

**Lungyen Life Service Corp. and  
Subsidiaries**

**Consolidated Financial Statements**

**For The Three Months Ended March 31, 2017 and 2016  
(Including an Independent Auditor's Audit Report)**

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

## Table of Contents

	<b>Item</b>	<b>Page</b>
I.	Cover Page	1
II.	Table of Contents	2
III.	Independent Auditor's Report	3
IV.	Consolidated Balance Sheets	4
V.	Consolidated Statements of Comprehensive Income	5
VI.	Consolidated Statements of Changes in Equity	6
VII.	Consolidated Statements of Cash Flows	7
VIII.	Notes to Consolidated Financial Statements	
	(I) Company profile	8
	(II) Financial statements authorisation date and authorisation process	8
	(III) New standards and interpretations not yet adopted	8~11
	(IV) Significant account disclosures	11~13
	(V) Significant accounting judgments, estimations, assumptions, and sources of estimation uncertainty	13
	(VI) Significant account disclosures	13~31
	(VII) Transactions with related parties	32~34
	(VIII) Pledged assets	34
	(IX) Significant undertakings or contingencies	34~36
	(X) Significant disaster loss	36
	(XI) Significant subsequent events	36
	(XII) Others	37
	(XIII) Disclosures	
	(1) Information about significant transactions	38~42
	(2) Information about reinvestees	42~43
	(3) Information about investment in Mainland China	43
	(XIV) Financial information by department	44~45

## 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 March 31, 2017 and 2016, the related consolidated statements of comprehensive income as of January 1 to March 31, 2017 and 2016, and consolidated statements of changes in equity and consolidated statement of cash flows as of three months ended March 31, 2017 and 2016. 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 unaudited quarterly financial statements of the subsidiaries to prepare the quarterly consolidated financial statements. The total assets amounted to NT\$1,398,870 thousand and NT\$1,532,297 thousand, representing both 3% of total consolidated assets as of March 31, 2017 and 2016, respectively. The total liabilities amounted to NT\$55,094 thousand and NT\$250,167 thousand, representing 0% and 1% of total consolidated liabilities as of March 31, 2017 and 2016, respectively. The comprehensive profit or loss was NT\$(30,648) thousand and NT\$(9,612) thousand, representing (4)% and (2)% of the consolidated profit or loss as of January 1 to March 31, 2017 and 2016, 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\$433,173 thousand and NT\$187,724 thousand as of March 31, 2017 and 2016. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$(3,835) thousand and NT\$(2,391) thousand as of January 1 to March 31, 2016 and 2015. The financial statements were prepared in accordance with the unaudited 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  
May 5, 2017

FSC VI. Tzi No. 0940129108

:

(English Translation of Financial Report Originally Issued in Chinese)

**Consolidated Balance Sheets**

**March 31, 2017, December 31, and March 31, 2016**

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

Assets	3.31.2017		12.31.2016		3.31.2016		Liabilities and Equity	3.31.2017		12.31.2016		3.31.2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
1100 Cash and cash equivalents (Note (1) & (21))	\$212,301	-	199,621	-	261,831	1	2100 Short-term loan (Note 6(10) & (21))	\$2,602,400	5	7,174,900	14	6,883,500	14
1110 Financial assets at fair value through profit or loss – current (Note 6(2), (21) & 9)	1,057,560	2	907,233	2	1,128,409	2	2170 Payable accounts (Note 6(21))	460,308	1	444,138	1	527,630	1
1150 Notes receivable, net (Note 6(21))	13,360	-	9,712	-	5,345	-	2200 Other payable accounts (Note 6(21) & 7)	313,860	1	404,691	1	365,891	1
1170 Accounts receivable, net (Note 6(21) & 7)	400,563	1	428,616	1	442,889	1	2230 Current income tax liabilities	130,193	-	88,654	-	237,743	1
1320 Inventories (Note 6(3) & 8)	14,431,189	28	14,425,211	28	13,901,186	29	2310 Advance receipts (Note 9)	31,981,828	62	31,668,990	62	30,003,700	62
1400 Biological assets – current	-	-	-	-	54,038	-	2399 Other current liabilities - others	<u>33,366</u>	-	<u>11,951</u>	-	<u>23,494</u>	-
1410 Prepayments (Note 9)	8,723,662	17	8,670,520	17	8,546,598	18	<b>Non-current liabilities:</b>	<u>35,521,955</u>	<u>69</u>	<u>39,793,324</u>	<u>78</u>	<u>38,041,958</u>	<u>79</u>
1476 Other financial assets – current (Note 6(9), 6(21), 8 & 9)	2,183,326	4	2,173,130	4	1,945,726	4	2540 Long-term loan (Note (11), (21))	-	-	-	-	172,700	-
1479 Other current assets	<u>6,021</u>	-	<u>5,055</u>	-	<u>7,708</u>	-	2570 Deferred income tax liabilities	24,287	-	24,287	-	51,949	-
	<u>27,027,982</u>	<u>52</u>	<u>26,819,098</u>	<u>52</u>	<u>26,293,730</u>	<u>55</u>	2640 Net defined benefit liability – non-current	30,058	-	30,058	-	28,561	-
<b>Non-current assets:</b>							2645 Deposit received	55,107	-	52,802	-	58,279	-
1524 Available-for-sale financial assets – non-current (Note 6(2), (21), 8 & 9)	8,927,395	17	8,679,735	17	6,984,271	14	2670 Other non-current liabilities - others	<u>3,115,981</u>	<u>6</u>	<u>2,981</u>	-	<u>2,981</u>	-
1527 Financial assets carried at cost – non-current (Note 6(2))	617,082	1	307,915	-	-	-	<u>3,225,433</u>	<u>6</u>	<u>110,128</u>	-	<u>314,470</u>	-	
1544 Investment under equity method (Note 6(4))	18,992	-	18,992	-	23,130	-	<b>Total liabilities</b>	<u>38,747,388</u>	<u>75</u>	<u>39,903,452</u>	<u>78</u>	<u>38,356,428</u>	<u>79</u>
1550 Property, plant and equipment (Note 6(6), 8 & 9)	433,173	1	450,296	1	187,724	-	<b>Equity attributable to owners of parent (Note 6(14) &amp; (15)):</b>						
1600 Investment property, net (Note 6(7), 8 & 9)	5,871,325	12	5,866,648	12	6,093,143	13	3100 Capital stock – common stock	4,200,842	8	3,990,842	8	3,990,842	8
1760 Intangible assets (Note 6(8))	6,521,968	13	6,534,031	13	6,528,263	13	3200 Capital surplus	2,512,315	5	1,420,112	3	1,413,254	3
1780 Deferred income tax assets	771,858	1	775,226	2	765,409	2	Retained earnings:						
1840 Other financial assets – non-current	820,251	2	801,963	2	832,502	2	3310 Legal reserve	997,817	2	997,817	2	888,881	2
1980 Other non-current assets - others	24,639	-	25,159	-	26,436	-	3320 Special reserve	401,665	1	401,665	1	14,458	-
1990 Non-current assets:	<u>697,341</u>	<u>1</u>	<u>697,365</u>	<u>1</u>	<u>664,505</u>	<u>1</u>	3350 Unappropriated retained earnings	2,843,928	5	2,610,784	5	2,528,972	5
	24,704,024	48	24,157,330	48	22,105,383	45	3400 Other equity interest	<u>848,887</u>	<u>2</u>	<u>397,357</u>	<u>1</u>	<u>-128,154</u>	-
							<b>Total equity attributable to owners of parent</b>	11,805,454	23	9,818,577	20	8,708,253	18
							<b>parent</b>						
							36xx Non-controlling interest (Note 6(5) & (15))	<u>1,179,164</u>	<u>2</u>	<u>1,254,399</u>	<u>2</u>	<u>1,334,432</u>	<u>3</u>
							<b>Total equity</b>	<u>12,984,618</u>	<u>25</u>	<u>11,072,976</u>	<u>22</u>	<u>10,042,685</u>	<u>21</u>
<b>Total Assets</b>	<b><u>\$51,732,006</u></b>	<b><u>100</u></b>	<b><u>50,976,428</u></b>	<b><u>100</u></b>	<b><u>48,399,113</u></b>	<b><u>100</u></b>	<b>Total liabilities and equity</b>	<b><u>\$51,732,006</u></b>	<b><u>100</u></b>	<b><u>50,976,428</u></b>	<b><u>100</u></b>	<b><u>48,399,113</u></b>	<b><u>100</u></b>

(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**

For The Three Months Ended March 31, 2017 and 2016  
 (All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)  
 (Reviewed, Not Audited)

**Lungyen Life Service Corp. and Subsidiaries**

		2017Q1		2016Q1	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6(17) &amp; 7)</b>	\$ 970,212	100	841,340	100
5000	<b>Operating cost (Note 6(13))</b>	305,961	32	330,846	39
5900	<b>Operating gross profit (loss)</b>	664,251	68	510,494	61
<b>Operating expenses:</b>					
6100	Selling expenses	182,876	19	152,325	18
6200	Administration expenses (Note 6(13) & 7)	121,331	13	103,326	12
6000	<b>Total operating expenses</b>	304,207	32	255,651	30
6500	<b>Other income and expenses (Note 6(19))</b>	-	-	16,041	2
6900	<b>Operating income (loss)</b>	360,044	36	270,884	33
<b>Non-operating income and expenses:</b>					
7010	Other income (Note 6(20))	60,155	6	56,412	7
7020	Other gains and losses (Note 6(20))	(110,321)	(11)	(40,982)	(5)
7050	Financial costs (Note 6(3) & (20))	(20,689)	(2)	(23,566)	(3)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	(3,835)	-	(2,391)	-
		(74,690)	(7)	(10,527)	(1)
7900	<b>Operating income before tax</b>	285,354	29	260,357	32
7950	<b>Less: Income tax expense (Note 6(14))</b>	23,760	2	26,742	3
8200	<b>Net income</b>	261,594	27	233,615	29
8300	<b>Other comprehensive income:</b>				
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
8361	Exchange differences on translation of foreign statements	(20,609)	(2)	(2,592)	-
8362	Unrealized losses on available-for-sale financial assets	476,710	49	273,781	33
8370	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	(2,153)	-	2,322	-
		453,948	47	273,511	33
<b>Other comprehensive income, net</b>		453,948	47	273,511	33
8500	<b>Total comprehensive income</b>	\$ 715,542	74	507,126	62
<b>Net income, attributable to:</b>					
8610	Owners of parent	\$ 233,144	24	199,372	25
8620	Non-controlling interest	28,450	3	34,243	4
		\$ 261,594	27	233,615	29
<b>Total comprehensive income, attributable to:</b>					
8710	Owners of parent	\$ 684,674	71	472,883	58
8720	Non-controlling interest	30,868	3	34,243	4
		\$ 715,542	74	507,126	62
<b>Earnings per share (Note 6(16))</b>					
9710	<b>Basic earnings per share (NTD)</b>	\$ 0.58	0.50		
9810	<b>Diluted earnings per share (NTD)</b>	\$ 0.58	0.50		

(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 Changes in Equity**

**For The Three Months Ended March 31, 2017 and 2016**

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

Equity attributable to owners of parent

	Equity attributable to owners of parent						Other equity interest			Total equity		
	Capital Stock		Retained Earnings				Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total		Total equity attributable to owners of parent	Non-controlling interest
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total						
<b>Balance – January 1, 2016</b>	\$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559
Net profit	-	-	-	-	199,372	199,372	-	-	-	199,372	34,243	233,615
Other comprehensive income	-	-	-	-	-	-	(270)	273,781	273,511	273,511	-	273,511
Total comprehensive income	-	-	-	-	199,372	199,372	(270)	273,781	273,511	472,883	34,243	507,126
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	210	-	-	-	-	-	-	-	210	(210)	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	216,000	216,000
<b>Balance – March 31, 2016</b>	<b>\$ 3,990,842</b>	<b>1,413,254</b>	<b>888,881</b>	<b>14,458</b>	<b>2,528,972</b>	<b>3,432,311</b>	<b>(5,037)</b>	<b>(123,117)</b>	<b>(128,154)</b>	<b>8,708,253</b>	<b>1,334,432</b>	<b>10,042,685</b>
<b>Balance – January 1, 2017</b>	\$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577	1,254,399	11,072,976
Net profit	-	-	-	-	233,144	233,144	-	-	-	233,144	28,450	261,594
Other comprehensive income	-	-	-	-	-	-	(22,762)	474,292	451,530	451,530	2,418	453,948
Total comprehensive income	-	-	-	-	233,144	233,144	(22,762)	474,292	451,530	684,674	30,868	715,542
Capital Increased	210,000	1,094,100	-	-	-	-	-	-	-	1,304,100	-	1,304,100
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	(1,897)	-	-	-	-	-	-	-	(1,897)	1,897	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(108,000)	(108,000)
<b>Balance – March 31, 2017</b>	<b>\$ 4,200,842</b>	<b>2,512,315</b>	<b>997,817</b>	<b>401,665</b>	<b>2,843,928</b>	<b>4,243,410</b>	<b>(34,062)</b>	<b>882,949</b>	<b>848,887</b>	<b>11,805,454</b>	<b>1,179,164</b>	<b>12,984,618</b>

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

Chairman :

General Manager :

Chief Accountant :

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

**For The Three Months Ended March 31, 2017 and 2016**

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

	<b>2017Q1</b>	<b>2016Q1</b>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 285,354	260,357
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	35,426	41,910
Amortization expense	4,097	3,444
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(34,561)	(10,796)
Interest expense	20,689	23,566
Interest income	(31,514)	(25,338)
Dividend income	(1,410)	(1,439)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	3,835	2,391
Loss (gain) on disposal and scrap of property, plant and equipment	(208)	7
Exchange loss on disposal of financial assets	94,945	49,658
Gain on disposal of available-for-sale financial assets	11,160	(22,639)
Total adjustments to reconcile profit (loss)	102,459	60,764
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(115,766)	18,488
Decrease (Increase) in notes receivable and account receivable	24,405	42,674
Decrease (Increase) in inventories	(5,978)	(337,619)
Decrease (Increase) in biological assets	-	184
Decrease (Increase) in prepayments	(53,155)	(98,051)
Decrease (Increase) in other current assets	(1,033)	(4,120)
Decrease (Increase) in other financial assets - current	(16,511)	23,692
Total changes in operating assets	(168,038)	(354,752)
Changes in operating liabilities:		
Increase (Decrease) in accounts payable	15,962	94,190
Increase (Decrease) in other payable	(84,931)	(76,796)
Increase (Decrease) in advance receipts	312,838	453,038
Increase (Decrease) in other current liabilities	21,426	13,962
Total changes in operating liabilities	265,295	484,394
Total changes in operating assets and liabilities	97,257	129,642
Total adjustments	199,716	190,406
Cash inflow (outflow) generated from operations	485,070	450,763
Interest received	23,606	16,343
Dividend received	1,586	1,439
Interest paid	(19,619)	(23,074)
Income taxes (paid)	(509)	(1,284)
<b>Net cash flows from (used in) operating activities</b>	490,134	444,187

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

**For The Three Months Ended March 31, 2017 and 2016**

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

	<b>2017Q1</b>	<b>2016Q1</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets	(239,819)	(693,246)
Proceeds from disposal of available-for-sale financial assets	357,325	265,242
Acquisition of hold to maturity financial assets	(309,641)	-
Payment of shares returned by the investees due to capital decrease under equity method	11,135	-
Acquisition of property, plant and equipment	(28,057)	(57,416)
Disposal of property, plant and equipment	225	-
Acquisition of intangible assets	(729)	(308)
Decrease in other financial assets	(2,476)	250,031
Decrease in other financial assets- non current	520	-
Increase in other non-current assets	(7)	(6,613)
<b>Net cash flows from (used in) investing activities</b>	<b>(211,524)</b>	<b>(242,310)</b>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	2,375,500	1,410,000
Decrease in short-term loans	(6,948,000)	(1,767,000)
Increase in long-term loans	3,113,000	-
Increase (decrease) in guarantee deposits received	2,305	(9,327)
Capital Increase	1,304,100	-
Change in non-controlling interests	(108,000)	216,000
<b>Net cash flows from (used in) financing activities</b>	<b>(261,095)</b>	<b>(150,327)</b>
Effects of foreign exchange rates changes on cash and cash equivalents	(4,835)	(2,438)
Net increase (decrease) in cash and cash equivalents	12,680	49,112
<b>Cash and cash equivalents at beginning of period</b>	<b>199,621</b>	<b>212,719</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 212,301</b>	<b>261,831</b>

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

**Chairman :**

**General Manager :**

**Chief Accountant :**



Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

**Lungyen Life Service Corp. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For The Three Months Ended March 31, 2017 and 2016**

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

(Reviewed, Not Audited)

**I. Company profile**

Lungyen Life Service Corp. ( hereinafter referred to as the “Company”) was incorporated in March 27, 1987, and was registered in 1F., No.166, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). The Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’) is primarily engaged in funeral service, development and lease of interment premises, and development and lease of residential areas and buildings.

**II. Approval and procedures of the consolidated financial statements**

The quarterly consolidated financial statements were accepted and published by the Board of Directors on May 5, 2017.

**III. Application of new and revised standards and interpretations**

1. New and revised standards and interpretations approved by Financial Supervisory Commission

The Consolidated Company has adopted completely the standards issued by the International Accounting Standards Board (hereinafter referred to as the “IAS Board”) before January 1, 2016, and approved by Financial Supervisory Commission (hereinafter referred to as the “FSC”) in 2017. The financial report was issued according to the IFRS and became effective on January 1, 2017, the following table depicts the new, amended, revised standards and interpretations:

<u>New / Amended / Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS No. 10, No.12 and IAS No.28 “Investment Entities-Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS No. 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendments to IFRS No. 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendments to IAS No. 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS No. 16 and No.38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS No. 16 and No.41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS No. 19 “Defined benefit plans: employee contributions”	July 1, 2014
Amendments to IAS No. 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS No. 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS No. 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements (2010-2012 cycle and 2011-2013 cycle)	July 1, 2014

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Improvements to International Financial Reporting Standards (2012-2014 cycle)	January 1, 2016
Amendments to IFRIC 21 “Levies”	January 1, 2014

The above approved standards and interpretations have no significant impact to the consolidated financial statements.

(II) New and revised standards and interpretations not yet approved by Financial Supervisory Commission

The following table depicts new, amended, revised standards and interpretations issued by the IAS Board, but not yet approved by the FSC. As of the final date for issuance of the consolidated financial report, FSC has not announced other activate date of the standards except to the Standards to IFRS No. 9 & 15 will be approved by the FSC on January 1, 2018.

<u>New/Amended/Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS No.9 “Financial Instruments”	January 1, 2018
Amendments to IFRS No.10 and IAS No.28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures”	Not yet decided by IAS Board
Amendments to IFRS No.15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS No.16 “Leases”	January 1, 2019
Amendments to IFRS No.2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS No.15 “Clarifications to IFRS 15”	January 1, 2018
Amendments to IAS No. 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS No. 12 “- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to the International Financial Reporting Standards No. 4 "Insurance Contracts" (International Financial Reporting Standards No. 9 "Financial Instruments" and International Financial Reporting Standards No. 4 "Insurance Contracts")	January 1, 2018
2014-2016 International Financial Reporting Year Improvement: International Financial Reporting Standards No. 12 "Disclosure of the rights and interests of other individuals"	January 1, 2017
International Financial Reporting Standards No. 1 "International Financial Reporting Standards for the First Time" and International Accounting Standards No. 28 "Investment-related enterprises and joint ventures"	January 1, 2018
International Financial Reporting Interpretation No. 22 "Foreign Currency Transactions and Advance Payment Consideration"	January 1, 2018
Amendments to International Accounting Standards No. 40 "Conversion of Investment Real Estate"	January 1, 2018

Assessment of possible impact to consolidated financial statements as below:

<b>Issued date</b>	<b>New/Amended/Revised Standards</b>	<b>Major Amendments</b>
May 28, 2014 April 12, 2016	IFRS No. 15 “Revenue from Contracts with Customers”	IFRS 15 establishes a single analytical model with five steps for recognizing revenue by recognition method, timing, and amount that applies to all contracts with customers, and will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations  April 12, 2016, Issued revised rules to declare the following items: Identify the performance obligations in the contract, consideration of principal and agent, authorization and transition of intellectual property.
November 19, 2013 July 24, 2014	IFRS No. 9 “Financial Instruments”	New standard will replace IAS 39 “Financial Instruments: Recognition and Measurement”, major revised as below: <ul style="list-style-type: none"><li>• Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that ‘credit risk’ adjustments should be recognized in other comprehensive income (loss).</li><li>• Impairment: New expected credit loss model is used to replace the existing loss recognition model.</li><li>• Hedge accounting: Apply more rules using a Principle-based approach, to enable hedge accounting to more closely aligned with risk management activities, including amendments, continue, or cease the use of hedging accounting provisions, and increase more types of risks qualified as hedged items.</li></ul>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.		
January 13, 2016	IFRS No. 16 “Leases”	Revisions to accounting standards applied to leases as follows:
		<ul style="list-style-type: none"><li>• The new standard requires all lease contracts to be recognized on the balance sheet as a "right-of-use assets" and lease liabilities. Lease expenses during the lease term shall be measured as the amount of depreciation of the "right-of-use assets" plus amortization of interest on lease liabilities</li><li>• Lessor accounting shall still be classified as operating leases or finance leases, with the accounting treatment similar to IAS No.17 “Leases”.</li></ul>
December 8, 2016	Amendments to International Accounting Standards No. 40 "Conversion of Investment Real Estate"	<ul style="list-style-type: none"><li>• Making statement that the enterprises could only convert in or out Investment Real Estate only if there's evidence proving the actual use of the real estates has changed. The amendment also emphasized that the intension changed by the management is not evidence for the change of (actual) use, and to amend paragraph 57 in which lists conditions for changing the evidence.</li></ul>

The group 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 group. The quantitative impact will be disclosed when the assessment is complete.

#### 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 2016 annual consolidated financial statements. Please refer to Note 4 of the 2016 annual consolidated financial statements for other related information.

##### (II) Basis of consolidation

The principles for preparation of the consolidated financial report is consistent to 2016 annual

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. consolidated report, for related information please refer to 2016 annual consolidated report Note 4(3).

### 1. List of subsidiaries included in the consolidated financial statements

Name of investment company	Name of subsidiary	Nature of business	Shareholding ratio			Remarks
			3.31.2017	12.31.2016	3.31.2016	
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	54.42%	54.42%	54.42%	
The Company	Lungding Life Sciences Inc.	Flowers growing, wholesale, and retail business operations	49.00 %	49.00 %	84.29%	Note 4(2), 3(1)
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%	Note 4(2).3(2)
The Company	Singapore Lungyen Life Service Pte. Ltd.	Funeral services	100.00%	100.00%	100.00%	
The Company	Lung An Company Limited	Funeral services	85.00%	70.00%	70.00%	Note 4(2).3(4)
Yuji Development Corp.	Lung Fu Company Limited	Funeral services	77.75%	77.75%	77.75%	
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Company Limited	Investment business	100.00%	100.00%	- %	Note 4(2).3(3)
Lungyen Cayman Company Limited	Lungyen HK Company Limited	Investment business	100.00%	100.00%	- %	Note 4(2).3(3)
Lungyen HK Company Limited	Lungyen Trading (Wenzhou) Co. Ltd	Wholesale and export operations	100.00%	100.00%	- %	Note 4(2).3(3)

2. The subsidiaries that are not included in the consolidated financial statements: None.

3. Changes in subsidiary:

(1) The Company invested in the Lungding Life Science on March 31, 2016, having the ownership of 84.29%. Lungding increased cash capital to NT\$345,410 thousand on November 2016, and the Company took up NT\$104,117 thousand which resulted in the Company's ownership decreased from 84.29% to 49% and lost the control. This has led the Company become affiliated enterprise in types of investment which will not be listed in the consolidated financial report.

(2) The Company increased cash capital to Sea Dragan Traders Ltd. in US\$11,000 thousand with 100% ownership.

(3) In October 2016, the Company invested in Lungyen (Cayman) and Lungyen (Hong

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Kong) through Sea Dragon Co. Ltd., and then invested in the establishment of Wenzhou Lungyen with a total investment of US\$11,000 thousand and with 100% ownership.

(4) Lung An Company Limited increased cash capital to NT\$216,000 thousand, the Company didn't take up new shares in accordance to the percentage which resulted in the ownership of the Company decreased from 100% to 70%. Besides, the Company purchased from other shareholders 10,800 thousand shares in NT\$10 resulting in the percentage of shareholding increased from 70% to 85%.

(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 Consolidated Company's 2016 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 2016 annual consolidated financial statements. Please refer to Note 6 of the 2016 annual consolidated financial statements.

(I) Cash and cash equivalent

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Cash on hand	\$ 7,557	4,192	3,375
Check deposits	202,598	193,262	154,348
Demand deposits	146	167	398
Time deposits	2,000	2,000	103,710
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u>\$ 212,301</u>	<u>199,621</u>	<u>261,831</u>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

1. Time deposits, which are used for short-term cash commitments instead of investment or other purposes and could be converted to cash with little change in its 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(21).

## (II) Financial assets

1. Details are as follows:

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Financial assets measured at fair value through profit or loss - current			
Domestic and foreign common stocks	\$ 541,540	538,167	663,429
Beneficiary certificates	516,020	369,066	464,980
Total	<u>\$ 1,057,560</u>	<u>907,233</u>	<u>1,128,409</u>
Available-for-sale financial assets valued at cost – non-current			
Domestic and foreign common stocks	\$ 6,890,950	6,267,346	5,211,293
Bond investment	1,587,437	1,625,658	1,556,472
Beneficiary certificates	449,008	786,731	216,506
Total	<u>\$ 8,927,395</u>	<u>8,679,735</u>	<u>6,984,271</u>
Financial assets valued at cost			
Stock Investment - PK Venture Capital Corp.	\$ 3,277	3,277	12,815
Stock Investment – FORTUNE IC FUND I	4,030	4,030	4,030
Stock Investment – Chen-Yuan Industry Co., Ltd.	1,785	1,785	1,785
Stock Investment-Creative Space Design Co. Ltd.	9,900	9,900	-
Stock Investment – Fuyou Healthcare Co., Ltd.	-	-	4,500
Total	<u>\$ 18,992</u>	<u>18,992</u>	<u>23,130</u>
Hold to maturity financial assets- non-current			
Bond Investment	<u>\$ 617,082</u>	<u>307,915</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) Investee company PK Venture Capital Corp. performed reduction of cash capital on July 8, 2015 and December 29, and the Consolidated Company received capital reduction refund of NT\$2,856 thousand and 1,542 thousand. Additionally, NT\$5,140 thousand of impairment loss was reported in 2016.
- (3) Investee Company Fuyou Healthcare Co., Ltd. was approved to be disbanded on April 19, 2015 by the Announcement of Fu-chan-yeh-shang-zi No.10584027300 on April 19 2015.
- (4) The Consolidated Company invested in CREATIVE SPACE DESIGN CORP. LTD in

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

July 2016 and May 2016 respectively with the total investing amount of NT\$5,900 thousand and NT\$4,000 thousand, owned 19.8% of shareholding.

- (5) In order to acquire long-term stable dividend income, the Consolidated Company invested stocks of domestic listed companies for total NT\$6,132,652 thousand for the end of March 31, 2017, without any control ability and significant influence, and recognized it under available-for-sale in accordance with holding intention.
- (6) The coupon rate range of the Consolidated Company's available-for-sale financial assets – non-current bond on March 31, 2017 and 2016, is 3.00%~4.95% and 3.00%~4.50%, respectively. The maturity year is 2017~2046.
- (7) The coupon rate range of the Consolidated Company's held to maturity bond is between 1.08%~2.08% and 1.90%~2.08% at the end of March 31, 2017 and December 31, 2016. The maturity period is from 2021-2025.
- (8) With respect to details of transferring from financial assets measured at fair value through profit or loss to the Trust as of March 31, 2017 and December 31, 2016 please refer to Note 9 for more information.
- (9) As of March 31, 2017, December 31 and March 31, 2016, the Consolidated Company's financial assets pledged as collateral could be referred to Note 8 for more information.
2. The Consolidated Company has disclosed the related risks and sensitivity analysis in Note 6 (21).
3. The impact of the changes in equity price on the reporting date (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

<b>Stock price on the reporting date</b>	<b>2017Q1</b>		<b>2016Q1</b>	
	<b>Other consolidated profit or loss after tax</b>	<b>Profit or loss after tax</b>	<b>Other consolidated profit or loss after tax</b>	<b>Profit or loss after tax</b>
<b>Increased by 10%</b>	<b>\$ 685,631</b>	<b>51,717</b>	<b>520,258</b>	<b>61,143</b>
<b>Decreased by 10%</b>	<b>\$ (685,631)</b>	<b>(51,717)</b>	<b>(520,258)</b>	<b>(61,143)</b>

(III) Inventory

	<b>3.31.2017</b>	<b>12.31.2016</b>	<b>3.31.2016</b>
Real estate for sale	\$ 4,008	4,008	4,968
Columbarium and cemetery for sale	2,020,941	2,015,577	1,575,096
Construction Site	4,597,407	4,597,067	2,397,103
Residential and building under construction	63,410	63,500	2,245,778
Columbarium and cemetery under construction	7,745,423	7,745,059	7,675,606
Agriculture Products	-	-	2,635
	<b>\$ 14,431,189</b>	<b>14,425,211</b>	<b>13,901,186</b>
Expected to be recovered in more than twelve months	<b>\$ 14,272,587</b>	<b>14,276,031</b>	<b>13,729,240</b>

1. As of January 1, 2017 and January 1 to March 31, 2016, the interest which was recognized by the Consolidated Company and capitalized amount of residential and building under construction as well as columbarium and cemetery under construction is zero.



Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

2. Parts of the land of the Company (refer to as “the principal”) were registered by the trustee’s name in order to deal with the land purchasing. The two sides signed the contract regulating after land consolidation has been completed, the property will be transferred to the Company unconditionally. The trustee shall, at the same time, hand over the documents required for the transfer of the right to the principal. In addition, the entrusted shall hand over the promissory note with the same value of the land opened and registered under his/her name to the principal.

3. For the Consolidated Company’s inventories pledged as collateral as of March 31, 2017 and December 31 and March 31 2016, please refers to Note 8.

(IV) The investment under equity method

The Consolidated Company’s investment under equity method on the reporting date is as follows:

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Investment in affiliated enterprises	<u>\$ 433,173</u>	<u>450,296</u>	<u>187,724</u>

(1) Affiliated enterprises having significant importance to the Company, the relevant information is as follow:

<u>Affiliated Enterprises Names</u>	<u>Nature of the relationship with the Company</u>	<u>Major operating place/ Country</u>	<u>Ownership &amp; voting ratio</u>		
			<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Lungding Life Sciences Co. Ltd.	Flower cultivation , wholesales, and retail business	Taiwan	49.00%	49.00%	84.29%

Summary of financial information of the affiliated enterprises having significant importance to the Company is as follows, the financial information has adjusted the amount included in the financial statements of the IFRS of the affiliated companies to reflect the Company’s changes at fair value and accounting policy adjustment when obtaining the equity of the affiliated enterprise:

• Financial information for Lungding Life Sciences Ltd.:

	<u>3.31.2017</u>	<u>12.31.2016</u>
Current Assets	\$ 206,797	224,582
Non-current Assets	306,178	296,535
Current Liabilities	(11,283)	(11,198)
Net Assets	<u>\$ 501,692</u>	<u>509,919</u>
Net Assets attributable to non-controlling equity	<u>\$ 255,863</u>	<u>260,059</u>
Net Assets attributable to the owner of the investee	<u>\$ 245,829</u>	<u>249,860</u>

	<u>Jan.-Mar. 2017</u>
Operating Revenue	<u>\$ 46,250</u>
Current net loss	\$ (8,226)
Other comprehensive profit or loss	-

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Total profit or loss	<u>\$ (8,226)</u>
Total comprehensive profit or loss attributable to non-controlling equity	<u>\$ (4,195)</u>
Total comprehensive profit or loss attributable to the owner of the investee	<u>\$ (4,031)</u>
	<b>Jan.~Mar. 2017</b>
The share of the Company's net assets of affiliated enterprises at the beginning period	\$ 249,860
Net assets attributable to subsidiary losing of control and transfer to significant affiliated enterprises	(4,031)
The book value of the Company's equity in the affiliated enterprise of the Company	<u>\$ 245,829</u>

2. The Consolidated Company's share of the affiliated enterprise under equity method which is not significant individually is summarized as follows. The said financial information is the amount in the Company's individual financial report.

	<b>3.31.2017</b>	<b>12.31.2016</b>	<b>105.3.31</b>
Ending balance of affiliated enterprise under equity method which is not significant individually	<u>\$ 187,344</u>	<u>200,436</u>	<u>187,724</u>

	<b>2017 Q1</b>	<b>2016 Q1</b>
Attribute to the Company:		
Continuing operations' current loss	\$ 196	(2,391)
Other comprehensive profit or loss	-	-
Total comprehensive profit or loss	<u>\$ 196</u>	<u>(2,391)</u>

The Consolidated Company purchased 400,000 shares of W&W PROFESSIONAL MANAGEMENT LIMITED with US\$1 per share from JESSI INTERNATIONAL LIMITED in May 2016. The total purchase amount was US\$400 thousand (NT\$13,008 thousand) , and the shareholding ratio was 40% , with significant influence.

3. As of March 31, 2017, December 31, 2016 and March 31, the Consolidated Company did not have its investment using equity method pledged as collateral.

(V) Subsidiaries in which the Company has significant influence but with none control

Subsidiaries in which the Company has significant influence but with none control as below:

<u>Name of subsidiaries</u>	<u>Main operation location /Country of registration</u>	<u>Proportion of shareholdings held by non-controlling interest and voting rights</u>		
		<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Yuji construction Co. Ltd.	Taiwan	45.58%	45.58%	45.58%

Financial information of abovementioned subsidiary is summarized as the followings, in accordance with IFRS approved by FSC. The financial information is based on amount with the Consolidated Company before transaction eliminated:

1. Summarized financial information of Yuji:

<u>3.31.2017</u>	<u>12.31.2016</u>	<u>.3.31.2016</u>
------------------	-------------------	-------------------

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

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Current asset	\$	2,379,686	2,247,743	2,099,822
Non-current asset		394,748	411,741	452,123
Current liability		(516,938)	(470,575)	(282,709)
Net assets	\$	<b>2,257,496</b>	<b>2,188,909</b>	<b>2,269,236</b>
Book value of ending non-controlling interests	\$	<b>1,009,221</b>	<b>977,959</b>	<b>1,013,705</b>

		<b>Jan.~Mar.2017</b>	<b>Jan.~Mar.2016</b>
Operating revenue	\$	112,955	121,774
Net income		63,283	77,860
Other comprehensive income		5,304	-
Total comprehensive income	\$	<b>68,587</b>	<b>77,860</b>
Net income, attributable to non-controlling interest	\$	<b>28,844</b>	<b>35,488</b>
Total comprehensive income, attributable to non-controlling interest	\$	<b>31,262</b>	<b>35,488</b>

		<b>Jan.~Mar.2017</b>	<b>Jan.~Mar.2016</b>
Cash flows from operating activities	\$	19,643	5,795
Cash flows from investing activities		(248)	(7,604)
Cash flows from financing activities		(18,000)	-
Net cash flow increase (decrease)	\$	<b>1,395</b>	<b>(1,809)</b>
Cash dividend paid to non-controlling equity	\$	-	-

## (VI) Property, plant, and equipment

The changes in the cost, depreciation, and impairment loss of the consolidated company's property, plant, and equipment in 2016 and 2015 as follows:

	Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Cost or identified cost:								
Balance on January 1, 2017	\$ 2,357,212	2,731,678	79,074	55,214	4,100	147,689	1,030,922	6,405,889
Additions	-	10,103	2,000	-	-	2,026	13,928	28,057
Disposal and scrap	-	-	(1,880)	(6)	-	(32)	-	(1,918)
Reclassification	-	17,982	4,791	-	-	-	(22,773)	-
Balance on March 31, 2017	\$ <b>2,357,212</b>	<b>2,759,763</b>	<b>83,985</b>	<b>55,208</b>	<b>4,100</b>	<b>149,683</b>	<b>1,022,077</b>	<b>6,432,028</b>
Balance on January 1, 2016	\$ 2,705,209	2,885,182	81,576	141,787	4,251	140,380	1,061,530	7,019,915
Additions	-	8,121	-	-	-	1,615	47,680	57,416
Disposal and scrap	-	-	-	(1,329)	-	(3,214)	-	(4,543)
Reclassification	(396,538)	(83,252)	-	-	-	5,718	(13,145)	(487,217)
Balance on March 31, 2016	\$ <b>2,308,671</b>	<b>2,810,051</b>	<b>81,576</b>	<b>140,458</b>	<b>4,251</b>	<b>144,499</b>	<b>1,096,065</b>	<b>6,585,571</b>
Depreciation and impairment loss:								
Balance on January 1, 2017	\$ -	379,721	63,394	53,622	2,933	39,571	-	539,241
Current depreciation	-	17,409	2,245	150	44	3,515	-	23,363

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

## Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Disposal	-	-	(1,880)	(3)	-	(18)	-	(1,901)
Balance on March 31, 2016	\$ -	<b>397,130</b>	<b>63,759</b>	<b>53,769</b>	<b>2,977</b>	<b>43,068</b>	-	<b>560,703</b>
Balance on January 1, 2015	\$ -	353,108	56,170	59,822	2,523	31,713	-	503,336
Current depreciation	-	19,110	2,704	2,569	130	3,266	-	27,779
Disposal	-	-	-	(1,329)	-	(3,207)	-	(4,536)
Reclassification	-	(34,151)	-	-	-	-	-	(34,151)
Balance on March 31, 2016	\$ -	<b>338,067</b>	<b>58,874</b>	<b>61,062</b>	<b>2,653</b>	<b>31,772</b>	-	<b>492,428</b>
Book value:								
January 31, 2017	\$ <b>2,357,212</b>	<b>2,351,957</b>	<b>15,680</b>	<b>1,592</b>	<b>1,167</b>	<b>108,118</b>	<b>1,030,922</b>	<b>5,866,648</b>
March 31, 2017	\$ <b>2,357,212</b>	<b>2,362,633</b>	<b>20,226</b>	<b>1,439</b>	<b>1,123</b>	<b>106,615</b>	<b>1,022,077</b>	<b>5,871,325</b>
January 31, 2016	\$ <b>2,705,209</b>	<b>2,532,074</b>	<b>25,406</b>	<b>81,965</b>	<b>1,728</b>	<b>108,667</b>	<b>1,061,530</b>	<b>6,516,579</b>
March 31, 2016	\$ <b>2,308,671</b>	<b>2,471,984</b>	<b>22,702</b>	<b>79,396</b>	<b>1,598</b>	<b>112,727</b>	<b>1,096,065</b>	<b>6,093,143</b>

1. The Consolidated Company (referred to as “the principal” hereinafter) has part of the land registered in the name of the discretionary related party (referred to as “the trustee” hereinafter) for land acquisition matters. The contractual parties agree to have the land ownership transferred back to the Consolidated Company unconditionally upon the completion of land consolidation. Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.
2. For the property, plant and equipment pledged as collateral during March 31, 2017, December 31, and March 31 2016, please refer to Note(8).
3. For part of property, plant and equipment in trust case as of March 31, 2017 and December 31, and March 31, 2016, please refer to Note 9(3)

## (VII) Investment property

The changes in non-current investment for the Company as the followings:

	<u>Land and improvements</u>	<u>Building and structure</u>	<u>Total</u>
Cost or identified cost:			
Balance on January 1, 2017	\$ 5,024,142	1,992,136	7,016,278
Balance on March 3, 2017	\$ <b>5,024,142</b>	<b>1,992,136</b>	<b>7,016,278</b>
Balance on January 1, 2016	\$ 4,597,840	1,882,725	6,480,565
Reclassification	396,538	90,679	487,217
Balance on March 3, 2016	\$ <b>4,994,378</b>	<b>1,973,404</b>	<b>6,967,782</b>
Depreciation and impairment loss:			
Balance on January 1, 2017	\$ 19,910	462,337	482,247
Current depreciation	-	12,063	12,063
Balance on March 31, 2017	\$ <b>19,910</b>	<b>474,400</b>	<b>494,310</b>
Balance on January 1, 2016	\$ 19,910	371,327	391,237
Current depreciation	-	14,131	14,131
Reclassification	-	34,151	34,151
Balance on March 31, 2016	\$ <b>19,910</b>	<b>419,609</b>	<b>439,519</b>
Book value:			
January 1, 2017	\$ <b>5,004,232</b>	<b>1,529,799</b>	<b>6,534,031</b>
March 31, 2017	\$ <b>5,004,232</b>	<b>1,517,736</b>	<b>6,521,968</b>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

January 1, 2016	\$	<u>4,577,930</u>	<u>1,511,398</u>	<u>6,089,328</u>
March 31, 2016	\$	<u>4,974,468</u>	<u>1,553,795</u>	<u>6,528,263</u>

1. Investment property contains a number of commercial properties leased to others. Please refer to Note 6(12).
2. No significant changes of between the Company's fair value of non-current assets for investment and Note 6(8) disclosed in 2016 consolidated financial report.
3. With regards to real estate delivered to investment trust case as of March 31, 2017, December 31 and March 31, 2016, please refer to Note 9(3).
4. The investment property pledged for collateral on March 31, 2017, December 31 and March 31, 2016 please refer to Note(8).

## (VIII) Intangible assets:

The changes in intangible assets for the Company as the followings:

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Total</u>
Cost:				
Balance on January 1, 2017	\$ 542,428	192,750	116,510	851,688
Acquired separately	-	-	729	729
Balance on March 31, 2017	<u>\$ 542,428</u>	<u>192,750</u>	<u>117,239</u>	<u>852,417</u>
Balance on January 1, 2016	\$ 542,428	192,750	95,480	830,658
Acquired separately	-	-	308	308
Reclassification	-	-	(951)	(951)
Balance on March 31, 2016	<u>\$ 542,428</u>	<u>192,750</u>	<u>94,837</u>	<u>830,015</u>
Amortization and impairment loss:				
Balance on January 1, 2017	\$ -	-	76,462	76,462
Current Amortization	-	-	4,097	4,097
Balance on March 31, 2017	<u>\$ -</u>	<u>-</u>	<u>80,559</u>	<u>80,559</u>
Balance on January 1, 2015	\$ -	-	61,162	61,162
Current Amortization	-	-	3,444	3,444
Balance on March 31, 2016	<u>\$ -</u>	<u>-</u>	<u>64,606</u>	<u>64,606</u>
Book value:				
January 1, 2017	<u>\$ 542,428</u>	<u>192,750</u>	<u>40,048</u>	<u>775,226</u>
Balance on March 31, 2017	<u>\$ 542,428</u>	<u>192,750</u>	<u>36,680</u>	<u>771,858</u>
January 1, 2016	<u>\$ 542,428</u>	<u>192,750</u>	<u>34,318</u>	<u>769,496</u>
Balance on March 31, 2016	<u>\$ 542,428</u>	<u>192,750</u>	<u>30,231</u>	<u>765,409</u>

## (IX) Other financial assets - current

The Consolidated Company's other financial assets as below:

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Time deposit – trust account	\$ 358,852	314,242	496,643
Time deposit	4,900	4,900	4,900
Current deposit – trust account and	1,362,750	1,400,941	1,376,536

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.  
management account

Guarantee	296,805	312,168	-
Other receivables	14,016	13,453	6,290
Rental receivables	107,901	102,508	33,838
Bond interest receivables	23,763	16,597	20,048
Limited assets	709	709	359
Others	13,630	7,612	7,112
Total	<u>\$ 2,183,326</u>	<u>2,173,130</u>	<u>1,945,726</u>

## (X) Short-term loan

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Guaranteed bank loans	\$ 2,580,000	6,835,000	6,570,000
Unguaranteed bank loans	22,400	339,900	313,500
Total	<u>\$ 2,602,400</u>	<u>7,174,900</u>	<u>6,883,500</u>
Unused limit	<u>\$ 8,850,600</u>	<u>4,178,100</u>	<u>5,531,500</u>
Interest rate range	<u>0.73%~1.25%</u>	<u>0.73%~1.25%</u>	<u>0.85%~2.00%</u>

## 1. Issuance and repayment of short term loan

As of 2017 and January 1, and March 31, 2016, the increase amount was NT\$2,375,500 thousand and NT\$1,410,000 thousand, the interest rate is 0.85%~6.0% and 1.4%~1.5%, and the maturity date is March 2017 to July 2017 and July 2016, respectively; the repayment was NT\$6,948,000 thousand and NT\$1,767,000 thousand, respectively.

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

## (XI) Long-term loan

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Guaranteed bank loans	\$ -	-	172,700
Less: maturing within one year	-	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>172,700</u>
Unused limit	<u>\$ -</u>	<u>-</u>	<u>29,300</u>
Interest rate range	<u>-%</u>	<u>-%</u>	<u>1.5%</u>

## 1. Issuance and repayment of long term loan

The Company's long term loan had no significant issuance and repayment during 2017 and January 1 to March 31 2016. Other related information please refer to 2016 Consolidated Financial Report Note 6(12).

## 2. Consolidated Company's assets pledged as collateral for bank loans:

The Company provided bank loan guarantee through agriculture credit guarantee foundation.

## (XII) Operating lease

The Consolidated Company leased its investment property by means of operating lease, for more information please refer to Note6(7).The minimum lease amount of future

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

receivables during the lease period is as the follows;

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Within 1 year	\$ 187,654	183,450	133,409
1~5 years	557,879	544,046	497,597
Over 5 years	1,465,057	1,489,009	1,553,807
	<u><b>\$ 2,210,590</b></u>	<u><b>2,216,505</b></u>	<u><b>2,184,813</b></u>

The rent income arising from the investment property amounted to NT\$47,197 thousand and NT\$16,492 thousand as of 2017Q1 and 2016Q1, respectively. The repair and maintenance expense (booked in the “Operating cost”) incurred from investment property is as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Rent income generated	\$ 24,088	19,960
Rent income not generated	-	-
	<u><b>\$ 24,088</b></u>	<u><b>19,960</b></u>

### (XIII) 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, 2016 and 2015 to measure and disclose the pension cost during the interim period.

Details of expenses reported by the Consolidated Company are as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Administrative expense	<u><b>\$ 10</b></u>	<u><b>10</b></u>

#### 2. Defined contribution plan

The Consolidated Company’s pension expense under the defined contribution plan as follows, the amount has been appropriated to the Bureau of Labor Insurance:

	<u>2017Q1</u>	<u>2016Q1</u>
Operating cost	\$ 2,032	2,323
Administrative expenses	2,729	2,495
	<u><b>\$ 4,761</b></u>	<u><b>4,818</b></u>

### (XIV) Income tax

- Income tax expense is simply calculated on financial income before tax in the interim report multiplied by the estimated annual effective tax rate.
- The Consolidated Company’s income tax expenses as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Current income tax expenses		
Current generated	\$ 42,457	46,813
Adjustment of current income tax	(670)	-

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Increase of land tax	261	885
Deferred Income Tax Expenses		
Temperate differences happened and return	(18,288)	(20,956)
	<b>\$ 23,760</b>	<b>26,742</b>

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

	<b>3.31.2017</b>	<b>12.31.2016</b>	<b>3.31.2016</b>
Undistributed earnings before 1997	\$ -	-	-
Undistributed earnings after 1998	2,843,928	2,610,784	2,528,972
	<b>\$ 2,843,928</b>	<b>2,610,784</b>	<b>2,528,972</b>
Imputed tax credit account balance	<b>\$ 597,757</b>	<b>597,757</b>	<b>349,970</b>

	<b>2016</b>	<b>2015</b>
	<b>(Estimated)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earnings for ROC residents	<b>24.98 %</b>	<b>23.19 %</b>

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

4. The Company's income tax returns have been audited by the tax authorities up to 2011.

## (XV) Capital and other equity

Except as described below, there were no significant changes in the equity capital and other equity accounts of the consolidated company during the three months ended in March 31, 2017 and 2016, for more information please refer to Note 6(16) of the 2016 annual consolidated financial statements.

The Company's authorized capital was NT\$6,000,000 thousand for 600,000 thousand shares to be issued at NT\$10 Par and there were 420,084 thousand common stock shares, 399,084 thousand common stock shares and 399,084 thousand common stock shares issued as of March 31, 2017, December 31 and March 31, 2016 respectively.

The Company's amendment for numbers of outstanding shares on January 1 to March 31, 2017 and January 1 to March 31, 2016 as follows:

(Thousand shares)

	<b>Ordinary Shares</b>	
	<b>2017Q1</b>	<b>2016Q1</b>
Balance on January 1	\$ 399,084	399,084
Capital increase	21,000	-
Balance on March 31	<b>\$ 420,084</b>	<b>399,084</b>

## 1. Issuance of Ordinary shares

The Company resolved in special shareholders' meeting on January 25, 2017 to authorize the Board of Directors to increase paid-up capital and issue ordinary shares through private placement but not exceeding 21,000 thousand shares within a year after the interim. The Company has resolved after meeting of the Board of Directors to issue 21,000 thousand ordinary shares through private placement at NT\$62.1 per share, and NT\$10 par, so the total is NT\$1,304,100 thousand. March 29, 2017 is the date of capital



Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

increase, related regulated registration procedures have been completed.

The transfer of the aforesaid private placement and its free distribution of shares shall be subject to the provisions of section 43.8 of the Securities Exchange Act and after the expiration of three years from the date of delivery of the ordinary shares through private placement (April 10, 2017), first of all, go to TPEX or TWSE for issuance of standard letter in order to apply to the authorities for reimbursement, and to TPEX or TWSE to apply for the private placement of the ordinary shares for trading.

## 2. Additional paid-in capital

The Company's additional paid-in capital balance:

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Stock premium	\$ 2,486,172	1,392,072	1,392,072
Disposal of difference of book value of subsidiaries' equity	20,972	20,972	20,972
Recognition changes in net equity of subsidiaries	<u>5,171</u>	<u>7,068</u>	<u>210</u>
	<u><b>\$ 2,512,315</b></u>	<u><b>1,420,112</b></u>	<u><b>1,413,254</b></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.

## 3. 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; however, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock, and if necessary, appropriated special reserve, the remaining amount thereafter, if any, is deposited as retained earnings partially and the rest amount is allocated as follows; the remains except appointment of dividends, along with undistributed earnings at the beginning of the period, the Board shall proposed distribution plan and resolved by the shareholders' meeting.

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

### (1) Legal reserve

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

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

(2) Special reserve

According to the 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 distribution of 2016 earnings was proposed by the board of directors on May 5, 2017; also, the distribution of 2015 earnings was resolved in the general shareholders’ meeting on June 17, 2016. The distribution of dividends to shareholders is as follows:

	2016		2015	
	Share distribution rate (NT\$)	Amount	Share distribution rate (NT\$)	Amount
Dividends distributed to common stock shareholders:				
Cash	\$ 1.20	<u>504,101</u> \$	0.50	<u>199,542</u>

4. Other equity

	Exchange differences from the translation of foreign institution’s financial statements	Available-for-sale investment	Total
January 1, 2017	\$ (11,300)	408,657	397,357
The Company	(20,609)	474,292	453,683
Exchange difference of affiliate company using equity method	(2,153)	-	(2,153)
Balance on March 31, 2017	<u>\$ (34,062)</u>	<u>882,949</u>	<u>848,887</u>
January 1, 2015	\$ (4,767)	(396,898)	(401,665)
The Company	(2,592)	273,781	271,189
Exchange difference of affiliate company using equity method	2,322	-	2,322
Balance on March 31, 2017	<u>\$ (5,037)</u>	<u>(123,117)</u>	<u>(128,154)</u>

5. Non-controlling equity

	2017Q1	2016Q1
Balance at beginning of period	\$ 1,254,399	1,084,399
Non-controlling equity		
Net profit of the subsidiaries	28,450	34,243
Available-for-sale financial assets gain(loss)	2,418	-

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

Capital increase to subsidiaries	-	216,000
Equity changes to subsidiaries	1,897	(210)
Acquisition of shares of subsidiaries to non-control equity	(108,000)	-
Balance at end of period	<b>\$ 1,179,164</b>	<b>1,334,432</b>

## (XVI) Earnings per share

The Consolidated Company's basic earnings per share and diluted earnings per share are calculated as followings:

	<u>2017Q1</u>	<u>2016Q1</u>
<b>Basic earnings per share</b>		
Net income attributable to the Company's common stock shareholders:	<b>\$ 233,144</b>	<b>199,372</b>
Weighted average outstanding common stock shares	399,784	399,084
	<b>\$ 0.58</b>	<b>0.50</b>
<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)	<b>\$ 233,144</b>	<b>199,372</b>
Weighted average outstanding common stock shares	\$ 399,784	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	222	277
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	400,006	399,361
	<b>\$ 0.58</b>	<b>0.50</b>

## (XVII) Income

The Consolidated Company's income is as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Columbarium and cemetery income	\$ 423,438	311,481
Funeral services income	423,833	440,899
Rent income from investment property	47,197	16,492
Construction contract income	75,744	72,468
	<b>\$ 970,212</b>	<b>841,340</b>

## (XVIII) Remuneration to employees, directors and supervisors

According to the Company's Articles of association approved by the Board but not yet approved by the shareholder meeting, any earnings after the Company's fiscal year final settlement shall be allotted no less than 1% as the remuneration to employees, and no more than 2% as the remuneration to directors. However, if there are still accumulated losses, certain amount shall be reserved to cover the deficit in advance. The preceding employees who receive stocks or cash include employees of subsidiaries under certain conditions.

The Company's remuneration to employees as of March 31, 2017 and January 1 to March 31, 2016 were NT\$2,545 thousand and NT\$2,286 thousand, and the remuneration to directors and supervisors were NT\$5,091 and NT\$4,573 thousand. The estimated basis is

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp. that after-tax net income of the specific period before deducting the remuneration to employees and directors multiplied by the distribution ratio of the Company's Articles of association, and is reported as operating expense during the period. When there is difference between the actual and estimated distribution amount in the next year, it will be conducted based on changes in accounting estimates, and recognized as profit or loss in the next year. If the Board resolves to pay stocks as employee remuneration, the calculation basis of the number of stock remuneration is in accordance with the closing price of the common stock on the day before the Board resolution.

In 2016 and 2015, the allowance amount of the remuneration to employees of the Company were NT\$11,340 thousand and NT\$13,089 thousand, as for the amount for directors and supervisors of the Company were NT\$22,680 thousand and NT\$26,178 thousand, respectively. For more information please refer to M.O.P.S

## (XIX) Other profit and loss

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

	<u>2017Q1</u>	<u>2016Q1</u>
Gain (loss) on change in fair value of biological assets	\$ -	<u>16,041</u>

## (XX) Non-operating income and expense

## 1. Other income

The Consolidated Company's other income is as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Interest income	\$ 31,514	25,338
Dividend income	1,410	1,439
Service charge income	3,338	2,224
Fines income	16,186	19,470
Other income	7,707	7,941
	<u>\$ 60,155</u>	<u>56,412</u>

## 2. Other profit and loss

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

	<u>2017Q1</u>	<u>2016Q1</u>
Foreign exchange gain (loss)	\$ (133,478)	(73,519)
Net financial assets measured at fair value through profit or loss	34,561	10,796
Gain from disposal of available-for-sale financial asset	(11,160)	22,639
Disposal of property, plant, and equipment	208	(7)
Other expense	(452)	(891)
	<u>\$ (110,321)</u>	<u>(40,982)</u>

## 3. Finance cost

Consolidated company's finance cost is as follows:

	<u>2017Q1</u>	<u>2016Q1</u>
Interest expense	\$ (20,689)	(23,566)

## (XXI) Financial instruments

Except as described in the following paragraph, there were no significant changes in the

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.  
Company's fair value of financial instruments exposed to credit risk, liquidity risk, and market risk. For other information, please refer to Note 6(22) in the 2015 annual consolidated financial statements.

## 1. Types of financial instruments

## (1) Financial assets

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Financial assets at fair value through profit or loss :			
Holding for transaction	\$ 1,057,560	907,233	1,128,409
Financial assets available for sales	8,927,395	8,679,735	6,984,271
Financial assets carried at costs	18,992	18,992	23,130
Hold to maturity investment	617,082	307,915	-
Loans and accounts receivables			
Cash and cash equivalent	212,301	199,621	261,831
Notes receivable and accounts receivable	413,923	438,328	448,234
Other financial assets (current & non-current)	2,207,965	2,198,289	1,972,162
Sub. total	2,834,189	2,836,238	2,682,227
Total	<u>\$ 13,455,218</u>	<u>12,750,113</u>	<u>10,818,037</u>

## (2) Financial liabilities

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Amortization after financial liabilities carried at costs			
Short term loans	\$ 2,602,400	7,174,900	6,883,500
Payable accounts	774,168	848,829	893,521
Long term loans	-	-	172,700
Guarantee deposit	55,107	52,802	58,279
Total	<u>\$ 3,431,675</u>	<u>8,076,531</u>	<u>8,008,000</u>

## 2. Credit risk

The Consolidated Company's bank loan at the reporting day and aging of account receivables as follows:

	<u>3.31.2017</u>		<u>12.31.2016</u>		<u>3.31.2016</u>	
	Total	Impairment	Total	Impairment	Total	Impairment
Not overdue	\$ 383,779	27,615	399,816	27,615	407,075	27,615
Overdue 31~60 days	15,095	1,695	24,886	1,695	20,417	1,695
Overdue 61~90 days	7,794	838	9,445	838	12,713	838
Overdue 91~120 days	3,339	629	3,714	629	7,667	629
Overdue more than 120 days	74,347	25,638	70,335	25,638	63,067	25,638
	<u>\$ 484,354</u>	<u>56,415</u>	<u>508,196</u>	<u>56,415</u>	<u>510,939</u>	<u>56,415</u>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

	<u>2017Q1</u>	<u>2016Q1</u>
Balance on January 1	\$ 56,415	56,415
Balance on March 31	<u>\$ 56,415</u>	<u>56,415</u>

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

### 3. Liquidity risk

The contract maturities of financial liabilities are illustrated in the table below, including the estimated interest but excluding the impact of net amount agreed.

	<u>Book value</u>	<u>Contract Cash flow</u>	<u>6 months Within</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>March 31, 2017</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 2,580,000	2,580,000	2,580,000	-	-	-	-
Fixed rate instruments	22,400	22,400	22,400	-	-	-	-
No interest-bearing liabilities	614,475	614,475	614,475	-	-	-	-
	<u>\$ 3,216,875</u>	<u>3,216,875</u>	<u>3,216,875</u>	-	-	-	-
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 7,156,900	7,156,900	7,156,900	-	-	-	-
Fixed rate instruments	18,000	18,051	18,051	-	-	-	-
No interest-bearing liabilities	623,856	623,856	623,856	-	-	-	-
	<u>\$ 7,798,756</u>	<u>7,798,807</u>	<u>7,798,807</u>	-	-	-	-
<b>March 31, 2016</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 7,056,200	7,056,200	6,883,500	-	-	-	172,700
No interest-bearing liabilities	893,521	893,521	893,521	-	-	-	-
	<u>\$ 7,949,721</u>	<u>7,949,721</u>	<u>7,777,021</u>	-	-	-	<u>172,700</u>

The Consolidated Company does not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

### 4. Market Risks

#### (1) Exchange rate risk

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

	<u>3.31.2017</u>			<u>12.31.2016</u>			<u>3.31.2016</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>New Taiwan Dollar</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>New Taiwan Dollar</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>New Taiwan Dollar</u>	
<b>Financial assets</b>										
<u>Monetary items</u>										
RMB/NTD	\$	72,377	4,414	319,463	71,860	4,642	333,601	68,730	4,972	341,728
RMB/USD		3,210	0.146	14,169	1,652	0.144	7,669	1,769	0.154	8,495
USD/NTD		61,386	30.336	1,862,220	60,002	32.279	1,936,807	61,912	32.185	1,992,639
Japanese yen/NTD		30,158	0.273	8,218	31,273	0.276	8,641	18,249	0.286	5,225
HKD/NTD		8,651	3.904	33,776	7,094	4.168	29,566	4,981	4.150	20,670
<u>Non-monetary items</u>										
HKD/NTD		60,531	3.904	236,320	53,684	4.168	223,754	78,869	4.150	327,305
Japanese yen/NTD		208,798	0.273	56,897	215,968	0.276	59,672	148,320	0.286	42,464

## Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

USD/NTD	9,240	30,336	280,311	8,440	32,279	272,447	6,913	32,185	222,508
RMB/NTD	-	-	-	304	4,642	1,412	296	4,972	1,471

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 main foreign currency depreciated or appreciated by 10% (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) as of March 31, 2017 and 2016, the net income was increased by NT\$233,344 thousand and decreased by NT\$245,888 thousand, respectively.

Due to the variety of the Consolidated Company's functional currencies, the exchange gain or loss of currency items are disclosed in summary. As of March 31, 2017 and 2016, the foreign currency exchange gain (loss) was NT\$(133,478) thousand and NT\$(73,519) thousand, respectively.

## (2) Interest rate analysis

Please refer to the Note regarding liquidity risk management for the interest rate risk exposure of the Consolidated Company's financial assets and financial liabilities.

The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire year. In addition, interest rate is assessed within the reasonable and possible range of change. If interest rate is increased or decreased by 0.5%, with all other variables held constant, the Consolidated Company's net income as of March 31, 2017 and 2016 is decreased by NT\$2,677 thousand and increased by NT\$7,321 thousand, respectively.

## 5. Fair value

## (1) Financial instruments category and fair value

The Consolidated Company's book value and fair value (including fair value hierarchy information, but the book value of financial instruments' which is not measured by fair value and reasonably similar to fair value, as well as the equity method investments without active market price and of which fair value cannot be reliably invested, it is not necessary to disclose their fair value information accordingly to regulation) of the financial assets and financial liabilities are listed as below:

	<b>3.31.2017</b>				
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	
<b>Financial assets measured at fair value through profit or loss</b>	\$ 1,057,560	1,057,560	-	-	1,057,560
<b>Available-for-sale financial assets</b>	8,927,395	8,927,395	-	-	8,927,395
<b>Hold to maturity investment</b>	617,082	617,082	-	-	617,082
Total	<b>\$ 10,602,037</b>	<b>10,602,037</b>	-	-	<b>10,602,037</b>

  

	<b>12.31.2016</b>				
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	
<b>Financial assets measured at fair value through profit or loss</b>	\$ 907,233	907,233	-	-	907,233
<b>Available-for-sale financial assets</b>	8,679,736	8,679,736	-	-	8,679,736
<b>Hold to maturity investment</b>	307,915	307,915	-	-	307,915
Total	<b>\$ 9,894,884</b>	<b>9,894,884</b>	-	-	<b>9,894,884</b>

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

	<b>3.31.2016</b>				
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	
<b>Financial assets measured at fair value through profit or loss</b>	\$ 1,128,409	1,128,409	-	-	1,128,409
<b>Available for sale financial assets</b>	6,984,271	6,984,271	-	-	6,984,271
<b>Total</b>	<b>\$ 8,112,680</b>	<b>8,112,680</b>	<b>-</b>	<b>-</b>	<b>8,112,680</b>

No financial assets and liabilities of each hierarchy were transferred as of March 31, 2017 and 2016.

(2) Fair value measurements of financial instruments not measured at fair value

The Company's methods and assumption for instruments not measured at fair value as the follows:

(2.1) Hold to maturity financial assets

If there's quoted market prices in active markets, the fair value is based on market price; if there's no market prices for references, the evaluation methods or counterparts' price will be adopted.

(3) Fair value measurements of financial instruments measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices. Market prices announced by major stock exchanges are classified as fair value bases of TWSE/OTC listed equity instruments; while central government bonds' market prices which are announced by OTC and identified as on-the-run issues are classified as fair value base of debt instruments with active market quoted prices.

If able to promptly and usually acquire public quoted prices of financial instruments from stock exchanges, brokers, underwriters, industrial guilds, pricing services facilities and authorities, and the said prices represent actual and frequent incurring fair market transaction, then the financial instruments have active market quoted prices. If abovementioned conditions are not achieved, then the market is identified as inactive. In general, considerably large bid-ask spread, significantly increased bid-ask spread or extremely low transaction volume are indexes of inactive markets.

Listed companies' stocks, beneficial certificates and corporate bonds held by the Consolidated Company are financial assets and liabilities capable with standard terms and conditions and traded in active markets, of which fair values are determined in accordance with market quoted prices respectively.

(XXII) Financial risk management

There were no significant differences of the consolidated company's financial risk management and policies with those disclosed in Note 6(23) of the 2016 consolidated financial statements.

(XXIII) 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 2016 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 2016 annual consolidated financial statements. For related information, please refer to Note 6(24) in 2016 annual consolidated financial statements.



Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

## VII. Related Party Transactions

### (I) Parent company and ultimate controller

The Company is the ultimate controller of the Consolidated Company.

### (II) Related parties' names and relations

The related parties with transaction relations during the period of consolidated report are as the follows:

<u>Related Parties</u>	<u>Relations with the Consolidated Company</u>
Lungding Life Science Co. Ltd.	Affiliated Company of the Company
Xin Wei International Leasing Co. Ltd.	The corporate director is the same as the Company
Fuyuan International Development Co. Ltd.	The chairman of Fuyuan is the director of the Company
Fuyang Development Co., Ltd	Major administrator of the consolidated company
Shih-tsung, Lee	Major administrator of the consolidated company

### (II) Other related party transactions

#### 1. Sales

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

	<u>Sales</u>		<u>Receivables from related parties (booked in "Accounts receivable – net")</u>		
	<u>2017Q1</u>	<u>2016Q1</u>	<u>106.3.31</u>	<u>105.12.31</u>	<u>105.3.31</u>
Other related party	\$ -	8,876	-	-	30,346

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

#### 2. Purchase

The Company's purchase amount from related parties and unpaid amount as the follows:

	<u>Purchase</u>		<u>Payable accounts for related parties</u>		
	<u>2017Q1</u>	<u>2016Q1</u>	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Affiliated enterprises	\$ 300	-	563	923	-

The purchase prices were based upon agreement settled by mutual parties. The payment term is approximately 30 days after acceptance and is correspondent with the general terms of the transaction.

Notes to the quarterly consolidated financial statements of Lungyen Life Service Corp.

3. Lease

(1) Lessee:

The Consolidated Company leases transport equipment and building from the related party for a rent expense of NT\$1,974 thousand and NT\$2,585 thousand as of January 1 to March 31, 2017 and 2016, respectively.

(2) Lessor:

The Consolidated Company has office building and parking space rented to the related party for a rent income of NT\$9 thousand and NT\$403 thousand as of January 1 to March 31, 2017 and 2016, respectively.

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

4. Others

(1) Other payables

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Other related party	\$ 738	4,368	1,232

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

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Other related party	\$ 557	557	557

(3) Refundable Deposit (included in other financial assets-non-current)

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Other related party	\$ 961	961	961

5. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of the related party as of March 31, 2017, December 31 and March 31, 2016. Please refer to Note 6(3) and (6)

6. Others

The Consolidated Company commissioned other related party to acquire land for construction for a total price of NT\$668,016 thousand as of March 31, 2017, December 31 and December 31 and March 31, 2016, respectively. The discretionary trustee is to handle the land combination matter on behalf of the Company.

(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)

(III) Key management personnel transactions

	2017Q1	2016Q1
Short-term employee benefits	\$ 11,581	9,204
Retirement benefits	429	293
	<b>\$ 12,010</b>	<b>9,497</b>

**VIII. Pledged Assets**

The book value of the Consolidated Company's pledged assets is as follows:

Assets name	Purpose of collateral	3.31.2017	12.31.2016	3.31.2016
			<u>6</u>	
Other financial assets - current	Guarantee for mutual investment development and sales	\$ 297,155	312,518	-
Financial Assets at fair value Through profit or loss	Collateral for loan	360,183	333,900	-
Inventories	Guarantee for loans and corporate finance amount	3,155,798	3,100,846	3,100,786
Property, plant, and equipment – book value	Collateral for loan	2,319,468	2,320,191	2,321,869
Investment property	Collateral for loan	3,996,608	4,004,286	4,033,932
Available-for-sale financial assets – non-current	Collateral for loan	6,132,652	5,685,133	5,076,704
		<b>\$ 16,261,864</b>	<b>15,756,874</b>	<b>14,533,291</b>

**IX. Significant contingent liabilities and unrecognized contractual commitments**

(I) Significant unrecognized contractual commitments:

1. The Consolidated Company's unrecognized contractual commitments are as follows:

	3.31.2017	12.31.2016	3.31.2016
Acquisition of columbarium and cemetery	\$ 19,580	19,580	19,377
Individual construction project	436,215	495,104	390,947

(II) Contingent liabilities :

1 The legislative purpose of Mortuary Service Administration Act Article 36 is to cope with repair and management costs when a major accident hits or abnormal operations occur due to poor management. In order to maintain and manage funeral facilities, the Consolidated Company has set up an administration fee account for specific uses only, so that if any significant incidents occur in the future, subsequent general impairment and management of the facilities will not be impacted. New Taipei City Funeral Service Association is carrying out a petition among funeral operators to propose New Taipei City Government to invite local operators to discuss relevant self-governing regulation supplements, correspondent supervision mechanism and fund utilization regulations, and complete related regulations and procedures before collecting the fund. Besides, since relevant

and its subsidiaries (continue)

regulations are awaiting further discussion, the future possible obligation amount of the Consolidated Company cannot be confirmed. As soon as the members of Interior Committee completed the review on December 26, 2016 and the negotiation among parties, the proposal will be send to the Legislative Yuan for 2<sup>nd</sup> and 3<sup>rd</sup> reading, after the amendment, the old fund system will be replaced by the new management system.

2. The Consolidated Company purchased the land at Li-Ho Section, Hsin-Yi District in February 2007. Notwithstanding, in March 2007, the joint owners of said land initiated the proceeding for “Declaration of non-existence of land transaction” with the court and, therefore, the registration of land No. 322 totaling 6 lands transfer was hindered. On August 28, 2013, Taipei District Court rendered a judgment in favor of the Consolidated Company and affirmed the judgment on October 14, 2013, so the abovementioned land rights were transferred to the Consolidated Company on January 23, 2014. However, the joint owners of the said land claimed that the disposal was not agreed by all joint owners and classified as an unauthorized disposition with no effect, so filing an action with Taipei District Court. And on July, 29, 2015, Taipei District Court rendered a judgement that the Company won the lawsuit which was announced on January, 19, 2016.

(III) Others

1. The Consolidated Company (referred to as “the principal” hereinafter) for enhancing the quality of funeral service and ensuring the ability of performance had a trust contract signed with Taiwan Industrial Bank Co., Ltd. (referred to as “the trustee” hereinafter) in April 2010. According to the trust contract signed, 75% selling price (tax included) of each pre-need contract sold should be transferred to the trustee, including the delivery and transfer of the trust property. However, the trustee referred to above was replaced by Chang Hwa Commercial Bank Co., Ltd. on December 28, 2012. In addition, the trust assets as of March 31, 2017, December 31 and March 31, 2016 are as follows :

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Bank deposits			
Demand deposits	\$ 416,280	444,866	360,370
Time deposits	358,852	314,242	496,643
Financial assets measured at fair value through profit or loss - current	459,591	367,809	513,202
Available-for-sale financial assets – non-current	2,240,193	2,563,851	1,824,213
Hold to maturity financial assets – non-current	617,082	307,915	-
Property, plant and equipment (Note)	2,206,293	2,206,293	2,206,293
Investment property (Note)	1,962,845	1,962,845	1,962,845
	<u>\$ 8,261,136</u>	<u>8,167,821</u>	<u>7,363,566</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

and its subsidiaries (continue)

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\$946,470 thousand, NT\$956,075 thousand, and NT\$1,016,166 thousand, as of March 31, 2017, December 31 and March 31, 2016, 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 and funeral service as of March 31, 2017, December 31 and March 31, 2016. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>3.31.2017</u>	<u>12.31.2016</u>	<u>3.31.2016</u>
Total contract price	\$ 39,833,147	39,420,517	37,189,257
Outstanding proceeds	<u>(8,769,976)</u>	<u>(8,689,532)</u>	<u>(8,142,651)</u>
Advanced receipts	<u>\$ 31,063,171</u>	<u>30,730,985</u>	<u>29,046,606</u>
Deferred marketing expense	<u>\$ 8,416,142</u>	<u>8,362,988</u>	<u>8,213,619</u>
Expected to be reclassified for more than twelve months	<u>\$ 28,094,183</u>	<u>27,784,898</u>	<u>26,706,953</u>

4. The Company signed contract for cooperative investment and construction with SUN-IN CONSTRUCTION & DEVELOPMENT CO., LTD. in 2015 to develop and construct residential buildings in Sec. 4<sup>th</sup> Jinhua Section DaiAn district Taipei provided individually by mutual parties. As of March 31, 2017, the construction mention above has not yet been contracted.

5. The Consolidated Company signed the agreement with the Management Committee for Ruian Anyang Centre Urban Development and Construction in 2016 to develop the Grand Project in Ruian City, Wenzhou, including the cemetery and the major buildings. The total investment amount of the project is US \$ 200,000 thousand, and the Consolidated Company intended to invest US \$ 100,000 thousand. As at March 31, 2017 and December 31, 2016, the Consolidated Company provided a letter of guarantee in the amount of US \$ 10,000 thousand which is equivalent to NT \$296,805 thousand and NT \$ 312,168 thousand (booked as other financial assets).

**X. Significant disaster loss: None**

**XI. Significant subsequent events:**

To take advantage of the strength and resources of both parties and to establish long-term strategic cooperative relationship, the Company was approved by the interim board of shareholders on January 25, 2017 to issue 21,000,000 ordinary shares through private placement and the first unsecured convertible bonds of NT\$3,113,000 thousand which were subscribed by Orix Asia Capital Limited or its 100% owned subsidiary. The above convertible corporate bonds were issued on April 10, 2017, with a total amount of NT\$3,113,000 thousand which was charged (booked by other liabilities- noncurrent) with a coupon rate of 0% and three years of issue. The maturity date is repayable at 104.5% of the

and its subsidiaries (continue)

book value of the bonds. The conversion price is NT\$63 per share.

The Company purchased shares of LungAn Corp. holding from Hui Cheng Asset Management Co. Ltd. after obtaining the approval of the Board of directors on March 15, 2017 to increase its control to LungAn and promote future investment profits. According to the agreement of shares purchase on April 28, 2017, the Company purchased 10,800 thousand shares at NT\$10 per share making the total amount 108,000 thousand. The Company's share-holding ratio increased from 85% to 100% after the transaction has been completed on May 3rd, 2017.

## XII. Others

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

By function	2017 Q1				2016Q1			
	Classified as Operating Costs	Classified as Operating Costs	Classified as Operating Costs	Classified as Operating Costs	Classified as Operating Costs	Classified as Selling Expenses	Other (Note)	Total
Employee benefits								
Salary	54,241	45,834	26,718	126,793	59,189	51,874	20,824	131,887
Labor and health insurance	3,703	4,821	1,905	10,429	4,134	4,419	1,472	10,025
Pension	2,032	1,882	857	4,771	2,323	1,712	793	4,828
Others	1,728	2,285	855	4,868	1,810	1,957	717	4,484
Depreciation	19,668	12,438	3,320	35,426	27,921	10,452	3,537	41,910
Depletion	-	-	-	-	-	-	-	-
Amortization	-	3,673	424	4,097	42	2,995	407	3,444

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

- (2) Seasonality of operations

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

(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)

**XIII. Other disclosures**

(1) Information on significant transactions

The consolidated company should have the following material transactions disclosed as of January 1 to March 31 2017 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

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

Unit: Thousand NTD

Num ber	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	Relations hip										
0	Lungyen Life Service Corp.	LungAn Co.Ltd.	2	3,541,636	100,000	100,000	-	-	0.85%	5,902,727	Y	N	N
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	3,541,636	200,000	200,000	-	-	1.69%	5,902,727	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	3,541,636	100,000	100,000	22,400	-	0.85%	5,902,727	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 30% of the net worth in the current period.

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

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

Note 3: Upon the board resolution on August 11, 2016, the maximum amount of endorsements to Yuji Company Limited has been set to \$200,000 thousand.

Note 4: Upon Board resolutions on Aug. 11, 2016, the maximum amount of endorsements to Lung Fu Company has been set to \$100,000 thousand.

Note 5: Upon the Board resolution on Jan. 20, 2017, endorsement to LongAn Co. Ltd., shall not exceed \$100,000 thousand.

(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)

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			Remark	
				Quantity of shares (thousand shares)/unit	Book Value	% of Ownership		Fair Value
The Company	Stock of Chang Hwa Bank	-	Financial assets at fair value through profit or loss-current	19,980	369,636	- %	18.50	-
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss-current	242	13,165	- %	54.40	-
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-current	1	21	- %	18.75	-
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss-current	245	15,361	- %	62.70	-
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss-current	160	40,286	- %	251.79	-
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through profit or loss-current	210	9,150	- %	43.57	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through profit or loss-current	1,990	48,946	- %	24.60	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through profit or loss-current	320	44,975	- %	140.55	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profit or loss-current	1	79,493	- %	134,895.70	-
The Company	Hang Seng H-Share Index ETF	-	Financial assets at fair value through profit or loss-current	66	26,507	- %	404.07	Trust
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	20,418	330,013	- %	16.16	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,550	81,987	- %	32.15	Trust
The Company	Guotai Junan Corporate Bond	-	Available-for-sale financial assets – non-current	200	6,177	- %	30.88	Trust
The Company	Abu Dhabi National Energy Company 10-year Senior Unsecured USD Callable Corporate Bond 3.625 20230112	-	Available-for-sale financial assets – non-current	1,600	49,194	- %	30.75	Trust
The Company	Abu Dhabi National Energy Company 10-year Senior Unsecured USD Callable Corporate Bond 3.875 20240506	-	Available-for-sale financial assets – non-current	600	18,468	- %	30.78	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	-	Available-for-sale financial assets – non-current	3,100	92,035	- %	29.69	Trust
The Company	The Export-import Bank of China RMB Callable Corporate Bond 4.15 20270618	-	Available-for-sale financial assets – non-current	5,000	21,667	- %	4.33	Trust
The Company	African Finance Corp. Bond 4.375	-	Available-for-sale financial assets – non-current	3,000	94,245	- %	31.41	Trust
The Company	ICBC RMB Corp. Bond 4.2	-	Available-for-sale financial assets – non-current	5,000	21,753	- %	4.35	Trust
The Company	ICBC RMB Corp. Bond 4.5	-	Available-for-sale financial assets – non-current	5,000	22,245	- %	4.45	Trust
The Company	China Comm Cons Corp. Bond	-	Available-for-sale financial assets – non-current	1,900	58,061	- %	30.56	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,000	61,914	- %	30.96	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	1,000	31,578	- %	31.58	Trust



(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)

The Company	QTel USD Corp. Bond	-	Available-for-sale financial assets – non-current	1,000	30,058	- %	30.06	Trust
The Company	Caterpillar RMB Corporate bond	-	Available-for-sale financial assets – non-current	10,000	43,864	- %	4.39	Trust
The Company	Conoco Phillips Oil Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	92,050	- %	30.68	Trust
The Company	SATANLN Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	92,105	- %	30.70	Trust
The Company	Islamic Bank	-	Available-for-sale financial assets – non-current	3,000	92,322	- %	30.77	Trust
The Company	QATAR State Bond	-	Available-for-sale financial assets – non-current	2,000	60,458	- %	30.23	Trust
The Company	GS Corp. Bond	-	Available-for-sale financial assets – non-current	2,800	85,470	- %	30.52	Trust
The Company	American Movil Bond	-	Available-for-sale financial assets – non-current	2,500	89,895	- %	35.96	Trust
The Company	VZ Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	83,204	- %	27.73	Trust
The Company	TNT Global Venture Cap. Bhd.	-	Available-for-sale financial assets – non-current	3,000	87,755	- %	29.25	Trust
The Company	Stock of Chang Hwa Bank	-	Available-for-sale financial assets – non-current	331,495	6,132,652	- %	18.50	-
The Company	Stocks of Sinyi	-	Available-for-sale financial assets – non-current	3,467	121,345	- %	35.00	-
The Company	Stocks of ICBC	-	Available-for-sale financial assets – non-current	1,630	32,328	- %	19.83	Trust
The Company	Stocks of Wells Fargo	-	Available-for-sale financial assets – non-current	14	23,639	- %	1,688.50	Trust
The Company	Stocks of ORIX	-	Available-for-sale financial assets – non-current	37	16,611	- %	448.94	Trust
The Company	Cathay China High Yield Bond B TWD	-	Available-for-sale financial assets – non-current	5,389	48,765	- %	9.05	Trust
The Company	Yuanta USD Money Market TWD	-	Available-for-sale financial assets – non-current	20,554	190,475	- %	9.27	Trust
The Company	WisdomTree Europe Hedged Equity Fund	-	Available-for-sale financial assets – non-current	4	6,859	- %	1,905.40	Trust
The Company	iShares China Large-Cap ETF	-	Available-for-sale financial assets – non-current	37	43,389	- %	1,167.63	Trust
The Company	Hang Seng H-Share Index ETF	-	Available-for-sale financial assets – non-current	48	19,557	- %	404.07	Trust
The Company	PineBridge EM Corp Strgy Bd B USD	-	Available-for-sale financial assets – non-current	198	60,577	- %	305.29	Trust
The Company	Anheuser-Busch InBev Corporate Bond 20460201	-	Available-for-sale financial assets – non-current	2,000	65,583	- %	32.79	Trust
The Company	BARC Corp.20260112	-	Available-for-sale financial assets – non-current	2,800	86,347	- %	30.84	Trust
The Company	China Cinda USD Bond 20240309	-	Available-for-sale financial assets – non-current	1,500	45,662	- %	30.44	Trust
The Company	China Railway USD Bond 20260728	-	Available-for-sale financial assets – non-current	2,500	73,340	- %	29.34	Trust
The Company	Stocks of Taiyen	-	Available-for-sale financial assets – non-current	10,707	324,957	- %	30.35	-
The Company	Bristol-Myers Squibb	-	Available-for-sale financial assets – non-current	17	27,714	- %	1,649.67	Trust
The Company	WABCO Holdings	-	Available-for-sale financial assets – non-current	8	28,603	- %	3,562.05	Trust

(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)

The Company	Stocks of China Res Gas	-	Available-for-sale financial assets – non-current	420	45,093	- %	107.36	Trust
The Company	Stocks of SGN Telecomm	-	Available-for-sale financial assets – non-current	117	9,958	- %	85.11	Trust
The Company	China Pingan Bank	-	Available-for-sale financial assets – non-current	58	9,765	- %	169.83	Trust
The Company	Qualcomm	-	Available-for-sale financial assets – non-current	6	10,037	- %	1,739.47	Trust
The Company	Nomura Global Short Duration Bond TWD	-	Available-for-sale financial assets – non-current	2,937	30,100	- %	10.25	Trust
The Company	Prudential Financial Asia Bo	-	Available-for-sale financial assets – non-current	5,362	49,286	- %	9.19	Trust
The Company	Nan Ya Plastics Corporate Bond	-	Held-to-maturity financial assets- non current	100,000	107,690	- %	107,690	Trust
The Company	Chailease Holding Company Limited-A	-	Held-to-maturity financial assets- non current	200,000	200,000	- %	200,000	Trust
The Company	China airline corporate bond	-	Held-to-maturity financial assets- non current	150,000	152,538	- %	152,538	Trust
The Company	Taipower Corporate bond	-	Held-to-maturity financial assets- non current	150,000	156,854	- %	156,854	Trust
The Company	FORTUNE IC FUND I	-	Financial assets at fair value through profit or loss-non current	600	4,030	4.86 %	34.29	
The Company	Stocks of PK Venture Capital Corp	-	Financial assets at fair value through profit or loss-non current	694	3,277	8.57 %	4.75	
The Company	Trans globe insurance	-	Financial assets at fair value through profit or loss-non current	15	-	0.01 %	-	
The Company	Stocks of Creative Space Design	-	Financial assets at fair value through profit or loss-non current	990	9,900	19.80 %	3.96	
Yuji Development Corp.	Stocks of Taiyen	-	Available-for-sale financial assets – non current	2,594	74,964	- %	30.35	
Yuji Development Corp.	Stocks of Sinyi	-	Available-for-sale financial assets – non current	951	33,284	- %	35.00	
Yuji Development Corp.	CTBC Hwa-win Money Market Fund	-	Financial assets carried at costs-non current	3,296	36,006	- %	10.92	
Jing Huang Construction Co.	Jih Sun Money Market Fund	-	Financial assets carried at costs-non current	2,170	31,857	- %	14.68	
Jing Huang Construction Co.	Stocks of J-Garden Corp.	-	Financial assets at fair value through profit or loss-non current	255	1,785	5.00 %	11.84	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets carried at costs-current	170	2,106	- %	12.42	
Long An Company Ltd.	CTBC Hwa-win Money Market Fund	-	Financial assets carried at costs-current	919	10,038	- %	10.92	

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 NTD

Purchase or sale company	Type and name of securities	Account Title	Transaction part	Relationship	Beginning		Purchased		Sold			Ending		
					Quantities of shares	Amount	Quantities of shares	Amount	Quantities of shares	Prices	Book costs	Gain or loss after disposal	Quantities of shares	Amount
The Company	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss- current	-	-	5,328	86,001 Note 1	24,751	400,000	(9,661)	156,083	(156,001)	82	20,418	330,000 Note 2

Note 1 : The evaluated profit NT\$43,000 is excluded.

Note 2 : The evaluated profit NT\$13,000 is excluded.

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

(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)

- None.
6. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital:  
None.
7. Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties: None.
8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital:  
None.
9. Engage in derivatives trading: None.
10. Business relationships and significant intercompany transactions:

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter- party (Note 2)	Transaction Details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	Lungyen Life Service Corp	Yuji Development Corp.	1	Other financial assets – current	\$ 5,250	Equal to transaction with non-related parties	0.01%
0	"	"	1	Prepayments	26,150	-	0.05%
0	"	"	1	Payable accounts	38,178	-	0.07%
0	"	"	1	Other revenue	9,144	-	0.94%
0	"	"	1	Other liabilities-current	30,085	-	0.06%
0	"	LongAn co.Ltd.	1	Accounts Receivable	9,604	-	0.02%
0	"	"	1	Other payable accounts	1,589	-	- %
0	"	"	1	Other financial assets – current	11,761	-	0.02%
0	"	Lung Fu Company Limited	1	Other revenue	310	-	0.03%
1	Yuji Development Corp.	Lungyen Life Service Corp	2	Accounts Receivable	68,263	-	0.13%
1	"	"	2	Other payable accounts	5,250	-	0.01%
1	"	"	2	Advance receipts	26,150	-	0.05%
1	"	"	2	Advance receipts	9,144	-	0.94%
2	LongAn co.Ltd.	Lungyen Life Service Corp	2	Payable accounts	14,207	-	0.03%
2	"	"	2	Accounts Receivable	2,412	-	- %
2	"	"	2	Other liabilities-current	7,981	-	0.20%
3	Lung Fu Company Limited	Lungyen Life Service Corp	2	Advance receipts	310	-	0.03%

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 March 31, 2017 is as follows  
(Excluding from China investee company):

Unit: Thousand NTD

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Current gain/loss of investees	Current recognized investment gains and losses	Note
				Ending balance	Shares	Shares	Ratio of shares	Book value			
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20%	(12,094)	20	20	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	99,000	54.42%	1,206,493	63,283	34,439	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%	3,574	(3)	(2)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	493,584 (USD15,710)	493,584 (USD15,710)	1,571	100.00%	551,441	(6,157)	(6,157)	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	500,993	500,993	25,970	49.00%	245,829	(8,226)	(4,031)	Affiliated Company

(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)

The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00%	(2,605)	(243)	(243)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	608,656	500,656	61,200	85.00%	599,543	(2,009)	(1,708)	Subsidiary
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	25,731	(33)	(16)	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75%	141,346	(416)	(323)	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited(BVI)	British Virgin Islands	Investment	165,268 (USD5,264)	165,268 (USD5,264)	53	26.32%	157,990	832	219	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	W&W Professional Management Limited	Samoa	IT & Software services	1,873 (USD40)	13,008 (USD400)	40	40.00%	3,623	(17)	(7)	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	346,511 (USD1,100)	346,511 (USD1,100)	11,000	100.00%	318,158	(6,275)	(6,275)	Subsidiary
Lungyen Cayman Co.Ltd	Lungyen HK Co. Ltd.	Hong Kong	Investment	346,511 (USD1,100)	346,511 (USD1,100)	11,000	100.00%	318,158	(6,275)	(6,275)	Subsidiary

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

Note 2: Abovementioned foreign currencies are presented as thousand.

(3) China investment information:

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

Unit: Thousand NTD/Foreign Currency

China investee company name	Business operation	Received Capital	Type of investment (Note 1)	Current Beginning Period of Taiwan Accumulated Export	Current Export or Return of Investment Amount		Current Ending Period of Taiwan Accumulated Export	Company Direct or Indirect Investment Proportion of Holding	Recognized Investment Profit and Loss (Note2)	Ending Period of Investment Book Value	China investee company name
					Export	Return					
Lungyen Trading (Wenzhou) Co. Ltd	Wholesale and export operations	346,511 (USD11,000)	Sea Dragon Traders Ltd. (BVI)	346,511 (USD11,000)	-	-	346,511 (USD11,000)	100.00%	(6,275)	318,158	-

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
346,511	1,213,440 USD 40,000	7,083,272

US Dollar Exchange Rate: closing rate: 30.336

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

- Directly engaged in investment in Mainland China
- Re-invest in the mainland through a third country company (please specify in the third area of investment companies)
- Other methods.

Note 2: the current investment income recognized:

- During the stage of preparations, note that there is no investment income.
- The gain or loss recognized on the basis of the investment is divided into the following two types with note:
  - Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.
  - By the parent company in Taiwan audited financial statements.
  - Others.

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 limit is based on "the principle of review of investment or technical cooperation in the Mainland", which is limited to 60% of the Company's most recent financial report.

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 before 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:

	<b>January to March, 2017</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	\$ 423,438	423,833	47,197	75,744	-	-	970,212
Inter-segment income	-	-	51	-	-	(51)	-
Total income	<b>\$ 423,438</b>	<b>423,833</b>	<b>47,248</b>	<b>75,744</b>	<b>-</b>	<b>(51)</b>	<b>970,212</b>
Reportable segment profit or loss	<b>\$ 213,572</b>	<b>85,464</b>	<b>17,258</b>	<b>(30,889)</b>	<b>-</b>	<b>(51)</b>	<b>285,354</b>
	<b>January to March, 2016</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	\$ 311,481	440,899	16,492	72,468	-	-	841,340
Inter-segment income	-	-	43	1,069	-	(1,112)	-
Total income	<b>\$ 311,481</b>	<b>440,899</b>	<b>16,535</b>	<b>73,537</b>	<b>-</b>	<b>(1,112)</b>	<b>841,340</b>
Reportable segment profit or loss	<b>\$ 145,520</b>	<b>90,730</b>	<b>(5,450)</b>	<b>30,669</b>	<b>-</b>	<b>(1,112)</b>	<b>260,357</b>

(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)

	<u>Columbarium and cemetery for sale</u>	<u>Funeral services</u>	<u>Property leasing</u>	<u>Cemetery operation and others</u>	<u>Construction for sales</u>	<u>Adjustments and written-off</u>	<u>Total</u>
<b>Reportable segment assets</b>							
March 31, 2017	<u>\$ 15,052,342</u>	<u>4,040,631</u>	<u>6,521,968</u>	<u>21,595,433</u>	<u>4,664,825</u>	<u>(143,193)</u>	<u>51,732,006</u>
December 31, 2016	<u>\$ 14,702,288</u>	<u>4,009,130</u>	<u>6,534,031</u>	<u>21,197,636</u>	<u>4,664,575</u>	<u>(131,232)</u>	<u>50,976,428</u>
March 31, 2016	<u>\$ 14,193,782</u>	<u>3,790,778</u>	<u>6,528,263</u>	<u>19,381,280</u>	<u>4,647,849</u>	<u>(142,839)</u>	<u>48,399,113</u>