

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Financial Statements**

**For The Six Months Ended June 30, 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 Service Corp. and its subsidiaries as of June 30, 2014 and 2013, the related consolidated statements of comprehensive income as of three months ended June 30, 2014 and 2013 and six months ended 2014 and 2013, and consolidated statements of changes in equity and consolidated statement of cash flows as of six months ended June 30, 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 Service Corp. has based on the unreviewed quarterly financial statements of the subsidiaries to prepare the quarterly consolidated financial statements. The total assets amounted to NT\$862,809 thousand and NT\$822,773 thousand, representing both 2% of total consolidated assets as of June 30, 2014 and 2013, respectively. The total liabilities amounted to NT\$107,158 thousand and NT\$73,305 thousand, representing 0.3% and 0.2% of total consolidated liabilities as of June 30, 2014 and 2013, respectively. The comprehensive profit or loss was NT\$4,195 thousand, NT\$(236) thousand, NT\$(2,706) thousand and NT\$6,470 thousand, representing 0.8%, (0.1)%, (0.3)% and 0.8% of the consolidated profit or loss as of April 1 to June 30, 2014 and 2013, and January 1 to June 30, 2014 and 2013, respectively.

Except for the statements in paragraph 3, the investment under the equity method of Lungyen Life Service Corp. and its subsidiaries amounted to NT\$25,559 thousand as of June 30, 2013. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$(3,676) thousand and NT\$792 thousand as of April 1 to June 30 and January 1 to June 30, 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. 1 "First-time Adoption of International Financial Reporting Standards" and No. 34 "Interim Financial Report" recognized by Financial Supervisory Commission without any amendment required.

KPMG

CPA:

Approval Document issued by the  
competent securities authority  
August 12, 2014

FSC VI. Tzi No. 0940129108  
: FSC No. 1020000737

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

Consolidated Balance Sheets

June 30, 2014, December 31, 2013 and June 30, 2013

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

(Reviewed, Not Audited)

Assets		6.30.2014		12.31.2013		6.30.2013		Liabilities and Equity		6.30.2014		12.31.2013		6.30.2013	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note 6(1) & (17))	\$ 548,639	1	1,382,339	4	892,936	2	2100	Short-term loan (Note 6(8))	\$ 1,212,000	3	1,002,000	3	1,788,000	5
1110	Financial assets at fair value through profit or loss – current (Note 6(2), (17), 8 & 9)	1,273,821	3	859,527	2	1,008,068	3	2170	Payable notes and accounts	421,944	1	462,026	1	468,874	1
1150	Notes receivable, net (Note 6(17))	54,645	-	26,780	-	28,755	-	2190	Constructions contract payable	38,249	-	14,902	-	26,486	-
1170	Accounts receivable, net (Note 6(17) & 7)	380,702	1	335,734	1	286,418	1	2200	Other payable accounts (Note 7)	2,030,933	5	498,677	1	1,619,426	4
1190	Constructions contract receivable	9,048	-	8,492	-	1,094	-	2230	Current income tax liabilities	139,635	-	171,844	-	103,277	-
1320	Inventories (Note 6(3) & 8)	13,000,929	32	12,698,018	32	12,305,121	31	2310	Advance receipts (Note 9)	28,167,424	70	27,595,812	71	27,136,213	70
1400	Biological assets – current	25,289	-	12,162	-	12,871	-	2399	Other current liabilities (Note 7)	18,087	-	15,401	-	16,261	-
1410	Prepayments (Note 9)	8,317,704	21	8,270,464	21	8,485,029	22			<u>32,028,272</u>	<u>79</u>	<u>29,760,662</u>	<u>76</u>	<u>31,158,537</u>	<u>80</u>
1476	Other financial assets – current (Note 6(17), 7, 8 & 9)	2,726,736	7	2,167,787	6	1,806,778	5	<b>Non-current liabilities:</b>							
1479	Other current assets	25,793	-	5,420	-	32,425	-	2570	Deferred income tax liabilities	35,409	-	30,683	-	26,148	-
		<u>26,363,306</u>	<u>65</u>	<u>25,766,723</u>	<u>66</u>	<u>24,859,495</u>	<u>64</u>	2640	Accrued pension liabilities	22,306	-	22,306	-	21,471	-
								2645	Deposit received	39,359	-	50,420	-	44,245	-
								2670	Other non-current liabilities	2,981	-	2,981	-	2,981	-
										<u>100,055</u>	<u>-</u>	<u>106,390</u>	<u>-</u>	<u>94,845</u>	<u>-</u>
									<b>Total liabilities</b>	<u>32,128,327</u>	<u>79</u>	<u>29,867,052</u>	<u>76</u>	<u>31,253,382</u>	<u>80</u>
<b>Non-current assets:</b>								<b>Equity attributable to owners of parent (Note 6(11) &amp; (12)):</b>							
1524	Available-for-sale financial assets – non-current (Note 6(2))	471,445	1	-	-	-	-	3100	Capital stock – common stock	3,990,842	10	3,990,842	10	3,990,842	10
1544	Financial assets carried at cost – non-current (Note 6(2))	41,621	-	58,883	-	56,021	-	3200	Capital surplus	1,392,072	3	1,395,661	4	1,395,661	4
1550	Investment under equity method (Note 6(4))	-	-	-	-	25,559	-		Retained earnings:						
1600	Property, plant and equipment (Note 6(5), 8 & 9)	5,729,029	14	5,223,155	13	4,934,846	12	3310	Legal reserve	669,595	2	467,987	1	467,987	1
1760	Investment property, net (Note 6(6), 8 & 9)	6,167,297	15	6,184,139	16	7,541,031	19	3320	Special reserve	15,224	-	19,835	-	19,835	-
1780	Intangible assets (Note 6(7))	777,295	2	785,148	2	779,004	2	3350	Unappropriated retained earnings	1,653,004	4	2,517,500	7	1,306,270	3
1840	Deferred income tax assets	723,163	2	711,747	2	614,954	2	3400	Other equity interest	(14,950)	-	(15,224)	-	(15,616)	-
1980	Other financial assets – non-current	36,593	-	41,891	-	27,037	-		<b>Total equity attributable to owners of parent</b>	<u>7,705,787</u>	<u>19</u>	<u>8,376,601</u>	<u>22</u>	<u>7,164,979</u>	<u>18</u>
1990	Other non-current assets	431,539	1	430,972	1	434,565	1	36xx	Non-controlling interest	907,174	2	959,005	2	854,151	2
		<u>14,377,982</u>	<u>35</u>	<u>13,435,935</u>	<u>34</u>	<u>14,413,017</u>	<u>36</u>		<b>Total equity</b>	<u>8,612,961</u>	<u>21</u>	<u>9,335,606</u>	<u>24</u>	<u>8,019,130</u>	<u>20</u>
<b>Total assets</b>		<u>\$ 40,741,288</u>	<u>100</u>	<u>39,202,658</u>	<u>100</u>	<u>39,272,512</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 40,741,288</u>	<u>100</u>	<u>39,202,658</u>	<u>100</u>	<u>39,272,512</u>	<u>100</u>

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

Chairman :

General Manager :

Chief Accountant :

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

**April 1 to June 30, 2014 and 2013; and the six months ended June 30, 2014 and 2013**

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

(Reviewed, Not Audited)

	April to June 2014		April to June 2013		January to June 2014		January to June 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6(14) &amp; 7)</b>	\$ 1,126,938	100	1,050,318	100	2,236,894	100	2,038,061	100
5000 <b>Operating cost (Note 7)</b>	315,459	28	305,232	29	673,589	31	584,259	28
5900 <b>Operating gross profit (loss)</b>	811,479	72	745,086	71	1,563,305	69	1,453,802	72
<b>Operating expenses:</b>								
6100 Selling expenses	225,705	20	240,226	23	434,645	19	462,343	23
6200 Administration expenses (Note 6 & 7)	102,846	9	68,387	6	183,305	8	155,620	8
6000 <b>Total operating expenses</b>	328,551	29	308,613	29	617,950	27	617,963	31
6500 <b>Other income and expenses (Note 6(15))</b>	26,672	2	(6,750)	(1)	35,715	2	5,034	-
6900 <b>Operating income (loss)</b>	509,600	45	429,723	41	981,070	44	840,873	41
<b>Non-operating income and expenses:</b>								
7010 Other income (Note 6(16))	66,531	6	57,454	5	111,894	5	98,834	5
7020 Other gains and losses (Note 6(16))	(5,764)	(1)	51,062	5	(392)	-	86,580	4
7050 Financial costs (Note 6(3) & (16))	(2,231)	-	(5,586)	(1)	(3,936)	-	(9,870)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	-	-	(3,676)	-	-	-	792	-
	58,536	5	99,254	9	107,566	5	176,336	9
7900 <b>Operating income before tax</b>	568,136	50	528,977	50	1,088,636	49	1,017,209	50
7950 <b>Less: Income tax expense (Note 6(11))</b>	65,291	6	101,221	10	105,402	5	165,365	8
<b>Net income</b>	<b>502,845</b>	<b>44</b>	<b>427,756</b>	<b>40</b>	<b>983,234</b>	<b>44</b>	<b>851,844</b>	<b>42</b>
<b>Other comprehensive income:</b>								
8310 Exchange differences on translation of foreign statements	(2,238)	-	(1,194)	-	330	-	4,624	-
8370 Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method	(56)	-	(83)	-	(56)	-	(405)	-
8300 <b>Other comprehensive income, net</b>	<b>(2,294)</b>	<b>-</b>	<b>(1,277)</b>	<b>-</b>	<b>274</b>	<b>-</b>	<b>4,219</b>	<b>-</b>
8500 <b>Total comprehensive income</b>	<b>\$ 500,551</b>	<b>44</b>	<b>426,479</b>	<b>40</b>	<b>983,508</b>	<b>44</b>	<b>856,063</b>	<b>42</b>
<b>Net income, attributable to:</b>								
8610 Owners of parent	\$ 470,578	41	401,873	38	931,614	42	804,424	40
8620 Non-controlling interest	32,267	3	25,883	2	51,620	2	47,420	2
	<b>\$ 502,845</b>	<b>44</b>	<b>427,756</b>	<b>40</b>	<b>983,234</b>	<b>44</b>	<b>851,844</b>	<b>42</b>
<b>Total comprehensive income, attributable to:</b>								
8710 Owners of parent	\$ 468,284	41	400,596	38	931,888	42	808,643	40
8720 Non-controlling interest	32,267	3	25,883	2	51,620	2	47,420	2
	<b>\$ 500,551</b>	<b>44</b>	<b>426,479</b>	<b>40</b>	<b>983,508</b>	<b>44</b>	<b>856,063</b>	<b>42</b>
<b>Earnings per share (Note 6(13))</b>								
9750 <b>Basic earnings per share (NTD)</b>	<b>\$ 1.18</b>		<b>1.01</b>		<b>2.33</b>		<b>2.02</b>	
9850 <b>Diluted earnings per share (NTD)</b>	<b>\$ 1.18</b>		<b>1.01</b>		<b>2.33</b>		<b>2.01</b>	

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**

**For The Six Months Ended June 30, 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				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			Total equity attributable to owners of parent
<b>Balance – January 1, 2013</b>	\$ 3,990	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	-	-	-	-	804,424	804,424	-	-	-	804,424	47,420	851,844
Other comprehensive income	-	-	-	-	-	-	4,624	(405)	4,219	4,219	-	4,219
Total comprehensive income	-	-	-	-	804,424	804,424	4,624	(405)	4,219	808,643	47,420	856,063
Allocation of earnings in 2012:												
Legal reserve	-	-	204,717	-	(204,717)	-	-	-	-	-	-	-
Special reserve	-	-	-	5,682	(5,682)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NTS\$3.3 per share	-	-	-	-	(1,316,978)	(1,316,978)	-	-	-	(1,316,978)	-	(1,316,978)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	3,589	-	-	-	-	-	-	-	3,589	(3,589)	-
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	26,497	26,497
<b>Balance – June 30, 2013</b>	<b>\$ 3,990</b>	<b>1,395,661</b>	<b>467,987</b>	<b>19,835</b>	<b>1,306,270</b>	<b>1,794,092</b>	<b>(15,580)</b>	<b>(36)</b>	<b>(15,616)</b>	<b>7,164,979</b>	<b>854,151</b>	<b>8,019,130</b>
<b>Balance – January 1, 2014</b>	\$ 3,990	1,395,661	467,987	19,835	2,517,500	3,005,322	(15,280)	56	(15,224)	8,376,601	959,005	9,335,606
Net profit	-	-	-	-	931,614	931,614	-	-	-	931,614	51,620	983,234
Other comprehensive income	-	-	-	-	-	-	330	(56)	274	274	-	274
Total comprehensive income	-	-	-	-	931,614	931,614	330	(56)	274	931,888	51,620	983,508
Allocation of earnings in 2013:												
Legal reserve	-	-	201,608	-	(201,608)	-	-	-	-	-	-	-
Special reserve	-	-	-	(4,611)	4,611	-	-	-	-	-	-	-
Shareholders' bonus – cash, NTS\$4 per share	-	-	-	-	(1,596,337)	(1,596,337)	-	-	-	(1,596,337)	-	(1,596,337)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	(3,589)	-	-	(2,776)	(2,776)	-	-	-	(6,365)	6,365	-
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(109,816)	(109,816)
<b>Balance – June 30, 2014</b>	<b>\$ 3,990</b>	<b>1,392,072</b>	<b>669,595</b>	<b>15,224</b>	<b>1,653,004</b>	<b>2,337,823</b>	<b>(14,950)</b>	<b>-</b>	<b>(14,950)</b>	<b>7,705,787</b>	<b>907,174</b>	<b>8,612,961</b>

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

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

**For The Six Months Ended June 30, 2014 and 2013**

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

**(Reviewed, Not Audited)**

	<u>2014H1</u>	<u>2013H1</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 1,088,636	1,017,209
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	51,403	56,186
Amortization expense	6,292	3,670
Provision (reversal of provision) for bad debt expense	7,715	5,419
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(51,712)	(43,330)
Interest expense	3,936	9,870
Interest income	(36,777)	(8,739)
Dividend income	-	(4,162)
Share of loss (gain) of associates and joint ventures accounted for using equity method	-	(792)
Loss (gain) on disposal of property, plan and equipment	3,021	(2,881)
Loss (gain) on disposal of investment properties	(15,731)	(1,227)
Loss (gain) on disposal of intangible assets	2,524	-
Disposal of investment income	(207)	(32,942)
<b>Total adjustments to reconcile profit (loss)</b>	<u>(29,536)</u>	<u>(18,928)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets held for trading	(362,582)	(271,208)
Decrease (Increase) in notes receivable	(27,865)	(13,117)
Decrease (Increase) in accounts receivable	(52,683)	(61,898)
Decrease (Increase) in construction contract receivable	(556)	(462)
Decrease (Increase) in inventories	(421,468)	(275,403)
Decrease (Increase) in biological assets	(13,390)	(6,362)
Decrease (Increase) in prepayments	(47,240)	(115,866)
Decrease (Increase) in other current assets	(20,373)	(13,882)
Decrease (Increase) in other financial assets - current	(213,656)	114,678
<b>Total changes in operating assets</b>	<u>(1,159,813)</u>	<u>(643,520)</u>
<b>Changes in operating liabilities:</b>		
Increase (Decrease) in accounts payable	(40,082)	10,271
Increase (Decrease) in accounts payable to related parties	-	(12,400)
Increase (Decrease) in construction contract receivable	23,347	(22,328)
Increase (Decrease) in other payable	(153,361)	(65,703)
Increase (Decrease) in advance receipts	571,612	655,638
Increase (Decrease) in other current liabilities	2,686	15,073
<b>Total changes in operating liabilities</b>	<u>404,202</u>	<u>580,551</u>
<b>Total changes in operating assets and liabilities</b>	<u>(755,611)</u>	<u>(62,969)</u>
<b>Total adjustments</b>	<u>(785,147)</u>	<u>(81,897)</u>
<b>Cash inflow (outflow) generated from operations</b>	303,489	935,312
Interest received	24,027	8,739
Dividend received	-	4,162
Interest paid	(1,570)	(9,870)
Income taxes refund	38,197	-
Income taxes (paid)	(179,201)	(191,948)
<b>Net cash flows from (used in) operating activities</b>	<u>184,942</u>	<u>746,395</u>

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

**For The Six Months Ended June 30, 2014 and 2013**

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

**(Reviewed, Not Audited)**

	<u>2014H1</u>	<u>2013H1</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets – non-current	(473,811)	-
Proceeds from disposal of financial asset carried at cost	3,013	489,290
Proceeds from capital reduction of financial assets carried at cost	14,400	12,450
Proceeds from capital reduction of investments accounted for using equity method	-	27,000
Acquisition of property, plant and equipment	(444,103)	(261,281)
Proceeds from disposal of property, plant and equipment	2,108	4,699
Acquisition of intangible assets	(1,150)	(3,236)
Proceeds from disposal of intangible assets	187	-
Acquisition of subsidiaries cash flow	-	11,613
Acquisition of investment properties	-	(28)
Proceeds from disposal of investment properties	32,394	2,339
Other financial assets	(327,245)	(87,189)
Other non-current assets	(568)	-
<b>Net cash flows from (used in) investing activities</b>	<u>(1,194,775)</u>	<u>195,657</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	315,000	556,000
Decrease in short-term loans	(105,000)	(908,000)
Increase (decrease) in guarantee deposits received	(11,061)	1,250
Change in non-controlling interests	(22,806)	5,462
<b>Net cash flows from (used in) financing activities</b>	<u>176,133</u>	<u>(345,288)</u>
Net increase (decrease) in cash and cash equivalents	(833,700)	596,764
Cash and cash equivalents at beginning of period	1,382,339	296,172
Cash and cash equivalents at end of period	<u>\$ 548,639</u>	<u>892,936</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)

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

**Lungyen Life Service Corp. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For The Six Months Ended June 30, 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 six months ended June 30, 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 August 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”	7.1.2010
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”	1.1.2018
IFRS No. 14 “Regulatory Deferral Accounts”	1.1.2016
IAS No. 15 “Revenue from Contracts with Customers”	1.1.2017
Amendments to IAS No.11 “Accounting for Acquisitions of Interests in Joint Operations”	1.1.2016
Amendments to IAS No. 16 & 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”	1.1.2016
Amendments to IAS No. 16 & 41 “Agriculture: Bearer Plants”	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

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

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.

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
			6.30.2014	12.31.2013	6.30.2013	
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%	42.11%	Note 4(2)3
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	100.00%	73.85%	73.85%	Note 4(2)3
Yuji Development Corp.	Lung Fu Company Limited	Funeral services business operations	77.75%	77.75%	70.00%	Note 4(2)3
ZEKAEN CO. LTD	Longding Life Sciences Inc.	Flowers growing, wholesale, and retail business operations	39.29%	57.89%	57.89%	Note 4(2)3

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
			6.30.2014	12.31.2013	6.30.2013	
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. Additionally, in May 2014, the Company purchased shares of Zekaen Co. Ltd. from Japanese companies which are Fuji Kogyo Co., Ltd. and You Ka En Inc., and its stake from 73.85% to 100%.

- (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%. Additionally, 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>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Cash on hand	\$ 2,969	3,128	4,198
Demand deposits	252,629	391,440	245,393
Time deposits	<u>293,041</u>	<u>987,771</u>	<u>643,345</u>
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u><b>\$ 548,639</b></u>	<u><b>1,382,339</b></u>	<u><b>892,936</b></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>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Financial assets measured at fair value through profit or loss			
Domestic and foreign common stocks	\$ 362,613	232,349	218,188
Bond investment	196,220	198,748	-
Beneficiary certificates	<u>714,988</u>	<u>428,430</u>	<u>789,880</u>
Total	<u><b>\$ 1,273,821</b></u>	<u><b>859,527</b></u>	<u><b>1,008,068</b></u>
Financial assets valued at cost			
Stock Investment - PK Venture Capital Corp.	\$ 27,855	42,255	42,255
Stock Investment - FORTUNE IC FUND I	11,216	11,216	11,216
Stock Investment – Chen-Yuan Industry Co., Ltd.	2,550	2,550	2,550
Stock investment –Ruei Da Venture Capital Co., Ltd.	<u>-</u>	<u>2,862</u>	<u>-</u>
Total	<u><b>\$ 41,621</b></u>	<u><b>58,883</b></u>	<u><b>56,021</b></u>
Available-for-sale financial assets – non-current			
Bond investment	<u><b>\$ 471,445</b></u>	<u>-</u>	<u>-</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 in 2013, the consolidated company received capital reduction refund of NT\$12,000 thousand and NT\$450 thousand. On June 16, 2014, PK Venture Capital Corp. performed reduction of cash capital again, and received returning cash for NT\$14,400 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) On May 15, 2014, the Company disposed shares of PK Venture Capital Corp. for an amount of NT\$3,013 thousand with an expected gain on disposal of NT\$207 thousand.
  - (5) The coupon rate range of the Company's available-for-sale financial assets – non-current on June 30, 2014, is 1.42%~7.875%, and the maturity year is 2016~2024.
  - (6) With respect to details of transferring from financial assets measured at fair value through profit or loss to the Trust as of June 30, 2014, December 31 and June 30, 2013, please refer to Note 9 for more information.
2. The consolidated company has disclosed the credit, currency, and interest rate exposure related to the financial instruments on Note 6(17).

## (III) Inventory

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Real estate for sale	\$ 4,968	5,837	5,837
Columbarium and cemetery for sale	1,554,685	1,666,043	1,732,032
Construction Site	1,593,347	1,230,794	1,094,244
Residential and building under construction	2,244,875	2,245,468	2,256,984
Columbarium and cemetery under construction	6,922,102	6,820,784	6,561,358
Prepayments for land	679,726	727,589	654,666
Agricultural products	1,226	1,503	-
	<u><b>\$ 13,000,929</b></u>	<u><b>12,698,018</b></u>	<u><b>12,305,121</b></u>
Expected to be recovered in more than twelve months	<u><b>\$ 12,807,981</b></u>	<u><b>12,505,070</b></u>	<u><b>11,188,798</b></u>

1. As of April 1 to June 30, 2014 and 2013, and January 1 to June 30, 2014 and 2013, the total interest expense of the consolidated company is NT\$ 2,231 thousand, NT\$5,586 thousand, NT\$3,936 thousand and NT\$ 9,870 thousand, respectively. The amount of capitalized interest of residential and building under construction, as well as columbarium and cemetery under construction is zero.
2. 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 promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.
3. In May 2014, the Company acquired the foreclosed land on Huagang section, Shilin Dist. through public tender. The transaction price was NT\$451,114 thousand. The related legal registration procedure was completed on July 7, 2014.
4. For the consolidated company's inventories pledged as collateral as of June 30, 2014, December 31 and June 30, 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

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

as follows:

	<b>6.30.2014</b>	<b>12.31.2013</b>	<b>6.30.2013</b>
Affiliated enterprises	\$ -	-	<b>25,559</b>

1. The consolidated company's share of the affiliated enterprise's profit and loss as of January 1 to June 30, 2014 and 2013 is as follows:

	<b>2014Q2</b>	<b>2013Q2</b>	<b>2014H1</b>	<b>2013H1</b>
The Consolidated Company's share of the affiliated enterprise's profit and loss	\$ -	<b>(3,676)</b>	-	<b>792</b>

2. 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.

3. Affiliated enterprise Ruei Da Venture Capital Co., Ltd. performed capital reduction refund NT\$27,000 thousand in June 2013 and the amount debited using the equity method of investment. In addition, Ruei 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).

4. The consolidated company's investment under equity method was without any collateral pledged as of June 30, 2014.

(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:

	<b>Land</b>	<b>Houses and buildings</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Leased assets and leasehold improvements</b>	<b>Other equipment</b>	<b>Construction in progress and equipment to be tested</b>	<b>Total</b>
Cost or identified cost:								
Balance on January 1, 2014	\$ 2,007,959	792,553	89,748	106,079	35,280	43,486	2,612,030	5,687,135
Additions	186	3,676	72	91	1,605	1,611	436,862	444,103
Disposal and scrap	-	-	(5,915)	(6,957)	(1,749)	(985)	(79)	(15,685)
Reclassification	90,954	320,838	-	-	1,929	-	(325,989)	87,732
Balance on June 30, 2014	<b>\$ 2,099,099</b>	<b>1,117,067</b>	<b>83,905</b>	<b>99,213</b>	<b>37,065</b>	<b>44,112</b>	<b>2,722,824</b>	<b>6,203,285</b>
Balance on January 1, 2013	\$ 1,974,767	639,816	87,764	94,870	32,696	40,800	2,200,488	5,071,201
Subsidiaries	-	-	-	4,643	557	-	-	5,200
Additions	-	3,447	1,062	2,983	1,792	1,216	250,781	261,281
Disposal	-	-	(981)	(175)	(886)	-	-	(2,042)
Reclassification	370	149,234	902	-	-	-	(105,921)	44,585
Balance on June 30, 2013	<b>\$ 1,975,137</b>	<b>792,497</b>	<b>88,747</b>	<b>102,321</b>	<b>34,159</b>	<b>42,016</b>	<b>2,345,348</b>	<b>5,380,225</b>
Depreciation and impairment loss:								
Balance on January 1, 2014	\$ -	268,206	42,079	92,020	32,608	29,067	-	463,980
Current depreciation	-	14,260	5,730	1,968	629	2,245	-	24,832
Disposal and scrap	-	-	(5,915)	(3,163)	(510)	(968)	-	(10,556)
Reclassification	-	(4,128)	-	-	128	-	-	(4,000)
Balance on June 30, 2014	<b>\$ -</b>	<b>278,338</b>	<b>41,894</b>	<b>90,825</b>	<b>32,855</b>	<b>30,344</b>	<b>-</b>	<b>474,256</b>
Balance on January 1, 2013	\$ -	250,699	30,494	89,057	30,721	25,368	-	426,339
Subsidiaries	-	-	-	621	3	-	-	624
Current depreciation	-	8,195	5,745	1,154	895	2,651	-	18,640



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

	<b>Land</b>	<b>Houses and buildings</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Leased assets and leasehold improvements</b>	<b>Other equipment</b>	<b>Construction in progress and equipment to be tested</b>	<b>Total</b>
Disposal and scrap	-	-	-	(175)	(49)	-	-	(224)
Balance on June 30, 2013	<u>\$ -</u>	<u>258,894</u>	<u>36,239</u>	<u>90,657</u>	<u>31,570</u>	<u>28,019</u>	<u>-</u>	<u>445,379</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>2,612,030</u>	<u>5,223,155</u>
June 30, 2014	<u>\$ 2,099,099</u>	<u>838,729</u>	<u>42,011</u>	<u>8,388</u>	<u>4,210</u>	<u>13,768</u>	<u>2,722,824</u>	<u>5,729,029</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>
June 30, 2013	<u>\$ 1,975,137</u>	<u>533,603</u>	<u>52,508</u>	<u>11,664</u>	<u>2,589</u>	<u>13,997</u>	<u>2,345,348</u>	<u>4,934,846</u>

- 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.
- For the financing facilities pledged in details as of June 30, 2014 and December 31, June 30, 2013, please refer to Note 8.
- As of June 30, 2014, December 31 and June 30, 2013 through part of real property deliver trust case, please refer to Note 9.

## (VI) Investment property

	<b>Land and improvements</b>	<b>Building and structure</b>	<b>Total</b>
Cost or identified cost:			
Balance on January 1, 2014	\$ 4,593,821	1,874,815	6,468,636
Disposal	(9,064)	(10,982)	(20,046)
Reclassification	12,531	17,598	30,129
Balance on June 30, 2014	<u>\$ 4,597,288</u>	<u>1,881,431</u>	<u>6,478,719</u>
Balance on January 1, 2013	\$ 5,141,449	2,746,489	7,887,938
Additions	-	28	28
Disposal	(516)	(669)	(1,185)
Balance on June 30, 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
Current depreciation	-	26,308	26,308
Disposal	-	(3,383)	(3,383)
Reclassification	-	4,000	4,000
Balance on June 30, 2014	<u>\$ 19,910</u>	<u>291,512</u>	<u>311,422</u>
Balance on January 1, 2013	\$ 19,910	288,815	308,725
Current depreciation	-	37,098	37,098
Disposal	-	(73)	(73)
Balance on June 30, 2013	<u>\$ 19,910</u>	<u>325,840</u>	<u>345,750</u>
Book value:			
January 1, 2014	<u>\$ 4,573,911</u>	<u>1,610,228</u>	<u>6,184,139</u>
June 30, 2014	<u>\$ 4,577,378</u>	<u>1,589,919</u>	<u>6,167,297</u>
January 1, 2013	<u>\$ 5,121,539</u>	<u>2,457,674</u>	<u>7,579,213</u>
June 30, 2013	<u>\$ 5,121,023</u>	<u>2,420,008</u>	<u>7,541,031</u>

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

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

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 June 30, 2014 and December 31, June 30, 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	-	-	1,150	1,150
Disposal and scrap	-	-	(4,608)	(4,608)
Balance on June 30, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>91,113</u>	<u>826,291</u>
Balance on January 1, 2013	\$ 542,428	192,750	76,126	811,304
Acquired separately	-	-	3,236	3,236
Reclassification	-	-	437	437
Subsidiaries	-	-	1,543	1,543
Balance on June 30, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>81,342</u>	<u>816,520</u>
Amortization and impairment loss:				
Balance on January 1, 2014	\$ -	-	44,601	44,601
Current Amortization	-	-	6,292	6,292
Disposal and scrap	-	-	(1,897)	(1,897)
Balance on June 30, 2014	<u>\$ -</u>	<u>-</u>	<u>48,996</u>	<u>48,996</u>
Balance on January 1, 2013	\$ -	-	33,628	33,628
Current Amortization	-	-	3,670	3,670
Subsidiaries	-	-	218	218
Balance on June 30, 2013	<u>\$ -</u>	<u>-</u>	<u>37,516</u>	<u>37,516</u>
Book value:				
January 1, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>49,970</u>	<u>785,148</u>
Balance on June 30, 2014	<u>\$ 542,428</u>	<u>192,750</u>	<u>42,117</u>	<u>777,295</u>
January 1, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>42,498</u>	<u>777,676</u>
Balance on June 1, 2013	<u>\$ 542,428</u>	<u>192,750</u>	<u>43,826</u>	<u>779,004</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of intangible assets for the six months ended June 30, 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

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Guaranteed bank loans	\$ 1,212,000	1,002,000	1,640,000
Unguaranteed bank loans	-	-	148,000
Total	<u>\$ 1,212,000</u>	<u>1,002,000</u>	<u>1,788,000</u>
Unused limit	<u>\$ 3,219,000</u>	<u>3,429,000</u>	<u>2,833,000</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

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

As of January 1 to June 30, 2014 and 2013, the increased amount is NT\$315,000 thousand and NT\$556,000 thousand, respectively. The maturity is 2014 and 2013. The repayable amount is NT\$105,000 thousand and NT\$908,000 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:

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Within 1 year	\$ 166,640	215,679	148,862
1~5 years	430,576	482,340	289,739
Over 5 years	110,261	129,617	164,716
	<u>\$ 707,477</u>	<u>827,636</u>	<u>603,317</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.

Consolidated company's expenses as follows:

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Administrative expenses	\$ 10	9	14	18

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>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Operating cost	\$ 2,213	1,870	4,525	3,517
Administrative expenses	2,329	2,230	4,669	4,036
	<u>\$ 4,542</u>	<u>4,100</u>	<u>9,194</u>	<u>7,553</u>

**(XI) Income tax**

1. Income tax expense is simply calculated on financial income before tax in the interim report multiplied by the estimated annual effective tax rate.

2. The consolidated company's income tax expenses as follows:

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Current income tax expenses				
Current generated	\$ 42,424	48,656	81,374	83,926
Additional 10% surtax on	22,275	51,979	22,275	51,979

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

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
undistributed retained earnings				
Increase of land tax	592	586	1,753	29,460
	<u>\$ 65,291</u>	<u>101,221</u>	<u>105,402</u>	<u>165,365</u>

3. 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 return has been audited by the tax authorities up to 2010, while in 2009 it still needs further auditing.

4. The Company's imputation tax is as follows:

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Undistributed earnings before 1997	\$ -	-	-
Undistributed earnings after 1998	1,653,004	2,517,500	1,306,270
	<u>\$ 1,653,004</u>	<u>2,517,500</u>	<u>1,306,270</u>
Imputed tax credit account balance	<u>\$ 702,654</u>	<u>567,641</u>	<u>766,260</u>
	<u>2013</u>	<u>2012</u>	
	<u>(Estimated)</u>	<u>(Actual)</u>	
Creditable ratio for distribution of earnings for ROC residents	<u>23.14%</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 June 30, 2014 and 2013, for more information please refer to Note 6(14) of the 2013 annual consolidated financial statements.

1. Additional paid-in capital

The Company's additional paid-in capital balance:

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Stock premium	\$ 1,392,072	1,392,072	1,395,661
Recognized under the equity method and the associated number of changes in net equity of a business venture	-	3,589	-
	<u>\$ 1,392,072</u>	<u>1,395,661</u>	<u>1,395,661</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

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

allocated as follows:

- a. Remuneration to directors may not exceed 2%;
- b. 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.

After deducting the aforementioned amount, the shareholders bonus was distributable earnings plus cumulative unappropriated earnings, and distributed or retained in accordance with the total shareholding ratio of the Company's dividend policy by the Board of Directors. The distribution plan was proposed by the Board of Directors to the general shareholders' meeting for resolution. Retained earnings can be distributed in the form of stock dividends or cash 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 2014Q2, 2013Q2, 2014H1 and 2013H1 is estimated to be NT\$5,410 thousand, NT\$3,930 thousand, NT\$8,442 thousand and NT\$8,000 thousand, respectively. The remuneration to directors and supervisors is estimated to be NT\$10,821 thousand, NT\$7,860 thousand, NT\$16,884 thousand and NT\$16,000 thousand, respectively. The Company's bonus payable to employees and remuneration payable to directors and supervisors as of 2013Q2 and 2013H1 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. However, in 2014Q2 and 2014H1, the estimated base is changed to be after-tax net income of the specific period multiply by the distribution fractional ratio of bonus to employees and remuneration to directors and supervisors of the Company's Articles of association; also, the bonus to employees and the remuneration to directors and supervisors are reported as current operating cost.

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

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

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 actual distribution information of aforementioned bonus to employees and remuneration to directors and supervisors can be obtained from the MOPS.

The Company's distribution of 2013 earnings was proposed by the board of directors on June 17, 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	\$ 4.00	<u>1,596,337</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. On June 17, 2014, annual shareholders meeting resolved the change in 2013 cash dividend distribution from NT\$3.3 per share to NT\$4.0 per share. Hence, the actual distribution of bonus to employees is changed from NT\$13,577 thousand to NT\$16,457 thousand, and the actual distribution of remuneration to directors and supervisors is changed from NT\$27,154 thousand to NT\$32,914 thousand. Additionally, the difference between estimated and actual distribution of bonus to employees and remuneration to directors and supervisors is NT\$8,640 thousand which is listed as current profit or loss in 2014.

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	330	(56)	274
Balance on June 30, 2014	<u>\$ (14,950)</u>	-	<u>(14,950)</u>
January 1, 2013	\$ (20,204)	369	(19,835)
Currency translation differences (after tax):			
Consolidated company	4,624	-	4,624
Unrealized gain or loss of the available-for-sale financial assets:			
Affiliated enterprises	-	(405)	(405)
Balance on June 30, 2013	<u>\$ (15,580)</u>	<u>(36)</u>	<u>(15,616)</u>

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

## (XIII) Earnings per share

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

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
<b>Basic earnings per share</b>				
Net income attributable to the Company's common stock shareholders:	<u>\$ 470,578</u>	<u>401,873</u>	<u>931,614</u>	<u>804,424</u>
Weighted average outstanding common stock shares	<u>399,084</u>	<u>399,084</u>	<u>399,084</u>	<u>399,084</u>
	<u>\$ 1.18</u>	<u>1.01</u>	<u>2.33</u>	<u>2.02</u>
<b>Diluted earnings per share</b>				
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	<u>\$ 470,578</u>	<u>401,873</u>	<u>931,614</u>	<u>804,424</u>
Weighted average outstanding common stock shares	399,084	399,084	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	171	173	233	196
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	<u>399,255</u>	<u>399,257</u>	<u>399,317</u>	<u>399,280</u>
	<u>\$ 1.18</u>	<u>1.01</u>	<u>2.33</u>	<u>2.01</u>

## (XIV) Income

The consolidated company's income is as follows:

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Columbarium and cemetery income	\$ 674,605	636,554	1,287,502	1,178,066
Funeral services income	371,016	329,297	740,670	654,298
Rent income from investment property	48,736	52,076	99,403	112,733
Construction contract income	3,073	8,454	11,380	22,790
Other operating income	<u>29,508</u>	<u>23,937</u>	<u>97,939</u>	<u>70,174</u>
	<u>\$ 1,126,938</u>	<u>1,050,318</u>	<u>2,236,894</u>	<u>2,038,061</u>

## (XV) Other profit and loss

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

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

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Gain on disposal of investment property interests	\$ 5,625	(6)	15,731	1,227
Loss on change in fair value of biological assets	21,047	(6,744)	19,984	3,807
	<u>\$ 26,672</u>	<u>(6,750)</u>	<u>35,715</u>	<u>5,034</u>

## (XVI) Non-operating income and expense

## 1. Other income

The consolidated company's other income is as follows:

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Interest income	\$ 22,347	6,721	36,777	8,739
Dividend income	-	3,723	-	4,162
Service charge income	2,468	2,684	4,811	5,078
Fines income	33,399	43,701	61,602	79,371
Other income	8,317	625	8,704	1,484
	<u>\$ 66,531</u>	<u>57,454</u>	<u>111,894</u>	<u>98,834</u>

## 2. Other profit and loss

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

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Foreign exchange gain (loss)	\$ (33,819)	17,181	(42,747)	9,443
Gains and losses on disposal of investments and financial assets				
Disposal of financial assets carried at cost	207	32,942	207	32,942
Net financial assets measured at fair value through profit or loss	30,774	(2,037)	51,712	43,330
Disposal of property, plant, and equipment	(1,651)	3,437	(3,021)	2,881
Loss on scrapping of intangible asset	(1,398)	-	(2,524)	-
Other expense	123	(461)	(4,019)	(2,016)
	<u>\$ (5,764)</u>	<u>51,062</u>	<u>(392)</u>	<u>86,580</u>

## 3. Finance cost

Consolidated company's finance cost is as follows:

	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Interest expense	\$ 2,231	5,586	3,936	9,870

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



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

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:

	6.30.2014		12.31.2013		6.30.2013	
	Total	Impairment	Total	Impairment	Total	Impairment
Not overdue	\$ 401,531	27,722	288,135	24,755	290,851	13,986
Overdue 31~60 days	20,238	1,003	10,193	966	11,254	948
Overdue 61~90 days	14,990	629	6,884	584	5,203	451
Overdue 91~120 days	4,418	156	8,352	143	1,377	110
Overdue more than 120 days	45,435	21,755	92,500	17,102	44,702	22,719
	<b>\$ 486,612</b>	<b>51,265</b>	<b>406,064</b>	<b>43,550</b>	<b>353,387</b>	<b>38,214</b>

	2014H1	2013H1
Balance on January 1	\$ 43,550	32,795
Impairment loss recognized	7,715	5,419
Balance on June 30	<b>\$ 51,265</b>	<b>38,214</b>

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:

	6.30.2014			12.31.2013			6.30.2013		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
<b>Financial assets</b>									
<b>Monetary items</b>									
RMB/NTD	\$ 284,726	4.811	1,369,817	230,812	4.90	1,130,977	106,171	4.888	518,963
RMB/ Singapore Dollar	-	-	-	772	0.208	3,795	44,756	0.206	218,765
RMB/USD	23,310	0.158	112,146	23,292	0.165	114,132	263	0.163	1,286
USD/NTD	1,715	29.86	51,232	2,875	29.72	85,445	3	30.00	97
Japanese yen / NTD	25,607	0.294	7,544	10,916	0.285	3,111	136,098	0.304	41,319

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 June 30, 2014 and 2013, the net income was increased by NT\$127,881 thousand and decreased by NT\$64,776 thousand, respectively as of the six months ended June 30, 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.

(2) The fair value hierarchy

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

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>
<b>6.30.2014</b>				
Financial assets measured at fair value through profit or loss	\$ <b>1,273,821</b>	-	-	<b>1,273,821</b>
<b>12.31.2013</b>				
Financial assets measured at fair value through profit or loss	\$ <b>859,527</b>	-	-	<b>859,527</b>
<b>6.30.2013</b>				
Financial assets measured at fair value through profit or loss	\$ <b>1,008,068</b>	-	-	<b>1,008,068</b>

No financial asset was transferred as of the six months ended June 30, 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:

	<b>Sales</b>				<b>Receivables from related parties (booked in "Accounts receivable – net")</b>		
	<u>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Other related party	\$ 141		6,284	-	-	20,031	17,854
Affiliates	-	-	-	699	-	-	-
	\$ <b>141</b>	-	<b>6,284</b>	<b>699</b>	-	<b>20,031</b>	<b>17,854</b>

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

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

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

	Purchase				Payable to related party		
	2014Q2	2013Q2	2014H1	2013H1	6.30.2014	12.31.2013	6.30.2013
Affiliated enterprises	\$ -	16,746	-	42,286	-	-	-

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\$676 thousand, NT\$832 thousand, NT\$1,993 thousand and NT\$1,190 thousand paid as of April 1 to June 30 2014 and 2013, respectively; and for the six months ended June 30 2014 and 2013.

(2) Lessor:

The consolidated company has office building and parking space rented to the related party for a rent income of NT\$9 thousand, NT\$660 thousand, NT\$17 thousand and NT\$1,645 thousand as of April 1 to June 30, 2014 and 2013; and the six months ended June 30 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>
<b>January to June, 2014</b>				
Other related party	Gu Gong Case	\$ <u>288,013</u>	<u>34,431</u>	<u>251,140</u>
<b>January to June, 2013</b>				
Other related party	Gu Gong Case	\$ <u>252,950</u>	<u>-</u>	<u>216,709</u>

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)

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Affiliated enterprises	\$ <u>-</u>	<u>100</u>	<u>2,461</u>

(2) Other payables

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Other related party	\$ <u>687</u>	<u>925</u>	<u>-</u>

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

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Other related party	\$ <u>-</u>	<u>557</u>	<u>-</u>

6. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of the

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

related party as of June 30, 2014. 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 June 30, 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>2014Q2</u>	<u>2013Q2</u>	<u>2014H1</u>	<u>2013H1</u>
Short-term employee benefits	\$ 7,815	5,852	19,039	11,499
Retirement benefits	266	194	559	354
	<u>\$ 8,081</u>	<u>6,046</u>	<u>19,598</u>	<u>11,853</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>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Other financial assets - current	The transaction service of trust accounts and credit accounts; also, the guarantee of forward exchange transactions	\$ 26,100	136,046	194,476
Inventories	The guarantee for the transaction service of the loan account and credit account	3,092,667	2,870,063	2,870,063
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	2,980,953	2,991,069	4,323,147
		<u>\$ 6,680,751</u>	<u>6,578,209</u>	<u>7,968,717</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>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Contracted projects	\$ 36,873	36,241	130,540
Acquisition of columbarium and cemetery	26,707	37,707	37,707
Acquisition of construction site	351,782	171,919	286,813
Individual construction project	629,509	1,144,392	1,078,024

2. The subsidiaries and National Chiayi University entered into a non-exclusive license agreement with respect to plant/strain selection of relevant phalaenopsis specimens, requiring that the subsidiaries should pay the royalty to National Chiayi University on a pro rata basis from the revenue of products generated from the selected plant/strain on a yearly basis for the duration of the agreement (five years as of the effective date of the agreement) as of June 30, 2014, December 31 and June 30, 2013, respectively

(II) Others

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

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 June 30, 2014, December 31 and June 30, 2013 are as follows :

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Bank deposits			
Demand deposits	\$ 134,694	11,519	32,107
Time deposits	582,224	816,324	365,815
Financial assets measured at fair value through profit or loss - current	553,800	497,032	589,505
Available-for-sale financial assets – non-current	375,104	-	-
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
	<u><b>\$ 5,886,581</b></u>	<u><b>5,565,634</b></u>	<u><b>5,228,186</b></u>

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.

2. 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\$1,071,692 thousand, NT\$1,024,617 thousand, and NT\$1,008,712 thousand, as of June 30, 2014, December 31 and June 30, 2013, respectively; also, it is booked in the “Other financial assets – current.”
3. The Consolidated Company had contracts signed with clients for the sale of columbarium of True Dragon Tower and funeral service as of June 30, 2014, December 31 and June 30, 2013. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>6.30.2014</u>	<u>12.31.2013</u>	<u>6.30.2013</u>
Total contract price	\$ 34,649,025	34,168,389	33,992,352
Outstanding proceeds	(7,586,514)	(7,630,962)	(7,904,986)
Advanced receipts	<u><b>\$ 27,062,511</b></u>	<u><b>26,537,427</b></u>	<u><b>26,087,366</b></u>
Deferred marketing expense	<u><b>\$ 8,089,134</b></u>	<u><b>8,046,357</b></u>	<u><b>8,066,214</b></u>
Expected to be reclassified for more than twelve months	<u><b>\$ 24,337,596</b></u>	<u><b>23,812,512</b></u>	<u><b>23,362,451</b></u>

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

**X. Significant disaster loss: None****XI. Significant subsequent events: None****XII. Others**

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

By item	2014Q2				2013Q2			
	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	52,993	84,587	14,655	152,235	47,240	72,780	14,272	134,292
Labor and health insurance	3,851	3,929	1,532	9,312	5,723	2,741	1,060	9,524
Pension	2,213	1,618	721	4,552	1,870	1,547	692	4,109
Others	470	3,508	926	4,904	1,088	2,466	210	3,764
Depreciation	21,117	2,585	409	24,111	23,907	3,601	1,019	28,527
Depletion	-	-	-	-	-	-	-	-
Amortization	605	2,121	206	2,932	30	1,604	144	1,778

By item	2014H1				2013H1			
	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	109,741	127,005	31,096	267,842	94,433	113,720	29,314	237,467
Labor and health insurance	7,904	7,899	3,276	19,079	5,939	6,753	2,102	14,794
Pension	4,525	3,213	1,470	9,208	3,517	2,838	1,216	7,571
Others	1,827	5,667	1,868	9,362	2,153	4,810	1,426	8,389
Depreciation	43,071	5,634	2,698	51,403	47,139	7,172	1,875	56,186
Depletion	-	-	-	-	-	-	-	-
Amortization	1,619	4,257	416	6,292	30	3,368	272	3,670

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

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

with established account management fees and earmarking.

(3) Seasonality of operations

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

(4) 2013Q2 quarterly consolidated financial statements with the presentation of certain amounts of the 2014Q2 quarterly consolidated financial statements have been reclassified way, the reclassification had no significant impact on the expression of 2013Q2 consolidated financial statements.

**XIII. Other disclosures**

(1) Information on significant transactions

The consolidated company should have the following material transactions disclosed as of 2014H1 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties:

Unit: Thousand NTD

Number	Name of Lenders	Name of Borrowers	Account name	Related Party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	Lungyen Life Service Corp.	Lung Fu Company Limited	Other receivables-related parties	Yes	20,000	20,000	-	8%	2	-	Working fund	-	-	-	1,541,157	3,082,315
0	Lungyen Life Service Corp.	Longding Life Science Co., Ltd.	Other receivables-related parties	Yes	100,000	100,000	63,000	6%	2	-	Working fund	-	-	-	1,541,157	3,082,315

Note 1: The maximum amount of total loans to others shall not exceed 40% of the Company's net assets.

The total amount of loans granted to a single business partner of the Company shall be limited to the total amount of business transactions between the Company and the business partner and shall be no more than 20% of the Company's latest net value. The short-term financing shall be no more than the working fund as needed or 70% of the amount of the land, buildings or operating equipments purchased and no more than 20% of the Company's latest net value.

Note 2: Nature of financing:

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

Note 3: Upon the board resolution on May 28, 2014, the total amount for lending to Longding Life Science Co., Ltd. shall not exceed \$100,000 thousand.

Note 4: Upon the board resolution on May 28, 2014, the total amount for lending to Lung Fu Company Limited shall not exceed \$20,000 thousand.

Note 5: The transaction had been written-off when the Company made the consolidated financial statements.

2. Guarantees and endorsements for other parties:

Unit: Thousand NTD

Number	Name of 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	1,541,157	300,000	300,000	-	-	3.89%	3,852,894	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	1,541,157	200,000	180,000	-	180,000	2.34%	3,852,894	Y	N	N

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

The total amount of guarantees and endorsements for individual party shall not exceed 20% of the

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

net worth in the current period.

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

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

Note 3: Upon the board resolution on June 14, 2013, the maximum amount of endorsements to Yuji Company Limited has been set to \$300,000 thousand.

Note 4: According to the original Board resolutions on March 27, 2014, endorsement to Lung Fu Company Limited shall not exceed \$200,000 thousand. However, upon Board resolutions on May 28, 2014, the maximum amount of endorsements to Lung Fu Company has been set to \$ 180,000 thousand.

**3. 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	45,873	- %	18.50	
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss - current	242	17,376	- %	71.80	
The Company	Gallop No. 1	-	Financial assets at fair value through profit or loss - current	3,000	53,400	- %	17.80	
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss - current	2,350	46,765	- %	19.90	
The Company	Stock of Asia Cement Corporation	-	Financial assets at fair value through profit or loss - current	526	21,513	- %	40.90	
The Company	Stock of CHINA LIFE INSURANCE COMPANY, LTD.	-	Financial assets at fair value through profit or loss - current	650	17,908	- %	27.55	
The Company	Stock of LITE-ON TECHNOLOGY CORP.	-	Financial assets at fair value through profit or loss - current	450	22,433	- %	49.85	
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss - current	245	18,718	- %	76.40	
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss - current	160	46,429	- %	290.18	
The Company	CITIC primary financial bond	-	Financial assets at fair value through profit or loss - current	20,000	96,220	- %	481.10	
The Company	Fubon Securities bond	-	Financial assets at fair value through profit or loss - current	100,000	100,000	- %	99.9975	
The Company	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	15,426	222,255	- %	14.41	
The Company	CTBC Emerging Market	-	Financial assets at fair value through profit or loss - current	1,000	10,412	- %	10.41	
The Company	Cathay Emerging China Bond (Trust)	-	Financial assets at fair value through profit or loss - current	4,900	49,735	- %	10.15	
The Company	Cathay Emerging China Bond	-	Financial assets at fair value through profit or loss - current	9,747	98,928	- %	10.15	
The Company	Erenstar sub-FundI Segregated Portfolio	-	Financial assets at fair value through profit or loss - current	589	62,251	- %	105.638	
The Company	China Construction Bank	-	Financial assets at fair value through profit or loss - current	2,100	47,415	- %	22.58	
The Company	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,414	35,000	- %	14.50	
The Company	Fuh Hwa Emerging Market RMB Fixed Inc A	-	Financial assets at fair value through profit or loss - current	978	48,251	- %	49.36	
The Company	FORTUNE IC FUND I	-	Financial assets carried at cost - non-current	600	11,216	4.86 %	23.40	
The Company	PK Venture Capital Corp	-	Financial assets carried at cost - non-current	3,360	27,855	8.57 %	11.01	
The Company	Cathay insurance stock	-	Financial assets carried at cost - non-current	44	-	- %	-	



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## 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	AVIC International Finance & Investment Limited - Bond	-	Available-for-sale financial assets – non-current	10,000	48,048	- %	48,593	
The Company	China Unicom Bond	-	Available-for-sale financial assets – non-current	10,000	48,293	- %	48,167	
The Company	CNOOC Nexen Finance [2014] ULC - Bond	-	Available-for-sale financial assets – non-current	1,500	46,043	- %	46,013	
The Company	Petronas Capital Ltd - Bond	-	Available-for-sale financial assets – non-current	1,200	47,544	- %	47,528	
The Company	Republic of Poland Government Bond	-	Available-for-sale financial assets – non-current	1,500	49,694	- %	49,565	
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	1,500	47,361	- %	47,178	
The Company	Bank of China/Luxembourg 3 Year Bond	-	Available-for-sale financial assets – non-current	10,000	48,319	- %	48,180	
The Company	China Construction Bank Asia Dim-sum Bond	-	Available-for-sale financial assets – non-current	5,000	24,138	- %	24,087	
The Company	China Construction Bank Frankfurt Dim-sum Bond	-	Available-for-sale financial assets – non-current	5,000	24,151	- %	24,057	
The Company	Republic of Poland Government Bond	-	Available-for-sale financial assets – non-current	1,450	49,260	- %	48,541	
The Company	Sinochem Offshore Capital Company Ltd.-Bond	-	Available-for-sale financial assets – non-current	8,000	38,594	- %	38,464	
Yuji Development Corp.	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,284	57,042	- %	10.79	
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	8,429	- %	12.23	
Ching Huang Construction Co., Ltd.	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,846	26,762	- %	14.50	
Ching Huang Construction Co., Ltd.	Stock of Cathay R2	-	Financial assets at fair value through profit or loss - current	821	11,740	- %	14.30	
Ching Huang Construction Co., Ltd.	Stock of Chunghwa Telecom Co., Ltd	-	Financial assets at fair value through profit or loss - current	535	51,467	- %	96.20	
Ching Huang Construction Co., Ltd.	Stock of Far Eastone Telecommunications Co., Ltd.	-	Financial assets at fair value through profit or loss - current	815	55,420	- %	68.00	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	170	2,079	- %	12.26	

## 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:

Unit: Thousand shares; Thousand of NTD

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balances	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Book Value	Gain(loss) from disposal	Shares/Units	Amount
The Company	Beneficiary Certificate - Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	24,889	305,000	24,889	305,132	305,000	132	-	-
The Company	Beneficiary Certificate - CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	58,731	633,000	58,731	633,138	633,000	138	-	-

## 5. The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital:

Unit: Thousand NTD

Name of Company	Name of Property	Date of Event	Transaction Amount	Payout Status	Name of counter-party	Relationship with the Company	Previous transfer data of the counter-party which is related party				Reference Basis for the Decision on Price	Concrete purpose or use of the acquisition	Other Agreement Terms
							Owner	Relationship with the Issuer	Date of Transfer	Amount			
The Company	Huagang section, Shilin Dist.	5.14.2014	451,111	Paid	Public tender	-	-	-	-	Open market price and publicly	Construction site		

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

Name of Company	Name of Property	Date of Event	Transaction Amount	Payout Status	Name of counter-party	Relationship with the Company	Previous transfer data of the counter-party which is related party				Reference Basis for the Decision on Price	Concrete purpose or use of the acquisition	Other Agreement Terms
							Owner	Relationship with the Issuer	Date of Transfer	Amount			
The Company	Sanzhi Dist., New Taipei City	6.12.2014	420,871	30% of signing amount paid	Zheng-An Jiang, New Taipei City, Corporation in the ancestor worship related business	-	-	-	-	-	announced land value Decision-making department of board of directors and Property Appraisers Joint Firm	Original profession	

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			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	Lungyen Life Service Corp.	Ching Huang Construction Co., Ltd.	1	Payable accounts	\$ 13,256	100% 30-day postdated check	0.03%
0	"	"	1	Other payable accounts	23,210	-	0.06%
0	"	Yuji Development Corp.	1	Payable accounts	26,671	100% 30-day postdated check	0.07%
0	"	"	1	Prepayments	11,160	-	0.03%
0	"	"	1	Operating cost	28,313	-	1.27%
0	"	"	1	Other revenue	12,100	-	0.54%
0	"	Longding Life Science Co., Ltd.	1	Other financial assets – current	63,000	-	0.02%
0	"	"	1	Operating cost	1,279	-	0.06%
0	"	Zekaen Co. Ltd.	1	Operating cost	46,124	-	2.06%
0	"	"	1	Payable accounts	7,889	-	0.02%
0	"	"	1	Operating income	1,921	-	0.09%
0	"	Lung Fu Company Limited	1	Other current liability	2,429	-	0.01%
0	"	"	1	Payable accounts	14,274	-	0.04%
0	"	"	1	Prepayment for purchases	14,138	-	0.03%
1	Ching Huang Construction Co., Ltd.	Lungyen Life Service Corp.	2	Accounts Receivable	36,466	100% 30-day postdated check	0.09%
2	Yuji Development Corp.	Lungyen Life Service Corp.	2	Accounts Receivable	26,671	-	0.07%
2	"	"	2	Advance receipts	11,160	-	0.03%
2	"	"	2	Operating income	28,313	-	1.27%
2	"	"	2	Administrative expenses	12,100	-	0.54%
3	Longding Life Science Co., Ltd.	Lungyen Life Service Corp.	2	Other current liability - other	63,000	-	0.15%
3	"	"	2	Operating income	1,279	-	0.06%
3	"	Zekaen Co. Ltd.	3	Operating income	1,023	-	0.05%
4	Zekaen Co. Ltd.	Lungyen Life Service Corp.	2	Operating income	46,124	-	2.06%
4	"	"	2	Accounts Receivable	7,889	-	0.02%
4	"	"	2	Operating cost	1,921	-	0.09%
4	"	Longding Life Science Co., Ltd.	3	Operating cost	1,023	-	0.05%
5	Lung Fu Company Limited	Lungyen Life Service Corp.	2	Accounts Receivable	16,703	-	0.04%
5	"	"	2	Advance sales receipts	14,138	-	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	

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 the six months ended June 30, 2014 is as follows:

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%	169,204	2,879	2,828	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	990,000	990,000	99,000	56.25%	1,083,847	121,175	68,161	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%	3,615	19	15	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	114,529	114,529	1	100.00%	112,214	(3,323)	(3,323)	Subsidiary
The Company	Longding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	85,000	40,000	8,500	60.71%	65,136	3,104	3,398	Subsidiary
The Company	Singapore Lungyen Life Services Pte., Ltd.	Singapore	Funeral Service	11,990	11,990	500	100.00%	4,042	(203)	(203)	Subsidiary
The Company	Zekaen Co. Ltd.	Taiwan	Flower and plant cultivation	96,656	73,850	10,000	100.00%	70,557	(5,924)	(4,504)	Subsidiary
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75%	210,080	(129)	(100)	Subsidiary
Zekaen Co. Ltd.	Longding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	55,000	55,000	5,500	39.29%	42,147	3,104	(294)	Subsidiary

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

Note 2: 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 (Note 2)	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
-	1,194,600 USD 40,000	4,623,472

US Dollar Exchange Rate: closing rate: 29.865

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

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

(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.

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:**

(English Translation of Financial Report Originally Issued in Chinese)

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

	<b>April to June, 2014</b>						
	<b>Columbarium and cemetery for sale</b>	<b>Funeral services</b>	<b>Property leasing</b>	<b>Cemetery operation and others</b>	<b>Construction for sales</b>	<b>Adjustments and written-off</b>	<b>Total</b>
Income:							
Income from external customers	\$ 674,605	371,016	48,736	29,508	3,073	-	1,126,938
Inter-segment income	19,220	-	1,064	16,602	-	(36,886)	-
Total income	<b>\$ 693,825</b>	<b>371,016</b>	<b>49,800</b>	<b>46,110</b>	<b>3,073</b>	<b>(36,886)</b>	<b>1,126,938</b>
Reportable segment profit or loss	<b>\$ 368,713</b>	<b>70,359</b>	<b>14,737</b>	<b>86,059</b>	<b>(137)</b>	<b>(36,886)</b>	<b>502,845</b>

	<b>April to June, 2013</b>						
	<b>Columbarium and cemetery for sale</b>	<b>Funeral services</b>	<b>Property leasing</b>	<b>Cemetery operation and others</b>	<b>Construction for sales</b>	<b>Adjustments and written-off</b>	<b>Total</b>
Income:							
Income from external customers	\$ 636,554	329,297	52,076	21,592	10,799	-	1,050,318
Inter-segment income	15,699	-	449	8,499	22,916	(47,563)	-
Total income	<b>\$ 652,253</b>	<b>329,297</b>	<b>52,525</b>	<b>30,091</b>	<b>33,715</b>	<b>(47,563)</b>	<b>1,050,318</b>
Reportable segment profit or loss	<b>\$ 356,585</b>	<b>47,163</b>	<b>6,682</b>	<b>43,105</b>	<b>21,784</b>	<b>(47,563)</b>	<b>427,756</b>

	<b>January to June, 2014</b>						
	<b>Columbarium and cemetery for sale</b>	<b>Funeral services</b>	<b>Property leasing</b>	<b>Cemetery operation and others</b>	<b>Construction for sales</b>	<b>Adjustments and written-off</b>	<b>Total</b>
Income:							
Income from external customers	\$ 1,287,502	740,670	99,403	97,939	11,380	-	2,236,894
Inter-segment income	28,313	-	2,202	48,427	-	(78,942)	-
Total income	<b>\$ 1,315,815</b>	<b>740,670</b>	<b>101,605</b>	<b>146,366</b>	<b>11,380</b>	<b>(78,942)</b>	<b>2,236,894</b>
Reportable segment profit or loss	<b>\$ 668,436</b>	<b>140,361</b>	<b>41,272</b>	<b>212,915</b>	<b>(808)</b>	<b>(78,942)</b>	<b>983,234</b>

	<b>January to June, 2013</b>						
	<b>Columbarium and cemetery for sale</b>	<b>Funeral services</b>	<b>Property leasing</b>	<b>Cemetery operation and others</b>	<b>Construction for sales</b>	<b>Adjustments and written-off</b>	<b>Total</b>
Income:							
Income from external customers	\$ 1,178,066	654,298	112,733	70,174	22,790	-	2,038,061
Inter-segment income	20,768	-	573	8,499	42,040	(71,880)	-
Total income	<b>\$ 1,198,834</b>	<b>654,298</b>	<b>113,306</b>	<b>78,673</b>	<b>64,830</b>	<b>(71,880)</b>	<b>2,038,061</b>
Reportable segment profit or loss	<b>\$ 617,457</b>	<b>88,852</b>	<b>31,489</b>	<b>144,866</b>	<b>41,060</b>	<b>(71,880)</b>	<b>851,844</b>

	<b>Columbarium and cemetery for sale</b>	<b>Funeral services</b>	<b>Property leasing</b>	<b>Cemetery operation and others</b>	<b>Construction for sales</b>	<b>Adjustments and written-off</b>	<b>Total</b>
Reportable segment assets							
June 30, 2014	<b>\$ 13,154,047</b>	<b>3,668,702</b>	<b>6,152,910</b>	<b>18,715</b>	<b>4,509,529</b>	<b>13,237,385</b>	<b>40,741,288</b>
December 31, 2013	<b>\$ 13,403,823</b>	<b>3,547,931</b>	<b>6,184,139</b>	<b>12,884</b>	<b>4,230,155</b>	<b>11,823,726</b>	<b>39,202,658</b>
June 30, 2013	<b>\$ 12,567,454</b>	<b>3,566,139</b>	<b>7,541,031</b>	<b>12,215</b>	<b>4,012,825</b>	<b>11,572,848</b>	<b>39,272,512</b>