

Stock No. : 5530

**Lungyen Life Service Corp. and
Subsidiaries**

Consolidated Financial Statements

**For The Three Months Ended June 30, 2017 and 2016
(Including an Independent Auditor's Audit Report)**

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Table of Contents

	Item	Page
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) Approval and procedures of the consolidated financial statements	8
	(III) Application of new and revised standards and interpretations	8~15
	(IV) Summary of significant accounting policies	15~17
	(V) The major sources of significant accounting judgements, estimations, and assumptions for the uncertainties	17
	(VI) Important accounting accounts	17~39
	(VII) Related Party Transactions	40~42
	(VIII) Pledged assets	42
	(IX) Significant contingent liabilities and unrecognized contractual commitments	42~45
	(X) Significant disaster loss	45
	(XI) Significant subsequent events	45
	(XII) Others	46
	(XIII) Disclosures	
	(1) Information about significant transactions	47~52
	(2) Information about reinvestees	52~53
	(3) Information about investment in Mainland China	53
	(XIV) Financial information by department	54~55

Independent Auditor's Audit Report

To Board of Directors of Lungyen Life Service Corp.:

We have audited the accompanying consolidated balance sheets of Lungyen Life Service Corp. and its subsidiaries as of June 30, 2017 and 2016, the related consolidated statements of comprehensive income as of April 1 to June 30, 2017 and 2016, and consolidated statements of changes in equity and consolidated statement of cash flows as of three months ended June 30, 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\$1,616,914 thousand and NT\$1,549,943 thousand, representing both 3% of total consolidated assets as of June 30, 2017 and 2016, respectively. The total liabilities amounted to NT\$65,149 thousand and NT\$259,513 thousand, representing 0% and 1% of total consolidated liabilities as of June 30, 2017 and 2016, respectively. The comprehensive profit or loss was NT\$(11,099) thousand and NT\$(8,360) thousand, NT\$(41,747) thousand and NT\$(17,972) representing (8)% and (2)% as well as (5)% and (2)% of the consolidated profit or loss as of April 1 to June 30 and January 1 to June 30, 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\$429,402 thousand and NT\$200,934 thousand as of June 30, 2017 and 2016. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$(2,370) thousand and NT\$747 thousand as of January 1 to June 30, 2017 and 2016; and NT\$(6,205) thousand and NT\$(1,644) thousand as of January 1 to June 30, 2017 and 2016. The financial statements were prepared in accordance with the unaudited quarterly financial statements of the subsidiaries.

In our opinion, except for the unreviewed quarterly financial statements of subsidiaries and investments in paragraph 3 and paragraph 4 are not yet reviewed by the auditors that may result in adjustments 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 Issuers" and IAS 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

KPMG

CPA:

Approval
issued by the
competent
securities
authority
August 10, 2017

FSC VI. Tzi No. 0940129108

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

June 30, 2017, December 31, 2016 and June 30, 2016

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

Assets	6.30.2017		12.31.2016		6.30.2016		Liabilities and Equity	6.30.2017		12.31.2016		6.30.2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (Note 6 (1) & (22))	\$227,321	-	199,621	-	202,733	-	2100 Short-term loan (Note 6(10) & (22))	\$2,809,000	5	7,174,900	14	6,794,500	14
1110 Financial assets at fair value through profit or loss – current (Note 6(2), (22), 8 & 9)	1,275,990	2	907,233	2	1,303,730	3	2170 Payable accounts (Note 6(22) & 7)	425,491	1	444,138	1	468,633	1
1150 Notes receivable, net (Note 6(22))	42	-	9,712	-	10,301	-	2200 Other payable accounts (Note 6(22) & 7)	909,260	2	404,691	1	702,817	1
1170 Accounts receivable, net (Note 6(22) & 7)	426,950	1	428,616	1	420,633	1	2230 Current income tax liabilities	164,415	-	88,654	-	139,648	-
1320 Inventories (Note 6(3) & 8)	14,473,450	28	14,425,211	28	14,006,590	28	2310 Advance receipts (Note 9)	32,034,634	62	31,668,990	62	30,642,237	63
1400 Biological assets – current	-	-	-	-	59,437	-	2399 Other current liabilities - others	<u>8,346</u>	-	<u>11,951</u>	-	<u>26,734</u>	-
1410 Prepayments (Note 9)	8,886,593	17	8,670,520	17	8,615,215	19	Non-current liabilities:	<u>36,351,146</u>	<u>70</u>	<u>39,793,324</u>	<u>78</u>	<u>38,774,569</u>	<u>79</u>
1476 Other financial assets – current (Note 6(9), 6(22), 8 & 9)	2,411,209	5	2,173,130	4	2,105,742	4	2530 Corporate bond payable (Note 6(11) & (22))	3,114,328	6	-	-	-	-
1479 Other current assets (Note 7)	<u>3,452</u>	-	<u>5,055</u>	-	<u>9,960</u>	-	2540 Long-term loan (Note 6 (12), (22))	-	-	-	-	172,700	-
	<u>27,705,007</u>	<u>53</u>	<u>26,819,098</u>	<u>52</u>	<u>26,734,341</u>	<u>55</u>	2570 Deferred income tax liabilities	24,287	-	24,287	-	54,312	-
Non-current assets:							2640 Net defined benefit liability – non-current	30,058	-	30,058	-	28,561	-
1524 Available-for-sale financial assets – non-current (Note 6(2), (22), 8 & 9)	8,666,163	17	8,679,735	17	7,165,720	15	2645 Deposit received (Note 6 (22))	61,525	-	52,802	-	49,511	-
1527 Held to maturity financial assets- non current (Note 6(2) & (22))	616,340	1	307,915	-	107,873	-	2670 Other non-current liabilities - others	<u>2,981</u>	-	<u>2,981</u>	-	<u>2,981</u>	-
1544 Financial assets carried at cost – non-current (Note 6(2), (22) & 9)	18,992	-	18,992	-	22,630	-	Total liabilities	<u>39,584,325</u>	<u>76</u>	<u>39,903,452</u>	<u>78</u>	<u>39,082,634</u>	<u>79</u>
1550 Investment under equity method (Note 6(4))	429,402	1	450,296	1	200,934	-	Equity attributable to owners of parent (Note 6(15) & (16)):						
1600 Property, plant and equipment (Note 6(6), 8 & 9)	5,867,356	11	5,866,648	12	6,107,449	12	3100 Capital stock – common stock	4,200,842	8	3,990,842	8	3,990,842	8
1760 Investment property, net (Note 6(7), 8 & 9)	6,510,664	12	6,534,031	13	6,513,928	13	3200 Capital surplus	2,519,954	5	1,420,112	3	1,413,254	3
1780 Intangible assets (Note 6(8) & 7)	767,877	2	775,226	2	824,622	2	Retained earnings:						
1840 Deferred income tax assets	783,948	2	801,963	2	820,571	2	3310 Legal reserve	1,095,601	2	997,817	2	997,817	2
1980 Other financial assets – non-current (Note 6(22) & 7)	42,928	-	25,159	-	24,386	-	3320 Special reserve	-	-	401,665	1	401,665	1
1990 Other non-current assets - others	<u>697,342</u>	<u>1</u>	<u>697,365</u>	<u>1</u>	<u>668,191</u>	<u>1</u>	3350 Unappropriated retained earnings	3,079,121	6	2,610,784	5	2,074,039	4
	24,401,012	47	24,157,330	48	22,456,304	45	3400 Other equity interest	<u>520,664</u>	<u>1</u>	<u>397,357</u>	<u>1</u>	<u>-22,939</u>	-
							Total equity attributable to owners of parent	11,416,182	22	9,818,577	20	8,854,678	18
							36xx Non-controlling interest (Note 6(5) & (16))	<u>1,105,512</u>	<u>2</u>	<u>1,254,399</u>	<u>2</u>	<u>1,253,333</u>	<u>3</u>
							Total equity	<u>12,521,694</u>	<u>24</u>	<u>11,072,976</u>	<u>22</u>	<u>10,108,011</u>	<u>21</u>
Total Assets	<u>\$52,106,019</u>	<u>100</u>	<u>50,976,428</u>	<u>100</u>	<u>49,190,645</u>	<u>100</u>	Total liabilities and equity	<u>\$52,106,019</u>	<u>100</u>	<u>50,976,428</u>	<u>100</u>	<u>49,190,645</u>	<u>100</u>

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

Chairman:

General Manager:

Chief Accountant:

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

April 1 to June 30, 2017 and 2016; and the six months ended June 30, 2017 and 2016

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

(Reviewed, Not Audited)

	April to June 2017		April to June 2016		January to June 2017		January to June 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(18) & 7)	\$ 1,274,933	100	860,560	100	2,245,145	100	1,701,900	100
5000 Operating cost (Note 6(14))	320,954	25	332,365	39	626,915	28	663,211	39
5900 Operating gross profit (loss)	953,979	75	528,195	61	1,618,230	72	1,038,689	61
Operating expenses:								
6100 Selling expenses	251,331	20	170,870	20	434,207	19	323,195	19
6200 Administration expenses (Note 6(14) & 7)	144,831	11	106,058	12	266,162	12	209,384	12
6000 Total operating expenses	396,162	31	276,928	32	700,369	31	532,579	31
6500 Other income and expenses (Note 6(20))	-	-	35,545	4	-	-	51,586	3
6900 Operating income (loss)	557,817	44	286,812	33	917,861	41	557,696	33
Non-operating income and expenses:								
7010 Other income (Note 6(21))	59,650	5	48,481	6	119,805	5	104,893	6
7020 Other gains and losses (Note 6(21))	(5,428)	-	10,735	1	(115,749)	(5)	(30,247)	(2)
7050 Financial costs (Note 6(3) & (21))	(18,681)	(2)	(23,666)	(3)	(39,370)	(2)	(47,232)	(3)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	(2,370)	-	747	-	(6,205)	-	(1,644)	-
	33,171	3	36,297	4	(41,519)	(2)	25,770	1
7900 Operating income before tax	590,988	47	323,109	37	876,342	39	583,466	34
7950 Less: Income tax expense (Note 6(15))	122,419	10	52,146	6	146,179	7	78,888	5
8200 Net income	468,569	37	270,963	31	730,163	32	504,578	29
8300 Other comprehensive income:								
8360 Items that may be subsequently reclassified to profit or loss:								
8361 Exchange differences on translation of foreign statements	6,432	1	129	-	(14,177)	(1)	(2,463)	-
8362 Unrealized losses on available-for-sale financial assets	(336,507)	(27)	105,631	12	140,203	6	379,412	22
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	722	-	(545)	-	(1,431)	-	1,777	-
Total items that may be subsequently reclassified to profit or loss	(329,353)	(26)	105,215	12	124,595	5	378,726	22
Other comprehensive income, net	(329,353)	(26)	105,215	12	124,595	5	378,726	22
8500 Total comprehensive income	\$ 139,216	11	376,178	43	854,758	37	883,304	51
Net income, attributable to:								
8610 Owners of parent	\$ 435,413	34	240,752	27	668,557	29	440,124	25
8620 Non-controlling interest	33,156	3	30,211	4	61,606	3	64,454	4
	\$ 468,569	37	270,963	31	730,163	32	504,578	29
Total comprehensive income, attributable to:								
8710 Owners of parent	\$ 107,190	8	345,967	39	791,864	34	818,850	47
8720 Non-controlling interest	32,026	3	30,211	4	62,894	3	64,454	4
	\$ 139,216	11	376,178	43	854,758	37	883,304	51
Earnings per share (Note 6(17))								
9710 Basic earnings per share (NTD)	\$ 1.04		0.60		1.63		1.10	
9810 Diluted earnings per share (NTD)	\$ 0.96		0.60		1.57		1.10	

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

Chairman:

General Manager:

Chief Accountant:

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
For The Six Months Ended June 30, 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

	<u>Capital Stock</u>		<u>Retained Earnings</u>				<u>Other equity interest</u>			<u>Total equity attributable to owners of parent</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
							<u>Exchange differences on foreign translation</u>	<u>Unrealized gains (losses) on available-for-sale financial assets</u>	<u>Total</u>			
	<u>Common stock</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>	<u>Total</u>						
Balance – January 1, 2016	\$ 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	-	-	-	-	440,124	440,124	-	-	-	440,124	64,454	504,578
Other comprehensive income	-	-	-	-	-	-	(686)	379,412	378,726	378,726	-	378,726
Total comprehensive income	-	-	-	-	440,124	440,124	(686)	379,412	378,726	818,850	64,454	883,304
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$0.5 per share	-	-	-	387,207	(387,207)	-	-	-	-	-	-	-
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)	-	(199,542)
Legal reserve	-	210	-	-	-	-	-	-	-	210	(210)	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	104,690	104,690
Balance – June 30, 2016	\$ 3,990,842	1,413,254	997,817	401,665	2,074,039	3,473,521	(5,453)	(17,486)	(22,939)	8,854,678	1,253,333	10,108,011
Balance – January 1, 2017	\$ 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	-	-	-	-	668,557	668,557	-	-	-	668,557	61,606	730,163
Other comprehensive income	-	-	-	-	-	-	(15,608)	138,915	123,307	123,307	1,288	124,595
Total comprehensive income	-	-	-	-	668,557	668,557	(15,608)	138,915	123,307	791,864	62,894	854,758
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-
Cash dividends – NT\$1.2 per share	-	-	-	-	(504,101)	(504,101)	-	-	-	(504,101)	-	(504,101)
Changes in other reserves:												
Recognition of equity from												
Issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	9,961	-	9,961
Capital increasing	210,000	1,094,100	-	-	-	-	-	-	-	1,304,100	-	1,304,100
Changes in subsidiaries' equity	-	(4,219)	-	-	-	-	-	-	-	(4,219)	4,219	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(216,000)	(216,000)
Balance – June 30, 2017	\$ 4,200,842	2,519,954	1,095,601	-	3,079,121	4,174,722	(26,908)	547,572	520,664	11,416,182	1,105,512	12,521,694

(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 Six Months Ended June 30, 2017 and 2016

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

	January 1 to June 30, 2017	January 1 to June 30, 2016
Cash flows from operating activities:		
Profit (loss) before tax	\$ 876,342	583,466
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	70,752	84,311
Amortization expense	8,078	7,526
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(18,657)	(14,787)
Interest expense	39,370	47,232
Interest income	(62,275)	(50,143)
Dividend income	(4,760)	(7,691)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	6,205	1,644
Loss (gain) on disposal and scrap of property, plant and equipment	(585)	7
Property, plant and equipment expenses	-	341
Disposal of investment gains (losses)	11,083	(47,183)
Exchange loss on disposal of financial assets	84,657	73,322
Total adjustments to reconcile profit (loss)	133,868	94,579
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(350,100)	(152,842)
Decrease (Increase) in notes receivable	9,670	11,919
Decrease (Increase) in account receivable	1,666	48,055
Decrease (Increase) in inventories	(48,222)	(443,023)
Decrease (Increase) in biological assets	-	(5,215)
Decrease (Increase) in prepayments	(216,079)	(166,668)
Decrease (Increase) in other financial assets - current	6,760	(8,296)
Decrease (Increase) in other current assets	1,537	(6,398)
Total changes in operating assets	(594,768)	(722,468)
Changes in operating liabilities:		
Increase (Decrease) in accounts payable	(18,643)	35,193
Increase (Decrease) in other payable	623	60,934
Increase (Decrease) in advance receipts	365,644	1,091,575
Increase (Decrease) in other current liabilities	(3,593)	17,197
Total changes in operating liabilities	344,031	1,204,899
Total changes in operating assets and liabilities	(250,737)	482,431
Total adjustments	(116,869)	577,010
Cash inflow (outflow) generated from operations	759,473	1,160,476
Interest received	55,088	50,768
Dividend received	7,059	7,691
Interest paid	(25,664)	(45,723)
Income taxes (paid)	(52,403)	(137,693)
Net cash flows from (used in) operating activities	743,553	1,035,519

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For The Six Months Ended June 30, 2017 and 2016

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

	<u>January 1 to June 30, 2017</u>	<u>January 1 to June 30, 2016</u>
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(457,968)	(1,352,860)
Proceeds from disposal of available-for-sale financial assets	516,235	850,783
Acquisition of hold to maturity financial assets	(309,640)	(108,492)
Cash flows from (used in) investing activities:	-	(4,000)
Acquisition of investment using equity method	-	(13,008)
Payment of shares returned by the investees due to capital decrease under equity method	11,135	-
Acquisition of property, plant and equipment	(48,102)	(100,129)
Disposal of property, plant and equipment	602	-
Acquisition of intangible assets	(729)	(63,603)
Decrease in other financial assets	(248,575)	117,665
Decrease in other financial assets- non current	(17,780)	-
Increase in other non-current assets	-	(10,299)
Net cash flows from (used in) investing activities	<u>(554,822)</u>	<u>(683,943)</u>
Cash flow from (used in) financing activities:		
Increase in short-term loans	6,895,100	2,311,000
Decrease in short-term loans	(11,261,000)	(2,757,000)
Issuance of corporate bond	3,113,000	-
Increase (decrease) in guarantee deposits received	8,723	(18,095)
Capital Increase	1,304,100	-
Change in non-controlling interests	(216,000)	104,690
Net cash flows from (used in) financing activities	<u>(156,077)</u>	<u>(359,405)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	(4,954)	(2,157)
Net increase (decrease) in cash and cash equivalents	27,700	(9,986)
Cash and cash equivalents at beginning of period	<u>199,621</u>	<u>212,719</u>
Cash and cash equivalents at end of period	<u>\$ 227,321</u>	<u>202,733</u>

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

Chairman:

General Manager:

Chief Accountant:

(English Translation of Financial Report Originally Issued in Chinese)

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

Lungyen Life Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements
For The Three Months Ended June 30, 2017 and 2016

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

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 August 10, 2017.

III. Application of new and revised standards and interpretations

(I). New and revised standards and interpretations approved by Financial Supervisory Commission

The Consolidated Company has adopted completely by Financial Supervisory Commission (hereinafter referred to as the “FSC”) in 2017. The financial report was issued according to the IFRS and became effective in 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	January 1, 2014

(English Translation of Financial Report Originally Issued in Chinese)

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

Hedge Accounting”

Annual improvements (2010-2012 cycle and 2011-2013 cycle)	July 1, 2014
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 influences not yet approved by Financial Supervisory Commission

Based on No. 1060025773 of the FSC on July 14, 2017, the public offering of the above-mentioned companies shall adopt the IFRS approved by the FSC and became effective from 2017. The criteria and explanations of the relevant new releases, amendments and amendments are as follows:

<u>New / Amended / Revised Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS No.2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Application of IFRS No.9 “Appliance for Financial Instruments” from amendments to IFRS No.4 “IFRS No.4 “Insurance contracts” ”	January 1, 2018
IFRS No.9 “Financial Instruments”	January 1, 2018
Amendments to IFRS No.15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IAS No. 7 “Disclosure Initiative”	January 1, 2017
Amendments to IFRS No.12 “Proceedings of deferred income tax assets arising from unrecognized losses”	January 1, 2017
Amendments to International Accounting Standards No. 40 "Conversion of Investment Real Estate"	January 1, 2018
2014-2016 International Financial Reporting Year Improvement:	
Amendments to IFRS No.12	January 1, 2017
Amendments to IFRS No.1 and amendments to IAS No. 28	January 1, 2018
International Financial Reporting Interpretation No. 22 "Foreign Currency Transactions and Advance Payment Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

1. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group's consolidated financial Statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$8,666,163 thousand and financial assets measured at cost of \$18,992 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Groups profits.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

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

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial assets credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group preliminary assessment that the adoption of the IFRS 9 impairment model would not have any material impact on its consolidated financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as of 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOC.

2. IFRS 15 Revenue from Contracts with Customers

It establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

1) Sales of goods

In respect of the sale of the tower product, the current income is recognized when the goods are delivered to the customer for permanent use, at which time the customer has accepted the product and the significant risks and rewards of the relevant ownership have been transferred to the customer. At that point in time to recognize the income, due to the time point of income and cost can be a reliable measure, the price is likely to recover, and no longer continue to participate in the management of goods. In accordance with the IFRS No. 15, income will be recognized when the customer obtains control of the product.

Part of the contract allows customers to return, right now is reasonable to estimate the return and other income recognition conditions are also satisfied when the recognition of income. If we can not reasonably estimate the return, will be deferred to the return period of failure or a reasonable estimate of the return of the starting income. Under the IFRS No. 15, the income of the contracts will be recognized in the range where the accumulated income is highly likely to not be substantially reversed. Therefore, the group company cannot reasonably estimate the return amount of the contract. As early as the return period is invalid or can be reasonably estimated return. The relevant refund liabilities and the rights to be refunded by the merging company according to the contract are recognized separately on the balance sheet.

2) Significant financial components

The current standard does not stipulate that the advance payment should be calculated, the group company will not adjust the consideration for the advance payment. Under IFRS 15, the advance receipts should also assess whether it contains significant financial components. Consolidated Company's initial assessment of the one-time authorization shall include a significant financial component and the amount of the consideration to be adjusted to reflect the effect of the time value of the currency. Therefore, the authorized amount of the authorized income will be higher than the current recognized amount and to the period of transfer to the customer, the interest rate is recognized.

3) Transition processing

The group company is expected to apply the IFRS No. 15 according to the

cumulative impact method. Therefore, there is no need to reproduce the comparative information of the previous period. The cumulative effect of the initial application of the criteria will be adjusted on January 1, 2018 surplus. The group company is expected to have completed the contract to apply the substantive right to practice, that is, the earliest expression of the beginning of the date of completion of the contract will not be restated.

The group company estimates that the above changes in accounting policies may adjust the amount of income, but the impact of the amount remains to be further analyzed.

3. Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

4. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

If the amendment states that it meets the specific conditions, the deferred income tax assets will be recognized for the unrealized losses and the calculation of "future taxable income" will be clarified.

Consolidated companies estimate that the above corrections may change the measurement of deferred income tax assets, but the amount of the impact remains to be further analyzed.

(III) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New/Amended/Revised Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	Affective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Standards or Interpretations
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a Subsidiary.</p>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none">• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of use asset during the lease term.• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatment”	<ul style="list-style-type: none">• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have full knowledge on all related information when making those examinations.• If an entity concludes that it’s probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or

planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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 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
			6.30.2017	12.31.2016	6.30.2016	
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	- %	- %	84.29%	Note4(II).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%	Note4(II).3(2)

(English Translation of Financial Report Originally Issued in Chinese)

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

The Company	Singapore Lungyen Life Service Pte. Ltd.	Funeral services	100.00%	100.00%	100.00%	
The Company	Lung An Company Limited	Funeral services	100.00%	70.00%	70.00%	Note(II).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%	- %	Note4(II).3(3)
Lungyen Cayman Company Limited	Lungyen HK Company Limited	Investment business	100.00%	100.00%	- %	Note4(II).3(3)
Lungyen HK Company Limited	Lungyen Cemetery (Wenzhou) Co. Ltd	Funeral Services	100.00%	100.00%	- %	Note4(II).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 did not take 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 Dragon Traders Ltd. in US\$7,000 thousand and US\$11,000 thousand on October, 2016 and June, 2017 with 100% ownership.
- (3) In October 2016, the Company invested in Lungyen (Cayman) and Lungyen (Hong 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. And increased USD\$7,000 thousand through companies mentioned above with 100% ownership.
- (4) Lung An Company purchased from other shareholders on January and May 2017 respectively 10,800 thousand shares at NT\$10 per share each time resulting in the percentage of shareholding increased from 85% and 100%.

(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. The major sources of significant accounting judgements, estimations, and assumptions for the uncertainties:

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>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Cash on hand	\$ 2,626	4,192	5,022
Check deposits	169,990	193,262	188,032
Demand deposits	156	167	152
Time deposits	<u>54,549</u>	<u>2,000</u>	<u>9,527</u>
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u>\$ 227,321</u>	<u>199,621</u>	<u>202,733</u>

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(22).

(II) Financial assets

1. Details are as follows:

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Financial assets measured at fair value through profit or loss - current			
Domestic and foreign common stocks	\$ 520,979	538,167	664,375
Beneficiary certificates	<u>755,011</u>	<u>369,066</u>	<u>639,355</u>
Total	<u>\$ 1,275,990</u>	<u>907,233</u>	<u>1,303,730</u>

Available-for-sale financial assets valued at cost –

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

non-current

Domestic and foreign common stocks	\$	6,547,769	6,267,346	5,337,304
Bond investment		1,734,033	1,625,658	1,332,232
Beneficiary certificates		384,361	786,731	496,184
Total	\$	8,666,163	8,679,735	7,165,720
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	4,000
Total	\$	18,992	18,992	22,630
Hold to maturity financial assets- non-current				
Bond Investment	\$	616,340	307,915	107,873

- (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) The Consolidated Company invested in CREATIVE SPACE DESIGN CORP. LTD in 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.
- (4) In order to acquire long-term stable dividend income, the Consolidated Company invested stocks of domestic listed companies for total NT\$5,784,581 thousand for the end of June 30, 2017, without any control ability and significant influence, and recognized it under available-for-sale in accordance with holding intention.
- (5) The coupon rate range of the Consolidated Company's available-for-sale financial assets – non-current bond on June 30, 2017 and 2016, is 2.625%~6.375% and 3.00%~4.95%, respectively. The maturity year is 2020~2046 and 2017~2046..
- (6) The coupon rate range of the Consolidated Company's held to maturity bond is between 1.85%~2.08%, 1.90%~2.08% and 2.08% at the end of June 30, 2017, December 31 and June 30, 2016. The maturity period is from 2021-2025.
- (7) With respect to details of transferring from financial assets measured at fair value through profit or loss to the Trust as of June 30, 2017, December 31 and June 30, 2016 please refer to Note 9 for more information.

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

- (8) As of June 30, 2017, December 31 and June 30, 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 (22).
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:

Stock price on the reporting date	2017H1		2016H1	
	Other consolidated profit or loss after tax	Profit or loss after tax	Other consolidated profit or loss after tax	Profit or loss after tax
Increased by 10%	\$ 650,847	49,680	532,415	61,317
Decreased by 10%	\$ (650,847)	(49,680)	(532,415)	(61,317)

(III) Inventory

	6.30.2017	12.31.2016	6.30.2016
Real estate for sale	\$ -	4,008	4,968
Columbarium and cemetery for sale	2,400,154	2,015,577	1,557,323
Construction Site	4,598,702	4,597,067	2,397,554
Residential and building under construction	63,409	63,500	2,245,778
Columbarium and cemetery under construction	7,411,185	7,745,059	7,781,678
Agriculture Products	-	-	19,289
	\$ 14,473,450	14,425,211	14,006,590
Expected to be recovered in more than twelve months	\$ 14,545,355	14,276,031	13,815,355

1. As of April 1 to June 30, 2017 and 2016, and January 1 to June 30, 2017 and 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.
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.

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

3. For the Consolidated Company's inventories pledged as collateral as of June 30, 2017 and December 31 and June 30, 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>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Investment in affiliated enterprises	<u>\$ 429,402</u>	<u>450,296</u>	<u>200,934</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 & voting ratio</u>		
			<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</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>6.30.2017</u>	<u>12.31.2016</u>
Current Assets	\$ 207,009	224,582
Non-current Assets	302,372	296,535
Current Liabilities	(10,208)	(11,198)
Net Assets	<u>\$ 499,173</u>	<u>509,919</u>
Net Assets attributable to non-controlling equity	<u>\$ 254,578</u>	<u>260,059</u>
Net Assets attributable to the owner of the investee	<u>\$ 244,595</u>	<u>249,860</u>
	<u>April~June 2017</u>	<u>January~June 2016</u>
Revenue	<u>\$ 49,843</u>	<u>96,093</u>
Current net loss	\$ (2,519)	(10,745)
Other comprehensive profit or loss	-	-
Total profit or loss	<u>\$ (2,519)</u>	<u>(10,745)</u>
Total comprehensive profit or loss attributable to non-controlling equity	<u>\$ (1,285)</u>	<u>(5,480)</u>

(English Translation of Financial Report Originally Issued in Chinese)

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

Total comprehensive profit or loss attributable to the owner of the investee	<u>\$</u>	<u>(1,234)</u>	<u>(5,265)</u>
		April~June 2017	January~June 2017
The share of the Company's net assets of affiliated enterprises at the beginning period	\$	245,829	249,860
Net assets attributable to subsidiary losing of control and transfer to significant affiliated enterprises		(1,234)	(5,265)
The book value of the Company's equity in the affiliated enterprise of the Company	<u>\$</u>	<u>244,595</u>	<u>244,595</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.

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Ending balance of affiliated enterprise under equity method which is not significant individually	<u>\$ 184,807</u>	<u>200,436</u>	<u>200,934</u>
	<u>2017 Q2</u>	<u>2016 Q2</u>	<u>2017 H1</u>
Attribute to the Company:			<u>2016 H1</u>
Continuing operations' current loss	\$ (1,136)	747	(940)
Other comprehensive profit or loss	-	-	-
Total comprehensive profit or loss	<u>\$ (1,136)</u>	<u>747</u>	<u>(940)</u>
			<u>(1,644)</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. W&W PROFESSIONAL MANAGEMENT LIMITED reduced capitals and returned US\$360 thousand resulting in reduction of 360 thousand share-holding with the actual 40% of shareholding.

3. As of June 30, 2017, December 31, 2016 and June 30, 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>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</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>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Current asset	\$ 2,463,339	2,247,743	2,436,424
Non-current asset	402,065	411,741	367,740
Current liability	(536,925)	(470,575)	(710,031)
Net assets	<u>\$ 2,328,479</u>	<u>2,188,909</u>	<u>2,094,133</u>
Book value of ending non-controlling interests	<u>\$ 1,041,575</u>	<u>977,959</u>	<u>933,893</u>

	<u>April~June 2017</u>	<u>April~June 2016</u>	<u>January~June 2017</u>	<u>January~June 2016</u>
Operating revenue	\$ 128,848	135,533	241,803	257,307
Net income	\$ 73,460	69,106	136,743	146,966
Other comprehensive income	(2,477)	-	2,827	-
Total comprehensive income	<u>\$ 70,983</u>	<u>69,106</u>	<u>139,570</u>	<u>146,966</u>
Net income, attributable to non-controlling interest	<u>\$ 33,484</u>	<u>31,499</u>	<u>62,328</u>	<u>66,987</u>
Total comprehensive income, attributable to non-controlling interest	<u>\$ 32,354</u>	<u>31,499</u>	<u>63,616</u>	<u>66,987</u>

	<u>April ~June 2017</u>	<u>April ~June 2016</u>	<u>January ~June 2017</u>	<u>January ~June 2016</u>
Cash flows from operating activities	\$ 7,685	(419)	27,328	5,376
Cash flows from investing activities	(11,991)	-	(12,239)	(7,604)
Cash flows from financing activities	-	-	(18,000)	-
Net cash flow increase (decrease)	<u>\$ (4,306)</u>	<u>(419)</u>	<u>(2,911)</u>	<u>(2,228)</u>

(English Translation of Financial Report Originally Issued in Chinese)

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

Cash dividend paid to non-controlling equity	\$ - - - -
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(VI) Property, plant, and equipment

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

	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	-	12,461	3,731	-	-	4,137	27,773	48,102
Disposal and scrap	-	-	(5,654)	(46)	-	(32)	-	(5,732)
Reclassification	-	32,006	9,772	-	-	15,257	(57,035)	-
Changes for exchange rate	-	-	8	-	-	-	-	8
Balance on June 30, 2017	<u>\$ 2,357,212</u>	<u>2,776,145</u>	<u>86,931</u>	<u>55,168</u>	<u>4,100</u>	<u>167,051</u>	<u>1,001,660</u>	<u>6,448,267</u>
Balance on Jan. 1, 2016	\$ 2,705,209	2,885,182	81,576	141,787	4,251	140,380	1,061,530	7,019,915
Additions	-	8,441	-	-	-	2,647	89,041	100,129
Disposal and scrap	-	-	(2,238)	(1,364)	-	(3,531)	-	(7,133)
Reclassification	(396,538)	(68,815)	-	-	-	19,909	(41,773)	(487,217)
Balance on June 30, 2016	<u>\$ 2,308,671</u>	<u>2,824,808</u>	<u>79,338</u>	<u>140,423</u>	<u>4,251</u>	<u>159,405</u>	<u>1,108,798</u>	<u>6,625,694</u>
Depreciation and impairment loss:								
Balance on January 1, 2017	\$ -	379,721	63,394	53,622	2,933	39,571	-	539,241
Current depreciation	-	35,134	4,260	299	90	7,602	-	47,385
Disposal	-	-	(5,654)	(44)	-	(17)	-	(5,715)
Balance on June 30, 2017	<u>\$ -</u>	<u>414,855</u>	<u>62,000</u>	<u>53,877</u>	<u>3,023</u>	<u>47,156</u>	<u>-</u>	<u>580,911</u>
Balance on January 1, 2016	\$ -	353,108	56,170	59,822	2,523	31,713	-	503,336
Current depreciation	-	38,470	5,377	5,123	260	6,615	-	55,845
Disposal	-	-	(1,896)	(1,364)	-	(3,525)	-	(6,785)
Reclassification	-	(34,151)	-	-	-	-	-	(34,151)
Balance on June 30, 2016	<u>\$ -</u>	<u>357,427</u>	<u>59,651</u>	<u>63,581</u>	<u>2,783</u>	<u>34,803</u>	<u>-</u>	<u>518,245</u>
Book value:								
January 1, 2017	<u>\$ 2,357,212</u>	<u>2,351,957</u>	<u>15,680</u>	<u>1,592</u>	<u>1,167</u>	<u>108,118</u>	<u>1,030,922</u>	<u>5,866,648</u>
June 30, 2017	<u>\$ 2,357,212</u>	<u>2,361,290</u>	<u>24,931</u>	<u>1,291</u>	<u>1,077</u>	<u>119,895</u>	<u>1,001,660</u>	<u>5,867,356</u>
January 31, 2016	<u>\$ 2,705,209</u>	<u>2,532,074</u>	<u>25,406</u>	<u>81,965</u>	<u>1,728</u>	<u>108,667</u>	<u>1,061,530</u>	<u>6,516,579</u>
June 30, 2016	<u>\$ 2,308,671</u>	<u>2,467,381</u>	<u>19,687</u>	<u>76,842</u>	<u>1,468</u>	<u>124,602</u>	<u>1,108,798</u>	<u>6,107,449</u>

1. The Consolidated Company (referred to as "the principal" hereinafter) has part of the land registered in the name of the discretionary related party (referred to as "the trustee" hereinafter) for land acquisition matters. The contractual parties agree to have the land ownership transferred back to the Consolidated Company unconditionally upon the completion of land consolidation. Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and then delivered to the principal for records. In addition, a promissory note issued by the trustee

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

- for an amount equivalent to the land value should be delivered to the principal for records.
- For the property, plant and equipment pledged as collateral during June 30, 2017, December 31, and June 30 2016, please refer to Note(8).
 - For part of property, plant and equipment in trust case as of June 30, 2017 and December 31, and June 30, 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 June 30, 2017	<u>\$ 5,024,142</u>	<u>1,992,136</u>	<u>7,016,278</u>
Balance on January 1, 2016	\$ 4,597,840	1,882,725	6,480,565
Reclassification	396,538	90,679	487,217
Balance on June 30, 2016	<u>\$ 4,994,378</u>	<u>1,973,404</u>	<u>6,967,782</u>
Depreciation and impairment loss:			
Balance on January 1, 2017	\$ 19,910	462,337	482,247
Current depreciation	-	23,367	23,367
Balance on June 30, 2017	<u>\$ 19,910</u>	<u>485,704</u>	<u>505,614</u>
Balance on January 1, 2016	\$ 19,910	371,327	391,237
Current depreciation	-	28,466	28,466
Reclassification	-	34,151	34,151
Balance on June 30, 2016	<u>\$ 19,910</u>	<u>433,944</u>	<u>453,854</u>
Book value:			
January 1, 2017	<u>\$ 5,004,232</u>	<u>1,529,799</u>	<u>6,534,031</u>
June 30, 2017	<u>\$ 5,004,232</u>	<u>1,506,432</u>	<u>6,510,664</u>
January 1, 2016	<u>\$ 4,577,930</u>	<u>1,511,398</u>	<u>6,089,328</u>
June 30, 2016	<u>\$ 4,974,468</u>	<u>1,539,460</u>	<u>6,513,928</u>

- Investment property contains a number of commercial properties leased to others. Please refer to Note 6(13).
- 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.
- With regards to real estate delivered to investment trust case as of June 30, 2017, December 31 and June 30, 2016, please refer to Note 9(3).
- The investment property pledged for collateral on June 30, 2017, December 31 and June 30, 2016 please refer to Note(8).

(English Translation of Financial Report Originally Issued in Chinese)

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

(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 June 30, 2017	\$ 542,428	192,750	117,239	852,417
Balance on January 1, 2016	\$ 542,428	192,750	95,480	830,658
Acquired separately	-	-	63,603	63,603
Reclassification	-	-	(951)	(951)
Balance on June 30, 2016	\$ 542,428	192,750	158,132	893,310
Amortization and impairment loss:				
Balance on January 1, 2017	\$ -	-	76,462	76,462
Current Amortization	-	-	8,078	8,078
Balance on June 30, 2017	\$ -	-	84,540	84,540
Balance on January 1, 2016	\$ -	-	61,162	61,162
Current Amortization	-	-	7,526	7,526
Balance on June 30, 2016	\$ -	-	68,688	68,688
Book value:				
January 1, 2017	\$ 542,428	192,750	40,048	775,226
Balance on June 30, 2017	\$ 542,428	192,750	32,699	767,877
January 1, 2016	\$ 542,428	192,750	34,318	769,496
Balance on June 30, 2016	\$ 542,428	192,750	89,444	824,622

(IX) Other financial assets - current

The Consolidated Company's other financial assets as below:

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Time deposit – trust account	\$ -	314,242	555,442
Time deposit	-	4,900	4,900
Current deposit – trust account and management account	809,521	444,866	435,982
Current deposit –management account	935,248	956,075	1,020,094
Guarantee	304,301	312,168	-
Financial instruments	212,470	-	-
Other receivables	6,553	13,453	10,280
Rental receivables	108,372	102,508	56,366
Bond interest receivables	22,350	16,597	9,969

(English Translation of Financial Report Originally Issued in Chinese)

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

Limited assets	709	709	359
Others	11,685	7,612	12,350
Total	<u>\$ 2,411,209</u>	<u>2,173,130</u>	<u>2,105,742</u>

(X) Short-term loan

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Guaranteed bank loans	\$ 2,385,000	6,835,000	6,481,000
Unguaranteed bank loans	424,000	339,900	313,500
Total	<u>\$ 2,809,000</u>	<u>7,174,900</u>	<u>6,794,500</u>
Unused limit	<u>\$ 7,111,000</u>	<u>4,178,100</u>	<u>4,375,500</u>
Interest rate range	<u>0.68%~1.25%</u>	<u>0.73%~1.25%</u>	<u>0.85%~1.5%</u>

1. Issuance and repayment of short term loan

As of January 1, to June 30, 2017 and 2016, the increased amount was NT\$6,895,100 thousand and NT\$2,311,000 thousand, the interest rate is 0.68%~1.5% and 0.85%~1.5%, and the maturity date is July 2017 to December 2017 and October 2016, respectively; the repayment was NT\$11,261,000 thousand and NT\$2,757,000 thousand, respectively.

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

(XI) Convertible bond payable

Details of the company's corporate bond payable is as follows:

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Unsecured convertible bond	<u>\$ 3,114,328</u>	-	-
Equity component- convertible rights (booked as capital reserve)	<u>\$ 9,961</u>	-	-

Main rights and responsibilities for the domestic unsecured corporate bond issued by the Company on April, 2017 are as follows:

<u>Item</u>	<u>Content</u>
Total amount of the issue	Total amount of the issuance is NT\$3,113,000,000, each face value is NT\$100,000. The actual issue price of the convertible bond through private placement is NT\$100,000.
Issue coupon rate	0%
Issue period	April 10, 2017, for 3 years.
Ways of return	In addition to writing off of the bond, the Company could repay 104.5% of the face value of the bond on maturity date.
Convertible price	NT\$63 per share.
Convertible period	The holder of the bond could be converted into ordinary shares of the Company at any time after one month of the date of issuance of the private convertible bonds (May 11, 2017) until the expiry date (March 31, 2020),

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

except for the period from the date on which the Company has paid off the free shareholding, the cash dividend or the cash increase account, the date of the distribution of the rights distribution, 15 business days before the consolidated or division of the base date, and to the date of consolidation or division of the base date, the date of the reduction of the capital reduction from the date of the reduction of the stock to commemorate the day before the commencement of trading and other ordinary shares of the Company suspended by the transfer period.

Others No redemption, put option and re-establishment
The Consolidated Company's long-term loan as the followings:

(XII) Long-term loan

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</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 January 1 to June 30, 2016 and 2017. 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 the Agriculture Credit Guarantee Foundation.

(XIII) 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 receivables during the lease period is as follows:

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Within 1 year	\$ 195,772	183,450	147,556
1~5 years	593,476	544,046	502,310
Over 5 years	1,490,165	1,489,009	1,539,798
	<u>\$ 2,279,413</u>	<u>2,216,505</u>	<u>2,189,664</u>

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

The rent income arising from the investment property amounted to NT\$94,580 thousand and NT\$63,425 thousand as of 2017H1 and 2016H1, respectively. The repair and maintenance expense (booked in the “Operating cost”) incurred from investment property is as follows:

	<u>2017H1</u>	<u>2016H1</u>
Rent income generated	\$ 46,715	49,577
Rent income not generated	-	-
	<u>\$ 46,715</u>	<u>49,577</u>

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

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Administrative expense	\$ 9	10	19	20

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>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Operating cost	\$ 2,149	2,419	4,181	4,742
Administrative expenses	2,752	2,560	5,481	5,055
	<u>\$ 4,901</u>	<u>4,979</u>	<u>9,662</u>	<u>9,797</u>

(XV) 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>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Current income tax expenses					
Current generated	\$	39,485	11,165	81,942	57,978
Undistributed earnings to be		77,665	37,688	77,665	37,688

(English Translation of Financial Report Originally Issued in Chinese)

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

taxed 10%				
Adjustment of current income tax	(2,970)	(11,400)	(3,640)	(11,400)
Increase of land tax	435	398	696	1,283
	<u>114,615</u>	<u>37,851</u>	<u>156,663</u>	<u>85,549</u>
Deferred Income Tax Expenses				
Temperate differences happened and return	7,804	14,295	(10,484)	(6,661)
	<u>\$ 122,419</u>	<u>52,146</u>	<u>146,179</u>	<u>78,888</u>

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

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Undistributed earnings before 1997	\$ -	-	-
Undistributed earnings after 1998	3,079,121	2,610,784	2,074,039
	<u>\$ 3,079,121</u>	<u>2,610,784</u>	<u>2,074,039</u>
Imputed tax credit account balance	<u>\$ 527,826</u>	<u>491,584</u>	<u>490,943</u>

	<u>2016</u>	<u>2015</u>
	<u>(Estimated)</u>	<u>(Actual)</u>
Creditable ratio for distribution of earnings for ROC residents	<u>20.22%</u>	<u>21.07%</u>

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

4. The Company's income tax returns have been audited by the tax authorities up to 2012.

(XVI) 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 six months ended in June 30, 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 June 30, 2017, December 31 and June 30, 2016 respectively.

The Company's amendment for numbers of outstanding shares on January 1 to June 30, 2017 and January 1 to June 30, 2016 as follows:

	(Thousand shares)	
	<u>Ordinary Shares</u>	
	<u>2017H1</u>	<u>2016H1</u>
Balance on January 1	399,084	399,084
Capital increase	21,000	-

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

Balance on June 30	420,084	399,084
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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 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:

	6.30.2017	12.31.2016	6.30.2016
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	2,849	7,068	210
Stock premium	9,961	-	-
	\$ 2,519,954	1,420,112	1,413,254

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

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

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.

(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 June 21, 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>

(English Translation of Financial Report Originally Issued in Chinese)

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

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	(14,177)	137,376	123,199
Exchange difference of affiliate company using equity method	-	1,539	1,539
Balance on March 31, 2017	<u>(1,431)</u>	<u>-</u>	<u>(1,431)</u>
June 30, 2017	<u>\$ (26,908)</u>	<u>547,572</u>	<u>520,664</u>
January 1, 2016	\$ (4,767)	(396,898)	(401,665)
The Company	(2,463)	379,412	376,949
Exchange difference of affiliate company using equity method	<u>1,777</u>	<u>-</u>	<u>1,777</u>
Balance on June 30, 2017	<u>\$ (5,453)</u>	<u>(17,486)</u>	<u>(22,939)</u>

5. Non-controlling equity

	2017H1	2016H1
Balance at beginning of period	\$ 1,254,399	1,084,399
Non-controlling equity		
Net profit of the subsidiaries	61,606	64,454
Available-for-sale financial assets gain(loss)	1,288	-
Capital increase to subsidiaries	-	(111,310)
Equity changes to subsidiaries	-	216,000
Acquisition of shares of subsidiaries to non-control equity	4,219	(210)
Balance at end of period	<u>(216,000)</u>	<u>-</u>
Balance at beginning of period	<u>\$ 1,105,512</u>	<u>1,253,333</u>

(XVII) Earnings per share

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

	2017Q2	2016Q2	2017H1	2016H1
Basic earnings per share				
Net income attributable to the Company's common stock shareholders:	<u>\$ 435,413</u>	<u>240,752</u>	<u>668,557</u>	<u>440,124</u>
Weighted average outstanding common stock shares	<u>420,084</u>	<u>399,084</u>	<u>409,990</u>	<u>399,084</u>
	<u>\$ 1.04</u>	<u>0.60</u>	<u>1.63</u>	<u>1.10</u>

(English Translation of Financial Report Originally Issued in Chinese)

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

Diluted earnings per share

Net income attributable to the Company	\$	435,413	240,752	668,557	440,124
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares					
Transfer to corporate bond		9,370	-	9,370	-
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	\$	<u>444,783</u>	<u>240,752</u>	<u>677,927</u>	<u>440,124</u>
Weighted average outstanding common stock shares		420,084	399,084	409,990	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		129	225	129	308
Effects of convertible bond if converted		44,526	-	22,386	-
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)		<u>464,739</u>	<u>399,309</u>	<u>432,505</u>	<u>399,392</u>
	\$	<u>0.96</u>	<u>0.60</u>	<u>1.57</u>	<u>1.10</u>

(XVIII) Income

The Consolidated Company's income is as follows:

		<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Columbarium and cemetery income	\$	783,088	374,752	1,206,526	686,233
Funeral services income		403,442	402,671	827,275	843,570
Rent income from investment property		47,383	46,933	94,580	63,425
Construction contract income		41,020	36,204	116,764	108,672
	\$	<u>1,274,933</u>	<u>860,560</u>	<u>2,245,145</u>	<u>1,701,900</u>

(XIX) 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 April 1 to June 30, 2017 and 2016,

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

and January 1 to June 30, 2017 and 2016 were NT\$5,754 thousand and NT\$2,981 thousand, and NT\$8,299 thousand and NT\$5,267 thousand. And the remuneration to directors and supervisors were NT\$11,507 and NT\$5,962 thousand, and NT\$16,598 thousand and NT\$10,535 thousand. The estimated basis is 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

(XX) Other profit and loss

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

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Gain (loss) on change in fair value of biological assets	\$ -	35,545	-	51,586

(XXI) Non-operating income and expense

1. Other income

The Consolidated Company's other income is as follows:

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Interest income	\$ 30,761	24,805	62,275	50,143
Dividend income	3,350	6,252	4,760	7,691
Service charge income	4,490	3,002	7,828	5,226
Fines income	8,394	10,019	24,580	29,489
Other income	12,655	4,403	20,362	12,344
	<u>\$ 59,650</u>	<u>48,481</u>	<u>119,805</u>	<u>104,893</u>

2. Other profit and loss

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

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Foreign exchange gain (loss)	\$ 10,663	(17,141)	(122,815)	(90,660)
Net financial assets measured at fair value through profit or loss	(15,904)	3,991	18,657	14,787
Gain(loss) from disposal of available-for-sale financial asset	77	25,348	(11,083)	47,987

(English Translation of Financial Report Originally Issued in Chinese)

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

Loss from Disposal of financial assets measured at costs	-	(804)	-	(804)
Disposal of property, plant, and equipment	377	-	585	(7)
Other expense	(641)	(659)	(1,093)	(1,550)
	<u>\$ (5,428)</u>	<u>10,735</u>	<u>(115,749)</u>	<u>(30,247)</u>

3. Finance cost

Consolidated company's finance cost is as follows:

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Interest expense	<u>\$ 18,681</u>	<u>23,666</u>	<u>39,370</u>	<u>47,232</u>

(XXII) Financial instruments

Except as described in the following paragraph, there were no significant changes in the 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 2016 annual consolidated financial statements.

1. Types of financial instruments

(1) Financial assets

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Financial assets at fair value through profit or loss :			
Holding for transaction	<u>\$ 1,275,990</u>	<u>907,233</u>	<u>1,303,730</u>
Financial assets available for sales	<u>8,666,163</u>	<u>8,679,735</u>	<u>7,165,720</u>
Hold to maturity investment	<u>616,340</u>	<u>307,915</u>	<u>107,873</u>
Financial assets carried at costs	<u>18,992</u>	<u>18,992</u>	<u>22,630</u>
Loans and accounts receivables			
Cash and cash equivalent	<u>227,321</u>	<u>199,621</u>	<u>202,733</u>
Notes receivable and accounts receivable	<u>426,992</u>	<u>438,328</u>	<u>430,934</u>
Other financial assets (current & non-current)	<u>2,454,137</u>	<u>2,198,289</u>	<u>2,130,128</u>
Sub. total	<u>3,108,450</u>	<u>2,836,238</u>	<u>2,763,795</u>
Total	<u>\$ 13,685,935</u>	<u>12,750,113</u>	<u>11,363,748</u>

(2) Financial liabilities

	<u>106.6.30</u>	<u>105.12.31</u>	<u>105.6.30</u>
Amortization after financial liabilities carried at costs			
Short term loans	<u>\$ 2,809,000</u>	<u>7,174,900</u>	<u>6,794,500</u>

(English Translation of Financial Report Originally Issued in Chinese)

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

Payable accounts	1,334,750	848,829	1,171,450
Long term loans	3,114,328	-	-
Guarantee deposit	-	-	172,700
Total	<u>61,525</u>	<u>52,802</u>	<u>49,511</u>
Amortization after financial liabilities carried at costs	<u>\$ 7,319,603</u>	<u>8,076,531</u>	<u>8,188,161</u>

2. Credit risk

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

	6.30.2017		12.31.2016		6.30.2016	
	Total	Impairment	Total	Impairment	Total	Impairment
Not overdue	\$ 381,633	27,615	399,816	27,615	396,451	27,615
Overdue 31~60 days	19,380	1,695	24,886	1,695	45,728	1,695
Overdue 61~90 days	3,494	838	9,445	838	16,462	838
Overdue 91~120 days	10,425	629	3,714	629	10,120	629
Overdue more than 120 days	75,027	25,638	70,335	25,638	28,868	25,638
	<u>\$ 489,959</u>	<u>56,415</u>	<u>508,196</u>	<u>56,415</u>	<u>497,629</u>	<u>56,415</u>

	2017H1	2016H1
Balance on January 1	\$ 56,415	56,415
Balance on June 30	<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.

	Book value	Contract Cash flow	6 months Within	6-12 months	1-2 years	2-5 years	Over 5 years
June 30, 2017							
Non-derivative financial liabilities							
Floating rate instruments	\$ 2,785,000	2,785,000	2,785,000	-	-	-	-
Fixed rate instruments	3,138,328	3,138,328	24,000	-	-	3,114,328	-
No interest-bearing liabilities	1,132,545	1,132,545	1,132,545	-	-	-	-
	<u>\$ 7,055,873</u>	<u>7,055,873</u>	<u>3,941,545</u>	<u>-</u>	<u>-</u>	<u>3,114,328</u>	<u>-</u>

December 31, 2016

Non-derivative financial liabilities

(English Translation of Financial Report Originally Issued in Chinese)

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

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	-	-	-	-
	\$ 7,798,756	7,798,807	7,798,807	-	-	-	-

June 30, 2016

Non-derivative financial liabilities

Floating rate instruments	\$ 6,967,200	6,967,200	6,794,500	-	-	-	172,700
No interest-bearing liabilities	1,014,094	1,014,094	1,014,094	-	-	-	-
	\$ 7,981,294	7,981,294	7,808,594	-	-	-	172,700

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:

	6.30.2017			12.31.2016			6.30.2016		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB/NTD	\$ 47,849	4.485	214,587	71,860	4.642	333,601	57,824	4.829	279,222
RMB/USD	1,654	0.147	7,418	1,652	0.144	7,669	1,653	0.150	7,980
USD/NTD	66,814	30.436	2,033,559	60,002	32.279	1,936,807	58,878	32.286	1,900,931
Japanese yen/NTD	15,185	0.271	4,111	31,273	0.276	8,641	73,196	0.312	22,852
HKD/NTD	6,130	3.898	23,895	7,094	4.168	29,566	5,591	4.158	23,244
<u>Non-monetary items</u>									
HKD/NTD	63,600	3.898	247,919	53,684	4.168	223,754	77,147	4.158	320,739
Japanese yen/NTD	217,180	0.271	58,791	215,968	0.276	59,672	187,826	0.312	58,639
USD/NTD	7,506	30.436	228,452	8,440	32.279	272,447	8,585	32.286	277,174
RMB/NTD	-	-	-	304	4.642	1,412	13,121	4.829	63,358

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 June 30, 2017 and 2016, the net income was increased by NT\$233,955 thousand and decreased by NT\$245,194 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 Q2, 2017 and 2016 as well as June 30, 2017 and 2016, the foreign currency exchange gain (loss) were NT\$10,663 thousand, NT\$(17,141) thousand, and NT\$(122,815) thousand, NT\$(90,660)

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 June 30, 2017 and 2016 is decreased by NT\$5,779 thousand and increased by NT\$14,457 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:

	6.30.2017				
	Fair Value				
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	\$ 1,275,990	1,275,990	-	-	1,275,990
Available-for-sale financial assets	8,666,163	8,666,163	-	-	8,666,163
Hold to maturity investment	616,340	616,340	-	-	616,340
Total	\$ 10,558,493	10,558,493	-	-	10,558,493
	12.31.2016				
	Fair Value				
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	\$ 907,233	907,233	-	-	907,233
Available-for-sale financial assets	8,679,736	8,679,736	-	-	8,679,736
Hold to maturity investment	307,915	307,915	-	-	307,915
Total	\$ 9,894,884	9,894,884	-	-	9,894,884
	6.30.2016				
	Fair Value				
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	\$ 1,303,730	1,303,730	-	-	1,303,730
Available for sale financial assets	7,165,720	7,165,720	-	-	7,165,720
Total	\$ 8,469,450	8,469,450	-	-	8,469,450

No financial assets and liabilities of each hierarchy were transferred as of June 30, 2017 and 2016.

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

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

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

(2.1) Held 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/TPEX listed equity instruments; while central government bonds' market prices which are announced by TPEX and identified as on-the-run issues are classified as fair value base of debt instruments with active market quoted prices.

If they are 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.

(XXIII) 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.

(XXIV) 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.

(XXV) Adjustment and reclassification of other comprehensive profit and loss

The Company's adjustment and reclassification of other comprehensive profit and loss is as follows:

	<u>2017H1</u>	<u>2016H2</u>
Financial assets available for sale		
Net change measured at fair value of the year	\$ 135,264	367,511
Fair value net change reclassified to profit or loss	4,939	11,901
Net change in fair value recognized as other comprehensive profit and loss	<u>\$ 140,203</u>	<u>379,412</u>

VII. Related Party Transactions

(I) Related parties' names and relations

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

<u>Related Parties</u>	<u>Relations with the Consolidated Company</u>
Lungding Life Science Co. Ltd.	Affiliated Company of the Company
W&W Professional Management Limited	Affiliated Company of the subsidiary
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 one of the directors of the Company
Fuyang Development Co., Ltd	The corporate director of the subsidiary
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>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Other related party	\$ -	8,514	-	17,390	-	-	11,155

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 follows:

	<u>Purchase</u>				<u>Payable accounts for related parties</u>		
	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2017H1</u>	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Affiliated enterprises	\$ 31	-	331	-	146	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.

3. Lease

(1) Lessee:

The Consolidated Company leases transport equipment and building from the related party for a rent expense of NT\$1,902 thousand, NT\$1,990 thousand, NT\$3,876 thousand and NT\$4,575 thousand as of Q2, 2017 and 2016 as well as January 1 to June 30, 2017 and 2016, respectively.

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

(2) Lessor:

The Consolidated Company has office building and parking space rented to the related party for a rent income of NT\$9 thousand, NT\$9 thousand, NT\$17 thousand and NT\$412 thousand as of Q2, 2017 and 2016 as well as January 1 to June 30, 2017 and 2016, respectively.

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

4. Others

(1) Other payables

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Other related party	\$ <u>663</u>	<u>4,368</u>	<u>653</u>

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

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Other related party	\$ <u>557</u>	<u>557</u>	<u>557</u>

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

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Other related party	\$ <u>961</u>	<u>961</u>	<u>961</u>

5. Obtaining other assets

The acquisition price of the other assets obtained from the Company as follows:

<u>Kinds of related parties</u>	<u>Item</u>	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Affiliated Company	Intangible assets	\$ -	<u>50,772</u>	-	<u>50,772</u>

6. Trust contract

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

7. Others

The Consolidated Company commissioned other related party to acquire land for construction for a total price of NT\$668,016 thousand as of March 31, 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.

(III) Key management personnel transactions

	<u>2017Q2</u>	<u>2016Q2</u>	<u>2017H1</u>	<u>2016H1</u>
Short-term employee benefits	\$ 11,582	9,152	23,163	18,356
Retirement benefits	429	297	858	590
	<u>\$ 12,011</u>	<u>9,449</u>	<u>24,021</u>	<u>18,946</u>

VIII. Pledged Assets

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

<u>Assets name</u>	<u>Purpose of collateral</u>	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Other financial assets - current	Guarantee for mutual investment	\$ 304,651	312,518	-
	levelopment and sales			
Financial Assets at fair value	Collateral for loan	339,741	333,900	-
Through profit or loss				
Inventories	Guarantee for loans and corporate	3,160,517	3,100,846	3,100,786
	finance amount			
Property, plant, and equipment – book value	Collateral for loan	2,369,766	2,320,191	2,314,201
Investment property	Collateral for loan	3,989,688	4,004,286	4,023,972
Available-for-sale financial assets – non-current	Collateral for loan	<u>5,784,581</u>	<u>5,685,133</u>	<u>5,153,623</u>
		<u>\$ 15,948,944</u>	<u>15,756,874</u>	<u>14,592,582</u>

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Significant unrecognized contractual commitments:

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

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Individual construction project	\$ 1,388,364	495,104	332,977
Establishment of IT system	-	-	144,269

(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

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

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 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 2nd and 3rd 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.
3. A small number of shareholders of Lungyen Service Co., Ltd. (was merged in 2011, hereinafter referred to as Lungyen), requested the Company to repurchase the shares held by them at its fair price during the time and appeal to the court to determine the purchase price in 1st shareholders’ interim meeting on October 12, 2010 according to the provisions of Paragraph 1 of Article 317 of the Company Law. The Taipei District Court of the decided judicially in this civil ruling that the Company shall buy back all the shares held by the shareholders in an unreasonable price. As the civil ruling is not identified in accordance with the provisions of the Enterprise Mergers and Acquisitions Law and contrary to the provisions of the law, and the original ruling included in the assets shall be excluded as well as many fall-overs in the real estate valuation report. So the Company has filed a complaint on October 24, 2016 to the preceding matters, the case is still in processing.

(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

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

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 above was replaced by Chang Hwa Commercial Bank Co., Ltd. on December 28, 2012. In addition, the trust assets as of June 30, 2017, December 31 and June 30, 2016 are as follows :

	<u>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Bank deposits			
Demand deposits	\$ 809,521	444,866	435,982
Time deposits	-	314,242	555,442
Financial assets measured at fair value through profit or loss - current	643,932	367,809	452,874
Available-for-sale financial assets – non-current	2,349,587	2,563,851	1,905,779
Hold to maturity financial assets – non-current	616,340	307,915	107,873
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>\$ 8,588,518</u>	<u>8,167,821</u>	<u>7,627,088</u>

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

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

- 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\$935,248 thousand, NT\$956,075 thousand, and NT\$1,020,094 thousand, as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively; also, it is booked in the “Other financial assets – current.”
- 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>6.30.2017</u>	<u>12.31.2016</u>	<u>6.30.2016</u>
Total contract price	\$ 39,834,750	39,420,517	37,543,593
Outstanding proceeds	(8,715,631)	(8,689,532)	(8,033,452)
Advanced receipts	<u>\$ 31,119,119</u>	<u>30,730,985</u>	<u>29,510,141</u>
Deferred marketing expense	<u>\$ 8,363,522</u>	<u>8,362,988</u>	<u>8,264,738</u>
Expected to be reclassified for more than twelve months	<u>\$ 28,549,315</u>	<u>27,784,898</u>	<u>27,170,488</u>

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

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. 4th Jinhua Section DaiAn district Taipei provided individually by mutual parties. As of June 30, 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 of June 30, 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\$304,301 thousand and NT\$312,168 thousand (booked as other current financial assets).

X. Significant disaster loss: None

XI. Significant subsequent events:

On July 20, 2017, the Company invested indirectly in Wenzhou Lungyen, with a capital increase of USD\$10,000 thousand through 100% holding companies in the third area- Sea Dragon Co. Ltd., Lungyen Cayman and Hong Kong Lungyen.

The subsidiary- Lungyen (Wenzhou), which is built for Ruian Memorial Park in Ruian City, Wenzhou, Zhejiang Province, obtained from Ruian City Land and Resources Bureau the land use rights for construction of cemetery and funeral service halls on August 1st 2017, and the total amount of transaction is RMB 207,167 thousand (equivalent to NT\$ 929,558 thousand).

(English Translation of Financial Report Originally Issued in Chinese)

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

XII. Others

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

By item	2017Q2				2016Q2			
	Classified as Operating Costs	Classified as Selling Expenses	Other (Note)	Total	Classified as Operating Costs	Classified as Selling Expenses	Other (Note)	Total
Employee benefits								
Salary	54,069	48,528	32,023	134,620	60,442	49,541	19,212	129,195
Labor and health insurance	3,842	4,174	1,765	9,781	4,348	3,905	1,904	10,157
Pension	2,149	1,894	867	4,910	2,419	1,792	778	4,989
Others	1,720	2,395	967	5,082	2,032	2,110	1,305	5,447
Depreciation	18,905	12,418	4,003	35,326	28,055	10,790	3,556	42,401
Depletion	-	-	-	-	-	-	-	-
Amortization	-	3,666	315	3,981	63	3,520	409	3,992
By item	2017H1				2016H1			
	Classified as Operating Costs	Classified as Selling Expenses	Other (Note)	Total	Classified as Operating Costs	Classified as Selling Expenses	Other (Note)	Total
Employee benefits								
Salary	108,310	94,362	58,741	261,413	119,631	101,415	33,155	254,201
Labor and health insurance	7,545	8,995	3,670	20,210	8,482	8,324	3,376	20,182
Pension	4,181	3,776	1,724	9,681	4,742	3,504	1,571	9,817
Others	3,448	4,680	1,822	9,950	3,842	4,067	2,022	9,931
Depreciation	38,573	24,856	7,323	70,752	55,976	21,242	7,093	84,311
Depletion	-	-	-	-	-	-	-	-
Amortization	-	7,339	739	8,078	105	6,515	906	7,526

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

(II) Seasonality of operations

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

XIII. Other disclosures:**(I) Information on significant transactions**

The consolidated company should have the following material transactions disclosed as of January 1 to June 30, 2017 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties:

Unit: thousand NTD

No.	Fund financing company	Fund financed party	Subject	Related party or not	Highest amount in the period	Balance of the ending period	Actual amount	Rate	Nature of the fund financing	Amount for business interaction	Reasons for fund financing	Allowance for bad debt amount	Collateral		Amount limitation for fund financing individually (Note 2)	Total limitation for fund financing (Note 2)
													Name	Value		
1	Lungyen (HK)Corp. Ltd.	Wenzhou Lungyen Cemetery Corp. Ltd.	Other receivable – related party	Yes	669,240	669,240	-	- %	2	-	Wenzhou project	-	-	-	341,101	341,101

Note 1 : On June, 2017, the US dollar / Taiwan dollar exchange rate of 30.42.

Note 2 : The Company passed the resolution by the Board of Directors on June 14, 2017, of Lungyen (Hong Kong)'s fund financing to Lungyen (Wenzhou) with USD\$ 22,000 thousand. As of now, Lungyen (Hong Kong) did not lend money to Lungyen (Wenzhou).

Note 3 : The Company shall directly and indirectly hold 100% of the voting funds between the foreign companies, and the maximum amount of the loan and the accumulated balance of the Company shall not exceed the net value of the most recent financial statements of the Company. The net value of Lungyen (Hong Kong) for the most recent financial statements (2016) is NT\$ 341,101 thousand, but the Company has completed USD\$17,000 thousand for Lungyen (Hong Kong) on June 27, and July 20, 2017 resulted in the total capital of Lungyen (HK) USD\$28,000 thousand (equivalent to NT\$ 845,460 thousand) which is complied with the requirements of the lending money to other personnel's operating procedures.

Note 4 : Nature of fund financing to others:

1. Business interactions.
2. Short term financing.

2. Guarantees and endorsements for other parties:

Unit: thousand NTD

No	Name of Lenders	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent Company Endorses /guarantees to third parties on behalf of subsidiary	Subsidiary Endorses /guarantees to third parties on behalf of Parent Company	Endorsements /guarantees to the third parties on behalf of the Companies in Mainland China
		Name of Company	Relationship										
0	Lungyen Life Service Corp.	LungAn Co.Ltd.	2	3,424,855	100,000	100,000	-	-	0.88%	5,708,091	Y	N	N
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	3,424,855	200,000	200,000	-	-	1.75%	5,708,091	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	3,424,855	100,000	100,000	24,000	-	0.88%	5,708,091	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.

(English Translation of Financial Report Originally Issued in Chinese)

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

- (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.

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	348,657	- %	17.45	-
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss-current	242	14,230	- %	58.80	-
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-current	1	22	- %	19.95	-
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss-current	245	15,851	- %	64.70	-
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss-current	160	41,363	- %	263.87	-
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through profit or loss-current	210	9,021	- %	45.93	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through profit or loss-current	1,990	47,241	- %	25.38	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through profit or loss-current	320	44,594	- %	149.01	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profit or loss-current	1	80,325	- %	136,308.23	-
The Company	Hang Seng H-Share Index ETF	-	Financial assets at fair value through profit or loss-current	66	26,799	- %	436.81	Trust
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	20,418	330,285	- %	16.18	Trust
The Company	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss-current	5,664	70,040	- %	12.37	Trust
The Company	Yuanta USD Money Market Fund- RMB	-	Financial assets at fair value through profit or loss-current	2,353	115,952	- %	42.29	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,550	82,237	- %	32.25	Trust
The Company	Guotai Junan Corporate Bond	-	Available-for-sale financial assets – non-current	200	6,187	- %	30.93	Trust

(English Translation of Financial Report Originally Issued in Chinese)

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

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	49,059	- %	30.66	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	18,513	- %	30.85	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	-	Available-for-sale financial assets – non-current	3,100	93,314	- %	30.10	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	22,098	- %	4.42	Trust
The Company	African Finance Corp. Bond 4.375	-	Available-for-sale financial assets – non-current	3,000	94,017	- %	31.34	Trust
The Company	ICBC RMB Corp. Bond 4.2	-	Available-for-sale financial assets – non-current	5,000	22,115	- %	4.42	Trust
The Company	ICBC RMB Corp. Bond 4.5	-	Available-for-sale financial assets – non-current	5,000	22,585	- %	4.52	Trust
The Company	China Comm Cons Corp. Bond	-	Available-for-sale financial assets – non-current	1,900	58,340	- %	30.71	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,000	62,514	- %	31.26	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	1,000	31,942	- %	31.94	Trust
The Company	QTel USD Corp. Bond	-	Available-for-sale financial assets – non-current	1,000	30,059	- %	30.06	Trust
The Company	Caterpillar RMB Corporate bond	-	Available-for-sale financial assets – non-current	10,000	44,737	- %	4.47	Trust
The Company	Conoco Phillips Oil Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	93,280	- %	31.09	Trust
The Company	SATANLN Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	93,100	- %	31.03	Trust
The Company	Islamic Bank	-	Available-for-sale financial assets – non-current	3,000	92,678	- %	30.89	Trust
The Company	QATAR State Bond	-	Available-for-sale financial assets – non-current	2,000	59,224	- %	29.61	Trust
The Company	GS Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	86,913	- %	31.04	Trust
The Company	American Movil Bond	-	Available-for-sale financial assets – non-current	2,500	94,444	- %	37.78	Trust
The Company	VZ Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	84,350	- %	28.12	Trust

(English Translation of Financial Report Originally Issued in Chinese)

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

The Company	TNT Global Venture Cap. Bhd.	-	Available-for-sale financial assets – non-current	1,000	29,663	- %	29.66	Trust
The Company	Stock of Chang Hwa Bank	-	Available-for-sale financial assets – non-current	331,495	5,784,581	- %	17.45	-
The Company	Stocks of Sinyi	-	Available-for-sale financial assets – non-current	2,520	80,892	- %	32.10	-
The Company	Stocks of ICBC	-	Available-for-sale financial assets – non-current	1,630	33,485	- %	20.54	Trust
The Company	Stocks of Wells Fargo	-	Available-for-sale financial assets – non-current	14	23,610	- %	1,686.46	Trust
The Company	Stocks of ORIX	-	Available-for-sale financial assets – non-current	37	17,428	- %	471.02	Trust
The Company	Cathay China High Yield Bond B TWD	-	Available-for-sale financial assets – non-current	5,389	48,397	- %	8.98	Trust
The Company	Yuanta USD Money Market TWD	-	Available-for-sale financial assets – non-current	20,554	191,558	- %	9.32	Trust
The Company	iShares China Large-Cap ETF	-	Available-for-sale financial assets – non-current	37	44,912	- %	1,208.61	Trust
The Company	Hang Seng H-Share Index ETF	-	Available-for-sale financial assets – non-current	48	19,772	- %	408.52	Trust
The Company	Anheuser-Busch InBev Corporate Bond 20460201	-	Available-for-sale financial assets – non-current	2,000	68,858	- %	34.43	Trust
The Company	BARC Corp.20260112	-	Available-for-sale financial assets – non-current	2,800	88,569	- %	31.63	Trust
The Company	China Cinda USD Bond 20240309	-	Available-for-sale financial assets – non-current	1,500	46,463	- %	30.98	Trust
The Company	China Railway USD Bond 20260728	-	Available-for-sale financial assets – non-current	2,500	74,028	- %	29.61	Trust
The Company	Stocks of Taiyen	-	Available-for-sale financial assets – non-current	11,060	336,777	- %	30.45	-
The Company	Bristol-Myers Squibb	-	Available-for-sale financial assets – non-current	17	28,491	- %	1,695.89	Trust
The Company	WABCO Holdings	-	Available-for-sale financial assets – non-current	8	31,163	- %	3,880.89	Trust
The Company	Stocks of China Res Gas	-	Available-for-sale financial assets – non-current	534	55,474	- %	107.36	Trust
The Company	Stocks of SGN Telecomm	-	Available-for-sale financial assets – non-current	117	10,059	- %	85.11	Trust
The Company	China Pingan Bank	-	Available-for-sale financial assets – non-current	58	11,532	- %	169.83	Trust
The Company	Qualcomm	-	Available-for-sale financial assets – non-current	12	19,950	- %	1,739.47	Trust
The Company	Nomura Global Short Duration Bond TWD	-	Available-for-sale financial assets – non-current	2,937	30,392	- %	10.35	Trust
The Company	Prudential Financial Asia Bo	-	Available-for-sale financial assets – non-current	5,362	49,330	4.86 %	9.20	Trust
The Company	Huarong USD Bond	-	Available-for-sale financial assets – non-current	3,000	93,396	- %	31.13	Trust
The Company	CITI USD Bond	-	Available-for-sale financial assets – non-current	3,000	91,351	- %	30.45	Trust
The Company	Nan Ya Plastics Corporate Bond	-	Held-to-maturity financial assets- non current	100,000	107,467	8.57 %	107,467	Trust

(English Translation of Financial Report Originally Issued in Chinese)

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

The Company	Chailease Holding Company Limited-A	-	Held-to-maturity financial assets- non current	200,000	200,000	0.01 %	200,000	Trust
The Company	China airline corporate bond	-	Held-to-maturity financial assets- non current	150,000	152,264	- %	152,264	Trust
The Company	Taipower Corporate bond	-	Held-to-maturity financial assets- non current	150,000	156,609	- %	156,609	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	2,752	83,799	- %	30.45	
Yuji Development Corp.	Stocks of Sinyi	-	Available-for-sale financial assets – non current	951	30,527	- %	32.10	
Yuji Development Corp.	CTBC Hwa-win Money Market Fund	-	Financial assets carried at costs-non current	8,146	89,068	- %	10.93	
Jing Huang Construction Co.	Jih Sun Money Market Fund	-	Financial assets carried at costs-non current	2,170	31,888	- %	14.70	
Jing Huang Construction Co.	Stocks of J-Garden Corp.	-	Financial assets at fair value through profit or loss-non current	179	1,785	5.00 %	12.78	
Dahan Property Management Co., Ltd.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets carried at costs-current	170	2,108	- %	12.43	
Long An Company Ltd.	CTBC Hwa-win Money Market Fund	-	Financial assets carried at costs-current	919	8,546	- %	10.93	
Wenzhou LY Cemetery Corp. Ltd.	Bank of China-Capital Preservation Product	-	Other financial assets-current	47,363	212,470	- %	-	

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	
					Qty of shares	Amount	Qty of shares	Amount	Qty of shares	Price	Book Costs	Gain or loss after disposa	Qty 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\$285,000 is excluded.

- The acquisition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.
- The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.
- Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties: None.
- Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.

(English Translation of Financial Report Originally Issued in Chinese)

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

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	與非關係人交易相當	0.01%
0	"	"	1	Prepayments	20,805	-	0.04%
0	"	"	1	Operating costs	5,355	-	0.24%
0	"	"	1	Payable accounts	38,178	-	0.07%
0	"	"	1	Other revenue	18,144	-	0.81%
0	"	"	1	Other liabilities- current	30,480	-	0.06%
0	"	LongAn co.Ltd.	1	Payable accounts	1,589	-	- %
0	"	"	1	Other financial assets – current	22,624	-	0.04%
0	"	Lung Fu Company Limited	1	Other revenue	637	-	0.03%
1	Yuji Development Corp.	Lungyen Life Service Corp	2	Accounts Receivable	68,658	-	0.13%
1	"	"	2	Payable account	5,250	-	0.01%
1	"	"	2	Advanced receipts	20,805	-	0.04%
2	"	"	2	Operating revenue	5,355	-	0.24%
1	"	"	2	Administration fees	18,144	-	0.81%
2	LongAn co.Ltd.	Lungyen Life Service Corp	2	Payable accounts	14,643	-	0.03%
2	"	"	2	Account receivable	1,589	-	- %
2	"	"	2	Other liabilities- current	7,981	-	0.01%
3	Lung Fu Company Limited	Lungyen Life Service Corp	2	Administration fees	637	-	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

(II) Information on investees:

The Consolidated Company's reinvestment as of June 30, 2017 is as follows (Excluding investee companies in China):

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	Last year			Note			
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20%	(11,921)	193	193	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	99,000	54.42%	1,245,122	136,743	74,415	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%	3,572	(5)	(4)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	706,769 (USD22,710)	493,584 (USD15,710)	2,271	100.00%	763,294	(13,897)	(13,897)	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	500,993	500,993	25,970	49.00%	244,595	(10,745)	(5,265)	Affiliated Company
The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00%	(11,244)	(8,731)	(8,731)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	716,656	500,656	72,000	100.00%	703,012	(4,342)	(3,916)	Subsidiary

(English Translation of Financial Report Originally Issued in Chinese)

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

The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	26,594	(100)	(49)	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%	157,090	(2,588)	(682)	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%	1,123	(524)	(209)	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	559,696 (USD1,800)	346,511 (USD1,100)	18,000	100.00%	531,002	(12,985)	(12,985)	Subsidiary
Lungyen Cayman Co.Ltd	Lungyen HK Co. Ltd.	Hong Kong	Investment	559,696 (USD1,800)	346,511 (USD1,100)	18,000	100.00%	531,002	(12,985)	(12,985)	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.

(III) 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 Cemetery (Wenzhou) Co. Ltd	Funeral Services	559,696 (USD18,000)	Sea Dragon Traders Ltd. (BVI)	346,511 (USD11,000)	213,185 (USD7,000)	-	559,696 (USD18,000)	100.00%	(12,985)	531,002	-

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
559,696	1,216,800 USD 40,000	6,849,709

US Dollar Exchange Rate: closing rate: 30.42

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 three 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:

		April to June, 2017						
		Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	Total
Income:								
Income from external customers	\$	783,088	403,442	47,383	36,756	4,264	-	1,274,933
Inter-segment income		5,345	-	52	-	-	(5,397)	-
Total income		\$ 788,433	403,442	47,435	36,756	4,264	(5,397)	1,274,933
Reportable segment profit or loss		\$ 441,709	86,309	19,497	49,135	(265)	(5,397)	590,988
		April to June, 2016						
		Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	Total
Income:								
Income from external customers	\$	374,752	402,671	46,933	36,204	-	-	860,560
Inter-segment income		2,512	-	43	988	-	(3,543)	-
Total income		\$ 377,264	402,671	46,976	37,192	-	(3,543)	860,560
Reportable segment profit or loss		\$ 210,171	53,030	11,581	51,870	-	(3,543)	323,109

(English Translation of Financial Report Originally Issued in Chinese)

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

		January to June, 2017						
		Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	Total
Income:								
	Income from external customers	\$ 1,206,526	827,275	94,580	112,500	4,264	-	2,245,145
	Inter-segment income	5,345	-	103	-	-	(5,448)	-
	Total income	\$ 1,211,871	827,275	94,683	112,500	4,264	(5,448)	2,245,145
	Reportable segment profit or loss	\$ 655,281	171,773	36,755	18,246	(265)	(5,448)	876,342
		January to June, 2016						
		Columbarium and cemetery for sale	Funeral services	Property leasing	Cemetery operation and others	Construction for sales	Adjustments and written-off	Total
Income:								
	Income from external customers	\$ 686,233	843,570	63,425	108,672	-	-	1,701,900
	Inter-segment income	2,512	-	86	2,057	-	(4,655)	-
	Total income	\$ 688,745	843,570	63,511	110,729	-	(4,655)	1,701,900
	Reportable segment profit or loss	\$ 355,691	143,760	6,131	82,539	-	(4,655)	583,466
Reportable segment assets								
	June 30, 2017	\$ 15,012,486	3,994,727	6,510,664	22,064,555	4,662,111	(138,524)	52,106,019
	December 31, 2016	\$ 14,702,288	4,009,130	6,534,031	21,197,636	4,664,575	(131,232)	50,976,428
	June 30, 2016	\$ 14,223,479	3,912,354	6,967,781	19,695,359	4,648,300	(256,628)	49,190,645