per share (NTD) (Note 4(20))	<u>\$ 4.18</u>	<u>3.72</u>	<u>3.46</u>	<u>3.25</u>
9850 Diluted earnings per share (NTD) (Note 4(20))	<u>\$ 4.17</u>	<u>3.72</u>	<u>3.46</u>	<u>3.25</u>

(Please refer to the accompanying notes for details.)

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General Manager:
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Chief Accountant:
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Lungyen Life Service Corp. and Subsidiaries
(Formerly Known as Dahan Development Corp.)

Statements of Cash Flows

For The Nine Months Ended September 30, 2012 and 2011
(Reviewed only)

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

	<u>First Three</u> <u>Quarters of 2012</u>	<u>First Three</u> <u>Quarters of 2011</u>
Cash flows from operating activities :		
Net Income	\$ 1,485,286	1,291,403
Adjustments :		
Depreciation and Amortization expenses	78,895	74,471
Allowance for doubtful accounts	17,507	16,774
Gain on price decline of inventory	-	(11,300)
Loss (gain) from investment under equity method	(75,805)	(45,252)
Loss (gain) from disposal and scrapping of property, plant and equipment	198	18,680
Gain in valuation of financial assets	(25,296)	16,290
Loss on impairment of property, plant and equipment	-	7,400
Net changes in operating assets and liabilities :		
Net changes in operating assets :		
Decrease in financial assets held for trading	70,834	325,035
Decrease (increase) in receivable notes and accounts	(95,953)	(9,517)
Decrease (increase) in inventory	21,326	99,031
Decrease (increase) in deferred marketing expenses	29,478	39,323
Decrease (increase) in other current assets	(40,565)	4,957
Decrease (increase) in other financial assets	(90,020)	(1,163,939)
Decrease (increase) in deferred income tax assets	(8,435)	(52,854)
Net changes in operating liabilities :		
Increase (decrease) in payable notes and accounts	(41,853)	60,118
Increase (decrease) in payable income tax	(101,013)	(219,909)
Increase (decrease) in payable expenses	(20,196)	81,033
Increase (decrease) in unearned receipts	653,037	337,358
Increase (decrease) in other current liabilities	3,642	68,198
Net cash flow (outflow) from operating activities	1,861,067	937,300
Cash flows from investing activities :		
Long-term equity investment under equity method	(12,600)	(184,748)
Purchase of property, plant and equipment	(200,770)	(3,829,125)
Payment for purchase of property, plant and equipment	92,680	40,223
Decrease (increase) in deferred expenses	(3,602)	(2,880)
Decrease (increase) in restricted assets	(149,054)	(10,946)
Cash inflows generated from consolidation	-	1,715,996
Decrease (increase) in other financial assets	14,412	11,322
Decrease (increase) in other assets	-	(147,478)
Net cash inflow (outflow) from investing activities	(258,934)	(2,407,636)

(English Translation of Financial Report Originally Issued in Chinese)

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

Statement of Cash Flow (Cont'd)

For the Nine Months Ended September 30, 2012 and 2011

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

	First Three Quarters of 2012	First Three Quarters of 2011
Cash flows from financing activities :		
Increase (decrease) in short-term loan	(670,000)	2,440,000
Increase (decrease) in deposit received	(1,064)	11,090
(Decrease) in payable lease	-	(8,000)
Issuance of Cash Dividend	(1,197,253)	(598,626)
Net cash inflow (outflow) from financing activities	<u>(1,868,317)</u>	<u>1,844,464</u>
Net decrease in cash and cash equivalents in current period	(266,184)	374,128
Balance of cash and cash equivalents, beginning of the period	413,762	10,419
Balance of cash and cash equivalents, ending of the period	<u>\$ 147,578</u>	<u>384,547</u>
Supplemental disclosures of cash flow information :		
Interest paid this period	\$ 19,525	8,518
Less : Capitalized interest	-	-
Excluding the interest paid this period for capitalized interest	<u>\$ 19,525</u>	<u>8,518</u>
Income tax paid	<u>\$ 290,990</u>	<u>353,669</u>
Investing and financing activities not affecting cash flows :		
Property, plant and equipment translated into inventory	<u>\$ -</u>	<u>422,948</u>
Inventory translated into property, plant and equipment	<u>\$ -</u>	<u>848,789</u>
Payable cash dividend	<u>\$ 456,348</u>	<u>-</u>
Issuance of new shares upon consolidation	<u>\$ -</u>	<u>1,561,321</u>

Disclosure of information about subsidiaries :

The Company acquired 25% of the equity of Lungyen Life Service Co., Ltd. on February 1, 2011, and held the shares of Lungyen Life Service Corp. wholly accumulately. On the same day, the Company was consolidated with Lungyen Life Service Corp. The fair values of its assets/liabilities are stated as follows:

Cash and cash equivalents	\$ 1,715,996
Other current assets	18,820,426
Financial assets carried at cost – non-current	65,471
Long-term equity investment under the equity method	512,627
Other financial assets – non-current	55,037
Property, plant and equipment	8,402,172
Other assets	1,161,989
	<u>30,733,718</u>
Current liabilities	26,909,185
Long-term liabilities with interest	800
Other liabilities	50,301
	<u>26,960,286</u>
Net	3,773,432
% of equity	<u>25%</u>
Net value of equity	943,358
Add: Goodwill	425,213
Trademark right	192,750
The market value for the shares issued upon acquisition of 25% of shares of Lungyen Life Service Co., Ltd.	<u>\$ 1,561,321</u>

(Please refer to the accompanying notes for details.)

Chairman:
Lee Shih-Tsung

General Manager:
Liu Wei-Long

Chief Accountant:
Jan Shu-Chuan

Lungyen Life Service Corp. and Subsidiaries
(Formerly Dahan Development Corp. and Subsidiaries)
Notes to Quarterly Financial Statements
For The Nine Months Ended September 30, 2012 and 2011
(Reviewed only)

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Provided)

(I) Company profile

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

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

The Company has hired 434 employees and 482 employees respectively as of September 30, 2012 and 2011.

(II) Summary of important accounting policies

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

(1) Accounting estimates

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

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

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

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

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

(3) Current and non-current assets and liabilities

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

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

(4) Asset impairment

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

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

(5) Cash equivalents

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

(6) Financial assets

1. Financial assets at fair value through profit or loss

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

2. Acquisition of financial assets carried at cost

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

3. Receivable notes and accounts, other receivables

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

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

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

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

(7) Construction accounting and revenue recognition

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

1. The construction progress exceeds the preparation and planning stage; in other words, the construction design, planning, contract and soil preparation are completed and the construction may be performed at any time.

2. The aggregate of pre-sale contracts amounts to the estimated total construction cost.
3. The aggregate of pre-sale contracts amounts to 15% of the total contract amount.
4. The collectability of receivable contract amount may be estimated reasonably.
5. The total construction cost to be invested to perform the contract and percentage of completion at the end of the period may be estimated reasonably.
6. The cost attributed to the sale contract is identifiable reasonably.

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

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

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

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 permitted in the previous and following years of the same project once the percentage is selected.

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

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

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

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

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

The interest expenses incurred before the 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.

(9) Accounting principles for funeral services

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

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

(10) Long-term investment under equity method

Investments in corporations in which the Company's ownership interest is 20% or more or over which the Company can exercise a significant influence are accounted under the equity method. The difference between the investment cost and the net value of the investee's equity at the time of the Company's investment is processed in accordance with the amended "Statement of Financial Accounting Standards for Long-Term Equity Investment Under Equity Method". In the case of depreciable, depletable or amortizable assets, the difference shall be amortized according to the estimated residual economic years. If the difference arises because the book value of assets is higher or lower than the fair value, the unamortized difference shall be written off in full when the overestimation or underestimation extinguishes. The excess of the investment cost over the fair value of the identifiable net assets acquired, if any, is recognized as goodwill. The excess of the fair value of the net identifiable assets acquired over the investment cost, if any, is reduced in proportion to the respective fair values of the non-current assets, and the further excess, if any, shall be recognized as an extraordinary gain. In the case of sale, the difference

between the selling price and the book value of such investment on the date of disposition is recognized as the income from disposal of long-term equity investment. The balance of capital surplus generated from the long-term equity investment, if any, shall be stated as current income based on the percentage of sale.

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

It is necessary to conduct the test on impairment per year. If there is any specific circumstance or change showing that the goodwill has been impaired, it is necessary to conduct the test on impairment immediately and recognize the part with collectible amount less than the 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-method investees and subsidiaries are deferred until such gains or losses are realized. Gains or losses arising from depreciable or amortizable assets are recognized over the economic lives. Where the transactions are generated by other assets, the gains or losses thereon shall be recognized in the year of realization.

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

Property, plant & equipment and assets rented to others are stated at the acquisition cost, and valued based on the cost less accumulated depreciation. The interest expenses borne by the payment made for the assets purchased or constructed before the assets becomes available shall be capitalized and stated as the asset cost. The significant improvements, additions and renewals are treated as capital expenditure, while maintenance and repairs are charged to expense as incurred. The gain or loss from disposal of property, plant & equipment is stated as current non-operating revenue or expenditure.

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

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

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

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

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

(12) Consolidated goodwill

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

(13) Idle assets

The land and building which are usable but not used for business shall be stated as idle assets and re-stated into other assets, valued at the lower of the net realizable value or book value. According to the amended Statement of Financial Accounting Standards No. 1, the Company re-stated, amortized and depreciated the idle assets which were not required to be re-stated at the lower of the net realizable value or book value based on the cost, accumulated depreciation and accumulated impairment for the original titles.

(14) Revenue recognition

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

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

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

(15) Employees' pension plan

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

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

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

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

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

(17) Income tax

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

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

(18) Earning per Share

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

(19) Disclosure of information by operation department

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

(III) Reasons and effect of changes in accounting policies

As of January 1, 2011, the Company has adopted the Statement of Financial Accounting Standards No. 41 “Disclosure of Information by Operation Department”. According to the Statement, the enterprise shall disclose information helpful for users of the financial statement to evaluate the business activities conducted by the enterprise and the nature of economic environment under which the enterprise operates and financial effect thereof. The Company decides and expresses the operation department based on the information provided to the decision policy maker internally. Meanwhile, according to the Statement, the Company has disclosed the information by department in the consolidated financial statement. Therefore, no information by department was disclosed in the individual financial statement. The Statement also replaces the Statement of Financial Accounting Standards No. 20 "Disclosure of financial information by department". Notwithstanding, said changes in the accounting principles would not produce any effect on the income in the financial statements of the Company for Q3 of 2011.

As of January 1, 2011, the Company has also adopted 3rd amendments to the Statement of Financial Accounting Standards No. 34 “Accounting Principles for Financial Instruments”. According to the Statement, the loan stated initially and receivable accounts shall apply the recognition, subsequent evaluation and impairment with respect to the loans and receivable accounts under the Statements. Notwithstanding, said changes in the accounting principles would not produce any effect on the income in the financial statements of the Company for Q3 of 2011.

(IV) Significant account disclosures

(1) Cash and cash equivalent

	<u>9.30.2012</u>	<u>9.30.2011</u>
Cash on hand and petty cash	\$ 3,239	2,043
Bank deposit		
Checking deposit	28	78
Demand deposit	144,311	382,426
Subtotal	<u>144,339</u>	<u>382,504</u>
Total	<u>\$ 147,578</u>	<u>384,547</u>

(2) Financial instruments

The financial assets held by the Company and subsidiaries on September 30, 2012 and 2011 are specified as follows:

	<u>9.30.2012</u>	<u>9.30.2011</u>
Financial assets at fair value through profit or loss - current		
Financial assets held for trading:		
Listed (OTC) stock	\$ 498,298	438,419
Beneficiary certificate	80,054	159,348
Total	<u>\$ 578,352</u>	<u>597,767</u>
Financial assets carried at cost – non-current		
Investment in stock—PK Venture Capital Corp.	\$ 54,255	54,255
Investment in stock –FORTUNE IC FUND I	11,216	11,216
Investment in stock – Asia Best Healthcare	456,348	-
Total	<u>\$ 521,819</u>	<u>65,471</u>

1. The Company and subsidiaries valued said financial assets in accordance with the Statement of Financial Accounting Standards No. 34 in the first three quarters of 2012 and 2011, and recognized the gains on valuation, \$25,296 thousand and \$16,290 thousand, respectively.
2. The financial assets carried at cost – non-current were stated at cost, as there was no quoted price in active market and with fair value available.
3. Regarding to the Company's equity of Asia Best Healthcare, please refer to Note 4(8) for the details about circumstances transferred by long-term equity investment under equity method on September 30, 2012 and 2011.
4. Please refer to Note 6 for the details about circumstances secured by said financial assets on September 30, 2012 and 2011.

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

1. Building and land held for sale

Project	9.30.2012				9.30.2011			
	Land held for sale	Building held for sale	Realized gain	Total	Land held for sale	Building held for sale	Realized gain	Total
Summer Palace	\$ 1,231	2,297	-	3,528	2,154	4,020	-	6,174
Green Castle Dazhi	4,482	3,181	-	7,663	4,482	3,181	-	7,663
Beitou Dahan	1,956	2,056	-	4,012	3,326	3,496	-	6,822
Min Chi Section, Sanchung	-	-	-	-	16,359	-	-	16,359
Subtotal	<u>\$ 7,669</u>	<u>7,534</u>	<u>-</u>	15,203	<u>26,321</u>	<u>10,697</u>	<u>-</u>	37,018
Less: Allowance for loss on price decline				(8,400)				(18,200)
Net				<u>\$ 6,803</u>				<u>18,818</u>

2. Columbarium and cemetery for sale

<u>Project</u>	<u>9.30.2012</u>	<u>9.30.2011</u>
True Dragon Tower	\$ 1,088,426	1,090,238
Lung Tai Ling	245,719	245,719
Cemetery Area	348,338	399,700
Bamboo Abode	34,894	46,304
Total	<u>\$ 1,717,377</u>	<u>1,781,961</u>

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

(4) Construction land

<u>Project</u>	<u>9.30.2012</u>	<u>9.30.2011</u>
Land No. 737 and 738, 1 st Subsection, Chungnan	569,314	569,314
2 nd Subsection, Li Ho Section, Hsinyi District	38,748	38,748
2 nd Subsection, Xi Hu Section, Neihu District	8,989	8,989
4 th Subsection, Jing Hua Section, Daan District	240,060	239,760
Land No. 730, 1 st Subsection, Jen Ai	172,459	172,459
Land No. 211, 2 nd Subsection, Yu Cheng Section, Nangang District	71,374	71,374
Subtotal	1,100,944	1,100,644
Less: Allowance for loss on price decline	(6,700)	(6,700)
Net	<u>\$ 1,094,244</u>	<u>1,093,944</u>

On September 30, 2012 and 2011, the Company furnished said construction land, in part, to secure the bank loan. For details, please refer to Note 6.

(5) Construction in process

1. Real estate in process

<u>9.30.2012</u>	<u>Land Cost</u>	<u>Project Cost</u>	<u>Total</u>	<u>Mode of Investment</u>	<u>Projected Year of Completion</u>
Heng Chou S. Road	\$ 40,873	640	41,513	Self-building on self land	TBD
Chung Nan Section, Nangang	2,160,863	45,989	2,206,852	"	2015
Total	<u>\$ 2,201,736</u>	<u>46,629</u>	<u>2,248,365</u>		

9.30.2011

Heng Chou S. Road	\$	40,873	560	41,433	Self-building on self land	TBD
Chung Nan Section,		<u>2,160,863</u>	<u>7,338</u>	<u>2,168,201</u>		
Nangang					"	2015
Total		<u>\$ 2,201,736</u>	<u>7,898</u>	<u>2,209,634</u>		

- 1) In Q3 of 2012 and 2011, the total interest expenditures of the Company were \$19,525 thousand and \$8,518 thousand. The capitalized interests on construction in process were both \$0.
- 2) On September 30, 2012 and 2011, all of said projects failed to meet the conditions applicable under the percentage of completion method.
- 3) On September 30, 2012 and 2011, the Company furnished said construction in process, in part, to secure the bank loan. For details, please refer to Note 6.
- 4) On September 30, 2011, the Company planned to arrange the construction in process, Tung Shih, Hsichih, as the Group's operation office premises in the future in order to upgrade the utilization of asset. Therefore, the relevant book value, \$840,491 thousand, was re-stated into the property, plant & equipment-unfinished construction in whole subject to the nature of future occupation.

2. Columbarium and cemetery in process

<u>Project</u>	9.30.2012		
	<u>Land Cost</u>	<u>Project</u>	<u>Land Cost</u>
True Dragon Tower	\$ 202,660	1,887,803	2,090,463
Sanzhi Area	97,997	537,872	635,869
Cemetery Area	1,387,827	18,209	1,406,036
Hua-lien Tower	97,956	422,203	520,159
Pet Cemetery	-	35,920	35,920
Total	<u>\$ 1,786,440</u>	<u>2,902,007</u>	<u>4,688,447</u>

<u>Project</u>	9.30.2011		
	<u>Land Cost</u>	<u>Project</u>	<u>Land Cost</u>
True Dragon Tower	\$ 208,813	1,976,308	2,185,121
Sanzhi Area	97,997	402,833	500,830
Cemetery Area	1,300,915	11,921	1,312,836
Hua-lien Tower	97,956	421,633	519,589
Pet Cemetery	-	5,618	5,618
Total	<u>\$ 1,705,681</u>	<u>2,818,313</u>	<u>4,523,994</u>

- 1) In Q3 of 2012 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 loan secured by said construction in

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process on September 30, 2012 and 2011.

(6) Land prepayment

<u>Item</u>	<u>9.30.2012</u>	<u>9.30.2011</u>
2 nd Subsection, Li Ho Section, Hsinyi District	\$ 133,886	\$ 131,886
3 rd Subsection, Hua Kung Section, Shihlin District	252,510	252,510
Land No. 212, 2 nd Subsection, Yu Cheng Section, Nangang District	100,169	97,759
6th Subsection, Balian Xitou Section, Sanzhi District	-	19,146
Others	-	4,788
Total	<u>\$ 486,565</u>	<u>\$ 506,089</u>

(7) Deferred marketing expenses

<u>Item</u>	<u>9.30.2012</u>	<u>9.30.2011</u>
Cemetery	\$ 5,450,768	5,733,148
Pre-need contract	3,357,977	3,225,500
Warrant	40,433	25,208
Total	<u>\$ 8,849,178</u>	<u>8,983,856</u>

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

The Company's long-term equity investment under the equity method on September 30, 2012 and 2011 is stated as follows:

	<u>9.30.2012</u>		<u>9.30.2011</u>	
	<u>Book Value</u>	<u>% of Ownership</u>	<u>Book Value</u>	<u>% of Ownership</u>
Long-term equity investment under the equity method:				
Ching Huang Construction Co., Ltd.	\$ 171,831	98.20%	177,905	98.20%
Yuchi Development Corp.	991,221	56.25%	12,676	100.00%
Dahan Property Management Co., Ltd.	3,628	80.00%	3,687	80.00%
Lungding Life Science Co., Ltd.	8,037	100.00%	-	-
Sea Dragon Traders Ltd. (BVI)	109,825	100.00%	107,578	100.00%
Beauty Kadan Co., Ltd.	23,165	50.00%	20,417	50.00%
Asia Best Healthcare Co., Ltd.	-	-	459,036	16.35%
Ruei Da Venture Capital Co., Ltd.	30,295	47.62%	30,000	47.62%
You Ka En Inc.	12,883	42.00%	-	-
Total	<u>\$ 1,350,885</u>		<u>811,299</u>	

- In Q3 of 2012 and 2011, the Company recognized the investment income on the investees valued under the equity method; except Lungyen Life Service Co., the other

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investment income was recognized based on the financial statements for the same period ended unaudited by an independent auditor. The investment income, accumulated translation adjustment and unrealized income on financial assets recognized in Q3 of 2012 and 2011 are stated as follows:

	First Three Quarters of 2012			First Three Quarters of 2011		
	Translation Adjustment	Investment Income	Financial Assets Unrealized Income	Investment Income	Capital Surplus	Translation Adjustment
Ching Huang Construction Co., Ltd.	\$ (2,962)	-	-	(6,223)	-	-
Yuchi Development Corp.	81,067	-	-	7	-	-
Dahan Property Management Co., Ltd.	23	-	-	(52)	-	-
Lungyen Life Service Co., Ltd.	-	-	-	50,136	-	-
Lungding Life Science Co., Ltd.	(10,475)	-	-	-	-	-
Sea Dragon Traders Ltd. (BVI)	6,074	(3,560)	-	(11,705)	-	4,754
Beauty Kadan Co., Ltd.	1,385	-	-	(117)	-	-
Asia Best Healthcare Co., Ltd.	390	(989)	-	13,206	59,441	10,696
Ruei Da Venture Capital Co., Ltd.	20	-	970	-	-	-
You Ka En Inc.	283	-	-	-	-	-
Total	\$ 75,805	(4,549)	970	45,252	59,441	15,450

2. Upon resolution of the temporary shareholders' meeting on October 12, 2010, Lungyen Life Service Co., Ltd. should be consolidated with the Company. In order to deal with the consolidation, the Company increased the capital by issuing new shares totaling 16,925 thousand shares to swap 22,899 thousand shares from Lungyen Life Service Co., Ltd.. Please refer to Note 4(17).
3. Asia Best Healthcare Co., Ltd. valued by the Company under the equity method increased capital in cash by issuing new shares in 2011. Since the Company subscribed for the new shares based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company increased and the capital surplus was adjusted as \$59,441 thousand. The Company's ownership percentage increased from 34% to 16.35%. In July 2012, since the reelection of board of directors, the Company evaluated that it is no significant influence, the entire book value transferred to financial assets carried at cost – non-current, please refer the Note 4(2).
4. 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 valued under the equity method.
5. In 2011, the Company's subsidiary, Chin Huang Construction Co., Ltd., increased capital in cash by \$155,000 thousand and issued new shares at par value. Since the Company subscribed for the new shares at the price of \$154,748 thousand based on the percentage other than the original ownership percentage, the Company's ownership percentage increased from 92.55% to 98.20%. Since the Company subscribed for the new shares

based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company increased and the capital surplus was adjusted as \$38 thousand.

6. In 2011, the Company's subsidiary, Yuchi Development Corp., increased capital in cash by \$1,590,000 thousand and issued new shares at par value, in order to launch into the funeral service and increase channels throughout the nation. Since the Company subscribed for the new shares at the price of \$890,000 thousand based on the percentage other than the original ownership percentage, the Company's ownership percentage decreased from 100% to 56.25%. Further, since the Company subscribed for the new shares based on the percentage other than the original ownership percentage, the net value of the equity initially held by the Company decreased and the capital surplus was adjusted as \$132 thousand.
7. In 2011, the Company invested \$20,000 thousand in order to incorporate Lungding Life Science Co., Ltd. in order to launch into the business of flowers and plants cultivation. The Company's ownership percentage was 100%.
8. In April 2012, the company expanded business to flower design of funeral service and invested \$12,600 to establish You Ka En Inc. and held 42% ownership. Because of the Company's significant influence over You Ka En Inc., it was valued under the equity method
9. On October 2nd, 2012, the Company invests SG\$29,100 thousand to establish SINGAPORE LUNGYEN LIFE SERVICES PTE., LTD for expansion of the scale of operation and funeral services to overseas markets in order to create higher return of investment and shareholders' equity.
10. On September 30, 2012 and 2011 the Company has included the investees over which it had control into the consolidated financial statements for Q3 of 2012 and 2011 in accordance with Statement of Financial Accounting Standards No. 7.

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(9) Property, plant and equipment

Item	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
9.30.2012				
Land	\$ 1,974,767	-	-	1,974,767
House and building	639,816	247,388	-	392,428
Office equipment	91,210	86,904	-	4,306
Transportation equipment	95,629	36,387	-	59,242
Other equipment	38,345	23,433	-	14,912
Assets rented to others	7,794,207	270,478	-	7,523,729
Leased assets	30,035	29,726	-	309
Leasehold improvement	821	624	-	197
Unfinished construction	2,094,516	-	-	2,094,516
Advance receipts for real estate and equipment	38,389	-	-	38,389
Total	\$ 12,797,735	694,940	-	12,102,795
9.30.2011				
Land	\$ 2,671,636	-	-	2,671,636
House and building	717,695	239,334	-	478,361
Office equipment	90,428	83,839	-	6,589
Transportation equipment	43,870	34,515	-	9,355
Other equipment	31,185	18,379	-	12,806
Assets rented to others	8,045,264	209,078	7,400	7,828,786
Leased assets	30,035	27,326	-	2,709
Leasehold improvement	821	505	-	316
Unfinished construction	1,026,224	-	-	1,026,224
Advance receipts for real estate and equipment	35,763	-	-	35,763
Total	\$ 12,692,921	612,976	7,400	12,072,545

1. Please refer to Note 6 for the details about circumstances secured by said property, plant and equipment on September 30, 2012 and 2011.
2. The Company has entered into a contract with a third party to entrust the third party to process and consolidate the purchase of land reserved for office buildings and the land was registered in the third party's name, in part. Upon consolidation of the land, the title of

the land would be transferred to the Company unconditionally. The Company took the precautionary action to have the documents required by registration of transfer of the land ownership kept in the custody of the attorney-at-law appointed by the Company. Meanwhile, the third party also issued a promissory note bearing the same value to the Company.

3. As of Q3 of 2012, according to the amended Statement of Financial Accounting Standards No. 35, Impairment of Assets, the Company recognized the impairment loss \$7,400 thousand.

4. On September 30, 2012 and 2011, the assets rented to others are stated as follows:

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Accumulated Impairment</u>	<u>Net Book Value</u>
9.30.2012				
Land	\$ 5,092,377	-	-	5,092,377
House and building	2,701,830	270,478	-	2,431,352
Total	\$ 7,794,207	270,478	-	7,523,729
9.30.2011				
Land	\$ 5,238,959	-	-	5,238,959
House and building	2,806,305	209,078	7,400	2,589,827
Total	\$ 8,045,264	209,078	7,400	7,828,786

(10) Intangible assets:

	<u>9.30.2012</u>	<u>9.30.2011</u>
Trademark right	\$ 192,750	192,750
Goodwill	542,428	559,610
Total	\$ 735,178	752,360

The Company acquired the trademark right due to the merger in Q3 of 2011. An application for an extension of the valid trademark term may be made at low cost. The Company expects to continue applying for extending its valid term and also anticipates that the trademark right will continue generating net cash inflow. According to Statement of Financial Accounting Standards No. 37 “Accounting Principles for Intangible Assets”, the trademark right is stated as an indefinite-life intangible asset

On February 5, 2010, the Company increased capital by \$749,243 thousand by issuing new shares to swap the common stock totaling 68,698 thousand shares from Lungyen Life Service Co., Ltd. The percentage of ownership became 75%. Meanwhile, according to the acquisition price amortization report, the Company divided the excess of the acquisition cost over the fair value of the identifiable net assets acquired, \$456,757 thousand, into the property, plant and equipment at fair value in excess of book value, \$322,360 thousand, and

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goodwill, \$134,397 thousand. On February 1, 2011, the Company increased the capital by \$169,249 thousand to swap 22,899 thousand shares from Lungyen Life Service Co., Ltd. Upon the swapping, the Company's ownership of shares of Lungyen Life Service Co., Ltd. became 25%. The shares of Lungyen Life Service Co., Ltd. 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. Upon evaluation on December 31, 2011, there was no income tax effect generated from consolidation of the deferred income tax liabilities, and the goodwill was adjusted as NT\$17,182 thousand.

(11) Other assets - others

	<u>9.30.2012</u>	<u>9.30.2011</u>
Cost of agricultural land held for transfer registration	\$ 391,608	\$ 391,608
Fine art	380,531	380,531
Others	<u>7,553</u>	<u>7,553</u>
Total	<u>\$ 779,692</u>	<u>\$ 779,692</u>

1. The Company purchased 49 parcels of agricultural land including Land No. 248, Pu Tou Ken Subsection, New Hsiao Keelung Section, Sanchi Hsiang, Taipei County, etc., occupied an area of 247,871 square meters, at the price of \$450,000 thousand, in 2004, and also purchased 6 parcels of agricultural land including Land No. 159, Pai Lien Xi Tou Subsection, Gung Pu Section, San Chi Hsiang, etc., occupying an area of 61,866 square meters, at the price of \$1,300,000 thousand, for development of cemeteries, in October 2008. Given that laws prohibit any private corporation from acquiring agricultural land, the Company (hereinafter referred to as "Party A") entered into a power of attorney with the individual who was a natural person (hereinafter referred to as "Party B") then, agreeing that Party B should affix the seal/signature into the relevant documents required by the land title transfer registration and then deliver the same to Party A for record. Party A may proceed with the transfer registration unconditionally automatically after the land is developed and the land administration authority completes the change in category of the land, and Party B would raise no objection. Further, until September 30, 2012 and 2011, the premises occupying areas of 208,523 square meters and 504 square meters at Pu Tou Ken Subsection, New Hsiao Keelung Section and Pa Lien Xi Tou Subsection, Gung Pu Section, respectively, have not yet been transferred officially.

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(12) Short-term loan

<u>Nature</u>	<u>Maturity</u>	<u>Interest Rate Range</u>	<u>Amount</u>
9.30.2012			
Secured loan	101.10.13~101.10.28	0.62%~2.1%	<u>\$ 2,370,000</u>
9.30.2011			
Secured loan	101.07.31	0.62%~1.71%	<u>\$ 2,440,000</u>

Said secured loan was secured by the construction land, construction in progress (residential area and building), and property, plant & equipment as collateral. Please refer to Note 6.

(13) Advance receipts for real estate

<u>Project</u>	<u>9.30.2012</u>			<u>9.30.2011</u>		
	<u>Advance receipts for land</u>	<u>Advance receipts for building</u>	<u>Total</u>	<u>Advance receipts for land</u>	<u>Advance receipts for building</u>	<u>Total</u>
	Muzha Museum	\$ -	-	-	\$ 240	914
Summer palace	210	800	1,010	-	-	-
Sanchong Datong	-	-	-	18,515	-	18,515
Total	<u>\$ 210</u>	<u>\$ 800</u>	<u>\$ 1,010</u>	<u>\$ 18,755</u>	<u>914</u>	<u>19,669</u>

(14) Advance receipts for real estate

<u>Item</u>	<u>9.30.2012</u>	<u>9.30.2011</u>
Columbarium and cemetery	\$ 16,220,677	16,112,475
Pre-need contract	9,654,022	9,296,640
Warrant	234,522	152,192
Management Fee	872,811	844,049
Others	24,113	31,960
Total	<u>\$ 27,006,145</u>	<u>26,437,316</u>

(15) Pension reserve

The information about the Company's pension reserve in Q3 of 2012 and 2011:

	<u>First Three Quarters of 2012</u>	<u>First Three Quarters of 2011</u>
Balance of pension fund – ending	<u>\$ 6,797</u>	<u>6,676</u>
Pension expenses in current period:		
Net pension cost under defined benefits	<u>\$ 46</u>	<u>32</u>
Net pension cost under defined contributions	<u>\$ 7,594</u>	<u>8,415</u>
Balance of payable pension - ending	<u>\$ 19,459</u>	<u>18,827</u>

(16) Income tax

- The Company has adopted the statutory corporation income tax rate, 17%, as of Q3 of 2012 and 2011, and computed the basic tax in accordance with the "Income Basic Tax Regulations".

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2. The Company's income tax expenses (gains) in Q3 of 2012 and 2011 are stated as follows:

	<u>First Three Quarters of 2012</u>	<u>First Three Quarters of 2011</u>
Current income tax expense	\$ 188,539	115,700
Deferred income tax gain	<u>(6,997)</u>	<u>(33,378)</u>
Income tax expenses of continuing operations	<u>\$ 181,542</u>	<u>82,322</u>

Said deferred income tax gains are stated as follows:

	<u>First Three Quarters of 2012</u>	<u>First Three Quarters of 2011</u>
Unrealized foreign exchange gain (loss)	\$ (89)	1,415
Loss on allowance for bad debt for receivable accounts	(2,976)	-
Loss from investment under equity method	1,992	256
Contract revenue book-tax difference	(16,042)	(2,189)
Consolidated goodwill amortization book-tax difference	10,118	-
Carry-forward loss	<u>-</u>	<u>(32,860)</u>
Deferred income tax gain	<u>\$ (6,997)</u>	<u>(33,378)</u>

3. In Q3 of 2012 and 2011, the difference between the income tax and income tax expenses based on the income before tax referred to in the Company's income statements as computed at the statutory rate is stated as follows:

	<u>First Three Quarters of 2012</u>	<u>First Three Quarters of 2011</u>
Income tax computed based on income before tax	\$ 283,361	233,533
Gain from investment under equity method	(12,887)	(7,693)
Income from tax-free land transactions	(117,119)	(119,020)
Gain (loss) on valuation of financial assets	(4,300)	3,417
Permanent management fee book-tax difference	(4,094)	(5,054)
Write-off and recovery of advance receipts for temporary shelter management fee	10,580	10,958
Carry-forward loss	(13,203)	(10,172)
Others	-	(32,860)
Income tax expenses (gains) of continuing operations	48,975	6,964
Income tax computed based on income before tax	<u>(9,771)</u>	<u>2,249</u>
Income tax computed based on income before tax	<u>\$ 181,542</u>	<u>82,322</u>

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4. On September 30, 2012 and 2011, the temporary difference, carry-forward loss and individual income tax effect of the Company's deferred income tax assets (liabilities) are stated as follows:

	9.30.2012		9.30.2011	
	Amount	Income Tax Effect	Amount	Income Tax Effect
Deferred income tax assets – current:				
Unrealized loss on price decline of inventory	\$ 3,147	535	4,266	725
Loss on allowance for bad debt for receivable accounts	17,507	<u>2,976</u>	-	<u>-</u>
Subtotal		3,511		725
Less: Valuation allowances		<u>-</u>		<u>(725)</u>
Deferred income tax assets – current, net		3,511		-
Deferred income tax liabilities – current:				
Unrealized Exchange Income	-	<u>-</u>	(3,267)	<u>(617)</u>
Deferred income tax assets (liabilities) – current, net		\$ 3,511		(617)
Deferred income tax assets – current, net				
Pension expense	\$ 10,445	1,776	10,445	1,776
Contract revenue book-tax difference	150,789	25,634	51,135	8,693
Cemetery revenue book-tax difference	3,109,098	528,547	3,220,515	547,488
Accumulated translation adjustment	-	<u>-</u>	43,235	<u>7,350</u>
Deferred income tax assets – non-current, net		555,957		565,307
Deferred income tax liabilities – non-current:				
Consolidated goodwill amortization book-tax difference	(92,665)	(15,753)	-	-
Gain from investment under equity method	(11,715)	(1,992)	161,373	(27,434)
Accumulated translation adjustment	(10,100)	<u>(1,717)</u>	-	<u>-</u>
Subtotal		<u>(19,462)</u>		<u>(27,434)</u>
Deferred income tax assets – non-current, net		<u>\$ 536,495</u>		<u>537,873</u>

5. The Company's income tax returns through to 2010 have been authorized by the Tax Authority. The income tax returns of the company extinguished upon consolidation, Lungyen Life Service Co., Ltd. through to 2007 have also been authorized by the Tax Authority.

6. The information about the Company's unappropriated earnings on September 30, 2012 and 2011 is stated as follows:

	<u>9.30.2012</u>	<u>9.30.2011</u>
Unappropriated earnings generated after 1998	<u>\$ 2,044,682</u>	<u>1,361,047</u>
Imputation credit account (ICA)	<u>\$ 520,886</u>	<u>513,443</u>
	<u>2012 (Actual)</u>	<u>2011 (Actual)</u>
Creditable ratio for appropriation of earnings applicable to residents in the R.O.C.	<u>20.96%</u>	<u>20.48%</u>

(17) Capital stock

Until September 30, 2012 and 2011, the Company's authorized capital stocks both totaled \$6,000,000 thousand, at the par value of \$10 per share, divided into 600,000 thousand shares, and 399,084 thousand shares were issued respectively.

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

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(18) Capital surplus

1. The Company's capital surplus on September 30, 2012 and 2011 is stated as follows:

	<u>9.30.2012</u>	<u>9.30.2011</u>
Capital surplus – common stock premium	\$ 1,392,072	1,392,072
Capital surplus – long-term investment	<u>59,736</u>	<u>59,829</u>
	<u>\$ 1,451,808</u>	<u>1,451,901</u>

2. Pursuant to the R.O.C. Company Act on January 1, 2012, capital surplus shall be first used to offset a deficit and then the realized capital surplus may be capitalized. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to 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.

(19) Appropriation of earnings and dividend policy

1. According to the Company's articles of incorporation, of the annual net income, less taxes and duties, and any deficit for the previous years, if any, 10% should be appropriated as legal reserve, and a certain amount set aside or reserved as special reserve according to actual circumstances, and the balance of earnings, if any, should be reserved as retained earnings, in part, and the remainder, if any, should be allocated in the following manners: (1) no less than 97% as the common stock dividend and bonus; (2) no more than 2% as the remuneration to directors; (3) no less than 1% as the bonus to employees. In the event that the bonus to employees referred to in the preceding paragraph is allocated in the form of stock dividend, the counterparts whom the stock dividend may be allocated to shall include the employees of affiliated companies that comply with specific requirements. In order to protect shareholders' equity, and according to the funding need for the following years measured based on the Company's future budget planning, the retained earnings may be allocated in the form of stock dividend, and the allocated cash dividend shall be no less than 10% of the stock dividend allocated to shareholders.
2. The accounting estimates for payable bonus to employees and remuneration to directors/supervisors in Q3 of 2012 and 2011 were determined based on past experience. The bonuses to employees and remunerations to directors/supervisors stated based on the annual net income, if any, less the legal (special) reserves and earnings reserved as retained earnings and multiplying 1% and 2% respectively, were \$12,600 thousand and \$12,000 thousand, and remuneration to directors/supervisor, were \$25,200 thousand and \$24,000 thousand, respectively. Notwithstanding, the difference in the amount allocated upon resolution of the shareholders' meeting and in the estimates, if any, will be stated as the changes in accounting estimates and as the income for the year of allocation.
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 2010

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resolved by the Company's general shareholders' meeting held on June 6, 2012 and June 28, 2011 is stated as follows:

	<u>2011</u>	<u>2010</u>
Common stock dividend per share (NT\$)		
Cash	<u>\$ 3.0</u>	<u>1.5</u>
Bonus to employees - cash	\$ 12,343	6,171
Remuneration to directors/supervisors	<u>24,686</u>	<u>12,343</u>
Total	<u>\$ 37,029</u>	<u>18,514</u>

Said appropriation of retained earnings is consistent with that recognized in the Company's financial statements 2011 and 2010.

4. Please visit the M.O.P.S. after the relevant meeting for the information about the proposal for resolution of the allocation of earnings from the board of directors and shareholders meeting, and allocation of bonus to employees and remuneration to directors/supervisors.

(20) Earning per share

In Q3 of 2012 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

	<u>First Three Quarters of 2012</u>		<u>First Three Quarters of 2011</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Net income before income tax	<u>\$ 1,666,828</u>	<u>1,485,286</u>	<u>1,373,725</u>	<u>1,291,403</u>
Weighted average number of outstanding shares	399,084	399,084	397,204	397,204
Bonus to employees not yet resolved by a shareholders' meeting but allocable in the form of stock dividend	<u>212</u>	<u>212</u>	<u>200</u>	<u>200</u>
Number of dilutable shares	<u>399,296</u>	<u>399,296</u>	<u>397,404</u>	<u>397,404</u>
Basic earnings per share	<u>\$ 4.18</u>	<u>3.72</u>	<u>3.46</u>	<u>3.25</u>
Diluted earnings per share	<u>\$ 4.17</u>	<u>3.72</u>	<u>3.46</u>	<u>3.25</u>

(21) Information about financial instruments

1. Information about fair value:

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

In addition to said financial assets and liabilities, the information about the fair values of the other financial assets and liabilities determined and valued based on their market values on September 30, 2012 and 2011 is stated as follows:

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	9.30.2012			9.30.2011		
	Book Value	Fair Value		Book Value	Fair Value	
		Determined based on market price	Estimated under evaluation method		Determined based on market price	Estimated under evaluation method
Financial assets:						
Financial assets at fair value through profit or loss - current	\$ 578,352	578,352	-	597,767	597,767	-
Financial assets carried at cost – non-current	521,819	-	See Paragraph (2)	65,471	-	See Paragraph (2)
Financial liabilities:						
Payable lease (including current portion)	-	-	-	2,400	-	2,400

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

- (1) Financial assets at fair value through profit or loss - The fair values of financial instruments at fair value through profit of loss are determined at their market value, if any. If there is no market value available for reference, the fair values are determined by using the valuation technique. The information used as the basis for determining the Company's assumptions in applying valuation technique is consistent with that used by market participants in determining the prices of the financial instruments.
- (2) Financial assets carried at cost – non-current: The equity instrument investment which cannot be measured at fair value should be stated at the cost initially recognized. An impairment loss is recognized when there is objective evidence of impairment. A reversal of this impairment loss is not allowed.
- (3) 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 values estimated based on the market price in Q3 of 2012 and 2011 were \$25,296 thousand and \$16,290 thousand for gains, respectively.

3. Information about financial risk

(1) Market risk:

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

(2) Credit risk

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

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

(3) Liquidity risk

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

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

The Company's short-term loans in Q3 of 2012 referred to the debt instruments at floating interest rate. Accordingly, the yield rate of these debt instruments will fluctuate with changes in such floating interest rate and thereby result in fluctuation in future cash flows.

(V) Transactions with related parties

(1) Name and relationship of related parties

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

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

1. Sales

The sales from related parties in Q3 of 2012 and 2011 are stated as follows:

<u>Name</u>	<u>First Two Quarters of 2012</u>	
	<u>Amount</u>	<u>%</u>
Columbarium and cemetery revenue		
Hsin Wei International	<u>\$ 45,497</u>	<u>2</u>

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

2. Purchases

The purchases from related parties in Q3 of 2012 and 2011 are stated as follows:

<u>Name</u>	<u>First Two Quarters of 2012</u>		<u>First Two Quarters of 2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Yuchi Development	\$ 13,181	2	-	-
You Ka En Inc.	18,200	2	-	-
Beauty Kadan	12,616	1	9,801	2
	<u>\$ 43,997</u>	<u>5</u>	<u>9,801</u>	<u>2</u>

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

3. Contract awarding

In Q3 of 2012 and 2011, the related parties to whom the Company awarded the contract for construction in process are stated as follows:

<u>Name</u>	<u>Project Title</u>	<u>Total Contract Amount</u>	<u>Pricing</u>	<u>Accumulated Pricing</u>
<u>Q3 of 2012</u>				
Ching Huang	Tung Shi, Hsichih	\$ 719,311	-	223,805
	Construction			
"	New Hsiao	412,000	40,497	386,691
	Keelung Section, Sanchi Hsiang			
"	Neihui Logistic	124,718	49,208	101,976
	Center			
		<u>\$ 1,256,029</u>	<u>89,705</u>	<u>712,472</u>

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Ching Huang Construction	Tung Shi, Hsichih	\$ 719,311	-	223,805
"	New Hsiao Keelung Section, Sanchi Hsiang	412,000	125,660	282,220
"	Neihui Logistic Center	<u>124,718</u>	<u>26,082</u>	<u>35,848</u>
		<u>\$ 1,256,029</u>	<u>151,742</u>	<u>541,873</u>

- 1) The amount of any contracts awarded by the Company to a related party was based on the project budget plus reasonable overhead and profit approved upon delegation of authorization. The unrealized gains from upstream transaction with Ching Huang Construction were \$4,190 thousand and \$1,836 thousand as a result of contracts awarded to Ching Huang Construction in Q3 of 2012 and 2011, which have been stated as the investment income adjustment.
- 2) On September 30, 2012 and 2011, the related parties' secured notes collected by the Company due to said contracts were \$216,711 thousand both.

4. Credit and debt

The credit and debt between the Company and its subsidiaries and related parties on September 30, 2012 and 2011 are stated as follows:

<u>Name</u>	<u>9.30.2012</u>		<u>9.30.2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Payable accounts – related parties</u>				
Beauty Kadan	\$ -	-	9,816	2
Ching Huang Construction	13,255	5	120,349	36
Hsin Wei International Lease	2,224	1	-	-
Yuchi Development	<u>7,710</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>\$ 23,189</u>	<u>9</u>	<u>130,165</u>	<u>38</u>
<u>Other payables-related parties</u>				
<u>(Stated as other payables)</u>				
Ching Huang Construction	\$ 5,354	5	1,882	1
Hsin Wei International Lease	2,454	2	3,632	3
Yuchi Development	<u>5,907</u>	<u>5</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,715</u>	<u>12</u>	<u>5,514</u>	<u>4</u>

<u>Name</u>	<u>9.30.2012</u>		<u>9.30.2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Other payables-related parties <u>(Stated as other financial assets –</u> <u>current)</u>				
Yuchi Development	\$ 2,468	-	10,562	1
Beauty Kadan (Note)	2,100	-	-	-
	<u>\$ 4,568</u>	<u>-</u>	<u>10,562</u>	<u>1</u>

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

5. Financing Provided

The subsidiary financed to the related parties in the first two quarters of 2012.

<u>Other payables – related parties</u> <u>Name of related Parties</u>	<u>First Three Quarters of 2012</u>				
	<u>Amount</u> <u>Actually</u> <u>Drawn</u>	<u>Ending</u> <u>balance</u> <u>(Note 1)</u>	<u>Maximum</u> <u>balance</u> <u>(Note 1 and 2)</u>	<u>Interest rate</u> <u>Interval</u> <u>(%)</u>	<u>Interest</u> <u>expenditure</u>
Yuchi Development	\$ -	<u>500,000</u>	<u>500,000</u>	6	<u>931</u>

Note 1 : The amount limit is based on maximum balance and ending balance.

Note 2 : Maximum balance: accumulated up to the maximum balance in the current year.

Note 3 : Upon the board resolution on April 26th, 2012, the total amount for guarantees and endorsements and lending to other parties shall not exceed \$500,000 thousand.

6. Endorsement/guarantee

The Company provide the guarantees and endorsements which required from bank financing to Yuji Development Corp. The amount limit shall not exceed \$500,000 thousand and was resolved by the board of directors' meeting the on April 26, 2012. Total amount for guarantees and endorsements and lending to other parties shall not exceed \$500,000 thousand. The Company's balance of guarantees and endorsements is no actually drawn.

7. Lease contract

The office premises leased by the Company to related parties in Q3 of 2012 and 2011 are stated as follows:

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<u>Lessee</u>	<u>Object/Premises</u>	<u>Duration</u>	<u>Monthly rent (before tax)</u>	<u>Rent revenue</u>	
Q3 of 2012					
Ching Huang Construction	7F, No. 150, Tunhua N. Road, Taipei City	11.2011~10.1012	\$ 38	344	
Yuchi Development	11F, No. 150, Tunhua N. Road, Taipei City	12.2011~08.2016	281~309	2,775	
Yuchi Development	1F., No.255, Xueshi Rd., North Dist., Taichung City	101.06~102.05	3	11	
Hsin Wei International	7F, No. 150, Tunhua N. Road, Taipei City	12.2011~12.1012	3	<u>26</u>	
				<u>\$ 3,156</u>	
Q3 of 2011					
Ching Huang Construction	7F, No. 150, Tunhua N. Road, Taipei City	09.2009~10.2011	\$ 162	1,458	
Dahan Property Management	7F, No. 150, Tunhua N. Road, Taipei City	09.2008~10.2011	1	<u>10</u>	
				<u>\$ 1,468</u>	
<u>Lessor</u>	<u>Object/Premises</u>	<u>Duration</u>	<u>Monthly rent (before tax)</u>	<u>Rent expenditure</u>	<u>Deposit (Stated as other financial assets-non-current)</u>
Q3 of 2012					
Hsin Wei International	33 vehicles including limousines, official business cars, executive cars and VIP cars	12.10.2008~06.30.2012	\$12~116	<u>4,745</u>	<u>-</u>
Q3 of 2011					
Hsin Wei International	41 vehicles including limousines, official business cars, executive cars and VIP cars	09.01.2007~06.24.2012	\$14~762	<u>17,976</u>	<u>16,000</u>

8. Trust contract

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

9. Others

(1) On September 30, 2012, as Lee Investment entrusted the Company to provide the relevant advice 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 collected the unearned receipts for consultation service fees,

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\$238 thousand (stated as advance receipts), and recognized the consultation service fees \$1,667 thousand (stated as miscellaneous revenue) in Q3 of 2012. The revenue from property management services provided by the Company was recognized as \$594 thousand (stated as operating revenue) in Q3 of 2012.

(2) In Q3 of 2012, the Company recognized the revenue from the assistance and advice on management and operation provided by the Company to Yuchi Development Corp. as \$18,000 thousand (stated as miscellaneous revenue).

(3) Until September 30, 2012 and 2011, the cost spent by the Company in entrusting Mr. Lee Shih-Tsung to purchase the construction land and individual projects has been no more than \$668,016 thousand. Mr. Lee was entrusted to process and integrate the matters related to the land reserved for construction projects.

(4) In Q3 of 2012, the recognized revenue from exchange columbarium units between the Company and Hsin Wei International was \$2,325 thousand.

(5) 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 September 30, 2012.

(VI) Pledged assets

The Company and its subsidiaries have provided the following assets as collateral on September 30, 2012 and 2011:

<u>Item</u>	<u>9.30.2012</u>	<u>9.30.2011</u>	<u>Purchase</u>
Restricted assets	\$ 344,976	\$ 195,922	Trust accounts and security for purchasers
Financial assets at fair value through profit or loss - current	312,033	297,762	To secure the acquiring service for credit account transactions
Construction land	569,314	569,314	To secure the loan and also the acquiring service for credit account transactions
Real estate in process (residential area and buildings)	2,160,863	2,160,863	To secure the loan
Real estate in process (bone ash towers and burial areas)	1,289,409	1,289,409	To secure the acquiring service for credit account transactions
Other financial assets - current	-	-	To secure issuance of the CPC debit card
Deductible balance for property, plant and equipment	4,949,655	2,229,071	To secure the acquiring service for credit account transactions
Other assets-others	10,591	10,591	"
Total	<u>\$ 9,636,841</u>	<u>\$ 6,752,932</u>	

(VII) Significant undertakings or contingencies

(1) On September 30, 2012 and 2011, the total amounts of contracts concluded by the subsidiaries for construction in process (before tax) were both \$1,256,029 thousand, and already valued as \$712,472 and \$541,873 thousand respectively. For details, please refer to Note 5(2).

- (2) On September 30, 2012 and 2011, the Company has concluded the real estate contracts with customers, totaling \$1,154 thousand and \$20,342 thousand (before tax), in order to sell the residual houses and assets rented to others. Meanwhile, \$1,010 thousand and \$19,669 thousand have been collected per the contracts.
- (3) The Company purchased the land at Li Ho Section, Hsin Yi District in February 2007. Notwithstanding, in March 2007, the joint owners of said land initiated the proceeding for “Declaration of non-existence of land transaction” with the court and, therefore, the registration of land transfer was hindered. Later, Taipei District Court rendered a judgment in favor of the Company. The adverse parties, in disagreement with the judgment, filed an appeal. However, the adverse parties withdrew the appeal in June 2009. Therefore, the judgment in favor of the Company became final and irrevocable. Notwithstanding, the action was withdrawn in March 2010. The Company filed an action with the court in April 2009, claiming registration of title transfer. However, the joint owners of said land also filed an action in June 2009 claiming that the registration should be prohibited. According to the Company’s attorney-at-Law, it is very likely that the Company may win the suit.
- (4) The information about the trust registration of real estate in process made by the Company to secure successful performance and delivery of any construction project and work on September 30, 2012 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
”	Building	Chao-Fu Real Estate Management Corporation	”

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

On September 30, 2012, said construction in process was scheduled to serve as the Group’s operation office premises and, therefore, was re-stated into the property, plant and equipment, while said trust registration remained unchanged.

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(5) The joint venture building contracts and urban renewal projects concluded by the Company on September 30, 2012 and 2011 are stated as follows:

Project Title	Land Owner or Co-Investors	Location	Nature	Joint Venture Deposit		Projected Year of Completion
				9.30.2012	9.30.2011	
Yen Chi Urban Renewal Project (Note 1)	36 persons including Chen Hsu Ching-Yun, etc.	Land at 1 st Subsection, Jen Ai Section, Daan District, Taipei City	Urban renewal	\$ -	7,396	-
Shou Cheng Urban Renewal Project (Note 2)	2 persons including Hsu Chun-Huei, etc.	Land at 1 st Subsection, Chung Shan Section, Chung Shan District	"	-	8,400	-
National Palace Museum Project (Note 3)	Fu Yuan International	Land at 6 th Subsection, Chi Shan Road, Shihlin District, Taipei City	Joint construction and separate sale	-	-	-

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 development contract, and the relevant deposits were recalled successively on February 14, 2012. .

Note 3: 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.

(6) The trust by the Company for purchase of land on September 30, 2012 and 2011 is stated as follows:

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

(7) On September 30, 2012 and 2011, the Installment Account Receivables from the contracts

for advance booking of the columbarium of True Dragon Tower and of the pre-need funeral service entered into between the Company and its subsidiaries and customers were \$8,428,334 thousand and \$9,685,440 thousand. The price was fixed, while the commodity or labor service has not yet been provided. In order to reflect the economic substance of the transactions, the Company wrote off the Installment Account Receivable against Advance receipts and stated it at net cost when preparing the financial statements.

- (8) On September 30, 2012 and 2011 the total amounts of contracts for purchase of construction land or lease of land for property concluded by the Company were \$918,484 thousand and \$1,029,782 thousand respectively. The payments made for integration of the land were \$621,661 thousand and \$682,077 thousand (stated as land prepayment and property, plant and equipment), and the refundable deposits thereof were both \$93,354 thousand.
- (9) In order to upgrade the quality of funeral service and ensure the ability of performance, the Company (hereinafter referred to the “Client”) entered into the trust contract with Union Bank of Taiwan (hereinafter referred to as the “Trustee”) in April 2004, agreeing that as of the date when the contract was signed, 75% of the proceeds (after tax) from each pre-need contract sold by the Company should be transferred to the Trustee under trust, and real estate should be delivered and transferred to the Trustee. Notwithstanding, on April 1, 2010, the Company’s Trustee was changed into Industrial Bank of Taiwan. Further, until September 30, 2012 and 2011, a total of NT\$4,614,832 thousand and NT\$4,739,923 (including time deposit \$295,120 thousand and \$240,000 thousand, respectively, stated as other financial assets – current) have been used to purchase financial instruments, and the real estate was delivered and transferred to the Trustee, to have the Trustee manage and dispose of the trust property for the intended purposes per the Client’s instruction.
- (10) In order to maintain the safety and cleanliness of the funeral facilities and to organize sacrifice ceremonies and to meet the need for internal administrative management, the Company and its subsidiaries opened an exclusive account for management fees collected from consumers in a lump sum or periodically. On September 30, 2012 and 2011, the balances of the exclusive account were \$950,164 thousand and \$901,323 thousand, respectively, stated as other financial assets – current.
- (11) The Company acquired the land and building at Dui Tzu Section, Tamsui Township, Taipei County. Notwithstanding, the contractor, Chao Yang Construction Co., Ltd., claimed damages, \$215,256 thousand plus the interest accruing at the statutory interest rate from September 20, 1996 until the date of payment, against the original owner and subcontractor, and also included the Company into its claim as an additional defendant in 2008. The claim was revoked upon the judgment rendered by Shihlin District Court on October 23, 2009. Disagreeing with the judgment, Chao Yang filed an appeal and claimed damages in the amount of \$80,000 thousand. Currently, the appeal is pending examination before the Taiwan High Court. According to the attorney-at-law, because it is impossible for Chao Yang to prove the requirements constituting the statutory mortgage as mentioned before, Chao Yang is unlikely to receive a ruling in its favor.

(VIII) Significant disaster loss: None**(IX) Significant subsequent events: None****(X) Others****(1) Assets/liabilities liquidity analysis**

On September 30, 2012 and 2011, the liquidity analysis about the assets/liabilities of the Company related to the business activities conducted by them is stated as follows:

9.30.2012	Anticipated to Collect or Repay Within 12 Months	Anticipated to Collect or Repay Beyond 12 Months	Total
Assets			
Receivable notes and accounts	\$ 200,297	-	200,297
Other financial assets-current	1,266,375	-	1,266,375
Real estate held for sale	6,803	-	6,803
Bone ash tower and burial area held for sale	484,154	1,233,223	1,717,377
Construction land	-	1,094,244	1,094,244
Real estate in process	62,922	6,873,890	6,936,812
Deferred marketing expenses	1,794,396	7,054,782	8,849,178
Land prepayment	-	486,565	486,565
Restricted assets	344,976	-	344,976
Other current assets	205,962	-	205,962
Total	<u>\$ 4,365,885</u>	<u>16,742,704</u>	<u>21,108,589</u>
Liabilities			
Short-term loan	\$ 2,370,000	-	2,370,000
Payable notes and accounts	235,247	-	235,247
Payable accounts-related parties	23,189	-	23,189
Payable income tax	182,714	-	182,714
Payable expenses	160,110	-	160,110
Other payables	115,753	-	115,753
Advance receipts for real estate	1,010	-	1,010
Advance receipts	6,511,298	20,494,847	27,006,145
Other current liabilities	43,974	-	43,974
Total	<u>\$ 9,643,295</u>	<u>20,494,847</u>	<u>30,138,142</u>

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9.30.2011	Anticipated to Collect or Repay Within 12 Months	Anticipated to Collect or Repay Beyond 12 Months	Total
Assets			
Receivable notes and accounts	\$ 29,755	-	29,755
Other financial assets-current	1,193,386	-	1,193,386
Real estate held for sale	18,818	-	18,818
Bone ash tower and burial area held for sale	225,957	1,556,004	1,781,961
Construction land	-	1,093,944	1,093,944
Real estate in process	134,431	6,599,197	6,733,628
Deferred marketing expenses	893,120	8,090,736	8,983,856
Land prepayment	-	506,089	506,089
Restricted assets	195,922	-	195,922
Other current assets	153,218	-	153,218
Total	<u>\$ 2,844,607</u>	<u>17,845,970</u>	<u>20,690,577</u>
Liabilities			
Short-term loan	\$ 2,440,000	-	2,440,000
Payable notes and accounts	200,240	-	200,240
Payable accounts-related parties	130,165	-	130,165
Payable income tax	247,522	-	247,522
Payable expenses	165,118	-	165,118
Other payables	146,948	-	146,948
Advance receipts for real estate	3,253,791	23,183,525	26,437,316
Advance receipts	19,669	-	19,669
Other current liabilities	56,305	-	56,305
Total	<u>\$ 6,659,758</u>	<u>23,183,525</u>	<u>29,843,283</u>

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

By function	Q3 of 2012				Q3 of 2011			
	Operating Cost	Operating Expense	Other (Note 2)	Total	Operating Cost	Operating Expense	Other (Note 2)	Total
By nature								
Human resources expenses								
Salary (Note 1)	\$ 78,202	109,384	100,613	288,199	116,365	124,858	85,340	326,563
Labor and health insurance	9,823	(2,306)	2,256	9,773	7,051	8,461	1,446	16,958
Pension expense	5,807	524	1,309	7,640	3,755	3,906	786	8,447
Other human resources expenses	3,363	7,716	1,921	13,000	2,887	9,065	1,972	13,924
Depreciation expenses	64,268	6,150	2,568	72,986	60,034	6,817	1,937	68,788
Amortization expenses	-	5,333	576	5,909	-	4,644	1,039	5,683

Note 1: In Q3 of 2012 and 2011, the bonus to employees and remuneration to directors/supervisors stated by the Company were \$12,600 thousand and \$12,000 thousand, and \$25,200 thousand and \$24,000 respectively.

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

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

	Currency Unit: Thousand of NTD						
	9.30.2012			9.30.2011			
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	3	29.295	88	3	30.48	109
JPY		3,490	0.3777	1,318	-	-	-
<u>Non-monetary items</u>							
USD		2,787	29.295	81,767	2,243	30.48	68,419
HKD		121,920	0.3777	45,769	-	-	-
<u>Long-term equity investment under the equity method (Note)</u>							
USD		3,749	29.295	109,825	18,590	30.48	566,614

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

(XI) Disclosures

(1) Information about significant transactions:

1. Loans to third parties:

Unit: Thousand NTD

NO.	Lender	Borrower	Account Title	Maximum Balance	Balance-ending	Balance of Actual Disbursement	Interest Rate Range	Nature	Amount	Reason for short-term financing	Allowance for bad debt	Collateral		Limit on loans granted to single party	Ceiling on total loans granted
												Name	Value		
	Lung Yen Co., Ltd.	Yuchi Development Corp.	Other receivables-related parties	500,000	500,000	-	6%	2	13,181	Working fund	-	-	-	1,549,560	3,099,119

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

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

Note 3: Nature of financing:

- (1) for transactions.
- (2) for short-term financing.

Note 4: Upon the board resolution on April 26th, 2012, the total amount for guarantees and endorsement and lending to other parties shall not exceed \$500,000 thousand.

2. Endorsement/guarantee in favor of third parties:

Unit: Thousand NTD

No.	Endorsement/Guarantee Company Name	Endorsement/guarantee receiver		Limit of guarantee/endorsement amount for individual party	Maximum balance for the period	Ending balance	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement %	Limit of total guarantee/endorsement amount
		Company Name	Relationship						
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	\$ 1,549,560	500,000	500,000	-	6.45%	3,873,899

Note 1: The total amount of guarantees and endorsements shall not exceed 50% of the net worth in the current period.

The total amount of guarantees and endorsements for individual party shall not exceed 20% of the net worth in the current period.

Note 2: There are six kind of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- (1) The Company has business with the receiving parties.
- (2) The Company holds directly more than 50% of the common stock of the subsidiaries.
- (3) In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
- (4) In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.
- (5) The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
- (6) The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.

Note 3: Upon the board resolution on April 26th, 2012, the total amount for guarantees and endorsements and lending to other parties shall not exceed \$500,000

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thousand.

Note 4 : The transaction had been written-off when the Company made the consolidated financial statements.

3. Marketable securities held at ending:

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending	Remark	Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer
				Quantity of shares (thousand shares)/unit	Book Value			
The Company	Stock of Ching Huang Construction Co., Ltd.	The Company's subsidiary	Long-term equity investment under the equity method	19,639	\$ 171,363	The Company	Stock of Ching Huang Construction Co., Ltd.	The Company's subsidiary
"	Stock of Yuchi Development Corp.	"	"	90,000	991,221	56.25%	11.01	
"	Stock of Dahan Property Management Co., Ltd.	"	"	400	3,628	80.00%	9.07	
"	Stock of Sea Dragon Traders Ltd. (BVI)	"	"	1	109,825	100.00%	109,825	
"	Stock of Lungding Life Science Co., Ltd.	"	"	2,000	8,037	100.00%	4.02	
"	Beauty Kadan Co., Ltd.	The investee under equity method	"	1,425	23,165	50.00%	16.26	
"	Stock of Asia Best Healthcare Co., Ltd.	"	"	3,000	30,295	47.62%	10.10	
"	Stock of Ruei Da Venture Capital Co., Ltd.	"	"	1,260	12,883	42.00%	10.22	
"	CHT securities	-	Financial assets at fair value through profit or loss - current	2,662	249,986	-	93.90	Pledged in whole
"	Hsin Yi securities	-	"	459	18,268	-	39.80	
"	LUMAX securities	-	"	242	14,665	-	60.60	Pledged in part
"	eMemory Technology securities	-	"	514	31,868	-	62.00	
"	Chenbro securities	-	"	1,173	37,063	-	31.60	Pledged in part
"	PChome securities	-	"	62	5,834	-	94.10	
"	Cathay R1 Fund	-	"	3,200	54,176	-	16.93	
"	Stark Technology securities	-	"	503	13,078	-	26.00	Pledged in whole
"	Berkshire-A securities	-	"	-	81,767	-	USD 132,700	
"	Stock of Sun Life Corporation	-	"	160	45,769	- %	JPY 762	
"	Allianz Global Investors Taiwan Bond Fund	-	"	2,132	25,878	- %	12.1388	
"	FORTUNE IC FUND I	-	Financial assets carried at cost - non-current	600	11,216	4.86%	10.88	
"	Kun Kee Erh Investment Co., Ltd. securities	-	"	6,000	54,255	8.57%	8.71	
"	Kuo Hua Life securities	-	"	44	-	0.01%	-	
"	Stock of Asia Best Healthcare Co., Ltd	-	"	112	456,348	16.35%	3,882.51	

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	Cathay R2 Fund	Financial assets at fair value through profit or loss	-	-	10,000	125,900	-	-	10,000	147,837	125,900	21,937	-	-

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5. The acquisition of real property exceeding NT\$100 million or 20% of the paid-in capital: None.
6. The disposition of real property exceeding NT\$100 million or 20% of the paid-in capital: None.
7. Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.
9. Trades for derivatives: None.

(2) Information about investees

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.	Taiwan	Civil engineering	204,332	204,332	19,639	98.20%	171,831	1,251	(2,962)	Subsidiaries
"	Yuji Development Corp.	Taiwan	Funeral service	900,000	900,000	90,000	56.25%	991,221	144,119	81,067	Subsidiaries
"	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential areas and building investment	3,870	3,870	400	80.00%	3,628	29	23	Subsidiaries
"	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands.	Investment	114,529	114,529	1	100.00%	109,825	6,074	6,074	Subsidiaries
"	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	20,000	20,000	2,000	100.00%	8,037	(10,475)	(10,475)	Subsidiaries
"	Beauty Kadan Co., Ltd.	Taiwan	Wholesale of flowers and plants	20,534	20,534	1,425	50.00%	23,165	2,770	1,385	
"	Ruei Da Venture Capital Co., Ltd.	Taiwan	Investment	30,000	30,000	3,000	47.62%	30,295	42	20	
"	You Ka En Inc.	Taiwan	Flower and plant cultivation	12,600	-	1,260	42.00%	12,883	674	283	

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

Unit: Thousand shares

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending			Market Value (NTD) per share	Remark
				Unit	Book Value	% of Ownership		
Ching Huang Construction Co., Ltd.	Cathay Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss	1,345	\$ 16,283	-	12.11	
"	Cathay R2 Fund	—	"	10,000	150,700	-	15.04	
"	J-Garden Corp.	—	Financial assets carried at cost – non-current	-	3,000	5.00	10,176	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Bond Fund	—	Financial assets at fair value through profit or loss	170	2,058	-	12.14	
Sea Dragon Traders Ltd. (BVI)	Becton Dickinson	—	"	43	USD 3,386	-	USD 78.74	
Lungding Life Science Co., Ltd.	ING Taiwan Money Market Fund	—	"	117	1,846	-	15.73	

(English Translation of Financial Report Originally Issued in Chinese)

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
Ching Huang Construction Co., Ltd.	Cathay R2 Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,000	147,963	-	-	-	-	10,000	150,400
"	Cathay Taiwan Money Market Fund	"	-	-	14,845	178,908	7,371	89,000	20,871	252,045	251,548	497	1,345	16,283

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

Unit: Thousand shares; 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			
Yuji Development Corp.	Land and building including Taichung Pao-Shan Memorial Park	12.30.2011	180,538	As of September 30, 2012, full payment has been paid out	Hong Hsin-Tai, et al.	Non-related party	-	-	-	-	Price negotiation	Working fund	Repay overdue tax on behalf of the original land owner, no more than \$20,000
"	Land and building including Wanshoushan Tomb	11.02.2011	1,513,310	\$51,440 outstanding before September 30, 2012	Hong Hsin-Tai, et al.	"	-	-	-	-	\$1,664,584, see Hungtu appraisal report; \$1,663,202, see Hungtai appraisal report	"	Miscellaneous rights remain uncanceled and untransferred, and retained payment outstanding
"	Land and building including columbarium and cemetery in Chia Yu Tower	09.30.2011	129,130	\$1,000 outstanding before September 30, 2012	Chia Yu Development Co., Ltd.	"	-	-	-	-	\$130,212, see Hungtu appraisal report	"	Miscellaneous rights remain uncanceled, and retained payment outstanding

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

8. Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital: None.

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

10. Trades for derivatives: None.

(3) Information about investment in Mainland China

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

(XII) Segment Information

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