

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Financial Statements

**For The Nine Months Ended September 30, 2013 and 2012
(Including an Independent Auditor's Audit Report)**

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Independent Auditor's Audit Report

To Board of Directors of Lungyen Life Service Corp.:

We have audited the accompanying consolidated balance sheets of Lungyen Life Service Corp. and its subsidiaries as of September 30, 2013, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income as of July 1 to September 30, 2013 and 2012; and the nine months ended September 30, 2013 and 2012, consolidated statements of changes in equity, and consolidated statement of cash flows as of the nine months ended September 30, 2013 and 2012. The quarterly consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on the quarterly consolidated financial statements based on our audits.

Except for the statements in paragraph 3 and paragraph 4, we have the review planned and implemented in conformity with Generally Accepted Auditing Standard (GAAS) No. 36 "Financial Statements Review". We have conducted only analysis, comparison, and check but not audit in conformity with generally accepted auditing standards; therefore, we are unable to express an opinion on the quarterly consolidated financial statements referred to above.

Lungyen Life Service Corp. has based on the unreviewed quarterly financial statements of the subsidiaries to prepare the quarterly consolidated financial statements. The total assets amounted to 768,954 thousands, 2,823,690 thousands, 2,503,719 thousands and 3,326,006 thousands, representing 2%, 7%, 7%, and 8% of total consolidated assets as of September 30, 2013, December 31, 2012, and January 1, 2012, respectively. The total liabilities amounted to 53,572 thousands, 416,880 thousands, 297,228 thousands and 1,320,873 thousands, representing 0.2%, 1%, 1% and 4%; of total consolidated liabilities as of July 1 to September 30, 2013 and 2012; and the nine months ended September 30, 2013 and 2012 respectively. The comprehensive profit or loss was NT\$(16,759) thousand, NT\$58,953 thousand, NT\$(10,289) thousand and NT\$136,002 thousand, representing (4)%, 12%, (1)% and 9%, respectively.

As stated in Note VI (V) to the quarterly consolidated financial statements, the investment under the equity method of Lungyen Life Service Corp. and its subsidiaries amounted to 2,862 thousands, 64,902 thousands, 66,343 thousands, and 508,032 thousands as of September 30, 2013 and December 31, 2012, and January 1, 2012, respectively. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$(816) thousands, NT\$767 thousands, NT\$(24) thousands and NT\$2,078 thousands as of July 1 to September 30, 2013 and 2012; and the nine months ended September 30, 2013 and 2012, respectively. The financial statements were prepared in accordance with the unreviewed quarterly financial statements of the subsidiaries.

In our opinion, except for the quarterly financial statements of the invested company in paragraph 3 and paragraph 4 are not yet reviewed by the auditors that may result adjustment to the quarterly consolidated financial statements in paragraph 1, the quarterly consolidated financial statements referred to above present fairly, in all material respects, and in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard No. 1 "First-time Adoption of International Financial Reporting Standards" and No. 34 "Interim Financial Report" recognized by Financial Supervisory Commission without any amendment required.

KPMG

CPA:

Approval Document issued by the competent

securities authority:

November 12, 2013

(89)Tai-Tsai-Chen (6) No.
62474

(88)Tai-Tsai-Chen (6) No.
18311

(English Translation of Financial Report Originally Issued in Chinese)
Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012

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

Assets		9.30.2013		12.31.2012		9.30.2012		1.1.2012		Liabilities and Equity		9.30.2013		12.31.2012		9.30.2012		1.1.2012						
		Amount	%	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Current assets:										Current liabilities:														
1100	Cash and cash equivalents (Note 6 (1) & (18))	\$	756,179	2	296,172	1	190,300	-	1,563,112	4	2100	Short-term loan (Note 6(9))	\$	2,688,000	7	2,140,000	6	2,370,000	6	3,040,000	8			
1110	Financial assets at fair value through profit or loss -										2170	Payable notes and accounts		516,407	1	450,986	1	414,463	1	1,521,114	4			
	current (Note 6(2), (18)&8)		943,706	2	693,530	2	848,127	2	916,903	2	2180	Payable accounts – related parties (Note 7)		-	-	12,400	-	57,711	-	-	-			
1150	Notes receivable, net (Note 6(18))		29,629	-	15,638	-	36,349	-	41,648	-	2190	Constructions contract payable		-	-	48,814	-	8,585	-	18,402	-			
1170	Accounts receivable, net (Note 6(18)) & 7)		338,050	1	212,298	1	176,105	-	161,712	1	2200	Other payable accounts (Note 7)		274,986	1	365,720	1	298,634	1	322,445	1			
1190	Constructions contract receivable		410	-	632	-	-	-	-	-	2230	Current income tax liabilities		128,489	-	99,539	-	192,214	1	314,561	1			
1320	Inventories (Note 6(3)&8)		12,284,948	31	12,033,365	31	12,392,701	33	12,173,632	31	2310	Advance receipts (Note 9)		27,285,742	70	26,480,575	70	27,033,309	70	26,385,968	67			
1400	Biological assets – current		12,715	-	4,859	-	373	-	-	-	2399	Other current liabilities (Note 6(18))		18,220	-	9,199	-	10,106	-	16,194	-			
1410	Prepayments (Note 9)		8,380,191	21	8,368,806	22	8,429,923	22	8,411,531	21														
1461	Non current assets held to be sale (Note 6(4))		1,329,540	3	-	-	-	-	-	-														
1476	Other financial assets – current (Note 6(18), 7,8 and 9)		2,179,050	6	1,833,104	5	1,633,686	5	1,378,366	4														
1479	Other current assets		45,416	-	18,530	-	10,923	-	9,762	-														
			26,299,834	66	23,476,934	62	23,718,487	62	24,656,666	63														
Non-current assets:										Non-current liabilities:														
1543	Financial assets carried at cost – non-current (Note 6(2))		56,021	-	524,819	1	524,819	1	68,471	-	2570	Deferred income tax liabilities		28,320	-	24,411	-	21,389	-	9,906	-			
1550	Investment under equity method (Note 6(5))		2,862	-	64,902	-	66,343	-	508,032	1	2640	Accrued pension liabilities		21,471	-	21,471	-	18,698	-	19,043	-			
1600	Property, plant and equipment (Note 6(6)&8)		5,020,046	13	4,649,241	12	4,610,482	12	4,266,335	11	2645	Deposit received		52,775	-	42,995	-	45,011	-	46,075	-			
1760	Investment property, net (Note 6(7) &8)		6,192,413	16	7,579,213	20	7,538,078	20	7,793,947	20	2670	Other non-current liabilities		2,981	-	2,981	-	2,981	-	2,981	-			
1780	Intangible assets (Note 6(8))		777,602	2	777,676	2	779,346	2	781,684	2														
1840	Deferred income tax assets		686,451	2	581,898	2	642,868	2	650,566	2														
1915	Prepayment for equipment		40,324	-	40,337	-	36,107	-	31,002	-														
1980	Other financial assets – non-current		28,890	-	27,032	-	46,509	-	61,092	-														
1990	Other non-current assets		436,936	1	430,587	1	380,530	1	380,531	1														
			13,241,545	34	14,675,705	38	14,625,082	38	14,541,660	37														
Total assets		\$	39,541,379	100	38,152,639	100	38,343,569	100	39,198,326	100	Total liabilities and equity	\$	39,541,379	100	38,152,639	100	38,343,569	100	39,198,326	100	39,198,326	100		

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

July 1 to September 30, 2013 and 2012; and The Nine Months Ended September 30, 2013 and 2012

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

(Reviewed, Not Audited)

	July to September 2013		July to September 2012		January to September 2013		January to September 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(15) & 7)	\$ 1,123,227	100	1,053,856	100	3,162,557	100	3,409,982	100
5000 Operating cost (Note 7)	<u>316,378</u>	<u>28</u>	<u>321,581</u>	<u>31</u>	<u>891,776</u>	<u>28</u>	<u>924,971</u>	<u>27</u>
5900 Operating gross profit (loss)	<u>806,849</u>	<u>72</u>	<u>732,275</u>	<u>69</u>	<u>2,270,781</u>	<u>72</u>	<u>2,485,011</u>	<u>73</u>
Operating expenses:								
6100 Selling expenses	260,492	23	242,711	23	722,835	23	703,169	21
6200 Administration expenses (Note 6(13)& 7)	84,419	8	55,956	5	240,039	8	209,175	6
6000 Total operating expenses	<u>344,911</u>	<u>31</u>	<u>298,667</u>	<u>28</u>	<u>962,874</u>	<u>31</u>	<u>912,344</u>	<u>27</u>
6500 Net other income (expenses) (Note 6(17))	<u>(4,028)</u>	<u>-</u>	<u>(2,419)</u>	<u>-</u>	<u>(9,124)</u>	<u>-</u>	<u>(2,419)</u>	<u>-</u>
6900 Operating income	<u>457,910</u>	<u>41</u>	<u>431,189</u>	<u>41</u>	<u>1,298,783</u>	<u>41</u>	<u>1,570,248</u>	<u>46</u>
Non-operating income and expenses:								
7010 Other income (Note 6(17))	76,888	7	91,563	9	175,722	6	178,810	6
7020 Other gains and losses (Note 6(17))	(20,060)	(2)	20,136	2	66,520	2	32,328	1
7050 Financial costs (Note 6(17))	(6,609)	(1)	(6,298)	(1)	(16,479)	(1)	(21,756)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(816)</u>	<u>-</u>	<u>767</u>	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>2,078</u>	<u>-</u>
	<u>49,403</u>	<u>4</u>	<u>106,168</u>	<u>10</u>	<u>225,739</u>	<u>7</u>	<u>191,460</u>	<u>6</u>
7900 Operating income before tax	<u>507,313</u>	<u>45</u>	<u>537,357</u>	<u>51</u>	<u>1,524,522</u>	<u>48</u>	<u>1,761,708</u>	<u>52</u>
7950 Less: Income tax expense (Note 6(12))	<u>62,890</u>	<u>5</u>	<u>36,979</u>	<u>4</u>	<u>228,255</u>	<u>7</u>	<u>192,818</u>	<u>6</u>
8200 Net income	<u>444,423</u>	<u>40</u>	<u>500,378</u>	<u>47</u>	<u>1,296,267</u>	<u>41</u>	<u>1,568,890</u>	<u>46</u>
8300 Other comprehensive income:								
8310 Exchange differences on translation of foreign statements	(613)	-	(2,605)	-	4,011	-	(3,775)	-
8370 Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method	92	-	1,312	-	(313)	-	969	-
8300 Other comprehensive income, net	<u>(521)</u>	<u>-</u>	<u>(1,293)</u>	<u>-</u>	<u>3,698</u>	<u>-</u>	<u>(2,806)</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 443,902</u>	<u>40</u>	<u>499,085</u>	<u>47</u>	<u>1,299,965</u>	<u>41</u>	<u>1,566,084</u>	<u>46</u>
Net income, attributable to:								
8610 Owners of parent	\$ 424,536	38	479,119	45	1,228,960	39	1,505,887	44
8620 Non-controlling interest	<u>19,887</u>	<u>2</u>	<u>21,259</u>	<u>2</u>	<u>67,307</u>	<u>2</u>	<u>63,003</u>	<u>2</u>
	<u>\$ 444,423</u>	<u>40</u>	<u>500,378</u>	<u>47</u>	<u>1,296,267</u>	<u>41</u>	<u>1,568,890</u>	<u>46</u>
Total comprehensive income, attributable to:								
8710 Owners of parent	\$ 424,015	38	477,826	45	1,232,658	39	1,503,081	44
8720 Non-controlling interest	<u>19,887</u>	<u>2</u>	<u>21,259</u>	<u>2</u>	<u>67,307</u>	<u>2</u>	<u>63,003</u>	<u>2</u>
	<u>\$ 443,902</u>	<u>40</u>	<u>499,085</u>	<u>47</u>	<u>1,299,965</u>	<u>41</u>	<u>1,566,084</u>	<u>46</u>
Earnings per share (Note 6(13))								
9750 Basic earnings per share (NTD)	<u>\$ 1.06</u>		<u>1.20</u>		<u>3.08</u>		<u>3.77</u>	
9850 Diluted earnings per share (NTD)	<u>\$ 1.06</u>		<u>1.20</u>		<u>3.08</u>		<u>3.77</u>	

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For The Nine Months Ended September 30, 2013 and 2012

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

(Reviewed, Not Audited)

Equity attributable to owners of parent

	Retained earnings						Other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interest	Total equity
Balance – January 1, 2012	\$ 3,990,842	1,392,072	77,142	26,009	1,317,666	1,420,817	(13,851)	(301)	(14,152)	6,789,579	712,058	7,501,637
Net profit	-	-	-	-	1,505,887	1,505,887	-	-	-	1,505,887	63,003	1,568,890
Other comprehensive income	-	-	-	-	-	-	(3,775)	969	(2,806)	(2,806)	-	(2,806)
Total comprehensive income	-	-	-	-	1,505,887	1,505,887	(3,775)	969	(2,806)	1,503,081	63,003	1,566,084
Allocation of earnings in 2011												
Legal reserve	-	-	186,128	-	(186,128)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$3 per share	-	-	-	-	(1,197,253)	(1,197,253)	-	-	-	(1,197,253)	-	(1,197,253)
Reversal of special reserve	-	-	-	(11,856)	11,856	-	-	-	-	-	-	-
Balance – September 30, 2012	\$ 3,990,842	1,392,072	263,270	14,153	1,452,028	1,729,451	(17,626)	668	(16,958)	7,095,407	775,061	7,870,468
Balance – January 1, 2013	\$ 3,990,842	1,392,072	263,270	14,153	2,029,223	2,306,646	(20,204)	369	(19,835)	7,669,725	783,823	8,453,548
Net profit	-	-	-	-	1,228,960	1,228,960	-	-	-	1,228,960	67,307	1,296,267
Other comprehensive income	-	-	-	-	-	-	4,011	(313)	3,698	3,698	-	3,698
Total comprehensive income	-	-	-	-	1,228,960	1,228,960	4,011	(313)	3,698	1,232,658	67,307	1,299,965
Allocation of earnings in 2012												
Legal reserve	-	-	204,717	-	(204,717)	-	-	-	-	-	-	-
Special reserve	-	-	-	5,682	(5,682)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$3.3 per share	-	-	-	-	(1,316,978)	(1,316,978)	-	-	-	(1,316,978)	-	(1,316,978)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	3,644	-	-	-	-	-	-	-	3,644	(3,644)	-
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	87,453	87,453
Balance – September 30, 2013	\$ 3,990,842	1,395,716	467,987	19,835	1,730,806	2,218,628	(16,193)	56	(16,137)	7,589,049	934,939	8,523,988

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

Chairman :

General Manager :

Chief Accountant :

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

For The Nine Months Ended September 30, 2013 and 2012

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

(Reviewed, Not Audited)

	2013Q3	2012Q3
Cash flows from operating activities:		
Profit (loss) before tax	\$ 1,524,522	1,761,708
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	85,051	73,943
Amortization expense	6,468	5,908
Provision (reversal of provision) for bad debt expense	10,061	17,506
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(41,327)	(33,489)
Interest expense	16,479	21,756
Interest income	(19,924)	(8,124)
Dividend income	(11,431)	(25,293)
Share of loss (gain) of associates and joint ventures accounted for using equity method	24	(2,078)
Loss (gain) on disposal of property, plan and equipment	(2,690)	560
Loss (gain) on disposal of investment properties	(1,872)	-
Disposal of investment income	(33,745)	-
Total adjustments to reconcile profit (loss)	7,094	50,689
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(213,635)	99,479
Note and account receivable	(132,140)	(26,600)
Inventories	(255,241)	(219,069)
Biological assets	(7,856)	(373)
Prepayments	(1,091)	(17,633)
Other financial assets - current	(343,678)	(255,320)
Decrease (Increase) in other current assets	(26,873)	(1,161)
Total changes in operating assets	(980,514)	(420,677)
Changes in operating liabilities:		
Accounts payable	57,804	(1,106,651)
Accounts payable to related parties	(12,400)	57,711
Construction contract receivable	(48,592)	(9,817)
Other payable	(95,904)	(23,811)
Advance receipts	805,166	647,341
Accrued pension liabilities	-	(345)
Other current liabilities	8,819	(6,088)
Total changes in operating liabilities	714,893	(441,660)
Total changes in operating assets and liabilities	(265,621)	(862,337)
Total adjustments	(258,527)	(811,648)
Cash inflow (outflow) generated from operations	1,265,995	950,060
Interest received	19,924	8,124
Dividend received	11,431	25,293
Interest paid	(16,479)	(21,756)
Income taxes refund (paid)	(299,950)	(296,743)
Net cash flows from (used in) operating activities	980,921	664,978

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

For The Nine Months Ended September 30, 2013 and 2012

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

(Reviewed, Not Audited)

	2013Q3	2012Q3
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial asset carried at cost	489,290	-
Proceeds from capital reduction of financial assets carried at cost	12,450	-
Acquisition of investments accounted for using equity method	-	(12,600)
Proceeds from disposal of investments accounted for using equity method	23,732	-
Proceeds from capital reduction of investments accounted for using equity method	27,000	-
Acquisition of property, plant and equipment	(392,725)	(255,225)
Proceeds from disposal of property, plant and equipment	4,262	-
Acquisition of intangible assets	(5,070)	(3,570)
Acquisition of subsidiaries cash flow	11,613	-
Acquisition of investment properties	(38)	(236)
Proceeds from disposal of investment properties	3,530	92,680
Increase in payments for business facilities	(815)	(5,105)
Decrease (increase) in other financial assets – non current	(1,858)	14,583
Decrease (increase) in other non-current assets	(2,136)	-
Net cash flows from (used in) investing activities	169,235	(169,473)
Cash flow from (used in) financing activities:		
Increase in short-term loans	2,236,000	1,510,000
Decrease in short-term loans	(1,688,000)	(2,180,000)
Increase in guarantee deposits received	9,779	(1,064)
Cash dividends	(1,316,978)	(1,197,253)
Change in non-controlling interests	69,050	-
Net cash flows from (used in) financing activities	(690,149)	(1,868,317)
Net increase (decrease) in cash and cash equivalents	460,007	(1,372,812)
Cash and cash equivalents at beginning of period	296,172	1,563,112
Cash and cash equivalents at end of period	\$ 756,179	190,300

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Lungyen Life Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2013 and 2012
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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 consolidated financial statements of the Company as at and for the nine months ended September 30, 2013 comprise the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’) and the Group’s interest in associates and jointly controlled entities. The Company is primarily engaged in funeral service, development and lease of interment premises, and development and lease of residential areas and buildings. Please refer to Note 14.

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

II. Approval and procedures of the consolidated financial statements

The quarterly consolidated financial statements were accepted and published by the Board of Directors on November 12, 2013.

III. Application of new and revised standards and interpretations

Except as described below, the consolidated firms will be consistent with 2013 Q1 consolidated financial statement disclosure note 3 of the new accounting standards and interpretations issued by the IASB but not yet endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) have not yet been adopted by the Group and may impact the accompanying consolidated financial statements.

The following new and revised standards published by the IAS Board could be relevant to the consolidated company. However, as of the reporting date, it has not yet been approved and the effective date and interpretations has not yet been published by the FSC.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Published date	New and revised standards	Major revisions	The effective date published by the IAS Board
2013.5.29	• Adjustment of IAS 36 Impairment of Assets	• The amendments effective on January 1, 2013 require the disclosure of recoverable amounts of cash generating units if the carrying amount of goodwill or intangible assets with indefinite useful life is significant. Also, the standard has been amended requiring the disclosure of impairment loss recognized (reversed) if an individual impairment loss (reversal) is material. Also, if recoverable amount is fair value less costs of disposal, the valuation techniques used to measure fair value less costs of disposal and the key assumptions used in the measurement of fair value are categorized within “Level 2” or “Level 3” of the fair value hierarchy.	January 1, 2014 or earlier

As the new accounting standards and amendments discussed above and disclosed in the consolidated financial statements for the three months ended March 31, 2013, the Company is still assessing the impact thereof to the consolidated financial statements if and when they are adopted.

IV. Summary of significant accounting policies

(I) Compliance Statement

The quarterly consolidated financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Issuers (referred to as “the Regulations” hereinafter) and International Accounting Standard No. 34 “Interim Financial Report” approved by the FSC. The quarterly consolidated financial report does not include all the necessary information disclosed in the annual consolidated financial statements according to Regulations Governing the Preparation of Financial Reports by Issuers and the international financial reporting standard, international accounting standards, interpretation, and bulletin (referred to as “the IFRS approved by the FSC” hereinafter) approved by the FSC.

The quarterly consolidated financial report is included in the period of the initial IFRS annual consolidated financial report that is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers and the IFRS approved by the FSC; also, it is entitled to the IFRS No. 1 “Initial Application of the IFRS” that is approved by the FSC. For the impact of the conversion to the IFRS that is approved by the FSC on the consolidated company’s financial status, financial performance, and cash flows, please refer to Note XV.

The following significant accounting policies have been applied consistently to all periods presented in the accompanying interim consolidated financial statements, and have been applied consistently to the consolidated statement of financial position prepared under

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

IFRS as endorsed by FSC as of January 1, 2012. Please refer to the interim consolidated financial statements for the three months ended March 31, 2013 for other related information.

(II) Basis of consolidation

The principle for preparation of the consolidated financial report is accordingly to the consolidated financial report for the three months ended March 31, 2013. For more information, please refer to note 4.2 in the consolidated financial report for the three months ended March 31, 2013.

1. List of subsidiaries included in the consolidated financial statements

The subsidiaries included in the quarterly consolidated financial statements include:

Name of investment company	Name of subsidiary	Nature of business	Shareholding ratio				Remarks
			9.30.2013	12.31.2012	9.30.2012	1.1.2012	
The Company	Jin Huang Construction Co., Ltd.	Architecture and Civil Engineering business operations	98.20%	98.20%	98.20%	98.20%	-
The Company	Yuji Development Corp.	Funeral services business operations	56.25%	56.25%	56.25%	56.25%	-
The Company	Longding Life Sciences Inc.	Flowers growing, wholesale, and retail business operations	42.11%	100.00%	100.00%	100.00%	-
The Company	Dahan Property Management Co., Ltd.	Housing and building development and rental business operations, etc.	80.00%	80.00%	80.00%	80.00%	-
The Company	Sea Dragon Traders Ltd. (BVI)	Investment business	100.00%	100.00%	100.00%	100.00%	-
The Company	SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD.	Funeral services business operations	100.00%	100.00%	- %	- %	Invested and incorporated in October 2012.
The Company	ZEKAEN CO. LTD.(the original You Ka En Inc)	Flower and plant wholesale and retail business operations	73.85%	42.00%	42.00%	- %	Invested and incorporated in April 2012.
Yuji Development Corp.	Lung Fu Company Limited	Funeral services business operations	77.75%	- %	- %	- %	Invested and incorporated in March 2013.
ZEKAEN CO. LTD.	Longding Life Sciences Inc	Flowers growing, wholesale, and retail business operations	57.89%	- %	- %	- %	-

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

2. The subsidiaries not included in the consolidated financial statements:

Name of investment company	Name of subsidiary	Nature of business	Shareholding ratio				Remarks
			9.30.2013	12.31.2012	9.30.2012	1.1.2012	
The Company	Beauty Kadan Co., Ltd.	Flower wholesale, retail, and landscape design business operations	- %	50.00%	50.00%	50.00%	The Company does not own majority board voting rights of the invested company. Beauty Kadan Co., Ltd. (Japan) is the ultimate parent company of the invested company. Please refer to note 6.5 for disposal of equity of this company.

3. Changes in subsidiary:

(1) The Company has extended the funeral service business into the overseas Chinese communities to expand the scale of operations in October 2012 and to create greater return on investment and shareholders' equity. The Company has invested Singapore Dollars 10,000 thousand (equivalent to NT\$239,800 thousand) to establish SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD. with 100% shareholding.

(2) Yuji Development Corp., the subsidiary, had invested NT\$700 thousand for 70% shareholding of Lung Fu Company Limited, the invested company, in March 2013 in order to expand the scale of operation. Additionally Yuji participate in August 2013 in the new issuance shares of Lung Fu to increase capital, at price of NT\$210,000 thousands, Yuji now holds 21,070 thousand shares and its stake from 70% to 77.75%.

(3) In June 2013, our affiliates Zekaen Co. Ltd. (originally You Ka En Inc.) expanded the scale of operations, cash capital increased to NT\$ 70,000 thousand, issued at par. The proportion of the Company's acquisition of shares held by non-original NT\$ 61,250 thousand; the proportion has been increased from 42% to 73.85% and having the ability to control of the company's revenues and expenses in the consolidated statements.

(4) In June 2013, the subsidiary company Longding Life Sciences Inc. increase cash capital to 55,000 thousand, issued at par, the company's did not take up new shares as proportion previously held, the subsidiary Zekaen Co. Ltd. fully taken up 55,000 thousand company shares, this has caused the Company's ownership to decrease from 100% to 42.11%, Zekaen Co. Ltd. to increase to 57.89%.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(III) Non-current assets held for sale

The Board of Directors of the consolidated company approved the sales of partial investment property via public auction in the third quarter of 2013, therefore applying the accounting policies from January 1 2013 for non current assets held for sale.

Non current assets or disposal groups comprising assets and liabilities, expected mainly through sales rather than through continuing use or distribution to owners to recover their carrying amount when classified as held for sale or held for distribution to owners. Compliance with non current assets or disposal groups in this category must be tied to the present case available for immediate sale and is highly likely to be completed within one year of the sale. Part of the assets or disposal groups classified as held for sale in the original or be allocated to the former owners, according to the combined company's accounting policies remeasured. After classification as held for sale or held for distribution to owners, the Department of their carrying amount and fair value less costs to sell, as measured at the lower base. Any impairment less on disposal of the group's first allocated to goodwill, and then allocated in proportion to the rest of the foundation assets and liabilities, provided that such losses are not allocated to No. 36 Impairment of Assets IAS range of assets of non metals, the aforementioned project continues in accordance with the accounting policies of the measure of the combined company. The original classification as held for sale or held for distribution to owners recognized impairment losses and gains and losses arising from the Department's subsequent re-measurement gains and losses are recognized, but recovery of interest shall not exceed the cumulative impairment loss is recognized. When property, plant and equipment classified as held for sale or held for distribution to owners that are no longer depreciated or amortized.

V. Major source of significant accounting judgments, estimates, and assumptions uncertainty

When the management has the quarterly consolidated financial statements prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Report" approved by the FSC, it is necessary to make judgments, estimates, and assumptions that are influential to the accounting policies adopted and the assets, liabilities, and income and expenses amount reported. Actual results may differ from those estimates.

The bases of key accounting assumptions, judgments and estimation uncertainty used in preparing the quarterly consolidated quarterly financial statements are consistent with the Group's consolidated financial statements (note V) for the three months ended March 31, 2013, and expected to be consistent with the first annual financial statements prepared under IFRSs (endorsed by the FSC).

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

VI. Important accounting accounts

Except as described in the following paragraphs, there were no significant differences with those disclosed in the interim consolidated financial statements for the three months ended March 31, 2013. Please refer to Note VI in the consolidated financial statements for the three months ended March 31, 2013 for other related information.

(I) Cash and cash equivalent

	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Cash on hand	\$ 2,676	5,506	4,372	2,285
Check deposits	7,519	17	38	61,063
Time deposits	519,653	21,762	-	9,385
Demand deposits	226,331	268,887	185,890	1,490,379
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u>\$ 756,179</u>	<u>296,172</u>	<u>190,300</u>	<u>1,563,112</u>

1. Time deposits with maturities of within 3 months, which are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, are classified as cash and cash equivalents.

2. For the interest rate risk and sensitivity analysis disclosure of the consolidated company's financial assets and liabilities, please refer to Note VI (XVIII).

(II) Financial assets

1. Details are as follows:

	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Financial assets measured at fair value through profit or loss				
Domestic and foreign common stocks	\$ 236,972	288,749	597,486	549,985
Bond investment	96,734	-	-	-
Beneficiary certificates	610,000	404,781	250,641	366,918
Total	<u>\$ 943,706</u>	<u>693,530</u>	<u>848,127</u>	<u>916,903</u>
Financial assets valued at cost				
Stock Investment - PK Venture Capital Corp.	\$ 42,255	54,255	54,255	54,255
Stock Investment - FORTUNE IC FUND I	11,216	11,216	11,216	11,216
Stock Investment—Asia Best Healthcare Co., Ltd	-	456,348	456,348	-
Stock Investment – Chen-Yuan Industry Co., Ltd.	2,550	3,000	3,000	3,000
Total	<u>\$ 56,021</u>	<u>524,819</u>	<u>524,819</u>	<u>68,471</u>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(1) The consolidated company's stock investment valued at cost referred to above is measured in accordance with the cost net of impairment on the reporting date. Due to the significant range of the reasonable estimate of the fair value and the probability of various estimates cannot be reasonably assessed; the consolidated company's management believes that its fair value cannot be reliably measured.

(2) For the invested company PK Venture Capital Corp. and Chen-Yuan Industry Co., Ltd., the current capital has been decreased for the period, the consolidated company received capital reduction refund of NT\$12,000 thousand and NT\$450 thousand.

(3) The consolidated company's Board of Directors resolved in May 2013 to have the shareholding of Asia Best Healthcare Co., Ltd. sold entirely for an amount of NT\$489,290 thousand with an expected gain on disposal of NT\$32,942 thousand, please refer to Note VI (XVII).

2. Non-hedging derivatives

Engagement in derivative transactions is for hedging its exposure to exchange rate risk from investment activities. The consolidated company's derivatives of available-for-sale financial assets reported as of December 31, 2012 due to it is not entitled to the hedging accounting are as follows:

	12.31.2012		
	Contract Amount (NT\$ Thousand)	Currency	Maturity
Forward foreign exchange sold	USD 6,000	USD against SGD	102.03.27

3. The consolidated company has disclosed the credit, currency, and interest rate exposure related to the financial instruments on Note VI (XVIII).

4. For the consolidated company's financial assets pledged as collateral as of September 30, 2013 and December 31, September 30, and January 1, 2012, please refers to Note VIII.

(III) Inventory

	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Real estate for sale	\$ 5,837	5,837	6,643	8,648
Columbarium and cemetery for sale	1,715,026	1,656,832	1,936,186	2,041,738
Construction Site	1,094,244	1,094,244	1,094,244	1,094,244
Residential and building under construction	2,295,940	2,251,032	2,118,367	2,232,280
Columbarium and cemetery under construction	6,549,042	6,538,855	6,750,696	6,312,709
Prepayments for land	624,859	486,565	486,565	484,013
	\$ 12,284,948	12,033,365	12,392,701	12,173,632
Expected to be recovered in more than twelve months	\$ 12,092,001	11,766,185	12,150,311	11,971,522

1. For the consolidated company's inventories pledged as collateral as of September 30, 2013 and December 31, September 30, and January 1, 2012, please refers to Note VIII.

2. Private legal person is prohibited by law from acquiring farm land. The consolidated

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

company (referred to as “the principal” hereinafter) and other related parties and individuals that is a natural person (referred to as “the trustee” hereinafter) have an appointment agreement signed to have the ownership of the land for columbarium and cemetery registered in the name of the trustee. In addition, part of the land is registered in the name of the discretionary trustee for land acquisition matters. The contractual parties agree to have the land ownership transferred back to the consolidated company unconditionally upon the completion of land consolidation. Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed, and sealed and then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.

(IV) Non-current assets held for sale

The Board of Directors of the consolidated company resolved to sell partial of the investment property in 2012, and assigned the property to asset management company in September 2013, it is expected to conduct consolidated sales via public auction in October 2013. As of September 30, 2013, non current assets held for sale were as follows:

	<u>9.30.2013</u>
Non current assets held for sale	
Land	\$ 547,681
Building	<u>874,070</u>
Subtotal	1,421,751
Less: Accumulated depreciation	<u>(92,211)</u>
Net	<u>\$ 1,329,540</u>

Please refer to Note (XI) for the result of the auction sales on October 31, 2013.

(V) The investment under equity method

The consolidated company’s investment under equity method on the reporting date is as follows:

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30.2012</u>	<u>1.1.2012</u>
Affiliated enterprises	<u>\$ 2,862</u>	<u>64,902</u>	<u>66,343</u>	<u>508,032</u>

1. Affiliated enterprises Ruei Da Venture Capital Co., Ltd. perform capital reduction refund 27,000 thousands in the second quarter of 2013 and the amount debited using the equity method of investment.
2. The consolidated company disposed the full ownership of the affiliated enterprises Beauty Kadan Co., Ltd. in August 2013 at a sales price of 23,732 thousands, and the recognized profit of the disposal of investment is 803 thousands.
3. The consolidated company’s investment under equity method was without any collateral pledged as of September 30, 2013 and December 31, September 30, and January 1, 2012.

(VI) Property, plant, and equipment

The changes in the cost, depreciation, and impairment loss of the consolidated company’s property, plant, and equipment as follows:

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

	Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Cost or identified cost:								
Balance on January 1, 2013	\$ 1,974,767	639,816	87,764	94,870	32,696	43,491	2,202,769	5,076,173
Subsidiaries	-	-	-	4,643	557	-	-	5,200
Additions	32,023	5,055	1,210	6,417	2,384	3,116	342,520	392,725
Disposal and scrap	-	-	(981)	(840)	(356)	(400)	-	(2,577)
Reclassification	370	149,234	828	-	-	-	(145,945)	4,487
Balance on September 30, 2013	<u>\$ 2,007,160</u>	<u>794,105</u>	<u>88,821</u>	<u>105,090</u>	<u>35,281</u>	<u>46,207</u>	<u>2,399,344</u>	<u>5,476,008</u>
Balance on January 1, 2012	\$ 2,671,636	714,976	45,750	92,954	30,856	35,669	1,089,028	4,680,869
Additions	-	200	17,865	2,047	1,675	7,881	225,557	255,225
Disposal	-	(4,567)	(4,182)	(432)	-	(83)	-	(9,264)
Reclassification	(696,869)	(70,793)	37,204	(969)	-	(529)	843,022	111,066
Balance on September 30, 2012	<u>\$ 1,974,767</u>	<u>639,816</u>	<u>96,637</u>	<u>93,600</u>	<u>32,531</u>	<u>42,938</u>	<u>2,157,607</u>	<u>5,037,896</u>
Depreciation and impairment loss:								
Balance on January 1, 2013	\$ -	250,699	30,494	89,057	30,721	25,961	-	426,932
Subsidiaries	-	-	-	621	3	-	-	624
Current depreciation	-	12,837	8,662	2,128	1,298	4,486	-	29,411
Disposal and scrap	-	-	-	(840)	(49)	(116)	-	(1,005)
Balance on September 30, 2013	<u>\$ -</u>	<u>263,536</u>	<u>39,156</u>	<u>90,966</u>	<u>31,973</u>	<u>30,331</u>	<u>-</u>	<u>455,962</u>
Balance on January 1, 2012	\$ -	242,294	35,286	86,704	30,261	19,989	-	414,534
Current depreciation	-	6,397	5,320	2,272	328	4,394	-	18,711
Disposal and scrap	-	(4,435)	(4,121)	(406)	-	-	-	(8,962)
Reclassification	-	3,131	-	-	-	-	-	3,131
Balance on September 30, 2012	<u>\$ -</u>	<u>247,387</u>	<u>36,485</u>	<u>88,570</u>	<u>30,589</u>	<u>24,383</u>	<u>-</u>	<u>427,414</u>
Book value:								
January 1, 2013	<u>\$ 1,974,767</u>	<u>389,117</u>	<u>57,270</u>	<u>5,813</u>	<u>1,975</u>	<u>17,530</u>	<u>2,202,769</u>	<u>4,649,241</u>
September 30, 2013	<u>\$ 2,007,160</u>	<u>530,569</u>	<u>49,665</u>	<u>14,124</u>	<u>3,308</u>	<u>15,876</u>	<u>2,399,344</u>	<u>5,020,046</u>
January 1, 2012	<u>\$ 2,671,636</u>	<u>472,682</u>	<u>10,464</u>	<u>6,250</u>	<u>595</u>	<u>15,680</u>	<u>1,089,028</u>	<u>4,266,335</u>
September 30, 2012	<u>\$ 1,974,767</u>	<u>392,429</u>	<u>60,152</u>	<u>5,030</u>	<u>1,942</u>	<u>18,555</u>	<u>2,157,607</u>	<u>4,610,482</u>

1. For the financing facilities pledged in details as of September 30, 2013 and December 31, September 30, and January 1, 2012, please refers to Note VIII.
2. The consolidated company (referred to as “the principal” hereinafter) has part of the land registered in the name of the discretionary related party (referred to as “the trustee” hereinafter) for land acquisition matters. The contractual parties agree to have the land ownership transferred back to the consolidated company unconditionally upon the completion of land consolidation. Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(VII) Investment property

	<u>Land and improvements</u>	<u>Building and structure</u>	<u>Total</u>
Cost or identified cost:			
Balance on January 1, 2013	\$ 5,141,449	2,746,489	7,887,938
Additions	-	38	38
Disposal	(774)	(1,002)	(1,776)
Reclassified to non current assets for sale	(547,681)	(874,070)	(1,421,751)
Balance on September 30, 2013	<u>\$ 4,592,994</u>	<u>1,871,455</u>	<u>6,464,449</u>
Balance on January 1, 2012	\$ 5,286,287	2,749,656	8,035,943
Additions	-	236	236
Disposal	(65,535)	(31,112)	(96,647)
Transferred to property, plant, and equipment	(93,986)	(17,080)	(111,066)
Balance on September 30, 2012	<u>\$ 5,126,766</u>	<u>2,701,700</u>	<u>7,828,466</u>
Depreciation and impairment loss:			
Balance on January 1, 2013	\$ 19,910	288,815	308,725
Current depreciation	-	55,640	55,640
Disposal	-	(118)	(118)
Transferred to non current assets held for sale	-	(92,211)	(92,211)
Balance on September 30, 2013	<u>\$ 19,910</u>	<u>252,126</u>	<u>272,036</u>
Balance on January 1, 2012	\$ 19,910	222,086	241,996
Current depreciation	-	55,232	55,232
Disposal	-	(3,709)	(3,709)
Transferred to property, plant, and equipment	-	(3,131)	(3,131)
Balance on September 30, 2012	<u>\$ 19,910</u>	<u>270,478</u>	<u>290,388</u>
Book value:			
January 1, 2013	<u>\$ 5,121,539</u>	<u>2,457,674</u>	<u>7,579,213</u>
September 30, 2013	<u>\$ 4,573,084</u>	<u>1,619,329</u>	<u>6,192,413</u>
January 1, 2012	<u>\$ 5,266,377</u>	<u>2,527,570</u>	<u>7,793,947</u>
September 30, 2012	<u>\$ 5,106,856</u>	<u>2,431,222</u>	<u>7,538,078</u>

Investment property contains a number of commercial properties leased to others. Please refer to Note VI (X).

There are no significant differences between the consolidated company investment property fair value and the disclosure information of the consolidated financial report for the three months ended March 31, 2013

For the financing facilities pledged in details as of September 30, 2013 and December 31, September 30, and January 1, 2012, please refers to Note VIII.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(VIII) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer software</u>	<u>Total</u>
Book value:				
January 1, 2013	\$ 542,428	192,750	42,498	777,676
Balance on September 30, 2013	\$ 542,428	192,750	42,424	777,602
January 1, 2012	\$ 542,428	192,750	46,506	781,684
Balance on September 30, 2012	\$ 542,428	192,750	44,168	779,346

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2013 and 2012. Information on amortization for the period is discussed in Note (12)(1). Please refer to the 2013 Q1 consolidated financial report Note VI (VII).

(IX) Short-term loan

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30.2012</u>	<u>1.1.2012</u>
Guaranteed bank loans	\$ 2,438,000	1,940,000	2,350,000	3,040,000
Unguaranteed bank loans	250,000	200,000	20,000	-
Total	\$ 2,688,000	2,140,000	2,370,000	3,040,000
Unused limit	\$ 873,000	2,736,000	1,961,000	1,431,000
Interest rate range	<u>0.62%~1.85%</u>	<u>0.62%~1.85%</u>	<u>0.62%~1.5%</u>	<u>0.62%~2.03%</u>

1. Issuance and repay of short-term loan

For the nine months ended September 30, 2013 and 2012, the increased amount are NT\$2,236,000 thousand and NT\$1,510,000 thousand dollars, respectively. The interest rates are 1.50% to 1.85% and 1.50% to 2.00% , the due dates are 2013 and 2012: the repayable amount of NT\$1,688,000 thousand and NT\$2,180,000 thousand.

2. For the consolidated company's assets pledged as collateral for bank loans, please refer to Note VIII.

(X) Operating lease

For the consolidated company's investment property leased as operating rental, please refer to Note VI (VII).The future minimum lease payment receivable of the irrevocable lease term is as follows:

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30.2012</u>	<u>1.1.2012</u>
Within 1 year	\$ 223,642	191,656	193,705	204,709
1~5 years	501,020	319,178	336,115	446,096
Over 5 years	157,278	187,939	186,006	235,338
	\$ 881,940	698,773	715,826	886,143

(XI) Employee welfare

1. Defined benefit plan

Management believes that in prior fiscal year, there was no material volatility of the

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, and January 1, 2012.

Consolidated company's expenses as follows:

	July to September, 2013	July to September, 2012	January to September, 2013	January to September, 2012
Administrative expenses	<u>\$ 10</u>	<u>15</u>	<u>28</u>	<u>46</u>

2. Defined contribution plan

The consolidated company's pension expense under the defined contribution plan as follows, the amount has been appropriated to the Bureau of Labor Insurance

	July to September, 2013	July to September, 2012	January to September, 2013	January to September, 2012
Operating cost	\$ 2,003	3,346	5,520	5,896
Administrative expenses	<u>2,331</u>	<u>1,793</u>	<u>6,367</u>	<u>3,038</u>
	<u>\$ 4,334</u>	<u>5,139</u>	<u>11,887</u>	<u>8,934</u>

(XI) Income tax

- Income tax expense is simply calculated on financial income before tax in the interim report multiplied by the estimated annual effective tax rate. Therefore, no reconciliation was disclosed to reconcile taxable income with financial income before tax.
- The consolidated company's income tax expenses as follows:

	July to September, 2013	July to September, 2012	January to September, 2013	January to September, 2012
Current income tax expenses				
Current generated	\$ 62,094	36,784	146,020	142,226
Increase of land tax	796	195	30,256	1,617
Undistributed earnings to 10%	<u>-</u>	<u>-</u>	<u>51,979</u>	<u>48,975</u>
	<u>\$ 62,890</u>	<u>36,979</u>	<u>228,255</u>	<u>192,818</u>

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

3. The consolidated company's adjustment between the relationship of income and income before tax as follows:

	January to September, 2013	January to September, 2012
Pre-tax profit	\$ 1,524,522	1,761,708
Income tax rate calculation using the domestic tax rate	259,169	299,490
Tax-exempt income	(83,673)	(120,071)
Undistributed earning to 10%	51,979	48,975
Land appreciation tax	30,256	1,617
Other	(29,476)	(37,193)
	\$ 228,255	192,818

4. The Company's income tax returns have been audited by the tax authorities up to 2010. The discontinued company after the consolidation - Lungyen Human Services Corporation's income tax returns has been audited by the tax authorities up to 2007.

5. According to Income Tax Law, the last ten-year losses audited by the tax authorities can be deducted from the current net income before calculating income tax. The subsidiary's losses yet to be deducted and the tax credit deduction period as of September 30, 2013 is as follows:

Deductible Year	Losses yet to be deducted	Last Deductible Year
Authorized loss in 2006	\$ 9,734	2016
Authorized loss in 2007	8,649	2017
Authorized loss in 2008	4,376	2018
Authorized loss in 2010	2,601	2020
	\$ 25,360	

6. The Company's imputation tax:

	9.30.2013	12.31.2012	9.30. 2012	1.1. 2012
Undistributed earnings before 1997	\$ -	-	-	-
Undistributed earnings after 1998	1,730,806	2,029,223	1,452,028	1,317,666
	\$ 1,730,806	2,029,223	1,452,028	1,317,666
Imputed tax credit account balance	\$ 409,618	621,619	520,886	514,858
		2012 (actual)	2011 (actual)	
Creditable ratio for distribution of earnings for ROC residents		23.35%	20.96%	

The two tax information dealt with in accordance with the Treasury Department sets of

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

regulation and taxation Letter No. 10204562810 of October 17 2013

(XIII) Capital and other equity

Except as described below, there is no significant change in the equity capital and other equity account of the consolidated company during the nine months ended in September 30, 2013 and 2012, for more information please refer to the consolidated financial report for the three months ended March 31, 2013 Note VI (XII).

	9.30.2013	12.31.2012	9.30. 2012	1.1. 2012
Premium on issue of share	\$ 1,392,072	1,392,072	1,392,072	1,392,072
Recognized under the equity method and the associated number of changes in net equity of a business venture	3,644	-	-	-
	<u>\$ 1,395,716</u>	<u>1,392,072</u>	<u>1,392,072</u>	<u>1,392,072</u>

2. Distribution of earnings

The Company's bonus to employees as of July 1 to September 30, 2013 and 2012; and for the nine months ended of September 30, 2013 and 2012 is estimated to be NT\$3,000 thousand, NT\$2,880 thousand, NT\$11,000 thousand and NT\$12,600 thousand, respectively. The remuneration to directors and supervisors is estimated to be NT\$6,000 thousand, NT\$5,760 thousand, NT\$22,000 thousand and NT\$25,200 thousand, respectively, based on the company net income for the quarter ended and company policy of the earnings distribution, order and bonus to employees, directors and supervisors assigned as the basis for estimating the number, tied reported for all that period of operating costs or expenses, However, if subsequent shareholders' meeting and the estimated amount allotted number of columns are different, then the actual distribution as income.

The Company's bonus to employees as of 2012 and 2011 is estimated to be NT\$13,577 thousand and NT\$12,343 thousand, respectively. The remuneration to directors and supervisors is estimated to be NT\$27,154 thousand and NT\$24,686 thousand, respectively. Please refer to MOPS website for more information.

The company's distribution of 2012 earnings was proposed by the board of directors on June 4, 2013; also, the distribution of 2011 earnings was resolved in the general shareholders' meeting on June 6, 2012. The distribution of dividends to shareholders is as follows:

	2012		2011	
	Share distribution rate (NT\$)	Amount	Share distribution rate (NT\$)	Amount
Dividends distributed to common stock shareholders:				
Cash	\$ 3.30	<u>1,316,978</u>	3.00	<u>1,197,253</u>

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(XIV) Earnings per share

The consolidated company's basic earnings per share and diluted earnings per share are calculated as follows:

	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Basic earnings per share				
Net income attributable to the Company's common stock shareholders:	\$ <u>424,536</u>	<u>479,119</u>	<u>1,228,960</u>	<u>1,505,887</u>
Weighted average outstanding common stock shares	<u>399,084</u>	<u>399,084</u>	<u>399,084</u>	<u>399,084</u>
	<u>\$ 1.06</u>	<u>1.20</u>	<u>3.08</u>	<u>3.77</u>
Diluted earnings per share				
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	\$ <u>424,536</u>	<u>479,119</u>	<u>1,228,960</u>	<u>1,505,887</u>
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares	399,084	399,084	399,084	399,084
	<u>214</u>	<u>230</u>	<u>198</u>	<u>212</u>
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	<u>399,298</u>	<u>399,314</u>	<u>399,282</u>	<u>399,296</u>
	<u>\$ 1.06</u>	<u>1.20</u>	<u>3.08</u>	<u>3.77</u>

(XV) Income

The consolidated company's income as follows:

	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Columbairum and cemetery income	\$ 657,846	643,495	1,835,912	2,197,316
Funeral services income	378,329	303,484	1,032,627	889,679
Rent income from investment property	54,509	50,878	167,242	161,065
Construction contract income	3,438	32,338	26,228	72,035
Other operating income	<u>29,105</u>	<u>23,661</u>	<u>100,548</u>	<u>89,887</u>
	<u>\$ 1,123,227</u>	<u>1,053,856</u>	<u>3,162,557</u>	<u>3,409,982</u>

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(XVI) Other income and expenses, net

The consolidated company's other income and expenses, net as follows:

	<u>July to</u> <u>September, 2013</u>	<u>July to</u> <u>September, 2012</u>	<u>January to</u> <u>September, 2013</u>	<u>January to</u> <u>September, 2012</u>
Disposal of investment property interests (loss)	\$ 644	-	1,871	-
Loss on change in fair value of biological assets	(4,672)	(2,149)	(10,995)	(2,419)
	<u>\$ (4,028)</u>	<u>(2,149)</u>	<u>(9,124)</u>	<u>(2,419)</u>

(XVII) Non-operating income and expense

1. Other income

The consolidated company's other income as follows:

	<u>July to</u> <u>September, 2013</u>	<u>July to</u> <u>September, 2012</u>	<u>January to</u> <u>September, 2013</u>	<u>January to</u> <u>September, 2012</u>
Interest income	\$ 11,185	3,417	19,924	8,124
Dividend income	7,269	21,191	11,431	25,293
Service charge income	2,474	2,105	7,552	6,097
Fines income	55,056	64,037	134,427	134,586
Other income	904	813	2,388	4,710
	<u>\$ 76,888</u>	<u>91,563</u>	<u>175,722</u>	<u>178,810</u>

2. Other profit and loss

The consolidated company's other gain and loss as follows:

	<u>July to</u> <u>September, 2013</u>	<u>July to</u> <u>September, 2012</u>	<u>January to</u> <u>September, 2013</u>	<u>January to</u> <u>September, 2012</u>
Foreign exchange gain (loss)	\$ (18,501)	(327)	(9,058)	(338)
Gains and losses on disposal of investments and financial assets	803	-	33,745	-
Net financial assets measured at fair value through profit or loss	(2,003)	20,487	41,327	33,489
Disposal of property, plant, and equipment	(191)	(241)	2,690	(560)
Other expense	(168)	217	(2,184)	(263)
	<u>\$ (20,060)</u>	<u>20,136</u>	<u>66,520</u>	<u>32,328</u>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

3. Finance cost

Consolidated company's finance cost as follows:

	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Interest expense	\$ <u>6,609</u>	<u>6,298</u>	<u>16,479</u>	<u>21,756</u>

(XVIII) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk, liquidity risk, and market risk for the nine-month periods ended September 30, 2013 and 2012. For other information about the fair value of financial instruments, please refer to Note VI(XVI) in the consolidated financial statements for the three-month periods ended March 31, 2013.

1. Credit risk

The consolidated company past due without the impairment of notes receivable, account receivables, and other receivables. The analysis is as follows:

	<u>9.30.2013</u>		<u>12.31.2012</u>		<u>9.30. 2012</u>		<u>1.1. 2012</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Not overdue	\$ 319,733	23,885	211,618	14,743	196,531	2,923	197,394	43
Overdue 31~60 days	18,197	1,053	12,345	1,056	17,250	14,584	196	-
Overdue 61~90 days	10,216	816	7,321	610	5,669	-	2	-
Overdue 91~120 days	2,881	118	4,523	173	1,376	-	-	-
Overdue more than 120 days	74,115	22,857	34,173	22,086	30,713	21,578	28,134	21,536
	<u>\$ 425,142</u>	<u>48,729</u>	<u>269,980</u>	<u>38,668</u>	<u>251,539</u>	<u>39,085</u>	<u>225,726</u>	<u>21,579</u>

	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Balance at January 1	\$ 38,668	21,579
Impairment loss recognized	10,061	17,506
Balance at September 30	<u>\$ 48,729</u>	<u>39,085</u>

The allowance for bad debt of accounts receivable is for estimating the irrecoverable amounts. However, if the consolidated company is convinced that the relevant amount cannot be recovered, the allowance for bad debt is applied to write off financial assets upon identifying the uncollectible.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

2. Exchange rate risk

The consolidated company's financial assets and liabilities exposed to significant foreign exchange rate risk is as follows:

	9.30.2013			12.31.2012			9.30.2012			1.1.2012		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
<u>Financial assets</u>												
<u>Monetary items</u>												
RMB/NTD	\$ 216,378	4.833	1,045,755	18	4.660	84	6	4.62	28	5	4.807	23
RMB/ Singapore Dollar	-	-	-	9,162	0.20	42,768	-	-	-	-	-	-
USD/NTD	3	29.57	96	1,870	29.04	54,310	3	29.03	98	334	30.275	10,077
Japanese yen / NTD	8,420	0.302	2,544	5,794	0.3364	1,949	3,490	0.3777	1,318	1,365	0.391	528
<u>Non-monetary items</u>												
RMB/NTD	19,960	4.833	96,734	-	-	-	-	-	-	-	-	-
Japanese yen / NTD	143,360	0.302	43,309	125,600	0.3364	42,001	121,920	0.377	46,049	-	-	-
USD/NTD	1,761	29.57	52,070	-	-	-	6,173	29.03	180,823	2,409	30.275	72,970
USD/ Singapore Dollar	-	-	-	6,000	1.22	74,280	-	-	-	-	-	-

The consolidated company's exchange rate risk is mainly from foreign currency denominated cash and cash equivalent and financial assets measured at fair value through profit or loss. Foreign exchange gain and loss arises from the translation. When the exchange rate of NT Dollars against US Dollars, Singapore Dollars, RMB, Euro and Japanese Yen depreciated or appreciated by 10%, assuming all other variables held constant, as of September 30, 2013 and 2012, the net income was increased by NT\$102,980 thousand and decreased by NT\$18,957 thousand, respectively as of the nine months ended September 30, 2013 and 2012. The analysis of two terms are completed by using the same basis.

3. Fair value

(1) Fair value and book value

The consolidated company's management believes that the book value of the financial assets and financial liabilities measured at amortized cost in the consolidated financial statements is similar to the fair value.

(2) The fair value hierarchy

The financial instruments measured at fair value are analyzed in accordance with the valuation method illustrated in the table below. The fair value hierarchy are defined as follows:

Class I: The price (unadjusted) of equivalent assets or liabilities quoted in market.

Class II: In addition to the quote included in Class I, the input parameter of the asset or liability can be observed directly (i.e. prices) or indirectly (i.e. derived from prices).

Class III: The input parameter of the asset or liability are not based on the observable market data (unobservable parameter).

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	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
September 30, 2013				
Financial assets measured at fair value through profit or loss	\$ 943,706	-	-	943,706
December 31, 2012				
Financial assets measured at fair value through profit or loss	\$ 693,530	-	-	693,530
Financial liabilities measured at fair value through profit or loss	-	92	-	92
September 30, 2012				
Financial assets measured at fair value through profit or loss	\$ 848,127	-	-	848,127
January 1, 2012				
Financial assets measured at fair value through profit or loss	\$ 916,903	-	-	916,903

No financial asset was transferred as of the nine months ended September 30, 2013 and 2012.

(XIX) Financial risk management

There were no significant differences of the Group's financial risk management and policies with those disclosed in the Note VI (XVII) consolidated financial statements for the three months ended March 31, 2013.

(XX) Capital management

Management believes that the objectives, policies, and processes of capital management of the Group have been applied consistently with those described in the interim consolidated financial statements for the three months ended March 31, 2013. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the three months ended March 31, 2013 Note VI(XVIII).

VII. Related Party Transactions

(I) Key management personnel transactions

1. Loan to directors: None °
2. Key management personnel compensation

Key management personnel compensation includes:

	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Short-term employee benefits	\$ 5,531	6,158	17,030	20,247
Post-employment benefits	220	254	574	707
	\$ 5,751	6,412	17,604	20,954

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(II) Other related party transactions

1. Undertake construction contract and product sales from the related party

The consolidated company's major projects amount and the outstanding balances from the related party are as follows:

	Sales				Receivables from related parties (booked in "Accounts receivable – net")			
	July to September, 2013	July to September, 2012	January to September, 2013	January to September, 2012	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Other related party	\$ -	-	-	45,497	17,854	17,854	11,938	22,747
Affiliates	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>45,497</u>	<u>17,854</u>	<u>17,854</u>	<u>11,938</u>	<u>22,747</u>

The undertaking price of the construction project undertaken from the related party is based on the engineering budget plus reasonable management fees and profits and approved by the authorities.

The trading price of goods sold were based on negotiated prices, its terms were based on the contracts receivable receivables, and general transaction fairly.

2. Purchase goods from related party

The consolidated company's purchase amount and the outstanding balance to the related party is as follows:

	Purchase				Payable to related party			
	July to September, 2013	July to September, 2012	January to September, 2013	January to September, 2012	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Affiliated enterprises	\$ -	11,550	42,286	30,816	-	12,400	57,711	-

The consolidated company's purchase price from the companies referred to above is not significantly different from the purchase price from general manufacturers. Payment term is approximately 30 days after acceptance and it is not significantly different from the payment term of general manufacturers.

3. Lease

(1) Lessee:

The consolidated company leases transport equipment from the related party for a rent expense of NT\$1,851 thousand, NT\$979 thousand, NT\$3,041 thousand and NT\$7,215 thousand paid as of July 1 to September 30 2013 and 2012, respectively; and for the nine months ended September 30, 2013 and 2012.

(2) Lessor

The consolidated company has office building and parking space rented to the related party as of the nine months ended September 30, 2013 with a rent income of NT\$8 thousand, NT\$1,505 thousand, NT\$1,653 thousand and NT\$4,531 thousand as of July 1 to September 30, 2013 and 2012; and the nine months ended September, 30 2013 and 2012, respectively.

4. Others:

(1) Other receivables (booked in other financial assets – current)

	9.30.2013	12.31.2012	9.30.2012	1.1.2012
Affiliated enterprises	\$ -	2,461	2,468	503

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(2) Other payables

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30. 2012</u>	<u>1.1. 2012</u>
Other related party	<u>\$ -</u>	<u>65</u>	<u>2,454</u>	<u>2,508</u>

(3) Other operating income

	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>
Other related party	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>594</u>

5. Fund intermediation from other related party

	<u>Fund intermediation amount</u>				<u>Other related party payable</u>			
	<u>July to September, 2013</u>	<u>July to September, 2012</u>	<u>January to September, 2013</u>	<u>January to September, 2012</u>	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30.2012</u>	<u>1.1.2012</u>
Other related party	<u>\$ 500,000</u>	<u>300,000</u>	<u>500,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>

The related financing interest rate is 6% for the fund intermediation from the consolidated company to the related parties, and security bill is provided as guarantee.

6. Trust contract

Up to the due date of September 30, 2013, the partial land equity trust of the consolidated company is registered under other related parties, please refer to VI (III) & (VI) for more information.

7. Others:

- (1) The consolidated company commissioned other related party to acquire land for construction for a total price of NT\$668,016 thousand as of the nine months ended September 30, 2013 and 2012, respectively. The discretionary trustee is to handle the land combination matter on behalf of the Company.
- (2) From January 1 to September 30, 2012, the consolidated company and other related parties performed product exchange and the recognized sales revenue of 2,323 thousands.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

VIII. Pledged Assets

The book value of the consolidated company's pledged assets is as follows:

<u>Assets name</u>	<u>Purpose of collateral</u>	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30. 2012</u>	<u>1.1. 2012</u>
Other financial assets - current	The transaction service of trust accounts and credit accounts; also, the guarantee of forward exchange transactions	\$ 305,856	215,482	344,976	195,922
Financial assets-current measured at fair value through profit or loss	The guarantee for the transaction service of the credit account	-	-	312,033	287,438
Inventories	The guarantee for the transaction service of the loan account and credit account	2,730,177	4,030,177	4,030,177	4,030,177
Property, plant, and equipment – book value	Collateral for loan	581,031	581,031	581,031	581,031
Investment property – book value	The guarantee for the transaction service of the loan account and credit account	2,996,127	4,344,653	4,368,624	3,387,420
		<u>\$ 6,613,191</u>	<u>9,171,343</u>	<u>9,636,841</u>	<u>9,481,988</u>

IX. Significant contingent liabilities and unrecognized contractual commitments**(I) Significant unrecognized contractual commitments**

1. The consolidated company's unrecognized contractual commitments are as follows:

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30. 2012</u>	<u>1.1. 2012</u>
Contracted projects	\$ 130,540	131,896	186,882	245,126
Acquisition of columbarium and cemetery	37,707	51,440	52,440	1,179,772
Acquisition of construction site	286,813	288,363	296,823	304,987

2. The subsidiaries and National Chiayi University entered into a non-exclusive license agreement with respect to plant/strain selection of relevant phalaenopsis specimens, requiring that the subsidiaries should pay the royalty to National Chiayi University on a pro rata basis from the revenue of products generated from the selected plant/strain on a yearly basis for the duration of the agreement (five years as of the effective date of the agreement) as of September 30, 2013 and December 31, September 30, and January 1, 2012, respectively.

(II) Contingent liabilities:

- 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.
- The Company acquired the land and building at Dui Tzu Section, Tamsui Township,

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

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.

(III) Others

- The consolidated company (referred to as “the principal” hereinafter) for enhancing the quality of funeral service and ensuring the ability of performance had a trust contract signed with Taiwan Industrial Bank Co., Ltd. (referred to as “the trustee” hereinafter) in April 2010. According to the trust contract signed, 75% selling price (tax included) of each pre-need contract sold should be transferred to the trustee, including the delivery and transfer of the trust property. However, the trustee referred to above was replaced by Chang Hwa Commercial Bank Co., Ltd. on December 28, 2012. In addition, the trust assets as of September 30, 2013 and December 31, September 30, and January 1, 2012 are as follows:

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30. 2012</u>	<u>1.1. 2012</u>
Amount of trust assets	\$ 5,326,780	4,796,838	4,614,832	4,739,923
Which contains (booked in “Other financial assets – current”):				
Demand deposits	125,100	316,059	-	-
Time deposits	538,487	-	295,121	240,000
	<u>\$ 663,587</u>	<u>316,059</u>	<u>295,121</u>	<u>240,000</u>

The trust assets amount referred to above has been used to purchase financial instruments and property that is delivered and transferred to the Trustee. The Trustee in accordance with the Principal’s instructions is to have the trust property managed and disposed.

- The consolidated company has an administration fee account setup for the fees collected in a lump sum or periodically from the clients to maintain funeral facilities safety and cleanness, and to organize ceremony activities and internal administration. The administration fee account was with a balance of NT\$1,033,095 thousand, NT\$982,380 thousand, NT\$950,164 thousand, and NT\$915,113 thousand as of September 30, 2013 and December 31, September 30, and January 1, 2012, respectively; also, it is booked in the “Other financial assets – current.”

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

3. The consolidated company had contracts signed with clients for the sale of columbarium of True Dragon Tower and funeral service as of September 30, 2013 and December 31, September 30, and January 1, 2012. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>9.30.2013</u>	<u>12.31.2012</u>	<u>9.30. 2012</u>	<u>1.1. 2012</u>
Total contract price	\$ 33,873,144	33,674,577	34,945,166	34,822,823
Outstanding proceeds	(7,638,351)	(8,173,134)	(8,866,641)	(9,350,196)
Advanced receipts	<u>\$ 26,234,793</u>	<u>25,501,443</u>	<u>26,078,525</u>	<u>25,472,627</u>
Deferred marketing expense	<u>\$ 8,044,754</u>	<u>8,025,971</u>	<u>8,849,178</u>	<u>8,128,163</u>
Expected to be reclassified for more than twelve months	<u>\$ 23,509,878</u>	<u>22,300,562</u>	<u>23,338,955</u>	<u>23,834,937</u>

X. Significant disaster loss: None

XI. Significant subsequent events:

The consolidated company assigned asset management to perform public auction on the partial property investment on October 31 2013 and the final sales price of the auction was 1,816,900 thousands and the expected recorgnized gain is 483,900 thousands.

XII. Others

1. The followings are the summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function:

By function	July to September 2013			July to September 2012		
	Classified as Operating Costs	Classified as Selling Expenses	Total	Classified as Operating Costs	Classified as Selling Expenses	Total
By item						
Employee benefits						
Salary	52,752	69,757	122,509	46,325	51,402	97,727
Labor and health insurance	3,460	4,626	8,086	5,220	2,775	7,995
Pension	2,003	2,341	4,344	3,346	1,808	5,154
Others	1,040	3,711	4,751	1,132	1,712	2,844
Depreciation	24,189	4,810	28,999	14,470	12,082	26,552
Depletion	-	-	-	-	-	-
Amortization	549	2,031	2,580	-	1,950	1,950

By function	January to September 2013			January to September 2012		
	Classified as Operating Costs	Classified as Selling Expenses	Total	Classified as Operating Costs	Classified as Selling Expenses	Total
By item						
Employee benefits						
Salary	147,185	212,791	359,976	139,021	236,402	375,423
Labor and health insurance	9,399	13,481	22,880	9,950	2,037	11,987
Pension	5,520	6,395	11,915	5,896	3,084	8,980
Others	3,193	9,947	13,140	3,412	11,905	15,317
Depreciation	71,328	13,723	85,051	55,965	17,978	73,943
Depletion	-	-	-	-	-	-
Amortization	579	5,889	6,468	-	5,908	5,908

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Note: It includes the related fees of the cemetery management center-related expenses (stated as less item-advance receipts).

2. Seasonality of operations:

The Company's operations are not seasonal or cyclical factors.

XIII. Other disclosures

(1) Information on significant transactions:

The consolidated company should have the following material transactions disclosed as of January 1 to September 30, 2013 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties:

Unit: Thousand NTD

Number	Name of Lenders	Name of Borrowers	Account name	Highest balance of financing to other parties during the period	Ending Balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
												Name	Value		
0	Lungyen Life Service Corp.	Yuji Development Corp.	Other receivables-related parties	500,000	-	-	-%	2	39,525	Working fund	-		-	1,517,810	3,035,620

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

Note 2: Nature of financing:

(1) For transactions.

(2) For short-term financing.

Note 3: Upon the board resolution on April 26, 2012, the total amount for guarantees and endorsement and lending to other parties shall not exceed \$500,000 thousand. The board agreed to cancel lending limit on June 14, 2013.

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

2. Guarantees and endorsements for other parties:

Unit: Thousand NTD

Number	Name of the Company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent Company Endorses /guarantees to third parties on behalf of subsidiary	Subsidiary Endorses /guarantees to third parties on behalf of Parent Company	Endorsements /guarantees to the third parties on behalf of the Companies in Mainland China
		Name of Company	Relationship										
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	1,517,810	500,000	300,000	88,000	-	3.950%	3,794,525	Y	-	-

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.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

(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: According to the original Board resolutions on April 26, 2012, endorsement and lending to other parties shall not exceed \$500,000 thousand, however upon Board resolutions on June 14, 2013, endorsements has been set to a maximum amount to \$ 300,000.

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

3. Information regarding securities held at balance sheet date:

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending				Remark
				Quantity of shares (thousand shares)/unit	Book Value	% of Ownership	Market Value (NTD) per Unit	
The Company	Stock of Ching Huang Construction Co., Ltd.	The Company's subsidiary	Investment accounted for using equity method	19,639	187,316	98.20 %	11.35	註
The Company	Stock of Yuji Development Corp.	The Company's subsidiary	Investment accounted for using equity method	90,000	1,093,631	56.25 %	12.15	註
The Company	Stock of Dahan Property Management Co., Ltd.	The Company's subsidiary	Investment accounted for using equity method	400	3,626	80.00 %	9.07	註
The Company	Stock of Sea Dragon Traders Ltd. (BVI)	The Company's subsidiary	Investment accounted for using equity method	1	112,364	100.00 %	112,364	註
The Company	Stock of Singapore Lungyen Life Services Pte., Ltd.	The Company's subsidiary	Investment accounted for using equity method	500	4,380	100.00 %	87.61	註
The Company	Zekaen Co. Ltd.	The Company's subsidiary	Investment accounted for using equity method	7,385	56,190	73.85 %	7.61	註
The Company	Stock of Lungding Life Science Co., Ltd.	Subsidiaries controlled by the same parent company	Investment accounted for using equity method	4,000	27,503	42.11 %	6.87	註
The Company	Stock of Beauty Kadan Co., Ltd.	Investee company under the equity method	Investment accounted for using equity method	300	2,862	47.62 %	9.54	
The Company	Stock of Ruei Da Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss - current	3,052	52,641	-	17.25	
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss - current	242	16,916	-	69.90	
The Company	eMemory Technology securities	-	Financial assets at fair value through profit or loss - current	160	11,456	-	71.60	
The Company	Chenbro securities	-	Financial assets at fair value through profit or loss - current	1,173	36,242	-	30.90	
The Company	Gallop No. 1	-	Financial assets at fair value through profit or loss - current	3,000	48,600	-	16.20	
The Company	Cathay R1 Fund	-	Financial assets at fair value through profit or loss - current	2,728	54,587	-	20.01	
The Company	Stark Technology securities	-	Financial assets at fair value through profit or loss - current	503	12,977	-	25.80	
The Company	Rotam Global AgroSciences Limited	-	Financial assets at fair value through profit or loss - current	272	14,688	-	54.00	
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss - current	160	43,452	-	271.57	
The Company	CITIC primary financial bond	-	Financial assets at fair value through profit or loss - current	200	96,734	-	483.67	
The Company	Yuanta Manhattan Money Market Funds	-	Financial assets at fair value through profit or loss - current	2,386	35,285	-	14.79	
The Company	Union Money Market	-	Financial assets at fair	3,221	41,520	-	12.8897	

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

			value through profit or loss - current						
The Company	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss - current	1,420	20,049	- %	14.12		
The Company	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	18,998	258,711	- %	13.62		
The Company	Erenstar sub-FundI Segregated Portfolio	-	Financial assets at fair value through profit or loss - current	1	52,252	- %	52,252.00		
The Company	FORTUNE IC FUND I	-	Financial assets carried at cost – non-current	600	11,216	4.86 %	16.12		
The Company	PK Venture Capital Corp.	-	Financial assets carried at cost – non-current	4,800	42,255	8.57 %	8.24		
The Company	Cathay insurance stock	-	Financial assets carried at cost – non-current	44	-	0.01 %	-		
Ching Huang Construction Co., Ltd.	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,345	16,376	- %	12.18		
Ching Huang Construction Co., Ltd.	Cathay R2 Fund	-	Financial assets at fair value through profit or loss - current	7,642	129,150	- %	16.90		
Ching Huang Construction Co., Ltd.	J-Garden Corp.	-	Financial assets carried at cost – non-current	-	2,550	5.00 %	112,023		
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	170	2,070	- %	12.18		
Yuji Development Corp.	Lung Fu Company Limited	Subsidiaries controlled by the same parent company	Investment accounted for using equity method	21,070	210,434	77.75 %	9.99		註
Zekaen Co. Ltd.	Stock of Lungding Life Science Co., Ltd.	Subsidiaries controlled by the same parent company	Investment accounted for using equity method	5,500	37,817	57.89 %	6.87		註

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

4. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$100 million or 20% of the paid-in capital:

Unit: Thousand shares; Thousand of NTD

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balances		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Selling price	Cost	Disposal gain or loss	Shares/Units	Amount	
The Company	Allianz Global Investors All Seasons Return Fund of Bond Funds	Financial assets at fair value through profit or loss - current	-	-	-	-	18,998	262,949	-	-	-	-	-	18,998	258,711
The Company	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	8,436	121,250	8,436	121,518	121,500	268	-	-	-

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
10. Business relationships and significant intercompany transactions:

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Number	Name of the Company	Name of the counter-party	Existing relationship with the counter-party	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	Lungyen Life Service Corp.	Ching Huang Construction Co., Ltd.	1	Inventories	131,918	-	-%
0	Lungyen Life Service Corp.	"	1	Property, plant and equipment	2,009	-	-%
0	"	"	1	Payable accounts – related parties	13,256	100% 30-day postdated check	-%
0	"	"	1	Other payable accounts	23,210	-	-%
0	"	"	1	Operating revenue	344	-	-%
0	"	Yuji Development Corp.	1	Other financial assets – current	4,386	-	-%
0	"	"	1	Payable accounts – related parties	9,717	100% 30-day postdated check	-%
0	"	"	1	Prepayments	4,057	-	-%
0	"	"	1	Operating cost	39,525	-	1%
0	"	"	1	Operating revenue	26	-	-%
0	"	"	1	Other revenue	22,573	-	-%
0	"	Zekaen Co. Ltd.	1	Payable accounts – related parties	17,724	100% 30-day postdated check	-%
0	"	"	1	Operating revenue	1,302	-	-%
0	"	"	1	Operating cost	36,246	-	1%
1	Ching Huang Construction Co., Ltd.	Lungyen Life Service Corp.	2	Advance receipts	129,909	-	-%
1	"	"	2	Accounts receivable	36,466	100% 30-day postdated check	-%
1	"	"	2	Operating revenue	42,921	-	1%
1	"	"	2	Operating cost	40,881	-	1%
1	"	"	2	Management Expenditure	344	-	-%
1	"	Zekaen Co. Ltd.	3	Advance receipts	1,036	-	-%
2	Yuji Development Corp.	Lungyen Life Service Corp.	2	Accounts receivable	9,717	100% 30-day postdated check	-%
2	"	"	2	Payable accounts – related parties	4,386	100% 30-day postdated check	-%
2	"	"	2	Advance receipts	4,057	-	-%
2	"	"	2	Operating revenue	39,525	-	1%
2	"	"	2	Operating cost	22,599	-	-%
2	"	Lungfu Co. Ltd.	3	Other non current liability	82,784	-	-%
3	Zekaen Co. Ltd.	Lungyen Life Service Corp.	2	Accounts receivable	17,724	100% 30-day postdated check	-%
3	"	"	2	Operating revenue	36,246	-	1%
3	"	"	2	Operating cost	1,302	-	-%
3	"	Ching Huang Construction Co., Ltd.	3	Property, plant and equipment	1,036	-	-%
4	Lungfu Co. Ltd.	Yuji Development Corp.	3	Current construction	82,784	-	-%

Note 1: Said transactions shall be numbered as follows:

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

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

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

(2) Information about reinvestees:

The consolidated company's reinvestment as of the nine months ended September 30, 2013 and 2012 as follows:

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Unit: Thousand NTD

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income of investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Ching Huang Construction Co., Ltd.	Taiwan	Civil engineering	204,332	204,332	19,639	98.20%	187,315	11,895	9,714	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	90,000	56.25%	1,093,631	162,081	91,272	Subsidiary
The Company	Dahan Property Management Co., Ltd.	Taiwan	Development, lease and sale of residential areas and building	3,870	3,870	400	80.00%	3,626	28	23	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands.	Investment	114,529	114,529	1	100.00%	112,364	2,188	2,188	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	40,000	40,000	4,000	42.11%	27,503	(15,551)	(12,091)	Sub-sub-sidiary
The Company	Singapore Lungyen Life Services Pte., Ltd.	Singapore	Funeral Service	11,990	239,800	500	100.00%	4,380	(3,171)	(3,171)	Subsidiary
The Company	Beauty Kadan Co., Ltd.	Taiwan	Flower and plant cultivation	20,534	20,534	-	- %	-	(350)	(175)	Note2
The Company	Zekaen Co. Ltd.	Taiwan	Flower and plant sales	73,850	12,600	7,385	73.85%	56,190	(8,224)	(6,756)	Subsidiary
The Company	Stock of Ruei Da Venture Capital Co., Ltd.	Taiwan	Investment	3,000	30,000	300	47.62%	2,862	318	151	
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	-	21,070	77.75%	210,434	(342)	(266)	Sub-sub-sidiary
Zekaen Co. Ltd.	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	55,000	-	5,500	57.89%	37,817	(15,551)	(3,460)	Sub-sub-sidiary

Note 1: The equities in said subsidiaries held by the Company were written off when the Company prepared the consolidated financial statements.

Note 2: Since the entire sales of equity in August, 2013, there is a loss of significant influence.

(3) Investment in Mainland China:

The consolidated company's board of directors had resolved on March 31, 2011 to invest not more than US\$40 million to setup Lungyen (China) Co., Ltd. and it was approved by the Investment Commission, MOEA on July 1, 2011. The current plan is to invest in Lungyen (Cayman) Limited and Lungyen (Hong Kong) Co., Ltd. through Sea Dragon Traders Ltd. (BVI) and then reinvest in the funeral services in China, but has not yet actually exercised investments.

The consolidated company's board of directors had resolved on June 14, 2013 to change the operating base to Wenzhou, Zhejiang Province on Mainland investment and to engage in the operating of funeral services and other advisory services; the investment has been documentally approved by the MOEA Commission on October 28, 2013.

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

XIV. Financial information by department

The consolidated company's operating segments and adjustment are as follows:

July to September, 2013

	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery	Constructi on for sales	Adjustments and written-off	Total
Income:							
Income from external customers	\$ 657,846	378,329	54,509	29,105	3,438	-	1,123,227
Inter-segment income	18,757	-	1,099	70,034	881	(90,771)	-
Total income	\$ 676,603	378,329	55,608	99,139	4,319	(90,771)	1,123,227
Reportable segment profit or loss	\$ 249,131	112,351	23,359	16,399	43,183	-	444,423

July to September, 2012

	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery	Constructi on for sales	Adjustments and written-off	Total
Income:							
Income from external customers	\$ 643,495	303,484	50,878	23,661	32,338	-	1,053,856
Inter-segment income	7,855	-	1,054	-	43,112	(52,021)	-
Total income	\$ 651,350	303,484	51,932	23,661	75,450	(52,021)	1,053,856
Reportable segment profit or loss	\$ 365,142	132,867	13,032	(6,858)	(1,616)	(2,189)	500,378

January to September, 2013

	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery	Constructi on for sales	Adjustments and written-off	Total
Income:							
Income from external customers	\$ 1,835,912	1,032,627	167,242	100,548	26,228	-	3,162,557
Inter-segment income	39,525	-	1,672	78,533	42,921	(162,651)	-
Total income	\$ 1,875,437	1,032,627	168,914	179,081	69,149	(162,651)	3,162,557
Reportable segment profit or loss	\$ 845,820	201,203	54,275	152,766	42,203	-	1,296,267

January to September, 2012

	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery	Constructi on for sales	Adjustments and written-off	Total
Income:							
Income from external customers	\$ 2,197,316	889,679	161,065	89,887	72,035	-	3,409,982
Inter-segment income	13,181	-	3,125	-	105,688	(121,994)	-
Total income	\$ 2,210,497	889,679	164,190	89,887	177,723	(121,994)	3,409,982
Reportable segment profit or loss	\$ 1,232,264	229,297	46,146	64,993	(1,621)	(2,189)	1,568,890

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Reportable segment assets	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery	Construction for sales	Adjustments and written-off	Total
September 30, 2013	<u>\$ 8,610,977</u>	<u>171,438</u>	<u>6,192,413</u>	<u>13,500</u>	<u>3,982,044</u>	<u>20,571,007</u>	<u>39,541,379</u>
January 1, 2013	<u>\$ 7,804,079</u>	<u>170,027</u>	<u>7,779,468</u>	<u>12,099</u>	<u>3,351,113</u>	<u>19,035,853</u>	<u>38,152,639</u>
September 30, 2012	<u>\$ 8,295,274</u>	<u>145,354</u>	<u>7,531,282</u>	<u>2,320</u>	<u>3,835,817</u>	<u>18,533,522</u>	<u>38,343,569</u>
January 1, 2012	<u>\$ 7,962,839</u>	<u>103,786</u>	<u>7,779,468</u>	<u>2,498</u>	<u>3,335,172</u>	<u>20,014,563</u>	<u>39,198,326</u>

XV. Initial adoption of International Financial Reporting Standard (IFRS)

The consolidated company's consolidated financial report as of March 31, 2012 was prepared in conformity with generally accepted accounting principles. As described in Note IV (I), the quarterly consolidated financial report is included in the period of the initial annual consolidated financial report that is prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Issuers and the IFRS approved by the FSC; also, it is entitled to the IFRS No. 1 "Initial Application of the IFRS" that is approved by the FSC.

The accounting policies stated in Note IV are applicable for the preparation of the quarterly consolidated financial report as of 2012Q2, consolidated balance sheet as of December 31, 2012, and initial IFRS consolidated balance sheet as of January 1, 2012 (the consolidated company's conversion date).

In preparing the 2012 relevant reports, the consolidated company has based on the financial statements prepared in conformity with generally accepted accounting principles for the adjustment. The impact of converting from generally accepted accounting principles to the IFRS recognized by the FSC on the consolidated company's financial position, financial performance, and cash flow at the time and during the period is illustrate and explained in the following table and notes. For the GAAP reconciliation of the consolidated balance sheets at December 31 and January 1, 2012 (the Group's date of transition) and consolidated statements of comprehensive income for the year ended December 31, 2012, please refer to Note XV in the consolidated financial statements for the three months ended March 31, 2013.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

1. Consolidated Reconciliation of balance sheet items

	9.30.2012		
	Previous generally accepted accounting principle	Conversion to IFRSs effect	IFRSs
Assets			
Cash and cash equivalent	\$ 192,300	(2,000)	190,300
Financial assets at fair value through profit or loss - current	848,127	-	848,127
Accounts and notes receivable	212,454	-	212,454
Inventories	12,001,466	391,235	12,392,701
Biological assets - current	-	373	373
Prepayments	9,161,817	(731,894)	8,429,923
Other financial assets – current	1,620,345	13,341	1,633,686
Other current assets	23,244	(12,321)	10,923
Total current assets	<u>24,059,753</u>	<u>(341,266)</u>	<u>23,718,487</u>
Financial assets carried at cost – non-current	\$ 524,819	-	524,819
Investment accounted for suing equity method	66,343	-	66,343
Property, plant and equipment	12,170,188	(7,559,706)	4,610,482
Investment property	-	7,538,078	7,538,078
Intangible assets	735,178	44,168	779,346
Deferred income tax assets	536,495	106,373	642,868
Prepayment for equipment	-	36,107	36,107
Other financial assets – non-current	46,509	-	46,509
Other non-current assets	830,785	(450,255)	380,530
Total non-current assets	<u>14,910,317</u>	<u>(285,235)</u>	<u>14,625,082</u>
Total assets	<u>\$ 38,970,070</u>	<u>(626,501)</u>	<u>38,343,569</u>
Liabilities			
Short-term loan	\$ 2,370,000	-	2,370,000
Payable accounts and other payable accounts	765,547	5,261	770,808
Constructions contract payable	-	8,585	8,585
Current income tax liabilities	192,214	-	192,214
Advance receipts	27,041,894	(8,585)	27,033,309
Other current liabilities	10,106	-	10,106
Total current liabilities	<u>30,379,761</u>	<u>5,261</u>	<u>30,385,022</u>
Deferred income tax liabilities	-	21,389	21,389
Accrued pension liabilities	19,459	(761)	18,698
Deposit received	45,011	-	45,011
Other non-current liabilities	2,981	-	2,981
Total non-current liabilities	<u>67,451</u>	<u>20,628</u>	<u>88,079</u>
Total liabilities	<u>30,447,212</u>	<u>25,889</u>	<u>30,473,101</u>
Equity attributable to owners of parent			

(English Translation of Financial Report Originally Issued in Chinese)

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

Capital stock – common stock	3,990,842	-	3,990,842
Capital surplus	1,451,808	(59,736)	1,392,072
Retained earnings	2,322,105	(592,654)	1,729,451
Other equity interest	(16,958)	-	(16,958)
Total equity attributable to owners of parent	7,747,797	(652,390)	7,095,407
Non-controlling interest	775,061	-	775,061
Total equity	8,522,858	(652,390)	7,870,468
Total liabilities and equity	<u>\$ 38,970,070</u>	<u>(626,501)</u>	<u>38,343,569</u>

(English Translation of Financial Report Originally Issued in Chinese)

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

2. Reconciliation of consolidated comprehensive income statement items

	July to September, 2012			January to September, 2012		
	Previous generally accepted accounting principle	Conversion to IFRSs effect	IFRSs	Previous generally accepted accounting principle	Conversion to IFRSs effect	IFRSs
Operating revenue	\$ 1,056,904	(3,048)	1,053,856	3,411,494	(1,512)	3,409,982
Operating cost	(326,900)	5,319	(321,581)	(930,290)	5,319	(924,971)
Operating gross profit	730,004	2,271	732,275	2,481,204	3,807	2,485,011
Selling expenses	(134,204)	2,310	(131,894)	(611,379)	19,027	(592,352)
Administration expenses	(167,082)	309	(166,773)	(321,954)	1,962	(319,992)
Total operating expenses	(301,286)	2,619	(298,667)	(933,333)	20,989	(912,344)
Other income and expenses, net	-	(2,419)	(2,419)	-	(2,419)	(2,419)
Operating income (loss)	428,718	2,471	431,189	1,547,871	22,377	1,570,248
Non-operating income and expenses:						
Other income	91,563	-	91,563	178,810	-	178,810
Other gains and losses	20,136	-	20,136	32,328	-	32,328
Financial costs	(6,298)	-	(6,298)	(21,756)	-	(21,756)
Associates and joint ventures share of profit or loss using the equity method	767	-	767	2,078	-	2,078
Total:	106,168	-	106,168	191,460	-	191,460
Operating income before tax	534,886	2,471	537,357	1,739,331	22,377	1,761,708
Income tax expense	(37,243)	264	(36,979)	(191,042)	(1,776)	(192,818)
Net income	497,643	2,735	500,378	1,548,289	20,601	1,568,890
Other comprehensive income						
Exchange differences on translation of foreign statements			(2,605)			(3,775)
Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method			1,312			969
Other comprehensive income, net			(1,293)			(2,806)
Total comprehensive income			<u>\$ 499,085</u>			<u>\$ 1,566,084</u>
Net income, attributable to:						
Owners of parent	476,384	2,735	479,119	1,485,286	20,601	1,505,887
Non-controlling interest	21,259	-	21,259	63,003	-	63,003
Net income	<u>\$ 497,643</u>	<u>2,735</u>	<u>500,378</u>	<u>1,548,289</u>	<u>20,601</u>	<u>1,568,890</u>
Total comprehensive income, attributable to:						
Owners of parent			477,826			1,503,081
Non-controlling interest			21,259			63,003
Total comprehensive income			<u>\$ 499,085</u>			<u>\$ 1,566,084</u>
Earnings per share						
Basic earnings per share (NTD)	<u>\$ 1.19</u>	<u>0.01</u>	<u>1.20</u>	<u>3.72</u>	<u>0.05</u>	<u>3.77</u>
Diluted earnings per share (NTD)	<u>\$ 1.19</u>	<u>0.01</u>	<u>1.20</u>	<u>3.72</u>	<u>0.05</u>	<u>3.77</u>

3. Significant cash flow adjustments

FSC approved by the International Financial Reporting Standards and the consolidated cash flow statement prepared in accordance with generally accepted accounting principles

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

previously preparers, no other significant differences.

4. Adjustment instructions

1. According to the IFRS recognized by the FSC, the property definition in conformity with the investment property bulletin is classified to the "Investment Property" account. According to generally accepted accounting principles, the property is classified to the "Fixed assets" and "Other assets" account. On January 1, 2012, the conversion date, select identified cost exemption in accordance with the IFRS recognized by the FSC. The booked cost is the identified cost of the asset on the conversion date; also, the asset is measured at cost subsequently.

The effect of the change is hereby summarized as follows:

	<u>9.30.2012</u>
Consolidated Balance Sheet	
Investment property	\$ 7,538,078
Property, plant, and equipment	(7,523,599)
Other noncurrent assets	(14,479)

2. The consolidated company has the deferred income tax assets and deferred income tax liabilities classified as noncurrent assets and noncurrent liabilities in accordance with the IFRS recognized by the FSC; moreover, income tax assets and income tax liabilities can offset against each other only when the consolidated company has legal right to conduct offsetting and in compliance with the related conditions. Therefore, the consolidated company had the net deferred income tax assets-current and deferred income tax liability-current after offsetting in compliance with ROC Accounting Standard expression reclassified as deferred income tax asset-noncurrent for an amount of NT\$12,321 thousand, and deferred income tax liability-noncurrent for an amount of NT\$19,461 thousand as of September 30, 2012.

3. The consolidated company had the items related to the construction contract in conformity with generally accepted accounting principle reclassified by their nature to the construction contracts receivable and construction contracts payable in accordance with IAS No. 11 "Construction Contracts."

	<u>9.30.2012</u>
Consolidated Balance Sheet	
Construction contracts payable	\$ 8,585
Advanced receipts	(8,585)

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

4. The consolidated company had the inventories and items related to agricultural activity in conformity with generally accepted accounting principle reclassified by their nature to biological assets in accordance with IAS No. 41 “Agriculture.”

	<u>9.30.2012</u>							
Consolidated Balance Sheet								
Biological assets	\$	373						
Inventories		(373)						
	<table border="0"> <thead> <tr> <th></th> <th align="right"><u>July to</u></th> <th align="right"><u>January to</u></th> </tr> <tr> <th></th> <th align="right"><u>September 2012</u></th> <th align="right"><u>September 2012</u></th> </tr> </thead> </table>			<u>July to</u>	<u>January to</u>		<u>September 2012</u>	<u>September 2012</u>
	<u>July to</u>	<u>January to</u>						
	<u>September 2012</u>	<u>September 2012</u>						
Consolidated comprehensive income statement								
Operating Revenue	\$	2,900	2,900					
Management Cost		(5,319)	(5,319)					
Other income and expenses. net		2,419	2,419					

5. The consolidated company had the prepaid premises (booked in the “Property, plant, and equipment”) reclassified to the prepaid equipment in accordance with the IFRS recognized by the FSC. The land ownership registered in the name of others (booked in the “Other noncurrent assets” account) had been reclassified to the premise in construction (booked in the “Inventory” account). The unamortized expenses and other assets had been reclassified by their nature to the “Computer software cost” (booked in the “Intangible assets” account). And deposit of 3 or more months has been reclassified to other financial assets – current.

The effect of the change is hereby summarized as follows:

	<u>9.30.2012</u>	
Property, plant, and equipment	\$	(36,107)
Prepayment for equipment		36,107
Other noncurrent assets		(435,776)
Inventories		391,608
Intangible assets		44,168
Cash and cash equivalent		(2,000)
Other financial assets - current		2,000

6. As according to the IFRSs regulations, the land appreciation tax arised from the consolidated company’s land transactions is considered as the tax of land sold income, should be listed under in income tax expense.

The effect of the change is hereby summarized as follows:

	<u>July to September</u>	<u>January to</u>
	<u>2012</u>	<u>September 2012</u>
Consolidated comprehensive income statement		
Administrative expenses	\$ (194)	(1,617)
Net income before tax adjustment	\$ (194)	(1,617)

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

7. According to generally accepted accounting principle, the investment company that has failed to subscribe new shares proportionally to its shareholding ratio resulting in the investment company's net equity value changed should have the changes adjusted to the additional paid-in capital.

The consolidated company chose not to retroactively adjust the consolidation completed before the conversion date. The additional paid-in capital that does not involve Company Law and is not in conformity with the FIRS recognized by the FSC is booked in the "Retained earnings" account on the conversion date.

The effect of the change is hereby summarized as follows:

	<u>9.30.2012</u>
Consolidated Balance Sheet	
Additional paid-in capital – long-term equity investment	\$ (59,736)
Retained earnings adjustment	<u>\$ (59,736)</u>

8. The consolidated company's accounting policy in conformity with the IFRS recognized by the FSC is to have all actuarial gains and losses recognized in the "Other comprehensive profit or loss" account. According to generally accepted accounting principle, the consolidated company has the actuarial gains and losses recognized in profit or loss throughout the employees' remaining service period. On conversion date, all previously unrecognized cumulative actuarial gains and losses are recognized in retained earnings and reversed in the consolidated income statement of previous years.

The effect of the change is hereby summarized as follows:

	<u>July to September 2012</u>	<u>January to September 2012</u>
Consolidated comprehensive income statement		
Administrative expenses	\$ (115)	(345)
Net income before tax adjustment	<u>\$ (115)</u>	<u>(345)</u>
	<u>9.30.2012</u>	
Consolidated Balance Sheet		
Employee welfare	\$ (761)	
Related income tax effects	<u>129</u>	
Retained earnings adjustment	<u>\$ (632)</u>	

9. The consolidated company has a present legal or constructive obligation to pay for the services rendered and paid leave accumulated by employees. Therefore, the consolidated company has the expected cost of payment for accumulating paid leave recognized as accrued liabilities.

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

The effect of the change is hereby summarized as follows:

	<u>July to September 2012</u>	<u>January to September 2012</u>
Consolidated comprehensive income statement		
Administrative expenses	\$ -	(428)
Net income before tax adjustment	<u>\$ -</u>	<u>(428)</u>
	<u>9.30.2012</u>	
Consolidated Balance Sheet		
Employee welfare	\$ 5,261	
Related income tax effects	(894)	
Retained earnings adjustment	<u>\$ 4,367</u>	

10. The consolidated company's project sale expense includes advertising and sales personnel salaries and other project related expenditures. According to the IFRSs, incurred expenses that are not directly attributable to a particular contract and the inflow of future economic benefits cannot be realized should be expensed when incurred.

The effect of the change is hereby summarized as follows:

	<u>July to September 2012</u>	<u>January to September 2012</u>
Consolidated comprehensive income statement		
Marketing expenses	\$ (2,310)	(18,599)
Net income before tax adjustment	<u>\$ (2,310)</u>	<u>(18,599)</u>
	<u>9.30.2012</u>	
Consolidated Balance Sheet		
Deferred marketing expense	\$ 731,894	
Related income tax effects	(73,826)	
Retained earnings adjustment	<u>\$ 658,068</u>	

11. According to the IFRSs recognized by the FSC, the consolidated company's office rental is an operating lease and the contracted rent amount or the rent increase amount should be amortized and recognized as expense throughout the lease period in accordance with the straight-lie method.

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Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. and its subsidiaries (continue)

The effect of the change is hereby summarized as follows:

	<u>July to September 2012</u>	<u>January to September 2012</u>
Consolidated comprehensive income statement		
Rental income	\$ 148	(1,388)
Net income before tax adjustment	<u>\$ 148</u>	<u>(1,388)</u>
	<u>9.30.2012</u>	
Consolidated Balance Sheet		
Other financial assets - current	\$ (11,341)	
Related income tax effects	<u>1,928</u>	
Retained earnings adjustment	<u>\$ (9,413)</u>	

12. The changes referred to above are charged with 17% income tax and its impact on the increase (decrease) of deferred income tax assets and liabilities is as follows:

	<u>9.30.2012</u>
Consolidated Balance Sheet	
Employee welfare	\$ (129)
Cost of paid leave	894
Deferred marketing expense	<u>73,826</u>
Increase of deferred income tax assets	<u>\$ 74,591</u>
	<u>9.30.2012</u>
Consolidated Balance Sheet	
Rent receivable	<u>\$ 1,928</u>
Increase of deferred income tax liability	<u>\$ 1,928</u>

13. Decrease (increase) of retained earnings due to the changes referred to above is summarized as follows:

	<u>9.30.2012</u>
Employee welfare	\$ (632)
Additional paid-in capital – long-term equity investment	(59,736)
Cost of paid leave	4,367
Deferred marketing expense	658,068
Rent receivable	<u>(9,413)</u>
Decrease (increase) of retained earnings	<u>\$ 592,654</u>