

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries
Consolidated Financial Statements

For The Three Months Ended March 31, 2014 and 2013

(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 Science Corp. and its subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statement of cash flows as of three months ended March 31, 2014 and 2013. 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 Science Corp. has based on the unreviewed quarterly financial statements of the subsidiaries to prepare the quarterly consolidated financial statements. The total assets amounted to NT\$757,613 thousand and NT\$748,549 thousand, representing both 2% of total consolidated assets as of March 31, 2014 and 2013, respectively. The total liabilities amounted to NT\$56,747 thousand and NT\$84,487 thousand, representing 0.2% and 0.3%, of total consolidated liabilities as of March 31, 2014 and 2013, respectively. The comprehensive profit or loss was NT\$6,901 thousand and NT\$6,706 thousand, representing (1)% and 2% of the consolidated profit or loss as of January 1 to March 31, 2014 and 2013, respectively

Except for the statements in paragraph 3, the investment under the equity method of Lungyen Life Science Corp. and its subsidiaries amounted to NT\$69,048 thousand as of March 31, 2013. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$4,468 thousand as of January 1 to March 31, 2013. 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. 34 "Interim Financial Report" recognized by Financial Supervisory Commission without any amendment required.

KPMG

CPA:

Approval Document : FSC VI. Tzi No. 0940129108
issued by the : FSC No. 1020000737
competent securities
authority:
May 12, 2014

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

For The Three Months Ended March 31, 2014 and 2013

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

(Reviewed, Not Audited)

		<u>2014Q1</u>		<u>2013Q1</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6(14) & 7)	\$ 1,109,956	100	987,743	100
5000	Operating cost (Note 7)	358,130	32	279,027	28
5900	Operating gross profit (loss)	<u>751,826</u>	<u>68</u>	<u>708,716</u>	<u>72</u>
Operating expenses:					
6100	Selling expenses	208,940	19	222,117	22
6200	Administration expenses (Note 6 & 7)	80,459	7	87,233	9
6000	Total operating expenses	<u>289,399</u>	<u>26</u>	<u>309,350</u>	<u>31</u>
6500	Other income and expenses (Note 6(15))	9,043	1	11,784	1
6900	Operating income (loss)	<u>471,470</u>	<u>43</u>	<u>411,150</u>	<u>42</u>
Non-operating income and expenses:					
7010	Other income (Note 6(16))	45,363	4	41,380	4
7020	Other gains and losses (Note 6(16))	5,372	-	35,518	4
7050	Financial costs (Note 6(16))	(1,705)	-	(4,284)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	<u>-</u>	<u>-</u>	<u>4,468</u>	<u>-</u>
		49,030	4	77,082	8
7900	Operating income before tax	520,500	47	488,232	50
7950	Less: Income tax expense (Note 6(11))	40,111	4	64,144	7
8200	Net income	<u>480,389</u>	<u>43</u>	<u>424,088</u>	<u>43</u>
8300	Other comprehensive income:				
8310	Exchange differences on translation of foreign statements	2,568	-	5,818	-
8370	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method	<u>-</u>	<u>-</u>	<u>(322)</u>	<u>-</u>
8300	Other comprehensive income, net	2,568	-	5,496	-
8500	Total comprehensive income	<u>\$ 482,957</u>	<u>43</u>	<u>429,584</u>	<u>43</u>
Net income, attributable to:					
8610	Owners of parent	461,036	41	402,551	41
8620	Non-controlling interest	19,353	2	21,537	2
		<u>\$ 480,389</u>	<u>43</u>	<u>424,088</u>	<u>43</u>
Total comprehensive income, attributable to:					
8710	Owners of parent	463,604	41	408,047	41
8720	Non-controlling interest	19,353	2	21,537	2
		<u>\$ 482,957</u>	<u>43</u>	<u>429,584</u>	<u>43</u>
Earnings per share (Note 6(13))					
9750	Basic earnings per share (NTD)	<u>\$ 1.16</u>		<u>1.01</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 1.15</u>		<u>1.01</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 Three Months Ended March 31, 2014 and 2013

(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			Total equity attributable to owners of parent	Non-controlling interest	Total equity
	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			
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 for the three months ended March 2013	-	-	-	-	402,551	402,551	-	-	-	402,551	21,537	424,088
Other comprehensive income for the three months ended March 2013	-	-	-	-	-	-	5,818	(322)	5,496	5,496	-	5,496
Total comprehensive income for the three months ended March 2013	-	-	-	-	402,551	402,551	5,818	(322)	5,496	408,047	21,537	429,584
Increase/ (decrease) in non-controlling interest	-	-	-	-	-	-	-	-	-	-	300	300
Balance – March 31, 2013	\$ 3,990,842	1,392,072	263,270	14,153	2,431,774	2,709,197	(14,386)	47	(14,339)	8,077,772	805,660	8,883,432
Balance – January 1, 2014	\$ 3,990,842	1,395,659	467,987	19,835	2,517,500	3,005,322	(15,280)	56	(15,224)	8,376,599	959,005	9,335,604
Net profit for the three months ended March 2014	-	-	-	-	461,036	461,036	-	-	-	461,036	19,353	480,389
Other comprehensive income for the three months ended March 2014	-	-	-	-	-	-	2,568	-	2,568	2,568	-	2,568
Total comprehensive income for the three months ended March 2014	-	-	-	-	461,036	461,036	2,568	-	2,568	463,604	19,353	482,957
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	(2,139)	-	-	-	-	-	-	-	(2,139)	-	(2,139)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,139	2,139
Balance – March 31, 2014	\$ 3,990,842	1,393,520	467,987	19,835	2,978,536	3,466,358	(12,712)	56	(12,656)	8,838,064	980,497	9,818,561

(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 Cash Flows

For The Three Months Ended March 31, 2014 and 2013

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

(Reviewed, Not Audited)

	<u>2014Q1</u>	<u>2013Q1</u>
Cash flows from operating activities:		
Profit (loss) before tax	\$ 520,500	488,232
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	26,292	27,659
Amortization expense	3,361	1,892
Provision (reversal of provision) for bad debt expense	7,402	1,891
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(20,938)	(45,367)
Interest expense	1,705	4,284
Interest income	(14,430)	(2,018)
Dividend income	-	(439)
Share of loss (gain) of associates and joint ventures accounted for using equity method	-	(4,468)
Loss (gain) on disposal of property, plan and equipment	1,449	556
Loss (gain) on disposal of investment properties	(10,106)	(1,233)
Loss (gain) on disposal of intangible assets	1,126	-
Miscellaneous expense	57	-
Total adjustments to reconcile profit (loss)	<u>(4,082)</u>	<u>(17,243)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(341,090)	(391,910)
Decrease (Increase) in notes receivable	(38,053)	(1,487)
Decrease (Increase) in accounts receivable	(49,011)	(37,190)
Decrease (Increase) in construction contract receivable	-	632
Decrease (Increase) in inventories	45,654	(104,774)
Decrease (Increase) in biological assets	726	(6,401)
Decrease (Increase) in prepayments	(46,913)	(65,256)
Decrease (Increase) in other current assets	(5,888)	(10,215)
Decrease (Increase) in other financial assets - current	30,561	186,578
Total changes in operating assets	<u>(404,014)</u>	<u>(430,023)</u>
Changes in operating liabilities:		
Increase (Decrease) in accounts payable	(110,477)	67,412
Increase (Decrease) in accounts payable to related parties	-	526
Increase (Decrease) in construction contract receivable	(8,019)	(11,267)
Increase (Decrease) in other payable	(172,522)	(56,465)
Increase (Decrease) in advance receipts	287,477	389,035
Increase (Decrease) in other current liabilities	(7,124)	4,520
Total changes in operating liabilities	<u>(10,665)</u>	<u>393,761</u>
Total changes in operating assets and liabilities	<u>(414,679)</u>	<u>(36,262)</u>
Total adjustments	<u>(418,761)</u>	<u>(53,505)</u>
Cash inflow (outflow) generated from operations	101,739	434,727
Interest received	14,430	2,018
Dividend received	-	439
Interest paid	(1,705)	(4,284)
Income taxes refund (paid)	(1,161)	(28,908)
Net cash flows from (used in) operating activities	<u>113,303</u>	<u>403,992</u>

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

For The Three Months Ended March 31, 2014 and 2013

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)
(Reviewed, Not Audited)

	<u>2014Q1</u>	<u>2013Q1</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(316,559)	(121,141)
Proceeds from disposal of property, plant and equipment	749	425
Acquisition of intangible assets	(415)	(1,376)
Proceeds from disposal of intangible assets	187	-
Acquisition of investment properties	-	(27)
Proceeds from disposal of investment properties	20,815	2,344
Other financial assets	(705,697)	29,761
Other non-current assets	(453)	-
Net cash flows from (used in) investing activities	<u>(1,001,373)</u>	<u>(90,014)</u>
Cash flow from (used in) financing activities:		
Increase in short-term loans	25,000	30,000
Decrease in short-term loans	(25,000)	(380,000)
Increase in guarantee deposits received	861	677
Change in non-controlling interests	-	300
Net cash flows from (used in) financing activities	<u>861</u>	<u>(349,023)</u>
Net increase (decrease) in cash and cash equivalents	(887,209)	(35,045)
Cash and cash equivalents at beginning of period	<u>1,382,339</u>	<u>372,427</u>
Cash and cash equivalents at end of period	<u>\$ 495,130</u>	<u>337,382</u>

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

Chairman :

General Manager :

Chief Accountant :

Lungyen Life Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements
For The Three Months Ended March 31, 2014 and 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

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 three months ended 31 March 2014 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 was 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 May 12, 2014.

III. Application of new and revised standards and interpretations

1. Impact from not yet adopting 2013 version of IFRS approved by Financial Supervisory Commission

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by Financial Supervisory Commissions R.O.C. (“FSC”) on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities

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

Market or Emerging Stock Market shall adopt 2013 version of IFRS (not including IFRS No. 9 ‘Financial instruments’) as endorsed by FSC in preparing the consolidated financial statements. The related new, amended and revised standards as well as interpretations are listed as below:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS No. 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	7.1.2010
Amendments to IFRS No. 1 “Severe hyper-inflation and removal of fixed dates for first-time adopters”	27.1.2011
Amendments to IFRS No. 1 “Government Loans”	1.1.2013
Amendments to IFRS No. 7 “Disclosures – Transfers of Financial Assets”	7.1.2011
Amendments to IFRS No. 7 “ Disclosures – Offsetting Financial Assets and Financial Liabilities “	1.1.2013
IFRS No. 10 “Consolidated Financial Statements”	1.1.2013 (Investment entities were effective on January 1, 2012)
IFRS No. 11 “Joint Arrangements”	1.1.2013
IFRS No. 12 “Disclosure of Other Vehicle’s Equity”	1.1.2013
IFRS No. 13 “Fair Value Measurement”	1.1.2013
Amendments to IAS No. 1 “Presentation of items of other comprehensive income”	7.1.2012
Amendments to IAS No. 12 “Deferred Tax: Recovery of Underlying Assets”	1.1.2012
Amendments to IAS No. 19 “Employee Benefits”	1.1.2013
Amendments to IAS No. 27 “Separate financial statements”	1.1.2013
Amendments to IAS No. 32 “Offsetting Financial Assets and Financial Liabilities”	1.1.2014
Interpretations of IFRS No. 20 “Stripping Costs in the Production Phase of a Surface Mine”	1.1.2013

Assessing the impact, the consolidated company believes that the adoption of 2013 version of IFRS will not result in significant changes to the consolidated financial statements. The exceptions are as follow:

(1) IAS No. 1 “Presentation of Financial Statements”

This standard revised the presentation of other comprehensive income and divided the items listed at other comprehensive income into two categories accordingly to their characteristics: “items that will not be reclassified to profit or loss in subsequent periods”, and “items that might be reclassified to profit or loss in subsequent periods”. Simultaneously, this amendment formulated that if the items of other comprehensive income are presented as before tax, then the related tax amount shall be shown individually in accordance with previous-mentioned two categories. The consolidated company will adjust the presentation of comprehensive income statements in accordance with this standard.

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

(2) IFRS No. 13 “Fair Value Measurement”

This standard defines fair value, sets out a framework for measuring fair value, and specifies relevant disclosures about fair value measurements. Assessments show that this standard may not result in significant impacts toward the financial situations and operating results of the consolidated company. Thus, the relevant disclosures of fair value measurements will be increased in accordance with the regulations.

2. Impact from IFRS issued by the IAS Board but not yet approved by the FSC

The following table depicts the new, amended, revised standards and interpretations of 2013 IFRS issued by the IAS Board but not yet approved by the FSC:

<u>New / Amended / Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS No. 9 “Financial Instruments”	not yet published officially
IFRS No. 14 “Regulatory Deferral Accounts”	1.1.2016
Amendments to IAS No. 19 “Defined Benefit Plans: Employee Contributions”	7.1.2014
Amendments to IAS No. 36 “Recoverable Amount Disclosures for Non-Financial Assets”	1.1.2014
Amendments to IAS No. 39 “Novation of Derivatives and Continuation of Hedge Accounting”	1.1.2014
IFRIC No. 21 “Levies”	1.1.2014

The consolidated company is in the process of assessing the impact of the above-mentioned standards and interpretations on the financial condition and operating results of the consolidated company. Relevant impact will be disclosed when completing the assessment.

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.

Except as described in the following paragraphs, the significant accounting policies applied in this quarterly consolidated financial report is consistent to the 2013 annual consolidated financial statements. Please refer to Note 4 of the 2013 annual consolidated financial statements for other related information.

(II) Basis of consolidation

The principle for preparation of the consolidated financial statements is accordingly to the 2013 annual consolidated financial statements. For more information, please refer to Note 4(3) in the 2013 annual consolidated financial statements.

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

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
			3.31.2014	12.31.2013	3.31.2013	
The Company	Jin Huang Construction Co., Ltd.	Architecture and Civil Engineering business operations	98.20%	98.20%	98.20%	-
The Company	Yuji Development Corp.	Funeral services business operations	56.25%	56.25%	56.25%	-
The Company	Longding Life Sciences Inc.	Flowers growing, wholesale, and retail business operations	60.71%	42.11%	100.00%	-
The Company	Dahan Property Management Co., Ltd.	Housing and building development and rental business operations, etc.	80.00%	80.00%	80.00%	-
The Company	Sea Dragon Traders Ltd. (BVI)	Investment business	100.00%	100.00%	100.00%	-
The Company	SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD.	Funeral services business operations	100.00%	100.00%	100.00%	-
The Company	ZEKAEN CO. LTD.(the original You Ka En Inc)	Flower wholesale, retail, and landscape design business operations	73.85%	73.85%	- %	-
Yuji Development Corp.	Lung Fu Company Limited	Funeral services business operations	77.75%	77.75%	70.00%	Invested and incorporated in March 2013.
ZEKAEN CO. LTD	Longding Life Sciences Inc	Flowers growing, wholesale, and retail business operations	39.29%	57.89%	- %	-

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

Name of investment company	Name of subsidiary	Nature of business	Shareholding ratio			Remarks
			3.31.2014	12.31.2013	3.31.2013	
The Company	Beauty Kadan Co., Ltd.	Flower wholesale, retail, and landscape design business operations	- %	- %	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(4) for details of disposal of shareholdings in 2013.

3. Changes in subsidiary:

- (1) 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 participated in August 2013 in the new issuance shares of Lung Fu to increase capital, at price of NT\$210,000 thousand, Yuji now holds 21,070 thousand shares and its stake from 70% to 77.75%.
- (2) In June 2013, in order to expand the scale of operations, our affiliates Zekaen Co. Ltd. (originally You Ka En Inc.) increased cash capital to NT\$ 70,000 thousand, issued at

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

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.

- (3) In June 2013, the subsidiary company Longding Life Sciences Inc. increased cash capital to 55,000 thousand, issued at par, the Company 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%.
- (4) In March 2014, the subsidiary company Longding Life Sciences Inc. increased cash capital to 45,000 thousand, issued at par, the Company did not take up new shares as proportion previously held, this has caused the Company's ownership to increase from 42.11% to 60.71%, Zekaen Co. Ltd. to decrease to 39.29%.

(III) Income tax

The consolidated company assesses and discloses interim period income tax expense accordingly to IAS No. 34 B12 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(IV) Employee welfare

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(V) Classification of assets and liabilities as current and non-current

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 2013 annual consolidated financial statements (Note 5).

VI. Important accounting accounts

Except as described in the following paragraphs, there were no significant differences with those disclosed in the 2013 annual consolidated financial statements. Please refer to Note 6 in the 2013 annual consolidated financial statements.

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

(I) Cash and cash equivalent

	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Cash on hand	\$ 3,486	3,128	13,157
Demand deposits	260,406	391,440	198,774
Time deposits	<u>231,238</u>	<u>987,771</u>	<u>125,451</u>
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u>\$ 495,130</u>	<u>1,382,339</u>	<u>337,382</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 6(17).

(II) Financial assets

1. Details are as follows:

	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Financial assets measured at fair value through profit or loss			
Domestic and foreign common stocks	\$ 472,280	232,349	226,909
Bond investment	198,135	198,748	-
Beneficiary certificates	551,140	428,430	908,595
Forward foreign exchange contracts	<u>-</u>	<u>-</u>	<u>15</u>
Total	<u>\$1,221,555</u>	<u>859,527</u>	<u>1,135,519</u>
Financial assets valued at cost			
Stock Investment - PK Venture Capital Corp.	\$ 42,255	42,255	54,255
Stock Investment - FORTUNE IC FUND I	11,216	11,216	11,216
Stock Investment – Asia Best Healthcare Co., Ltd	-	-	456,348
Stock Investment – Chen-Yuan Industry Co., Ltd.	2,550	2,550	3,000
Stock investment –Ruei Da Venture Capital Co., Ltd.	<u>2,862</u>	<u>2,862</u>	<u>-</u>
Total	<u>\$ 58,883</u>	<u>58,883</u>	<u>524,819</u>

- (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. In addition, the Company lost significant influence on Ruei Da Venture Capital Co., Ltd., please refer to Note 6(4) for more information.
- (3) The consolidated company's Board of Directors resolved in May 2013 to have the

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

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.

- (4) With respect to details of transferring from financial assets measured at fair value through profit or loss to the Trust as of March 31, 2014, December 31 and March 31, 2013, please refer to Note 9 for more information.

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 March 31, 2013 resulting from not been entitled to the hedging accounting are as follows:

3.31.2013			
	Contract Amount (NT\$ Thousand)	Currency	Maturity
Forward foreign exchange sold	USD 6,000	USD against SGD	4.29.2013

3. The consolidated company has disclosed the credit, currency, and interest rate exposure related to the financial instruments on Note 6(17).

(III) Inventory

	3.31.2014	12.31.2013	3.31.2013
Real estate for sale	\$ 4,968	5,837	5,837
Columbarium and cemetery for sale	1,600,180	1,666,043	1,784,338
Construction Site	1,592,392	1,230,794	1,094,244
Residential and building under construction	2,247,495	2,245,468	2,251,784
Columbarium and cemetery under construction	6,851,870	6,820,784	6,523,162
Prepayments for land	354,564	727,589	488,215
Agricultural products	895	1,503	-
	<u>\$ 12,652,364</u>	<u>12,698,018</u>	<u>12,147,580</u>
Expected to be recovered in more than twelve months	<u>\$ 12,459,417</u>	<u>12,505,070</u>	<u>11,964,929</u>

- As of January 1 to March 31, 2014 and 2013, the total interest expense of the consolidated company is NT\$ 1,705 thousand and NT\$ 4,284 thousand, respectively. The amount of capitalized interest of residential and building under construction, as well as columbarium and cemetery under construction is zero.
- The consolidated Company discretionary portion of the land due to land acquisition integration consignee handle matters registered in the name part. The two sides signed the contract and agreed 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

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

promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.

3. For the consolidated company's inventories pledged as collateral as of March 31, 2014, December 31 and March 31, 2013, please refer to Note 8.

(IV) The investment under equity method

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

	<u>3.31.2014</u>	<u>12.3.2013</u>	<u>3.31.2013</u>
Affiliated enterprises	\$ -	-	69,048

1. The consolidated company's share of the affiliated enterprise's profit and loss as of January 1 to March 31, 2014 and 2013 is as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
The Consolidated Company's share of the affiliated enterprise's profit and loss	\$ -	4,468

2. Zekaen Co. Ltd. as in April 2013, the Board resolved menstrual cash capital 70,000 thousand companies involved in the merger subscribe 61,250 thousand, shareholding ratio increased from 42% to 73.85%, and the company has the ability to control the future in the capital increase.
3. The consolidated company disposed the full ownership of the affiliated enterprises Beauty Kadan Co., Ltd. in August 2013 at a sales price of NT\$23,732 thousand, and the recognized profit of the disposal of investment is NT\$803 thousand.
4. Affiliated enterprise Rwei Da Venture Capital Co., Ltd. performed capital reduction refund 27,000 thousand in June 2013 and the amount debited using the equity method of investment. In addition, Rwei Da Venture Capital Co., Ltd. conducted capital injection in November 2013, the consolidated company's did not take up new shares as shareholding ratio, this has caused the Company's ownership to decrease from 47.62% to 15%, leading to loss of significant influence on this company. Hence, the investment under equity method is transferred to financial assets carried at cost using. Please refer to Note 6(2).
5. The consolidated company's investment under equity method was without any collateral pledged as of March 31, 2013.

(V) Real property, plant, and equipment

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

	<u>Land</u>	<u>Houses and buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leased assets and leasehold improvements</u>	<u>Other equipment</u>	<u>Constructi on in progress and equipment to be tested</u>	<u>Total</u>
Cost or identified cost:								
Balance on January 1, 2014	\$ 2,007,959	792,553	89,748	106,079	35,280	43,486	2,571,706	5,646,811
Additions	101,981	2,733	72	24	1,430	704	209,615	316,559
Disposal and scrap	-	-	-	(2,099)	(472)	-	(79)	(2,650)
Balance on March 31, 2014	\$ 2,109,940	795,286	89,820	104,004	36,238	44,190	2,781,242	5,960,720
Balance on January 1, 2013	\$ 1,974,767	639,816	87,764	94,870	32,696	40,800	2,200,488	5,071,201
Additions	-	322	981	507	405	823	118,103	121,141

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	Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Disposal	-	-	(981)	-	-	-	-	(981)
Reclassification	370	138,441	-	-	-	-	(135,151)	3,660
Balance on March 31, 2013	<u>\$ 1,975,137</u>	<u>778,579</u>	<u>87,764</u>	<u>95,377</u>	<u>33,101</u>	<u>41,623</u>	<u>2,183,440</u>	<u>5,195,021</u>
Depreciation and impairment loss:								
Balance on January 1, 2014	\$ -	268,206	42,079	92,020	32,608	29,067	-	463,980
Current depreciation	-	7,516	2,886	1,214	338	1,107	-	13,061
Disposal and scrap	-	-	-	(360)	(92)	-	-	(452)
Balance on March 31, 2014	<u>\$ -</u>	<u>275,722</u>	<u>44,965</u>	<u>92,874</u>	<u>32,854</u>	<u>30,174</u>	<u>-</u>	<u>476,589</u>
Balance on January 1, 2013	\$ -	250,699	30,494	89,057	30,721	25,368	-	426,339
Current depreciation	-	3,986	2,848	502	222	1,325	-	8,883
Balance on March 31, 2013	<u>\$ -</u>	<u>254,685</u>	<u>33,342</u>	<u>89,559</u>	<u>30,943</u>	<u>26,693</u>	<u>-</u>	<u>435,222</u>
Book value:								
January 1, 2014	<u>\$ 2,007,959</u>	<u>524,347</u>	<u>47,669</u>	<u>14,059</u>	<u>2,672</u>	<u>14,419</u>	<u>2,571,706</u>	<u>5,182,831</u>
March 31, 2014	<u>\$ 2,109,940</u>	<u>519,564</u>	<u>44,855</u>	<u>11,130</u>	<u>3,384</u>	<u>14,016</u>	<u>2,781,242</u>	<u>5,484,131</u>
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>15,432</u>	<u>2,200,488</u>	<u>4,644,862</u>
March 31, 2013	<u>\$ 1,975,137</u>	<u>523,894</u>	<u>54,422</u>	<u>5,818</u>	<u>2,158</u>	<u>14,930</u>	<u>2,183,440</u>	<u>4,759,799</u>

1. 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 record.

2. For the financing facilities pledged in details as of March 31, 2014 and December 31, March 31, 2013, please refers to Note 8.

3. As of March 31, 2014, December 31 and March 31, 2013 through part of real property deliver trust case, please refer to Note 9.

(VI) Investment property

	Land and improvements	Building and structure	Total
Cost or identified cost:			
Balance on January 1, 2014	\$ 4,593,821	1,874,815	6,468,636
Disposal	(5,147)	(8,495)	(13,642)
Balance on March 31, 2014	<u>\$ 4,588,674</u>	<u>1,866,320</u>	<u>6,454,994</u>
Balance on January 1, 2013	\$ 5,141,449	2,746,489	7,887,938
Additions	-	27	27
Disposal	(516)	(668)	(1,184)
Balance on March 31, 2013	<u>\$ 5,140,933</u>	<u>2,745,848</u>	<u>7,886,781</u>
Depreciation and impairment loss:			
Balance on January 1, 2014	\$ 19,910	264,587	284,497

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	<u>Land and improvements</u>	<u>Building and structure</u>	<u>Total</u>
Current depreciation	-	13,046	13,046
Disposal	-	(2,833)	(2,833)
Balance on March 31, 2014	<u>\$ 19,910</u>	<u>274,800</u>	<u>294,710</u>
Balance on January 1, 2013	\$ 19,910	288,815	308,725
Current depreciation	-	18,552	18,552
Disposal	-	(73)	(73)
Balance on March 31, 2013	<u>\$ 19,910</u>	<u>307,294</u>	<u>327,204</u>
Book value:			
January 1, 2014	<u>\$ 4,573,911</u>	<u>1,610,228</u>	<u>6,184,139</u>
March 31, 2014	<u>\$ 4,568,764</u>	<u>1,591,520</u>	<u>6,160,284</u>
January 1, 2013	<u>\$ 5,121,539</u>	<u>2,457,674</u>	<u>7,579,213</u>
March 31, 2013	<u>\$ 5,121,023</u>	<u>2,438,554</u>	<u>7,559,577</u>

Investment property contains a number of commercial properties leased to others. Please refer to Note 6(9).

There are no significant differences between the consolidated company investment property fair value and the disclosure information of the 2013 annual consolidated financial report Note 6(8).

For the financing facilities pledged in details as of March 31, 2014 and December 31, March 31, 2013, please refers to Note 8.

(VII) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance on January 1, 2014	\$ 542,428	192,750	94,571	829,749
Acquired separately	-	-	415	415
Disposal and scrap	-	-	(2,080)	(2,080)
Reclassification to cost of goods sold	-	-	(67)	(67)
Balance on March 31, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>92,839</u>	<u>828,017</u>
Balance on January 1, 2013	\$ 542,428	192,750	76,126	811,304
Acquired separately	-	-	1,376	1,376
Balance on March 31, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>77,502</u>	<u>812,680</u>
Amortization and impairment loss:				
Balance on January 1, 2014	\$ -	-	44,601	44,601
Current Amortization	-	-	3,361	3,361
Disposal and scrap	-	-	(767)	(767)
Reclassification to cost of goods sold	-	-	(10)	(10)
Balance on March 31, 2014	<u>\$ -</u>	<u>-</u>	<u>47,185</u>	<u>47,185</u>
Balance on January 1, 2013	\$ -	-	33,628	33,628
Current Amortization	-	-	1,892	1,892
Balance on March 31, 2013	<u>\$ -</u>	<u>-</u>	<u>35,520</u>	<u>35,520</u>
Book value:				

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	Goodwill	Trademark	Computer software	Total
January 1, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>49,970</u>	<u>785,148</u>
Balance on March 31, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>45,654</u>	<u>780,832</u>
January 1, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>42,498</u>	<u>777,676</u>
Balance on March 31, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>41,982</u>	<u>777,160</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of intangible assets for the three months ended March 31, 2014 and 2013. Information on amortization for the period is discussed in Note 12(1). Please refer to 2013 annual consolidated financial report Note 6(9) for other related information.

(VIII) Short-term loan

	3.31.2014	12.31.2013	3.31.2013
Guaranteed bank loans	\$ 1,002,000	1,002,000	1,600,000
Unguaranteed bank loans	-	-	190,000
Total	<u>\$ 1,002,000</u>	<u>1,002,000</u>	<u>1,790,000</u>
Unused limit	<u>\$ 3,429,000</u>	<u>3,429,000</u>	-
Interest rate range	<u>0.62%~1.85%</u>	<u>0.62%~1.85%</u>	<u>0.62%~1.85%</u>

1. Issuance and repay of short-term loan

As of January 1 to March 31, 2014 and 2013, the increased amount is NT\$25,000 thousand and NT\$30,000 thousand, respectively. The repayable amount is NT\$25,000 thousand and NT\$380,000 thousand, respectively.

2. For the consolidated company's assets pledged as collateral for bank loans, please refer to Note 8.

(IX) Operating lease

For the consolidated company's investment property leased as operating rental, please refer to Note 6(6). The future minimum lease payment receivable of the irrevocable lease term is as follows:

	3.31.2014	12.31.2013	3.31.2013
Within 1 year	\$ 179,746	215,679	175,253
1~5 years	453,412	482,340	305,549
Over 5 years	120,029	129,617	175,826
	<u>\$ 753,187</u>	<u>827,636</u>	<u>656,628</u>

(X) Employee welfare

1. Defined benefit plan

Management believes that in prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, the consolidated company adopts the pension cost decided actuarially as of December 31, 2013 and 2012 to measure and disclose the pension cost during the interim period.

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Consolidated company's expenses as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Administrative expenses	\$ 4	9

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:

	<u>2014Q1</u>	<u>2013Q1</u>
Operating cost	\$ 2,312	1,647
Administrative expenses	2,340	1,806
	<u>\$ 4,652</u>	<u>3,453</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.
- The consolidated company's income tax expenses as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Current income tax expenses		
Current generated	\$ 38,950	35,270
Increase of land tax	1,161	28,874
	<u>\$ 40,111</u>	<u>64,144</u>

- The Company's income tax returns have been audited by the tax authorities up to 2010. The discontinued company after the consolidation - Lungyen Life Service Co., Ltd.'s income tax returns has been audited by the tax authorities up to 2008.
- The Company's imputation tax is as follows:

	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Undistributed earnings before 1997	\$ -	-	-
Undistributed earnings after 1998	2,978,536	2,517,500	2,431,774
	<u>\$ 2,978,536</u>	<u>2,517,500</u>	<u>2,431,774</u>
Imputed tax credit account balance	<u>\$ 453,453</u>	<u>453,453</u>	<u>621,837</u>

	<u>2013</u>	<u>2012</u>
	<u>(Estimated)</u>	<u>(Actual)</u>
Creditable ratio for distribution of earnings for ROC residents	<u>23.15%</u>	<u>20.48%</u>

The two tax information dealt with in accordance with the Treasury Department sets of regulation and taxation Letter No. 10204562810 of October 17, 2013.

(XII) Capital and other equity

Except as described below, there were no significant changes in the equity capital and other equity accounts of the consolidated company during the three months ended in March 31, 2014 and 2013, for more information please refer to Note 6(14) of the 2013 annual consolidated financial statements.

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

1. Additional paid-in capital

The Company's additional paid-in capital balance:

	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Stock premium	\$ 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	1,448	3,587	-
	<u>\$ 1,393,520</u>	<u>1,395,659</u>	<u>1,392,072</u>

According to the Company Law amended in January 2012, additional paid-in capital must be applied to make up losses with priority before distributing new shares or cash to shareholders proportionally to their shareholding ratio. The realized additional paid-in capital referred to above includes stock premium and bestowed income received. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the additional paid-in capital that can be capitalized annually shall not exceed 10% of the total paid-in capital.

2. Retained earnings

According to the Company's Articles of Incorporation, the total annual earnings, if any, should be applied to pay tax, make up losses of prior years, then appropriated 10% legal reserve, and if necessary, appropriated special reserve, the remaining amount thereafter, if any, is deposited as retained earnings partially and the rest amount is allocated as follows:

- a. Common stock dividend and bonus may not be less than 97%;
- b. Remuneration to directors may not exceed 2%;
- c. Bonus to employees may not be less than 1%;

If the distribution of bonus to employees is paid with stock shares, the recipients shall include the qualified employees of the subsidiaries.

Retained earnings can be distributed in the form of stock dividends for the purpose of protecting shareholders' equity and in response to the annual fund demands estimated in accordance with the Company's capital budget planning. The distribution of cash dividends may not be less than 10% of the dividend to shareholders.

(1) Legal reserve

According to the Company Law amended in January 2012, companies are to appropriate 10% of the net income as legal reserve until it is equivalent to the total capital. If there is no deficit, companies with the resolution reached in the shareholders' meeting may distribute new shares or cash to shareholders with legal reserve and it is limited to the portion exceeding 25% paid-in capital.

(2) Special reserve

According to FSC Cert. Far. Tzi No. 1010012865 Order dated April 6, 2012 issued by the Financial Supervisory Commission, when the Company distributes the distributable earnings, for the net amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the current profit or loss and prior unappropriated earnings. For the cumulative amount debited to the "Other shareholder's equity," appropriate special reserve for the same amount from the prior unappropriated earnings and it may not be distributed. The amount debited to "Other shareholder's equity" that is reversed subsequently can be distributed as earnings.

(3) Distribution of earnings

The Company's bonus to employees as of 2014Q1 and 2013Q1 is estimated to be

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

NT\$3,032 thousand and NT\$4,070 thousand, respectively. The remuneration to directors and supervisors is estimated to be NT\$6,063 thousand and NT\$8,140 thousand, respectively. The estimated bonus payable to employees and remuneration payable to directors is based on the experience in distribution to calculate, having the net income after deducting the bonus to employees, remuneration to directors and supervisors, legal (special) reserve, and retained earnings multiplied 1% and 2%, respectively; also, it is reported as operating cost or operating expense as of 2014Q1 and 2013Q1.

The Company's bonus to employees as of 2013 and 2012 is estimated to be NT\$13,577 thousand. The remuneration to directors and supervisors is estimated to be NT\$27,154 thousand. It is based on the 2013 and 2012 net income, earnings distribution method, priority, and percentage of bonus to employees and remuneration to directors and supervisors defined in the Company's Articles of Incorporation; also, it is reported as operating cost or operating expense as of 2013 and 2012. The 2013 distribution of bonus to employees and remuneration to directors and supervisors is yet to be resolved in the shareholders' meeting. The relevant information can be obtained from the MOPS after the shareholders' meeting convened. If the distribution amount resolved in the shareholders' meeting differs from the estimated amount, the difference is recognized in the 2014 profit or loss.

The Company's distribution of 2013 earnings was proposed by the board of directors on March 27, 2014; also, the distribution of 2012 earnings was resolved in the general shareholders' meeting on June 4, 2013. The distribution of dividends to shareholders is as follows:

	2013		2012	
	Share distribution rate (NT\$)	Amount	Share distribution rate (NT\$)	Amount
Dividends distributed to common stock shareholders:				
Cash	\$ 3.30	<u>1,316,978</u>	3.30	<u>1,316,978</u>

The Company's 2012 annual bonus to employees, directors and supervisors of financial reporting amounts recognized no difference between the actual distributions.

3. Other equity

	Exchange differences from the translation of foreign institution's financial statements	Available-for-sale investment	Total
January 1, 2014	\$ (15,280)	56	(15,224)
Currency translation differences (after tax):			
Consolidated company	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Unrealized gain or loss of the available-for-sale financial assets			
Balance on March 31, 2014	<u>\$ (12,712)</u>	<u>56</u>	<u>(12,656)</u>

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

	Exchange differences from the translation of foreign institution's financial statements	Available-for-sale investment	Total
January 1, 2013	\$ (20,204)	369	(19,835)
Currency translation differences (after tax):			
Consolidated company	5,818	-	5,818
Unrealized gain or loss of the available-for-sale financial assets:			
Affiliated enterprises	-	(322)	(322)
Balance on March 31, 2013	<u>\$ (14,386)</u>	<u>47</u>	<u>(14,339)</u>

(XIII) Earnings per share

The consolidated company's basic earnings per share and diluted earnings per share as of 2014Q1 and 2013Q1 are calculated as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Basic earnings per share		
Net income attributable to the Company's common stock shareholders:	<u>\$ 461,036</u>	<u>402,551</u>
Weighted average outstanding common stock shares	399,084	399,084
	<u>\$ 1.16</u>	<u>1.01</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>\$ 461,036</u>	<u>402,551</u>
Weighted average outstanding common stock shares	399,084	399,084
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
The impact of stock bonus to employees	201	173
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	399,285	399,257
	<u>\$ 1.15</u>	<u>1.01</u>

(XIV) Income

The consolidated company's income as of 2014Q1 and 2013Q1 is as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Columbarium and cemetery income	\$ 612,897	541,512
Funeral services income	369,654	325,001
Rent income from investment property	50,667	60,657

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	<u>2014Q1</u>	<u>2013Q1</u>
Construction contract income	8,307	14,336
Other operating income	68,431	46,237
	<u>\$ 1,109,956</u>	<u>987,743</u>

(XV) Other profit and loss

The Consolidated Company's other gain and loss is as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Gain on disposal of investment property interests	\$ 10,106	1,233
Loss on change in fair value of biological assets	(1,063)	10,551
	<u>\$ 9,043</u>	<u>11,784</u>

(XVI) Non-operating income and expense

1. Other income

The consolidated company's other income is as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Interest income	\$ 14,430	2,018
Dividend income	-	439
Service charge income	2,343	2,394
Fines income	28,203	35,670
Other income	387	859
	<u>\$ 45,363</u>	<u>41,380</u>

2. Other profit and loss

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

	<u>2014Q1</u>	<u>2013Q1</u>
Foreign exchange gain (loss)	\$ (8,928)	(7,738)
Net financial assets measured at fair value through profit or loss	20,938	45,367
Disposal of property, plant, and equipment	(1,370)	(556)
Loss on scrapping of intangible asset	(1,126)	-
Other expense	(4,142)	(1,555)
	<u>\$ 5,372</u>	<u>35,518</u>

3. Finance cost

Consolidated company's finance cost is as follows:

	<u>2014Q1</u>	<u>2013Q1</u>
Interest expense	<u>\$ 1,705</u>	<u>4,284</u>

(XVII) 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

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

market risk. For other information, please refer to Note 6(19) in the 2013 annual consolidated financial statements.

1. Credit risk

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

	3.31.2014		12.31.2013		3.31.2013	
	Total	Impairment	Total	Impairment	Total	Impairment
Not overdue	\$ 425,458	27,379	288,135	24,755	250,461	16,665
Overdue 31~60 days	10,222	886	10,193	966	10,387	901
Overdue 61~90 days	11,316	981	6,884	584	4,584	397
Overdue 91~120 days	2,232	129	8,352	143	1,439	125
Overdue more than 120 days	43,900	21,577	92,500	17,102	32,537	16,598
	<u>\$ 493,128</u>	<u>50,952</u>	<u>406,064</u>	<u>43,550</u>	<u>299,408</u>	<u>34,686</u>

	2014Q1	2013Q1
Balance on 1 January	\$ 43,550	32,795
Impairment loss recognized	7,402	1,891
Balance on 31 March	<u>\$ 50,952</u>	<u>34,686</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

2. Exchange rate risk

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

	3.31.2014			12.31.2013			3.31.2013		
	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	\$ 328,626	4.875	1,602,052	230,812	4.90	1,130,977	20,339	4.781	97,241
RMB/ Singapore Dollar	1	0.203	-	772	0.208	3,795	9,162	0.208	44,032
USD/NTD	5,294	30.47	161,313	2,875	29.72	85,445	3	29.82	94
USD/ Singapore Dollar	3	1.26	4	-	-	-	5,986	1.24	178,657
Japanese yen / NTD	12,257	0.294	3,604	10,916	0.285	3,111	25,920	0.315	8,165

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 March 31, 2014 and 2013, the net income was increased by NT\$146,659 thousand and decreased by NT\$27,240 thousand, respectively as of the three months ended March 31, 2014 and 2013. 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.

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

(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. Each fair value hierarchy is 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 parameters of the asset or liability are not based on the observable market data (unobservable parameter).

	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
March 31, 2014				
Financial assets measured at fair value through profit or loss	\$ 1,221,555	-	-	1,221,555
December 31, 2013				
Financial assets measured at fair value through profit or loss	\$ 859,527	-	-	859,527
March 31, 2013				
Financial assets measured at fair value through profit or loss	\$ 1,135,504	15	-	1,135,519

No financial asset was transferred as of the three months ended March 31, 2014 and 2013.

(XVIII) Financial risk management

There were no significant differences of the consolidated company's financial risk management and policies with those disclosed in Note 6(20) of the 2013 annual consolidated financial statements.

(XIX) 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 2013 annual consolidated financial statements. Additionally, management believes that there were no significant changes between the total quantitative information of capital management and those disclosed in the 2013 annual consolidated financial statements. For related information, please refer to Note 6(21) in 2013 annual consolidated financial statements.

VII. Related Party Transactions

(I) Parent company and ultimate controller

The Company is the ultimate controller of the consolidated company.

(II) Other related party transactions

1. Sales

The consolidated company's significant sales amount and the outstanding balances to the related parties are as follows:

	<u>Sales</u>		<u>Receivables from related parties (booked in "Accounts receivable – net")</u>		
	<u>January to March, 2014</u>	<u>January to March, 2013</u>	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Other related party \$	6,143	-	2,252	20,031	17,854
Affiliates	-	699	-	-	-
	\$ 6,143	699	2,252	20,031	17,854

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

Transaction price determined by bilateral agreement price, the payment terms agreed by signed contracts receivable, and general trading fairly

2. Purchase goods from related party

The Consolidated Company's purchase amount and the outstanding balance to the related party are as follows:

	Purchase		Payable to related party		
	2014Q1	2013Q1	3.31.2014	12.31.2013	3.31.2013
Affiliated enterprises	\$ -	25,540	-	-	12,926

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 to 60 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\$1,317 thousand and NT\$358 thousand paid as of the three months ended 2014 and 2013, respectively

(2) Lessor:

The Consolidated Company has office building and parking space rented to the related party with a rent income of NT\$9 thousand and NT\$2,486 thousand as of the three months ended 2014 and 2013, respectively.

The above conditions are negotiated lease, no significant differences between non-related party transactions.

4. Contract projects

<u>Name of related party</u>	<u>Project Name</u>	<u>Contract Price</u>	<u>Current Price</u>	<u>Accumulated Price</u>
January to March, 2014				
Other related party	Gu Gong Case	\$ 252,950	-	216,709
January to March, 2013				
Other related party	Gu Gong Case	\$ 252,950	-	216,709

The Consolidated Company contracted according to the related engineering project budget in addition to a reasonable management fees and profits, the contract prices are set after the decision of supervisors.

5. Others

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

	3.31.2014	12.31.2013	3.31.2013
Affiliated enterprises	\$ -	100	2,461

(2) Other payables

	3.31.2014	12.31.2013	3.31.2013
Other related party	\$ 677	925	65

(3) Payment on behalf of others (included in other current assets)

	3.31.2014	12.31.2013	3.31.2013
Other related party	\$ -	557	-

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

6. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of the related party as of March 31, 2013. Please refer to Note 6(3) and (5)

7. Others:

The Consolidated Company commissioned other related party to acquire land for construction for a total price of NT\$668,016 thousand as of March 31, 2014 and 2013, respectively. The discretionary trustee is to handle the land combination matter on behalf of the Company

(III) Key management personnel transactions

Key management personnel remuneration includes:

	<u>2014Q1</u>	<u>2013Q1</u>
Short-term employee benefits	\$ 11,224	5,647
Retirement benefits	293	160
	<u>\$ 11,517</u>	<u>5,807</u>

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>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Other financial assets - current	The transaction service of trust accounts and credit accounts; also, the guarantee of forward exchange transactions	\$ 39,100	136,046	215,756
Inventories	The guarantee for the transaction service of the loan account and credit account	2,864,063	2,870,063	4,030,177
Property, plant, and equipment – book value	Collateral for loan	581,031	581,031	581,031
Investment property – book value	The guarantee for the transaction service of the loan account and credit account	2,986,011	2,991,069	4,334,714
		<u>\$ 6,470,205</u>	<u>6,578,209</u>	<u>9,161,678</u>

Note: Subsidiary in May 29, 2013 for land cover cash capital to issue new shares at a price of land to offset the monies already on June 6, 2013 to complete the transfer of ownership transfer registration procedures, some of which 6,000 thousand land value has mortgage.

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>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Contracted projects	\$ 36,241	36,241	36,241
Acquisition of columbarium and cemetery	26,709	37,707	51,440
Acquisition of construction site	57,013	171,919	286,813
Individual construction project	793,546	1,053,253	-

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

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

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 March 31, 2014, December 31 and March 31, 2013, respectively

3. In September 2013 the company entered into a merger with Tainan City Government Economic Development Board, "Tainan local industrial R & D Promotion Program project contract" to perform in accordance with the relevant technical research program set out in the project plan to contract content and applications in accordance with the agreed schedule grants, contracts executed during the period from the signing date to April 30, 2014. As of March 31, 2014, but has not yet been received up to timing of revenue recognition of grants total 390 thousand recorded as deferred revenue (other current liabilities)

Combined with NCKU Research and Development Foundation signed a contract R & D program guidance, counseling and during the same period of the previous project contract execution, as of March 31, 2014 in accordance with the contract fee paid tutoring count 101 thousand in other current assets under.

(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. Investigations by the Taipei District Court re-examine the 2009 Zi No. 672 v. Case No. Department of the genus, but the aforementioned title of the land in January 2014 has been gradually transferred to handle the Company, the Company has completed the change of ownership at after the withdrawal of the registration handle litigation.

(III) Others

1. 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 March 31, 2014, December 31 and March 31, 2013 are as follows :

	<u>3.31.2014</u>	<u>12.31.2013</u>	<u>3.31.2013</u>
Bank deposits			
Demand deposits	\$ 83,227	11,519	22,717
Time deposits	905,577	816,324	240,000
Financial assets measured at fair value through profit or loss - current	460,647	497,032	-

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

	3.31.2014	12.31.2013	3.31.2013
Property, plant and equipment (Note)	2,277,914	2,277,914	2,277,914
Investment property (Note)	1,962,845	1,962,845	1,962,845
	\$ 5,690,210	5,565,634	4,503,476

Note: The carrying value of the asset at the time of delivery of the Trust.

The above amounts have switched trust assets to purchase financial instruments and real estate delivery, transfer to the Trustee, the Trustee in accordance with the instructions so that the principal of, for the trust property, the designated uses for management action.

- 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\$1,052,724 thousand, NT\$1,024,617 thousand, and NT\$1,005,998 thousand, as of March 31, 2014, December 31 and March 31, 2013, respectively; also, it is booked in the "Other financial assets – current."
- The Consolidated Company had contracts signed with clients for the sale of columbarium of True Dragon Tower and funeral service as of March 31, 2014, December 31 and March 31, 2013. The pre-need contract signed and the related deferred marketing expenses are as follows:

	3.31.2014	12.31.2013	3.31.2013
Total contract price	\$ 34,319,895	34,168,389	34,029,623
Outstanding proceeds	(7,608,433)	(7,630,962)	(8,188,615)
Advanced receipts	\$ 26,711,462	26,537,427	25,841,008
Deferred marketing expense	\$ 8,077,897	8,046,357	8,063,440
Expected to be reclassified for more than twelve months	\$ 23,986,547	23,812,512	23,447,283

X. Significant disaster loss: None

XI. Significant subsequent events: None

XII. Others

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

By function	2014Q1				2013Q1			
	Classified as Operating Costs	Classified as Selling Expenses	Other (Note 1)	Total	Classified as Operating Costs	Classified as Selling Expenses	Other (Note 1)	Total
Employee benefits								
Salary	56,748	42,418	16,441	115,607	47,193	40,940	15,042	103,175
Labor and health insurance	4,053	3,970	1,744	9,767	213	4,012	1,042	5,267
Pension	2,312	1,595	749	4,656	1,647	1,291	524	3,462
Others	1,357	2,159	942	4,458	1,065	2,344	1,216	4,625

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

By item	2014Q1				2013Q1			
	Classified as Operating Costs	Classified as Selling Expenses	Other (Note 1)	Total	Classified as Operating Costs	Classified as Selling Expenses	Other (Note 1)	Total
Depreciation	21,954	3,049	1,289	26,292	23,232	3,571	856	27,659
Depletion	-	-	-	-	-	-	-	-
Amortization	1,014	2,136	211	3,361	-	1,764	128	1,892

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

- (2) In 2013 Sun Lung Asset Management Company Limited and Quan An Tai Corporation signed the "Kaohsiung Quan An Tai Cemetery entrust cooperation operation contract" Since the effective date of the contract, the subject of joint venture investments commissioned the construction of the required amount, according to the contract agreed upon by the three parties funded ratio of investment and registered in accordance with the proportion of total funding, and all merchandising and management cooperation is the subject of co-ordination by the Company

The capital amount contributed by the described 3 parties is considered as working capital, working capital at the commencement of the contract will be deposited in a special account for future management and co-ordination by the Company's management, utilization and management during the Company may only be stored by the owner of the tomb and the other in management fees charged by funeral regulations and in accordance with established account management fees and earmarking

- (3) Seasonality of operations

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

- (4) 2013 Q1 quarterly consolidated financial statements with the presentation of certain amounts of the 2014Q1 quarterly consolidated financial statements have been reclassified way, the reclassification had no significant impact on the expression of 2013 Q1 consolidated financial statements.

XIII. Other disclosures

- (1) Information on significant transactions

The consolidated company should have the following material transactions disclosed as of 2014Q1 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties: None.
2. Guarantees and endorsements for other parties :

Unit: Thousand NTD

Number	Name of Lenders	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	1,767,613	300,000	300,000	-	-	3.40%	4,419,032	Y	-	-
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	1,767,613	200,000	200,000	-	-	2.26%	4,419,032	Y	-	-

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

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

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

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

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

Note 3: According to the Board resolutions on June 14, 2013, the maximum amount of endorsements to Yuji Development Corp. has been set to \$300,000 thousand, and the lending amount has been canceled. Additionally, upon Board resolutions on March 27, 2014, the maximum amount of endorsements to Lung Fu Company Limited has been set to \$200,000 thousand.

2. Information regarding securities held at balance sheet date (not including subsidiaries, associates and joint control):

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending			Market Value (NTD) per Unit	Remark
				Quantity of shares (thousand shares)/unit	Book Value	% of Ownership		
The Company	Stock of Chang Hwa Bank	-	Financial assets at fair value through profit or loss - current	2,480	44,758	- %	18.05	
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss - current	242	18,586	- %	76.80	
The Company	Chenbro securities	-	Financial assets at fair value through profit or loss - current	1,173	41,754	- %	35.60	
The Company	Gallop No. 1	-	Financial assets at fair value through profit or loss - current	3,000	54,540	- %	18.18	
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss - current	2,350	44,768	- %	19.05	
The Company	Stock of Asia Cement Corporation	-	Financial assets at fair value through profit or loss - current	526	19,988	- %	38.00	
The Company	Stock of CHINA LIFE INSURANCE COMPANY, LTD.	-	Financial assets at fair value through profit or loss - current	650	18,167	- %	27.95	
The Company	Stock of LITE-ON TECHNOLOGY CORP.	-	Financial assets at fair value through profit or loss - current	450	20,430	- %	45.40	
The Company	Stock of Pegatron Corporation	-	Financial assets at fair value through profit or loss - current	490	22,221	- %	45.35	
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss - current	245	21,290	- %	86.90	
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss - current	160	45,369	- %	283.56	
The Company	CITIC primary financial bond	-	Financial assets at fair value through profit or loss - current	200	98,135	- %	490.68	
The Company	Fubon Securities	-	Financial assets at fair value through profit or loss - current	-	100,000	- %	100,000.00	
The Company	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	15,426	217,992	- %	14.13	
The Company	CTBC Emerging Market	-	Financial assets at fair value through profit or loss - current	1,000	10,163	- %	10.16	
The Company	Cathay Emerging China Bond (Trust)	-	Financial assets at fair value through profit or loss - current	4,900	49,833	- %	10.17	

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

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	Cathay Emerging China Bond	-	Financial assets at fair value through profit or loss - current	9,747	99,123	- %	10.17	
The Company	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,121	75,010	- %	12.25	
The Company	Erenstar sub-Fundl Segregated Portfolio	-	Financial assets at fair value through profit or loss - current	1	61,800	- %	61,800	
The Company	FORTUNE IC FUND I	-	Financial assets carried at cost - non-current	600	11,216	4.86 %	24.30	
The Company	PK Venture Capital Corp	-	Financial assets carried at cost - non-current	4,800	42,255	8.57 %	10.70	
The Company	Cathay insurance stock	-	Financial assets carried at cost - non-current	44	-	0.01 %	-	
The Company	Ruei Da Venture Capital Co., Ltd.	-	Financial assets carried at cost - non-current	300	2,862	15.00 %	9.98	Note
Ching Huang Construction Co., Ltd.	J-Garden Corp.	-	Financial assets carried at cost - non-current	255	2,550	5.00 %	11.84	
Ching Huang Construction Co., Ltd.	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	689	8,418	- %	12.22	
Ching Huang Construction Co., Ltd.	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,846	26,723	- %	14.48	
Ching Huang Construction Co., Ltd.	Cathay R2 Fund	-	Financial assets at fair value through profit or loss - current	1,173	17,712	- %	15.10	
Ching Huang Construction Co., Ltd.	Stock of Chunghwa Telecom Co., Ltd	-	Financial assets at fair value through profit or loss - current	535	50,130	- %	93.70	
Ching Huang Construction Co., Ltd.	Stock of Far EasTone Telecommunications Co., Ltd.	-	Financial assets at fair value through profit or loss - current	815	52,567	- %	64.50	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	170	2,078	- %	12.22	

Note: The Consolidated Company in the year 2013 lost its significant influence on this company, the investment under the equity method and therefore transferred financial assets carried at cost using, please refer to Note 6(4).

4. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital: None.
5. The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.
6. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.
7. Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties: None.
8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.
9. Engage in derivatives trading: None.
10. Business relationships and significant intercompany transactions:

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction Details			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	Lungyen Life Service Corp.	Ching Huang Construction Co., Ltd.	1	Payable accounts - related parties	\$ 13,256	100% 30-day postdated check	0.03%

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

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction Details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	"	"	1	Other payable accounts	23,210	-	0.06%
0	"	"	1	Other revenue	115	-	0.01%
0	"	Yuji Development Corp.	1	Other financial assets – current	2,150	-	0.01%
0	"	"	1	Payable accounts – related parties	10,225	100% 30-day postdated check	0.03%
0	"	"	1	Prepayments	14,394	-	0.04%
0	"	"	1	Operating cost	9,093	-	0.82%
0	"	"	1	Other revenue	6,066	-	0.55%
0	"	Lungding Life Science Co., Ltd.	1	Payable accounts – related parties	326	-	- %
0	"	"	1	Operating cost	497	-	0.05%
0	"	Zekaen Co. Ltd.	1	Cost of goods sold	30,518	-	2.75%
0	"	"	1	Accounts Payable	19,466	-	0.05%
0	"	"	1	Other income	998	-	0.09%
1	Ching Huang Construction Co., Ltd.	Lungyen Life Service Corp.	2	Accounts Receivable	36,466	100% 30-day postdated check	0.09%
1	"	"	2	Administrative expenses	115	-	0.01%
2	Yuji Development Corp.	Lungyen Life Service Corp.	2	Accounts Receivable	10,225	-	0.03%
2	"	"	2	Other Accounts Payable	2,150	-	0.01%
2	"	"	2	Advances from customers	14,394	-	0.04%
2	"	"	2	Operating income	9,093	-	0.82%
2	"	"	2	Administrative expenses	6,066	-	0.55%
3	Lungding Life Science Co., Ltd.	Lungyen Life Service Corp.	2	Accounts Receivable	326	-	- %
3	"	"	2	Operating income	497	-	0.04%
3	"	Zekaen Co. Ltd.	3	Sales	809	-	0.07%
3	"	"	3	Accounts Receivable	771	-	- %
2	Zekaen Co. Ltd.	Lungyen Life Service Corp.	2	Sales	30,518	-	2.75%
2	"	"	2	Accounts Receivable	19,466	-	0.05%
2	"	"	2	Administrative expenses	998	-	0.09%
2	"	Lungding Life Science Co., Ltd	3	Cost of goods sold	809	-	0.07%
2	"	"	3	Accounts Payable	771	-	- %

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 on investees:

The Consolidated Company's reinvestment as of 2013 is 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			Maximum shareholding or funding situation	Current recognized investment gains and losses	Note
				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%	166,575	189	201	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	990,000	990,000	99,000	56.25%	1,154,468	47,842	26,911	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%	3,607	9	7	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands.	Investment	114,529	114,529	1	100.00%	117,268	(571)	(571)	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	85,000	40,000	8,500	60.71%	58,469	(7,876)	(3,269)	Subsidiary
The Company	Singapore Lungyen Life Services Pte., Ltd.	Singapore	Funeral Service	11,990	11,990	500	100.00%	4,183	(1)	(1)	Subsidiary
The Company	Zekaen Co. Ltd.	Taiwan	Flower and plant cultivation	73,850	73,850	7,385	73.85%	46,151	(5,809)	(4,290)	Subsidiary
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75%	210,164	(17)	(13)	Sub-subsidiary
Zekaen Co. Ltd.	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	55,000	55,000	5,500	39.29%	37,833	(7,876)	(4,607)	Subsidiary

Note 1: The Company holds equity industry to write off these subsidiaries in the consolidated financial report.

Note2: The China investee company of the consolidated company is still in the preparation phase, please refer to Note 13(3) for related information.

(3) China investment information:

1. China investee company name, business operation, and related information:

Unit: Thousand NTD/Foreign Currency

China investee company name	Business operation	Received Capital	Type of investment (Note 1)	Current Beginning Period of Taiwan Accumulated Export	Current Export or Return of Investment Amount		Current Ending Period of Taiwan Accumulated Export	Company Direct or Indirect Investment Proportion of Holding	Recognized Investment Profit and Loss (Note2)	Ending Period of Investment Book Value	Amount Remitted Current Ending Period
					Export	Return					
Wenzhou Lungyen Trading Co. Ltd	Wholesale and export operations	-	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	100.00%	Preparing	-	-

2. Mainland China investment limits:

End of this period the cumulative remittance from Taiwan Amount of investment in Mainland China	Investment Amount Approved by Ministry of Economic Affairs	The limitation on investment areas in accordance with the provisions of the Investment Commission of Ministry of Economic Affairs
-	1,218,800 USD 40,000	5,302,838

US Dollar Exchange Rate: closing rate: 30.47

Note 1: An investment is divided into the following three ways, list out the type of the category:

- (A) Directly engaged in investment in Mainland China
- (B) re-invest in the mainland through a third country companies (please specify in the third area of investment companies)
- (C) Other method

Note 2: the current investment income recognized:

- (A) During the stage of preparations, note that there is no investment income.
- (B) The gain or loss recognized on the basis of the investment is divided into the following three types with note:

- 1 Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.
- 2 By the parent company in Taiwan audited financial statements.
- 3 Other.

Note 3: The corresponding currency should be NT dollars. Those involving foreign currency, the exchange rate for the reporting period amounted to NT accounts.

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

Note 4: The Consolidated Company on March 31, 2011 by the Board of Directors resolved to the amount of U.S. \$ 4,000 million, investment in the mainland established Lungyen (China) Co., Ltd. and in July 1, 2011 as approved by the Investment Commission of Ministry of Economic Affairs, Sea Dragon Traders Ltd. (BVI) currently intends reinvestment Lungyen (Cayman) Limited and Lungyen (Hong Kong) Limited to invest in the mainland funeral business, but is not actually exercised investment. The combined company on June 14, 2013 preceding the mainland investment undertaking intends to change the resolution by the Board as an operating base in Wenzhou, Zhejiang, engaged in the operation of funeral services and other advisory services, in October 28, 2013 Ministry of Economic Affairs of the investment project investment by industry Commission approval documented.

3. Significant transactions of the mainland China investment: None.

XIV. Financial Information by Department

(I) General information

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

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

(II) Departmental profit and loss, assets, liabilities, measurements and adjustment should be reported

The after tax profit and loss (excluding gains and losses and exchange gains and losses are often non-occurrence) is based on the Consolidated Company within the department's chief operating decision making report as a basis for the management of resource allocation and assessment of performance. As the profit or non-occurrence of recurrent and exchange gains and losses are based on a group basis to manage, so the Consolidated Company unallocated income tax expense (benefit), exchange gain or loss and non-recurring occurrence to reportable segments. In addition, not all departmental profit and loss contains depreciation and amortization non-cash items. The reported amounts should be consistent with the operating decision making report.

(III) The Consolidated Company's operating segments and adjustment are as follows:

	January to March, 2014						
	Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	Total
Income:							
Income from external customers	\$ 612,897	369,654	50,667	68,431	8,307	-	1,109,956
Inter-segment income	9,093	-	1,138	31,825	-	(42,056)	-
Total income	<u>\$ 621,990</u>	<u>369,654</u>	<u>51,805</u>	<u>100,256</u>	<u>8,307</u>	<u>(42,056)</u>	<u>1,109,956</u>
Reportable segment profit or loss	<u>\$ 299,723</u>	<u>70,002</u>	<u>26,535</u>	<u>126,856</u>	<u>(671)</u>	<u>(42,056)</u>	<u>480,389</u>

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

		January to March, 2013						
		<u>Columbarium and cemetery for sale</u>	<u>Funeral services</u>	<u>Property leasing</u>	<u>Cemetery operation and others</u>	<u>Construction for sales</u>	<u>Adjustments and written-off</u>	<u>Total</u>
Income:								
	Income from external customers	\$ 541,512	325,001	60,657	46,237	14,336	-	987,743
	Inter-segment income	5,069	-	123	-	19,124	(24,316)	-
	Total income	\$ 546,581	325,001	60,780	46,237	33,460	(24,316)	987,743
	Reportable segment profit or loss	\$ 275,272	49,485	26,261	76,844	20,542	(24,316)	424,088
		<u>Columbarium and cemetery for sale</u>	<u>Funeral services</u>	<u>Property leasing</u>	<u>Cemetery operation and others</u>	<u>Construction for sales</u>	<u>Adjustments and written-off</u>	<u>Total</u>
Reportable segment assets								
	March 31, 2014	\$ 13,155,703	3,629,987	6,153,450	18,114	4,209,473	12,569,954	39,736,681
	December 31, 2013	\$ 13,403,823	3,547,931	6,184,139	722	4,230,153	11,835,888	39,202,656
	March 31, 2013	\$ 13,007,983	3,511,670	7,886,781	18,040	3,840,080	10,424,770	38,689,324