

Stock No. : 5530

**Lungyen Life Service Corp. and  
Subsidiaries**

**Consolidated Financial Statements**

**For The Three Months Ended September 30, 2017 and  
2016**

**(Including an Independent Auditor's Audit Report)**

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## Independent Auditor's Audit Report

To Board of Directors of Lungyen Life Service Corp.:

We have audited the accompanying consolidated balance sheets of Lungyen Life Service Corp. and its subsidiaries as of September 30, 2017 and 2016, the related consolidated statements of comprehensive income from July 1 to September 30, 2017 and 2016, and from January 1 to September 30, 2017 and 2016, and consolidated statements of changes in equity and consolidated statement of cash flows as of three quarters ended September 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\$1,921,446 thousand and NT\$1,481,460 thousand, representing 4% and 3% of total consolidated assets as of September 30, 2017 and 2016, respectively. The total liabilities amounted to NT\$73,591 thousand and NT\$289,510 thousand, representing 0% and 1% of total consolidated liabilities as of September 30, 2017 and 2016, respectively. The comprehensive profit or loss was NT\$2,925 thousand and NT\$(110,376) thousand, NT\$(38,822) thousand and NT\$(128,348) thousand, representing 0% and (27)% as well as (3)% and (10)% of the consolidated profit or loss as of July 1 to September 30 and January 1 to September 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\$428,632 thousand and NT\$199,128 thousand as of September 30, 2017 and 2016. The profit or loss under the equity method of the affiliated enterprise amounted to NT\$(292) thousand and NT\$(200) thousand as of January 1 to September 30, 2017 and 2016; and NT\$(6,497) thousand and NT\$(1,844) thousand as of January 1 to September 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  
November 11, 2017

FSC VI. Tzi No. 0940129108

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

## Lungyen Life Service Corp. and Subsidiaries

## Consolidated Balance Sheets

September 30, 2017, December 31, 2016 and September 30, 2016

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

Assets	9.30.2017		12.31.2016		9.30.2016		Liabilities and Equity	9.30.2017		12.31.2016		9.30.2016	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
1100 Cash and cash equivalents (Note 6 (1) . (22) & 9)	\$ 155,905	-	199,621	-	190,831	1	2100 Short-term loan (Note 6(10) & (22))	\$ 2,939,000	6	7,174,900	14	6,715,900	14
1110 Financial assets at fair value through profit or loss – current (Note 6(2), (22), 8 & 9)	1,336,891	3	907,233	2	956,916		2170 Payable accounts (Note 6(22) & 7)	539,372	1	444,138	1	497,619	1
	3,980	-	9,712	-	5,708	2	2200 Other payable accounts (Note 6(22) & 7)	515,434	1	404,691	1	361,807	1
1150 Notes receivable, net (Note 6(22))	541,241	1	428,616	1	403,264	-	2230 Current income tax liabilities	156,052	-	88,654	-	71,146	-
1170 Accounts receivable, net (Note 6(22) & 7)	14,646,598	29	14,425,211	28	14,096,547	1	2310 Advance receipts (Note 9)	32,061,130	61	31,668,990	62	31,204,209	63
1320 Inventories (Note 6(3) & 8)	-	-	-	-	51,495	28	2399 Other current liabilities - others	23,366	-	11,951	-	20,581	-
1400 Biological assets – current	9,482,808	18	8,670,520	17	8,672,566	-		36,234,354	69	39,793,324	78	38,871,262	79
1410 Prepayments (Note 7 & 9)	2,058,113	4	2,173,130	4	2,056,577	18	<b>Non-current liabilities:</b>						
1476 Other financial assets – current (Note 6(9), 6(22), 8 & 9)	3,414	-	5,055	-	13,501	4	2530 Corporate bond payable (Note 6(11) & (22))	3,126,963	6	-	-	-	-
1479 Other current assets (Note 7)	28,228,950	55	26,819,098	52	26,447,405	54	2540 Long-term loan (Note 6 (12), (22))	-	-	-	-	172,700	-
<b>Non-current assets:</b>							2570 Deferred income tax liabilities	24,287	-	24,287	-	56,675	-
1524 Available-for-sale financial assets – non-current (Note 6(2), (22), 8 & 9)	8,776,121	17	8,679,735	17	7,688,770	15	2640 Net defined benefit liability – non-current	30,058	-	30,058	-	28,561	-
1527 Held to maturity financial assets- non current (Note 6(2), (22) & 9)	615,588	1	307,915	-	308,142	-	2645 Deposit received (Note 6 (22))	61,476	-	52,802	-	52,073	-
1544 Financial assets carried at cost – non-current (Note 6(2) & (22))	18,992	-	18,992	-	25,674	-	2670 Other non-current liabilities - others	2,981	-	2,981	-	2,981	-
1550 Investment under equity method (Note 6(4))	428,632	1	450,296	1	199,128	-		3,245,765	6	110,128	-	312,990	-
1600 Property, plant and equipment (Note 6(6), 7, 8 & 9)	5,844,911	11	5,866,648	12	6,134,624	1	<b>Total liabilities</b>	39,480,119	75	39,903,452	78	39,184,252	79
1760 Investment property, net (Note 6(7), 8 & 9)	6,499,372	12	6,534,031	13	6,548,057	12	<b>Equity attributable to owners of parent (Note 6(15) &amp; (16)):</b>						
1780 Intangible assets (Note 6(8) & 7)	764,164	1	775,226	2	820,737	13	3100 Capital stock – common stock	4,200,842	8	3,990,842	8	3,990,842	8
1840 Deferred income tax assets	775,531	1	801,963	2	832,961	2	3200 Capital surplus	2,519,954	5	1,420,112	3	1,413,254	3
1980 Other financial assets – non-current (Note 6(22) & 7)	43,993	-	25,159	-	22,550	-	Retained earnings:						
1990 Other non-current assets - others	697,340	1	697,365	1	668,179	-	3310 Legal reserve	1,095,601	2	997,817	2	997,817	2
	24,464,644	45	24,157,330	48	23,248,822	46	3320 Special reserve	-	-	401,665	1	401,665	1
							3350 Unappropriated retained earnings	3,757,448	7	2,610,784	5	2,385,673	5
							3400 Other equity interest	454,609	1	397,357	1	59,657	-
							<b>Total equity attributable to owners of parent</b>	12,028,454	23	9,818,577	20	9,248,908	19
							36xx Non-controlling interest (Note 6(5) & (16))	1,185,021	2	1,254,399	2	1,263,067	2
<b>Total Assets</b>	<b>\$ 52,693,594</b>	<b>100</b>	<b>50,976,428</b>	<b>100</b>	<b>49,696,227</b>	<b>100</b>	<b>Total equity</b>	13,213,475	25	11,072,976	22	10,511,975	21
							<b>Total liabilities and equity</b>	<b>\$ 52,693,594</b>	<b>100</b>	<b>50,976,428</b>	<b>100</b>	<b>49,696,227</b>	<b>100</b>

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

Chairman:

General Manager:

Chief Accountant:

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

July 1 to September 30, 2017 and 2016; and the nine months ended September 30, 2017 and 2016

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

(Reviewed, Not Audited)

	July to September 2017		July to September 2016		January to September 2017		January to September 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6(18) &amp; 7)</b>	\$ 1,360,455	100	833,887	100	3,605,600	100	2,535,787	100
5000 <b>Operating cost (Note 6(14))</b>	329,301	24	306,062	37	956,216	27	969,273	38
5900 <b>Operating gross profit (loss)</b>	1,031,154	76	527,825	63	2,649,384	73	1,566,514	62
<b>Operating expenses:</b>								
6100 Selling expenses	250,738	18	126,817	15	684,945	19	450,012	18
6200 Administration expenses (Note 6(14) & 7)	172,825	13	185,394	22	438,987	12	394,778	16
6000 <b>Total operating expenses</b>	423,563	31	312,211	37	1,123,932	31	844,790	34
6500 <b>Other income and expenses (Note 6(20))</b>	-	-	8,848	1	-	-	60,434	2
6900 <b>Operating income (loss)</b>	607,591	45	224,462	27	1,525,452	42	782,158	30
<b>Non-operating income and expenses:</b>								
7010 Other income (Note 6(21))	225,815	17	182,087	22	345,620	10	286,980	11
7020 Other gains and losses (Note 6(21))	6,816	1	(31,961)	(4)	(108,933)	(3)	(62,208)	(2)
7050 Financial costs (Note 6(3) & (21))	(20,089)	(2)	(20,503)	(2)	(59,459)	(2)	(67,735)	(3)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	(292)	-	(200)	-	(6,497)	-	(1,844)	-
	212,250	16	129,423	16	170,731	5	155,193	6
7900 <b>Operating income before tax</b>	819,841	61	353,885	43	1,696,183	47	937,351	36
7950 <b>Less: Income tax expense (Note 6(15))</b>	59,465	4	32,676	4	205,644	6	111,564	4
8200 <b>Net income</b>	760,376	57	321,209	39	1,490,539	41	825,787	32
8300 <b>Other comprehensive income:</b>								
8360 <b>Items that may be subsequently reclassified to profit or loss:</b>								
8361 Exchange differences on translation of foreign statements	10,532	1	(1,581)	-	(3,645)	-	(4,044)	-
8362 Unrealized losses on available-for-sale financial assets	(78,650)	(7)	85,951	10	61,553	2	465,363	18
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	(477)	-	(1,606)	-	(1,908)	-	171	-
<b>Total items that may be subsequently reclassified to profit or loss</b>	(68,595)	(6)	82,764	10	56,000	2	461,490	18
<b>Other comprehensive income, net</b>	(68,595)	(6)	82,764	10	56,000	2	461,490	18
8500 <b>Total comprehensive income</b>	<b>\$ 691,781</b>	<b>51</b>	<b>403,973</b>	<b>49</b>	<b>1,546,539</b>	<b>43</b>	<b>1,287,277</b>	<b>50</b>
<b>Net income, attributable to:</b>								
8610 Owners of parent	\$ 678,327	51	311,634	38	1,346,884	37	751,758	29
8620 Non-controlling interest	82,049	6	9,575	1	143,655	4	74,029	3
	<b>\$ 760,376</b>	<b>57</b>	<b>321,209</b>	<b>39</b>	<b>1,490,539</b>	<b>41</b>	<b>825,787</b>	<b>32</b>
<b>Total comprehensive income, attributable to:</b>								
8710 Owners of parent	\$ 612,272	45	394,230	48	1,404,136	39	1,213,080	47
8720 Non-controlling interest	79,509	6	9,743	1	142,403	4	74,197	3
	<b>\$ 691,781</b>	<b>51</b>	<b>403,973</b>	<b>49</b>	<b>1,546,539</b>	<b>43</b>	<b>1,287,277</b>	<b>50</b>
<b>Earnings per share (Note 6(17))</b>								
9710 <b>Basic earnings per share (NTD)</b>	<b>\$</b>	<b>1.61</b>	<b>0.78</b>		<b>3.26</b>		<b>1.88</b>	
9810 <b>Diluted earnings per share (NTD)</b>	<b>\$</b>	<b>1.47</b>	<b>0.78</b>		<b>3.07</b>		<b>1.88</b>	

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

Chairman:

General Manager:

Chief Accountant:

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For The Nine Months Ended September 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**

	<b>Capital Stock</b>		<b>Retained Earnings</b>				<b>Other equity interest</b>			<b>Total equity attributable to owners of parent</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
							<b>Exchange differences on foreign translation</b>	<b>Unrealized gains (losses) on available-for-sale financial assets</b>	<b>Total</b>			
	<b>Common stock</b>	<b>Capital surplus</b>	<b>Legal reserve</b>	<b>Special reserve</b>	<b>Unappropriated earnings</b>	<b>Total</b>						
<b>Balance – January 1, 2016</b>	\$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559
Net profit	-	-	-	-	751,758	751,758	-	-	-	751,758	74,029	825,787
Other comprehensive income	-	-	-	-	-	-	(3,873)	465,195	461,322	461,322	168	461,490
Total comprehensive income	-	-	-	-	751,758	751,758	(3,873)	465,195	461,322	1,213,080	74,197	1,287,277
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	-	-	-	-	-	-	-	-	-	-	104,681	104,681
<b>Balance – September 30, 2016</b>	<b>\$ 3,990,842</b>	<b>1,413,254</b>	<b>997,817</b>	<b>401,665</b>	<b>2,385,673</b>	<b>3,785,155</b>	<b>(8,640)</b>	<b>68,297</b>	<b>59,657</b>	<b>9,248,908</b>	<b>1,263,067</b>	<b>10,511,975</b>
<b>Balance – January 1, 2017</b>	\$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	408,657	397,357	9,818,577	1,254,399	11,072,976
Net profit	-	-	-	-	1,346,884	1,346,884	-	-	-	1,346,884	143,655	1,490,539
Other comprehensive income	-	-	-	-	-	-	(5,553)	62,805	57,252	57,252	(1,252)	56,000
Total comprehensive income	-	-	-	-	1,346,884	1,346,884	(5,553)	62,805	57,252	1,404,136	142,403	1,546,539
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)
<b>Balance – September 30, 2017</b>	<b>\$ 4,200,842</b>	<b>2,519,954</b>	<b>1,095,601</b>	<b>-</b>	<b>3,757,448</b>	<b>4,853,049</b>	<b>(16,853)</b>	<b>471,462</b>	<b>454,609</b>	<b>12,028,454</b>	<b>1,185,021</b>	<b>13,213,475</b>

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

Chairman:

General Manager:

Chief Accountant:

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

**For The Nine Months Ended September 30, 2017 and 2016**

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

	<b>Jan 1 to Sep 30, 2017</b>	<b>Jan 1 to Sep 30, 2016</b>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 1,696,183	937,351
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	105,257	126,932
Amortization expense	12,061	11,792
Allowance for doubtful accounts	3,637	28,597
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(28,220)	(39,169)
Interest expense	59,459	67,735
Interest income	(88,769)	(76,829)
Dividend income	(181,805)	(131,937)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	6,497	1,844
Loss (gain) on disposal and scrap of property, plant and equipment	(179)	181
Property, plant and equipment expenses	-	342
Disposal of investment gains (losses)	15,618	(56,709)
Exchange loss on disposal of financial assets	79,578	117,933
Total adjustments to reconcile profit (loss)	(16,866)	50,712
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(401,438)	218,354
Decrease (Increase) in notes receivable	5,732	16,512
Decrease (Increase) in account receivable	(116,262)	36,827
Decrease (Increase) in inventories	(221,370)	(532,980)
Decrease (Increase) in biological assets	-	2,727
Decrease (Increase) in prepayments	(812,294)	(217,749)
Decrease (Increase) in other financial assets - current	33,439	(29,234)
Decrease (Increase) in other current assets	1,581	(9,884)
Total changes in operating assets	(1,510,612)	(515,427)
Changes in operating liabilities:		
Increase (Decrease) in accounts payable	95,237	64,179
Increase (Decrease) in other payable	110,826	(99,288)
Increase (Decrease) in advance receipts	392,140	1,653,547
Increase (Decrease) in other current liabilities	11,425	11,054
Total changes in operating liabilities	609,628	1,629,492
Total changes in operating assets and liabilities	(900,984)	1,114,065
Total adjustments	(917,850)	1,164,777
Cash inflow (outflow) generated from operations	778,333	2,102,128
Interest received	78,459	66,974
Dividend received	184,104	131,937
Interest paid	(31,591)	(65,641)
Income taxes refund	-	49,295
Income taxes (paid)	(111,814)	(304,461)
<b>Net cash flows from (used in) operating activities</b>	897,491	1,980,232



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

**For The Nine Months Ended September 30, 2017 and 2016**

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

	<b>Jan 1 to Sep 30, 2017</b>	<b>Jan 1 to Sep30, 2016</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets	(885,721)	(2,021,136)
Proceeds from disposal of available-for-sale financial assets	755,851	1,051,840
Acquisition of hold to maturity financial assets	(309,640)	(308,491)
Acquisition of investment using cost method	-	(9,900)
Payment from capital reduction of the financial assets carried at costs	-	2,856
Acquisition of investment under equity method	-	(13,008)
Payment from capital reduction of investee under equity method	11,135	-
Acquisition of property, plant and equipment	(49,651)	(204,050)
Disposal of property, plant and equipment	997	249
Acquisition of intangible assets	(999)	(63,984)
Acquisition of investing real estate	-	(428)
Decrease in other financial assets	81,596	213,269
Decrease in other financial assets- non current	(18,843)	-
Increase in other non-current assets	-	(10,287)
<b>Net cash flows from (used in) investing activities</b>	<u>(415,275)</u>	<u>(1,363,070)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	7,216,100	6,162,400
Decrease in short-term loans	(11,452,000)	(6,687,000)
Issuance of corporate bond	3,113,000	-
Increase (decrease) in guarantee deposits received	8,674	(15,533)
Payment for cash dividends	(504,101)	(199,542)
Capital Increase	1,304,100	-
Change in non-controlling interests	(216,000)	104,681
<b>Net cash flows from (used in) financing activities</b>	<u>(530,227)</u>	<u>(634,994)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	4,295	(4,056)
Net increase (decrease) in cash and cash equivalents	(43,716)	(21,888)
<b>Cash and cash equivalents at beginning of period</b>	<u>199,621</u>	<u>212,719</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 155,905</u>	<u>190,831</u>

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

**Chairman:**

**General Manager:**

**Chief Accountant:**

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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 September 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 November 7, 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

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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 2018. The criteria and explanations of the relevant new releases, amendments and amendments are as follows:

<b>New/Amended/Revised Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 September 30, 2017 and hedging relationships designated under during the third quarter 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 September 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 September 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$8,776,121 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.

Under current accounting standards, the collection and payment of management fees for Cemetery and columbaria products are not recognized as revenues and expenses; however, after IFRS No.15 applied, the collected management fees will be recognized gradually when the management obligation is fulfilled.

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. Advance payment from sales with lump-sum payment of unfinished cemetery and columbarium is thought to include significant financial components, whose interest affection amount shall be estimated based on contract fulfillment period. Besides, advance payment from sales with lump-sum payment of pre-need funeral contract is also thought to include significant financial components, whose interest affection amount shall be estimated based on contract fulfillment period.

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, contracts which are completed on the earliest applicable date (January 1, 2018) 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”

(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:

<b>New/Amended/Revised Standards and Interpretations</b>	<b>Effective date per IASB</b>
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

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

IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 28 “Long-Term Interests in Associates and Joint Ventures”	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"> <li>• 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.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
May 18, 2016	IFRS 17 “Insurance	The new standard established principles for recognition, evaluation, expression and disclosure

	Contracts”	of insurance contracts, which can be summarized as follows:
		<ul style="list-style-type: none"><li>• Recognition: A group of insurance contracts shall be recognized on the earliest date among the insurance period starting date of the group of insurance contracts, the first due date of payment for the policy holders of the group of insurance contracts and the date on which the group of insurance contracts become deficit contracts.</li><li>• Evaluation: On initial recognition, the group of insurance contracts shall be estimated as the sum of fulfilment cash flows. On subsequent measurement, future cash flows, discount rates and assumptions for risk adjustment of non-financial risks shall be updated.</li><li>• Expression and Disclosure: Expression of insurance revenues is based on service type provided. Any investment component shall be ruled out from insurance revenues and insurance services.</li></ul>
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatment”	<ul style="list-style-type: none"><li>• 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.</li><li>• 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</li></ul>



			resolution of the uncertainty.
October 2017	12,	Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	<ul style="list-style-type: none"><li>• The amendments illustrated that financial assets with prepayment features with negative compensation would be eligible to be measured at amortized costs or at fair value through other comprehensive income if certain conditions set in IFRS 9 are met.</li><li>• The Board also illustrated the accounting treatment regarding financial liabilities that does not result in derecognition. Under current standards, the effective interest rate is recalculated on change date to reflect the contract cash flows after the change. No revenue or loss is recognized on the change date. The amendments illustrated that company shall discount contract cash flows at original effective interest rate to recalculate amortization costs of financial liabilities and recognize changes as profits or losses based on IFRS 9.</li></ul>
October 2017	12,	Amendments to IFRS 28 “Long-Term Interests in Associates and Joint Ventures”	<ul style="list-style-type: none"><li>• The amendments explained the method how an entity applies IFRS 28 and IFRS 9 to recognize losses which exceed common share invested in long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture when equity method is applied.</li></ul>

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.

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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
			9.30.2017	12.31.2016	9.30.2016	
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)
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 September 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

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

resulted in the Company's ownership decreased from 84.29% to 49% and lost the control. This has led the Company become affiliated enterprise in types of investment which will not be listed in the consolidated financial report.

(2) The Company increased cash capital to Sea Dragan Traders Ltd. in US\$7,000 thousand, US\$11,000 thousand and US\$10,000 thousand on October, 2016, June, 2017 and July, 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 and US\$ 11,000 thousand through companies mentioned above with 100% ownership in June and July, 2017 respectively.

(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

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	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Cash on hand	\$ 4,812	4,192	3,457
Check deposits	148,163	193,262	185,207
Demand deposits	930	167	167
Time deposits	2,000	2,000	2,000
Cash and cash equivalent on the Consolidated Statement of Cash Flow	<u>\$ 155,905</u>	<u>199,621</u>	<u>190,831</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>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Financial assets measured at fair value through profit or loss - current			
Domestic and foreign common stocks	\$ 518,338	538,167	545,363
Beneficiary certificates	818,553	369,066	411,553
Total	<u>\$ 1,336,891</u>	<u>907,233</u>	<u>956,916</u>
Available-for-sale financial assets valued at cost – non-current			
Domestic and foreign common stocks	\$ 6,417,947	6,267,346	5,642,160
Bond investment	1,917,508	1,625,658	1,417,261
Beneficiary certificates	440,660	786,731	629,349
Total	<u>\$8,776,122</u>	<u>\$8,679,735</u>	<u>\$7,688,770</u>
	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Financial assets valued at cost			
Stock Investment - PK Venture Capital Corp.	\$ 3,271	3,271	9,951
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	9,900
Total	<u>\$ 18,992</u>	<u>18,992</u>	<u>25,674</u>
Hold to maturity financial assets- non-current			
Bond Investment	<u>\$ 615,588</u>	<u>307,915</u>	<u>308,142</u>

- (1) The Consolidated Company's stock investment valued at cost referred to above is measured in accordance with the cost net of impairment on the reporting date. Due to

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

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, and December 29, 2016 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\$5,708,337 thousand for the end of September 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 September 30, 2017, December 31, 2016 and September 30, 2016, is 2.059%~6.375%, 2.63%~6.38% and 3.00%~4.90%, respectively. The maturity year is 2020~2046, 2017~2046 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 1.90%~2.08% at the end of September 30, 2017, December 31 and September 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 September 30, 2017, December 31 and September 30, 2016 please refer to Note 9 for more information.
  - (8) As of September 30, 2017, December 31 and September 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:

<b>Stock price on the reporting date</b>	<b>2017 Q1~Q3</b>		<b>2016 Q1~Q3</b>	
	<b>Other consolidated profit or loss after tax</b>	<b>Profit or loss after tax</b>	<b>Other consolidated profit or loss after tax</b>	<b>Profit or loss after tax</b>
<b>Increased by 10%</b>	<b>\$ 636,827</b>	<b>49,337</b>	<b>562,265</b>	<b>51,588</b>
<b>Decreased by 10%</b>	<b>\$ (636,827)</b>	<b>(49,337)</b>	<b>(562,265)</b>	<b>(51,588)</b>

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(III) Inventory

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Real estate for sale	\$ -	4,008	4,968
Columbarium and cemetery for sale	2,506,526	2,015,577	1,534,811
Construction Site	4,605,518	4,597,067	4,615,767
Residential and building under construction	63,409	63,500	41,712
Columbarium and cemetery under construction	7,471,145	7,745,059	7,889,919
Agriculture Products	-	-	9,370
	<u>\$ 14,646,598</u>	<u>14,425,211</u>	<u>14,096,547</u>
Expected to be recovered in more than twelve months	<u>\$ 14,483,833</u>	<u>14,276,031</u>	<u>13,915,231</u>

1. As of July 1 to September 30, 2017 and 2016, and January 1 to September 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.

3. For the Consolidated Company’s inventories pledged as collateral as of September 30, 2017 and December 31 and September 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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Investment in affiliated enterprises	<u>\$ 428,632</u>	<u>450,296</u>	<u>199,128</u>

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

Affiliated Enterprises Names	Nature of the relationship with the Company	Major operating place/ Country	Ownership & voting ratio		
			<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Lungding Life	Flower	Taiwan	49.00%	49.00%	84.29%



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	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Ending balance of affiliated enterprise under equity method which is not significant individually	<u>\$ 184,544</u>	<u>200,436</u>	<u>200,934</u>
	<u>2017 Q3</u>	<u>2016 Q3</u>	<u>2017 Q1-Q3</u>
Attribute to the Company:			<u>2016 Q1-Q3</u>
Continuing operations' current loss	\$ 215	(200)	(725)
Other comprehensive profit or loss	-	-	-
Total comprehensive profit or loss	<u>\$ 215</u>	<u>(200)</u>	<u>(725)</u>
			<u>(1,844)</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 in Feb. 2017 and returned US\$360 thousand to shareholders, resulting in reduction of 360 thousand share-holding with the actual 40% of shareholding.

3. As of September 30, 2017, December 31 and September 30, 2016 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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Current asset	\$ 2,567,310	2,247,743	2,245,934
Non-current asset	394,031	411,741	398,168
Current liability	(458,242)	(470,575)	(503,824)
Net assets	<u>\$ 2,503,099</u>	<u>2,188,909</u>	<u>2,140,278</u>
Book value of ending non-controlling interests	<u>\$ 1,121,167</u>	<u>977,959</u>	<u>954,917</u>



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	<u>Jul~Sep 2017</u>	<u>Jul~Sep 2016</u>	<u>Jan~Sep 2017</u>	<u>Jan~Sep 2016</u>
Operating revenue	\$ 308,026	84,481	549,829	341,788
Net income	\$ 180,194	45,775	316,937	192,741
Other comprehensive income	(5,574)	369	(2,747)	369
Total comprehensive income	<u>\$ 174,620</u>	<u>46,144</u>	<u>314,190</u>	<u>193,110</u>
Net income, attributable to non-controlling interest	<u>\$ 82,132</u>	<u>20,864</u>	<u>144,460</u>	<u>87,851</u>
Total comprehensive income, attributable to non-controlling interest	<u>\$ 79,592</u>	<u>21,032</u>	<u>143,208</u>	<u>88,019</u>

	<u>Jun ~ Sep 2017</u>	<u>Jun ~ Sep 2016</u>	<u>Jan ~ Sep 2017</u>	<u>Jan ~ Sep 2016</u>
Cash flows from operating activities	\$ (894)	279,068	26,434	284,444
Cash flows from investing activities	1,176	(14,997)	(11,063)	(22,601)
Cash flows from financing activities	-	(244,208)	(18,000)	(244,208)
Net cash flow increase (decrease)	<u>\$ 282</u>	<u>19,863</u>	<u>(2,629)</u>	<u>17,635</u>
Cash dividend paid to non-controlling equity	<u>\$ -</u>	<u>111,319</u>	<u>-</u>	<u>111,319</u>

#### (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:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leased assets and leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be tested</u>	<u>Total</u>
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	-	4,142	3,825	1,150	-	6,246	34,288	49,651
Disposal and scrap	-	-	(6,560)	(128)	-	(271)	-	(6,959)
Reclassification	-	34,596	17,029	-	-	15,257	(66,882)	-
Changes for exchange rate	-	-	30	-	-	-	-	30
Balance on Sep 30, 2017	<u>\$ 2,357,212</u>	<u>2,770,416</u>	<u>93,398</u>	<u>56,236</u>	<u>4,100</u>	<u>168,921</u>	<u>998,328</u>	<u>6,448,611</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	-	624	1,726	881	186	5,776	194,857	204,050
Disposal and scrap	-	-	(4,028)	(1,425)	-	(3,922)	-	(9,375)
Reclassification	(396,538)	(38,920)	-	-	-	29,894	(129,669)	(535,233)
Balance on June 30, 2016	<u>\$ 2,308,671</u>	<u>2,846,886</u>	<u>79,274</u>	<u>141,243</u>	<u>4,437</u>	<u>172,128</u>	<u>1,126,718</u>	<u>6,679,357</u>

Depreciation and

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## impairment loss:

Balance on January 1, 2017	\$ -	379,721	63,394	53,622	2,933	39,571	-	539,241
Current depreciation	-	52,757	5,730	427	135	11,549	-	70,598
Disposal	-	-	(5,805)	(120)	-	(216)	-	(6,141)
Effects from change in exchange rates	-	-	2	-	-	-	-	2
Balance on Sep 30, 2017	<u>\$ -</u>	<u>432,478</u>	<u>63,321</u>	<u>53,929</u>	<u>3,068</u>	<u>50,904</u>	<u>-</u>	<u>603,700</u>
Balance on January 1, 2016	\$ -	353,108	56,170	59,822	2,523	31,713	-	503,336
Current depreciation	-	58,195	8,011	7,683	399	9,863	-	84,151
Disposal	-	-	(3,306)	(1,424)	-	(3,873)	-	(8,603)
Reclassification	-	(34,151)	-	-	-	-	-	(34,151)
Balance on Sep 30, 2016	<u>\$ -</u>	<u>377,152</u>	<u>60,875</u>	<u>66,081</u>	<u>2,922</u>	<u>37,703</u>	<u>-</u>	<u>544,733</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>
September 30, 2017	<u>\$ 2,357,212</u>	<u>2,337,938</u>	<u>30,077</u>	<u>2,307</u>	<u>1,032</u>	<u>118,017</u>	<u>998,328</u>	<u>5,844,911</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>
September 30, 2016	<u>\$ 2,308,671</u>	<u>2,469,734</u>	<u>18,399</u>	<u>75,162</u>	<u>1,515</u>	<u>134,425</u>	<u>1,126,718</u>	<u>6,134,624</u>

1. The Consolidated Company (referred to as “the principal” hereinafter) has part of the land registered in the name of the discretionary related party (referred to as “the trustee” hereinafter) for land acquisition matters. The contractual parties agree to have the land ownership transferred back to the Consolidated Company unconditionally upon the completion of land consolidation. Trustee at the time of acquiring the land ownership shall have the documents needed for ownership transfer prepared, signed and sealed, and then delivered to the principal for records. In addition, a promissory note issued by the trustee for an amount equivalent to the land value should be delivered to the principal for records.
2. For the property, plant and equipment pledged as collateral during Sep. 30, 2017, Dec. 31, and Sep. 30 2016, please refer to Note 9(3).
3. For part of property, plant and equipment in trust case as of September 30, 2017 and December 31, and September 30, 2016, please refer to Note 8(.

## (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 September 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
Addition	-	428	428
Reclassification	426,303	108,930	535,233
Balance on September 30, 2016	<u>\$ 5,024,143</u>	<u>1,992,083</u>	<u>7,016,226</u>
Depreciation and impairment loss:			

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Balance on January 1, 2017	\$	19,910	462,337	482,247
Depreciation		-	34,659	34,659
Balance on September 30, 2017	<b>\$</b>	<b>19,910</b>	<b>496,996</b>	<b>516,906</b>
Balance on January 1, 2016	\$	19,910	371,327	391,237
Depreciation		-	42,781	42,781
Reclassification		-	34,151	34,151
Balance on September 30, 2016	<b>\$</b>	<b>19,910</b>	<b>448,259</b>	<b>468,169</b>

Book value:

January 1, 2017	<b>\$</b>	<b>5,004,232</b>	<b>1,529,799</b>	<b>6,534,031</b>
September 30, 2017	<b>\$</b>	<b>5,004,232</b>	<b>1,495,140</b>	<b>6,499,372</b>
January 1, 2016	<b>\$</b>	<b>4,577,930</b>	<b>1,511,398</b>	<b>6,089,328</b>
September 30, 2016	<b>\$</b>	<b>5,004,233</b>	<b>1,543,824</b>	<b>6,548,057</b>

1. Investment property contains a number of commercial properties leased to others. Please refer to Note 6(13).
2. No significant changes of between the Company's fair value of non-current assets for investment and Note 6(8) disclosed in 2016 consolidated financial report.
3. With regards to real estate delivered to investment trust case as of September 30, 2017, December 31 and September 30, 2016, please refer to Note 9(3).
4. The investment property pledged for collateral on September 30, 2017, December 31 and September 30, 2016 please refer to Note(8).

(VIII) Intangible assets:

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

	<u>Goodwill</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Total</u>
Cost:				
Balance on January 1, 2017	\$ 542,428	192,750	116,510	851,688
Acquired separately	-	-	999	999
Balance on September 30, 2017	<b>\$ 542,428</b>	<b>192,750</b>	<b>117,509</b>	<b>852,687</b>
Balance on January 1, 2016	\$ 542,428	192,750	95,480	830,658
Acquired separately	-	-	63,984	63,984
Reclassification	-	-	(951)	(951)
Balance on September 30, 2016	<b>\$ 542,428</b>	<b>192,750</b>	<b>158,513</b>	<b>893,691</b>
Amortization and impairment loss:				
Balance on January 1, 2017	\$ -	-	76,462	76,462
Current Amortization	-	-	12,061	12,061
Balance on September 30, 2017	<b>\$ -</b>	<b>-</b>	<b>88,523</b>	<b>88,523</b>

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Balance on January 1, 2016	\$	-	-	61,162	61,162
Current Amortization		-	-	11,792	11,792
Balance on September 30, 2016	\$	-	-	<b>72,954</b>	<b>72,954</b>
Book value:					
January 1, 2017	\$	<b>542,428</b>	<b>192,750</b>	<b>40,048</b>	<b>775,226</b>
Balance on September 30, 2017	\$	<b>542,428</b>	<b>192,750</b>	<b>28,986</b>	<b>764,164</b>
January 1, 2016	\$	<b>542,428</b>	<b>192,750</b>	<b>34,318</b>	<b>769,496</b>
Balance on September 30, 2016	\$	<b>542,428</b>	<b>192,750</b>	<b>85,559</b>	<b>820,737</b>

(IX) Other financial assets - current

The Consolidated Company's other financial assets as below:

		<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Time deposit – trust account	\$	150,000	314,242	325,646
Time deposit		-	4,900	4,900
Current deposit – trust account and management account		682,285	444,866	568,345
Current deposit –management account		903,635	956,075	1,020,304
Guarantee		-	312,168	-
Financial instruments		163,830	-	-
Other receivables		4,378	13,451	10,761
Receivables from sales of securities		-	-	14,014
Rental receivables		108,227	102,508	80,107
Bond interest receivables		24,771	16,597	19,610
Limited assets		709	709	709
Others		20,272	7,612	12,180
Total	\$	<b>2,058,113</b>	<b>2,173,130</b>	<b>2,056,577</b>

(X) Short-term loan

		<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Guaranteed bank loans	\$	2,515,000	6,835,000	6,386,000
Unguaranteed bank loans		424,000	339,900	314,900
Other loans		-	-	15,000
Total	\$	<b>2,939,000</b>	<b>7,174,900</b>	<b>6,715,900</b>
Unused limit	\$	<b>7,111,000</b>	<b>4,178,100</b>	<b>4,582,100</b>
Interest rate range		<u>0.68%~1.25%</u>	<u>0.73%~1.25%</u>	<u>0.85%~6.0%</u>

1. Issuance and repayment of short term loan

As of January 1 to September 30 of 2017 and 2016, the increased amount was

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NT\$7,216,100 thousand and NT\$6,162,000 thousand, the interest rate is 0.68%~1.25% and 0.85%~6.0%, and the maturity date is July 2017 to December 2017 and October 2016 to January 2017, respectively; the repayment was NT\$11,452,000 thousand and NT\$6,687,000 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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Unsecured convertible bond	<u>\$ 3,126,963</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 of 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\$61.97 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), 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

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(XII) Long-term loan

The Consolidated Company's long-term loan as the following:

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</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 September 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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Within 1 year	\$ 201,207	183,450	156,883
1~5 years	579,327	544,046	539,299
Over 5 years	1,459,808	1,489,009	1,516,008
	<u>\$ 2,240,342</u>	<u>2,216,505</u>	<u>2,212,190</u>

The rent income arising from the investment property amounted to NT\$142,393 thousand and NT\$109,761 thousand as of 2017Q1~Q3 and 2016 Q1~Q3, respectively. The repair and maintenance expense (booked in the "Operating cost") incurred from investment property is as follows:

	<u>2017Q1-Q3</u>	<u>2016Q1-Q3</u>
Rent income generated	\$ 69,368	64,536
Rent income not generated	-	-
	<u>\$ 69,368</u>	<u>64,536</u>

(XIV) Employee welfare

1. Defined benefit plan

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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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016Q1-Q3</u>
Administrative expense	\$ 9	8	28	28

## 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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016Q1-Q3</u>
Operating cost	\$ 2,100	2,486	6,281	7,228
Administrative expenses	2,761	2,706	8,242	7,761
	<u>\$ 4,861</u>	<u>5,192</u>	<u>14,523</u>	<u>14,989</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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016Q1-Q3</u>
Current income tax expenses				
Current generated	\$ 68,043	48,040	149,985	106,018
Undistributed earnings to be taxed 10%	-	-	77,665	37,688
Adjustment of current income tax	-	(461)	(3,640)	(11,861)
Increase of land tax	265	421	961	1,704
	<u>68,308</u>	<u>48,000</u>	<u>224,971</u>	<u>133,549</u>
Deferred Income Tax Expenses				
Temperate differences happened and return	(8,843)	(15,324)	(19,327)	(21,985)
	<u>\$ 59,465</u>	<u>32,676</u>	<u>205,644</u>	<u>111,564</u>

- The Company's imputation tax is as follows:

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	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Undistributed earnings before 1997	\$ -	-	-
Undistributed earnings after 1998	<u>3,757,448</u>	<u>2,610,784</u>	<u>2,385,673</u>
	<b><u>\$ 3,757,448</u></b>	<b><u>2,610,784</u></b>	<b><u>2,385,673</u></b>
Imputed tax credit account balance	<b><u>\$ 576,321</u></b>	<b><u>491,584</u></b>	<b><u>474,901</u></b>
		<b>2016</b>	<b>2015</b>
		<b>(Actual)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earnings for ROC residents		<b><u>20.22%</u></b>	<b><u>21.07%</u></b>

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

4. The Company's income tax returns have been audited by the tax authorities up to 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 nine months ended in September 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 September 30, 2017, December 31 and September 30, 2016 respectively.

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

(Thousand shares)

	<u>Ordinary Shares</u>	
	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Balance on January 1	399,084	399,084
Capital increase	<u>21,000</u>	-
Balance on Sep. 30	<b><u>420,084</u></b>	<b><u>399,084</u></b>

#### 1. Issuance of ordinary shares

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



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

## 2. Additional paid-in capital

The Company's additional paid-in capital balance:

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Stock premium	\$ 2,486,172	1,392,072	1,392,072
Disposal of difference of book value of subsidiaries' equity	20,972	20,972	20,972
Recognition changes in net equity of subsidiaries	2,849	7,068	210
Stock premium	9,961	-	-
	<u>\$ 2,519,954</u>	<u>1,420,112</u>	<u>1,413,254</u>

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

## 3. Retained earnings

According to the Company's Articles of Incorporation, the total annual earnings, if any, should be applied to pay tax, make up losses of prior years, then appropriated 10% legal reserve; however, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock, and if necessary, appropriated special reserve, the remaining amount thereafter, if any, is deposited as retained earnings partially and the rest amount is allocated as follows; the remains except appointment of dividends, along with undistributed earnings at the beginning of the period, the Board shall proposed distribution plan and resolved by the shareholders' meeting.

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

### (1) Legal reserve

According to the Company Law amended in January 2012, companies are to appropriate

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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.

	<u>2017Q1-Q3</u>	<u>2016Q1-Q3</u>
Beginning balance at January 1	\$ 401,665	14,458
Special reserve reversed	(401,665)	387,207
Ending balance at September 30	<u>\$ -</u>	<u>401,665</u>

(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:

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

4. Other equity

	<u>Exchange differences from the translation of foreign institution's financial statements</u>	<u>Available-for- sale investment</u>	<u>Total</u>
January 1, 2017	\$ (11,300)	408,657	397,357
The Company	(3,645)	64,300	60,655
Affiliate company	-	(1,495)	(1,495)
Exchange difference of affiliate company	<u>(1,908)</u>	<u>-</u>	<u>(1,908)</u>

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using equity method

Balance on September, 2017	<u>\$ (16,853)</u>	<u>471,462</u>	<u>454,609</u>
January 1, 2016	\$ (4,767)	(396,898)	(401,665)
The Company	(4,044)	464,994	460,950
Affiliate company	-	201	201
Exchange difference of affiliate company using equity method	<u>171</u>	<u>          </u>	<u>171</u>
Balance on June 30, 2017	<u>\$ (8,640)</u>	<u>68,297</u>	<u>59,657</u>

#### 5. Non-controlling equity

	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Balance at beginning of period	\$ 1,254,399	1,084,399
Non-controlling equity		
Net profit of the subsidiaries	143,655	74,029
Available-for-sale financial assets gain(loss)	(1,252)	168
Cash dividends from subsidiaries	-	(111,319)
Capital increase to subsidiaries	-	216,000
Equity changes to subsidiaries	4,219	(210)
Acquisition of shares of subsidiaries to non-control equity	<u>(216,000)</u>	<u>          </u>
Balance at end of period	<u>\$ 1,185,021</u>	<u>1,263,067</u>

#### (XVII) Earnings per share

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

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
<b>Basic earnings per share</b>				
Net income attributable to the Company's common stock shareholders:	<u>\$ 678,327</u>	<u>311,634</u>	<u>1,346,884</u>	<u>751,758</u>
Weighted average outstanding common stock shares	<u>420,084</u>	<u>399,084</u>	<u>413,392</u>	<u>399,084</u>
	<u>\$ 1.61</u>	<u>0.78</u>	<u>3.26</u>	<u>1.88</u>
<b>Diluted earnings per share</b>				
Net income attributable to the Company	\$ 678,327	311,634	1,346,884	751,758
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares				

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Transfer to corporate bond	10,488	-	19,858	-
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	<u>\$ 688,815</u>	<u>311,634</u>	<u>1,366,742</u>	<u>751,758</u>
Weighted average outstanding common stock shares	420,084	399,084	413,392	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	228	238	228	238
Effects of convertible bond if converted	<u>49,413</u>	<u>-</u>	<u>31,494</u>	<u>-</u>
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	<u>469,725</u>	<u>399,322</u>	<u>445,114</u>	<u>399,322</u>
	<u>\$ 1.47</u>	<u>0.78</u>	<u>3.07</u>	<u>1.88</u>

(XVIII) Income

The Consolidated Company's income is as follows:

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Columbarium and cemetery income	\$ 812,883	381,796	2,019,409	1,068,029
Funeral services income	451,365	361,055	1,278,640	1,204,625
Rent income from investment property	47,813	46,336	142,393	109,761
Construction contract income	<u>48,394</u>	<u>44,700</u>	<u>165,158</u>	<u>153,372</u>
	<u>\$ 1,360,455</u>	<u>833,887</u>	<u>3,605,600</u>	<u>2,535,787</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 July 1 to September 30, 2017 and 2016, and January 1 to September 30, 2017 and 2016 were NT\$7,468 thousand and NT\$3,643 thousand, and NT\$15,767 thousand and NT\$8,910 thousand. And the remuneration to directors and supervisors were NT\$14,936 and NT\$7,285 thousand, and NT\$31,534 thousand and NT\$17,820 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

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

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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Gain (loss) on change in fair value of biological assets	\$ -	8,848	-	<u>60,434</u>

## (XXI) Non-operating income and expense

## 1. Other income

The Consolidated Company's other income is as follows:

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Interest income	\$ 26,494	26,686	88,769	76,829
Dividend income	177,045	124,246	181,805	131,937
Service charge income	3,133	2,935	10,961	8,161
Fines income	10,495	8,660	35,075	38,149
Other income	8,648	19,560	29,010	31,904
	<u>\$ 225,815</u>	<u>182,087</u>	<u>345,620</u>	<u>286,980</u>

## 2. Other profit and loss

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

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Foreign exchange gain (loss)	\$ 2,533	(64,640)	(120,282)	(155,300)
Net financial assets measured at fair value through profit or loss	9,563	24,382	28,220	39,169
Gain(loss) from disposal of available-for-sale financial asset	(4,535)	9,526	(15,618)	57,513
Loss from Disposal of financial assets measured at costs	-	-	-	(804)
Disposal of property, plant, and equipment	(406)	(174)	179	(181)

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Other expense	(339)	(1,055)	(1,432)	(2,605)
	<u>\$ 6,816</u>	<u>(31,961)</u>	<u>(108,933)</u>	<u>(62,208)</u>

### 3. Finance cost

Consolidated company's finance cost is as follows:

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Interest expense	<u>\$ 20,089</u>	<u>20,503</u>	<u>59,459</u>	<u>67,735</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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Financial assets at fair value through profit or loss :			
Holding for transaction	\$ 1,336,891	907,233	956,916
Financial assets available for sales	8,776,121	8,679,735	7,688,770
Hold to maturity investment	615,588	307,915	308,142
Financial assets carried at costs	18,992	18,992	25,674
Loans and accounts receivables			
Cash and cash equivalent	155,905	199,621	190,831
Notes receivable and accounts receivable	545,221	438,328	408,972
Other financial assets (current & non-current)	2,102,106	2,198,289	2,079,127
Sub. total	<u>2,803,232</u>	<u>2,836,238</u>	<u>2,678,930</u>
Total	<u>\$ 13,550,824</u>	<u>12,750,113</u>	<u>11,658,432</u>

##### (2) Financial liabilities

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Amortization after financial liabilities carried at costs			
Short term loans	\$ 2,939,000	7,174,900	6,715,900
Payable accounts	1,126,647	848,829	859,426
Long term loans	3,126,963	-	-
Guarantee deposit	-	-	172,700
Total	<u>61,476</u>	<u>52,802</u>	<u>52,073</u>

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Amortization after financial liabilities carried at costs \$ 7,254,086 8,076,531 7,800,099

## 2. Credit risk

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

	9.30.2017		12.31.2016		9.30.2016	
	Total	Impairment	Total	Impairment	Total	Impairment
Not overdue	\$ 486,034	29,340	399,816	27,615	403,394	56,212
Overdue 31~60 days	29,888	2,271	24,886	1,695	16,137	1,695
Overdue 61~90 days	11,870	881	9,445	838	7,532	838
Overdue 91~120 days	2,750	182	3,714	629	6,312	629
Overdue more than 120 days	79,109	27,378	70,335	25,638	71,371	25,638
	<u>\$ 609,651</u>	<u>60,052</u>	<u>508,196</u>	<u>56,415</u>	<u>504,746</u>	<u>85,012</u>

	2017Q1-Q3	2016 Q1-Q3
Balance on January 1	\$ 56,415	56,415
Losses on recognition decrease	3,637	28,597
Balance on June 30	<u>\$ 60,052</u>	<u>85,012</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
<b>September 30, 2017</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 2,915,000	2,915,000	2,915,000	-	-	-	-
Fixed rate instruments	3,150,963	3,150,963	24,000	-	-	3,126,963	-
No interest-bearing liabilities	788,629	788,629	788,629	-	-	-	-
	<u>\$ 6,854,592</u>	<u>6,854,592</u>	<u>3,727,629</u>	<u>-</u>	<u>-</u>	<u>3,126,963</u>	<u>-</u>
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Floating rate instruments	\$ 7,156,900	7,156,900	7,156,900	-	-	-	-
Fixed rate instruments	18,000	18,051	18,051	-	-	-	-
No interest-bearing liabilities	623,856	623,856	623,856	-	-	-	-

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		<u>\$ 7,798,756</u>	<u>7,798,807</u>	<u>7,798,807</u>	-	-	-	-
<b>September 30, 2016</b>								
Non-derivative financial liabilities								
Floating rate instruments	\$	6,888,600	6,888,600	6,715,900	-	-	-	172,700
No interest-bearing liabilities		666,308	666,308	666,308	-	-	-	-
		<u>\$ 7,554,908</u>	<u>7,554,908</u>	<u>7,382,208</u>	-	-	-	<u>172,700</u>

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

#### 4. Market Risks

##### (1) Exchange rate risk

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

	9.30.2017			12.31.2016			9.30.2016			
	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	\$	39,244	4.563	179,074	71,860	4.642	333,601	13,830	4.687	64,813
RMB/USD		1,654	0.151	7,548	1,652	0.144	7,669	3,213	0.149	15,058
USD/NTD		70,742	30.305	2,143,850	60,002	32.279	1,936,807	23,517	31.366	737,640
Japanese yen/NTD		15,186	0.27	4,093	31,273	0.276	8,641	28,583	0.309	8,824
HKD/NTD		10,128	3.883	39,324	7,094	4.168	29,566	6,162	4.042	24,903
<u>Non-monetary items</u>										
HKD/NTD		63,839	3.883	247,853	53,684	4.168	223,754	48,876	4.042	197,534
Japanese yen/NTD		220,897	0.270	59,532	215,968	0.276	59,672	191,826	0.309	59,217
USD/NTD		9,221	30.305	279,443	8,440	32.279	272,447	45,389	31.366	1,423,661
RMB/NTD		-	-	-	304	4.642	1,412	57,827	4.687	271,008

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 September 30, 2017 and 2016, the net income was increased by NT\$245,740 thousand and decreased by NT\$232,621 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 Q3, 2017 and 2016 as well as September 30, 2017 and 2016, the foreign currency exchange gain (loss) were NT\$2,533 thousand, NT\$(64,640) thousand, and NT\$(120,282) thousand, NT\$(155,300) thousand respectively.

##### (2) Interest rate analysis

Please refer to the Note regarding liquidity risk management for the interest rate



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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 September 30, 2017 and 2016 is decreased by NT\$9,073 thousand and increased by NT\$21,441 thousand, respectively.

## 5. Fair value

## (1) Financial instruments category and fair value

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

	<b>9.30.2017</b>				
	<b>Fair Value</b>				
	<b>Book value</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	<b>Total</b>
<b>Financial assets measured at fair value through profit or loss</b>	\$ 1,336,891	1,336,891	-	-	1,336,891
<b>Available-for-sale financial assets</b>	8,776,121	8,776,121	-	-	8,776,121
<b>Hold to maturity investment</b>	615,588	615,588	-	-	615,588
Total	<b>\$ 10,728,600</b>	<b>10,728,600</b>	-	-	<b>10,728,600</b>
	<b>12.31.2016</b>				
	<b>Fair Value</b>				
	<b>Book value</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	<b>Total</b>
<b>Financial assets measured at fair value through profit or loss</b>	\$ 907,233	907,233	-	-	907,233
<b>Available-for-sale financial assets</b>	8,679,735	8,679,735	-	-	8,679,735
<b>Hold to maturity investment</b>	307,915	307,915	-	-	307,915
Total	<b>\$ 9,894,883</b>	<b>9,894,883</b>	-	-	<b>9,894,883</b>
	<b>9.30.2016</b>				
	<b>Fair Value</b>				
	<b>Book value</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	<b>Total</b>
<b>Financial assets measured at fair value through profit or loss</b>	\$ 956,916	956,916	-	-	956,916
<b>Available for sale financial assets</b>	7,688,770	7,688,770	-	-	7,688,770
Total	<b>\$ 8,645,686</b>	<b>8,645,686</b>	-	-	<b>8,645,686</b>

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

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

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

## (2.1) Held to maturity financial assets

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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>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Financial assets available for sale		
Net change measured at fair value of the year	\$ 53,527	452,958
Fair value net change reclassified to profit or loss	8,026	12,405
Net change in fair value recognized as other comprehensive profit and loss	<u>\$ 61,553</u>	<u>465,363</u>

## VII. Related Party Transactions

(I) Related parties' names and relations

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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
Other natural person	Director, supervisor and major administrator of the Company and 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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Other related party	\$ -	11,310	-	28,700	-	-	7,319

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 (recognized as advance receipts and manufacturing expenses)</u>				<u>Payable accounts for related parties</u>		
	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Affiliated enterprises	-	-	459	-	2	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\$1,759 thousand, NT\$1,950 thousand, NT\$5,635 thousand and NT\$6,525 thousand as of Q3, 2017 and 2016 as well as January 1 to September 30, 2017 and 2016, respectively.

#### (2) Lessor:

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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\$26 thousand and NT\$421 thousand as of Q3, 2017 and 2016 as well as January 1 to September 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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Other related party	<u>\$ 663</u>	<u>4,368</u>	<u>868</u>

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

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Other related party	<u>\$ 557</u>	<u>557</u>	<u>557</u>

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

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Other related party	<u>\$ 961</u>	<u>961</u>	<u>961</u>

Refundable deposits are deposit for the consolidated company leasing property from other related party. Interests from those deposits collected on September 30, 2017, December 31, 2016 and September 30, 2016 are NT\$9 thousand, NT\$12 thousands and NT\$9 thousand respectively.

##### (4) Management fees

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Other related parties	<u>\$ 138</u>	<u>138</u>	<u>415</u>	<u>415</u>

合併公司委託其他關係人協助管理承租之建築物，並依約支付之大樓管理費。

#### 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>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Affiliated Company	Intangible assets	<u>\$ -</u>	<u>50,772</u>	<u>-</u>	<u>50,772</u>
Other related parties	Fixed assets	<u>\$ 476</u>		<u>800</u>	

#### 6. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of the related party as of September 30, 2017, December 31 and September 30, 2016. Please

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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 below NT\$376,820 thousand as of September 30, 2017, December 31 and September 30, 2016. The discretionary trustee is to handle the land combination matter on behalf of the Company.

Other related parties purchased products from the consolidated company for a total price at NT\$1,625 thousand, NT\$5,772 thousand and NT\$3,844 thousand as of September 30, 2017, December 31 and September 30, 2016 respectively.

#### (III) Key management personnel transactions

	<u>2017Q3</u>	<u>2016Q3</u>	<u>2017Q1-Q3</u>	<u>2016 Q1-Q3</u>
Short-term employee benefits	\$11,640	9,515	34,803	27,871
Retirement benefits	379	297	1,237	887
	<u>\$ 12,019</u>	<u>9,812</u>	<u>36,040</u>	<u>28,758</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>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Other financial assets - current	Guarantee for mutual investment development and sales	\$ 350	312,518	709
Financial Assets at fair value Through profit or loss	Collateral for loan	-	333,900	-
Inventories	Guarantee for loans and corporate finance amount	3,160,517	3,100,846	3,100,846
Property, plant, and equipment – book value	Collateral for loan	2,350,521	2,320,191	2,306,534
Investment property	Collateral for loan	3,982,779	4,004,286	4,013,981
Available-for-sale financial assets – non-current	Collateral for loan	<u>3,068,004</u>	<u>5,685,133</u>	<u>5,321,843</u>
		<u>\$ 12,562,171</u>	<u>15,756,874</u>	<u>14,743,913</u>

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

##### (I) Significant unrecognized contractual commitments:

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

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Individual construction project	\$ 992,344	495,104	226,492
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 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. The negotiation among parties is finished on October 18, 2017, thus the proposal is estimated to be send to the Legislative Yuan for 2<sup>nd</sup> and 3<sup>rd</sup> reading on November 17, 2017. After the amendment, the old fund system will be replaced by the new management system.
2. 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 1<sup>st</sup> 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 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

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September 30, 2017, December 31 and September 30, 2016 are as follows :

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Bank deposits			
Demand deposits	\$ 682,285	444,866	568,346
Time deposits	150,000	314,242	325,646
Financial assets measured at fair value through profit or loss - current	631,328	367,809	346,197
Available-for-sale financial assets – non-current	2,650,423	2,563,851	2,161,390
Hold to maturity financial assets – non-current	615,588	307,915	308,142
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><b>\$ 8,898,762</b></u>	<u><b>8,167,821</b></u>	<u><b>7,878,859</b></u>

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

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

- 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\$903,635 thousand, NT\$956,075 thousand, and NT\$1,020,303 thousand, as of September 30, 2017, December 31, 2016, and September 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 September 30, 2017, December 31, 2016, and September 30, 2016. The pre-need contract signed and the related deferred marketing expenses are as follows:

	<u>9.30.2017</u>	<u>12.31.2016</u>	<u>9.30.2016</u>
Total contract price	\$ 39,723,644	39,420,517	38,234,194
Outstanding proceeds	(8,643,063)	(8,689,532)	(8,174,697)
Advanced receipts	<u><b>\$ 31,080,581</b></u>	<u><b>30,730,985</b></u>	<u><b>30,059,497</b></u>
Deferred marketing expense	<u><b>\$ 8,339,938</b></u>	<u><b>8,362,988</b></u>	<u><b>8,346,273</b></u>
Expected to be reclassified for more than twelve months	<u><b>\$ 28,553,406</b></u>	<u><b>27,784,898</b></u>	<u><b>27,719,844</b></u>

- 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

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by mutual parties. As of September 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 estimated to be US\$66,700 thousand, As of December 31, 2016, the Consolidated Company provided a letter of guarantee in the amount of US\$10,000 thousand which is equivalent to NT\$312,168 thousand (booked as other current financial assets). This letter of guarantee is withdrew in August, 2017 after the Consolidated Company won the bidding for the land use rights.

The Company's subsidiary, Lungyen (Wenzou) won the bidding for the land use rights from Bureau of Land Management of Ruian City on August 1, 2017 as the construction land for cemetery slots and funeral service center. The total transaction amount was RMB207,167 thousand, among which RMB 103,583 thousand was paid as first payment for the land as of September 30, 2017.

**X. Significant disaster loss: None .**

**XI. Significant subsequent events:**

The Consolidated Company is planning to establish a 50:50 joint-venture company, LUNGYANG LIFE(Cayman), with SINO-OCEAN LAND to indirectly invest and establish LUNGYANG LIFE(China) with a registered capital of US\$30,000 thousand. LUNGYANG LIFE(China) will be the holding company to manage funeral service related projects in China.

**XII. Others**

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

By function	2017Q3				2016Q3			
	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	55,725	100,207	28,548	184,480	57,368	65,169	17,341	139,878
Labor and health insurance	3,753	3,480	1,749	8,982	4,417	3,343	1,693	9,453
Pension	2,100	1,911	859	4,870	2,486	1,877	837	5,200
Others	1,654	2,408	967	5,029	2,100	2,529	798	5,427
Depreciation	19,158	11,574	3,773	34,505	28,115	11,358	3,148	42,621
Amortization	55,725	100,207	28,548	184,480	57,368	65,169	17,341	139,878
By function	2017Q1-Q3				2016 Q1-Q3			



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By item	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	164,035	223,996	87,289	475,320	176,999	166,584	50,496	394,079
Labor and health insurance	11,298	12,475	5,419	29,192	12,899	11,667	5,069	29,635
Pension	6,281	5,687	2,583	14,551	7,228	5,381	2,408	15,017
Others	5,102	7,088	2,789	14,979	5,942	6,596	2,820	15,358
Depreciation	57,731	36,430	11,096	105,257	84,091	32,600	10,241	126,932
Amortization	-	11,061	1,000	12,061	171	10,203	1,418	11,792

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 September 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	665,720	-	In accordance with the contract	2	-	To purchase land for Wenzhou project	-	-	-	341,101	341,101

Note 1 : On September, 2017, the US dollar / Taiwan dollar exchange rate of 30.26.

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 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	3,608,536	100,000	100,000	-	-	1.66%	6,014,227	Y	N	N
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	3,608,536	200,000	200,000	-	-	3.33%	6,014,227	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	3,608,536	100,000	100,000	24,000	-	1.66%	6,014,227	N	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.

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

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

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

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

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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	Quantity of shares (thousand shares)/unit	Book Value	% of Ownership	Fair Value	Remarks
The Company	Stock of Chang Hwa Bank	-	Financial assets at fair value through profit or loss-current	20,97	344,06	0.22287 %	344,06	-
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss-current	21	12,56	2.04887 %	12,56	-
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-current		2	0.00001 %	2	-
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss-current	24	14,79	0.00756 %	14,79	-
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss-current	16	41,43	2.34604 %	41,43	-
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through profit or loss-current	21	9,75	0.01718 %	9,75	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through profit or loss-current	1,99	45,19	0.00780 %	45,19	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through profit or loss-current	32	50,50	0.00396 %	50,50	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profit or loss-current		86,58	- %	86,58	Trust
The Company	Hang Seng H-Share Index ETF	-	Financial assets at fair value through profit or loss-current	3	15,17	- %	15,17	Trust
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	24,12	390,60	- %	390,60	Trust
The Company	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss-current	5,66	70,09	- %	70,09	Trust
The Company	Yuanta USD Money Market Fund- RMB	-	Available-for-sale financial assets – non-current	25,95	241,84	- %	241,84	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,55	81,58	- %	81,58	Trust
The Company	Guotai Junan Corporate Bond	-	Available-for-sale financial assets – non-current	20	6,14	- %	6,14	Trust
The Company	Abu Dhabi National Energy Company 10-year Senior Unsecured USD Callable Corporate Bond 3.625 20230112	-	Available-for-sale financial assets – non-current	1,60	49,19	- %	49,19	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	60	18,50	- %	18,50	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	-	Available-for-sale financial assets – non-current	3,10	94,01	- %	94,01	Trust
The Company	The Export-import Bank of China RMB Callable Corporate Bond 4.15 20270618	-	Available-for-sale financial assets – non-current	5,00	22,77	- %	22,77	Trust
The Company	African Finance Corp. Bond 4.375	-	Available-for-sale financial assets – non-current	3,00	94,20	- %	94,20	Trust
The Company	ICBC RMB Corp. Bond 4.2	-	Available-for-sale financial assets – non-current	5,00	22,76	- %	22,76	Trust
The Company	ICBC RMB Corp. Bond	-	Available-for-sale	5,00	23,41	-	23,41	Trust

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Company	4.5		financial assets – non-current			%		t
The Company	China Comm Cons Corp. Bond	-	Available-for-sale financial assets – non-current	1,90	58,33	-	58,33	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,00	62,17	-	62,17	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	1,00	31,83	-	31,83	Trust
The Company	QTel USD Corp. Bond	-	Available-for-sale financial assets – non-current	1,00	30,32	-	30,32	Trust
The Company	Caterpillar RMB Corporate bond	-	Available-for-sale financial assets – non-current	10,00	45,58	-	45,58	Trust
The Company	Conoco Phillips Oil Corp. Bond	-	Available-for-sale financial assets – non-current	3,00	93,61	-	93,61	Trust
The Company	SATANLN Corp. Bond	-	Available-for-sale financial assets – non-current	3,00	93,38	-	93,38	Trust
The Company	Islamic Bank	-	Available-for-sale financial assets – non-current	3,00	92,34	-	92,34	Trust
The Company	QATAR State Bond	-	Available-for-sale financial assets – non-current	2,00	60,05	-	60,05	Trust
The Company	América Móvil Corp. Bond	-	Available-for-sale financial assets – non-current	2,50	94,75	-	94,75	Trust
The Company	VZ Corp. Bond	-	Available-for-sale financial assets – non-current	3,00	85,44	-	85,44	Trust
The Company	Malaysia National Resource Bond	-	Available-for-sale financial assets – non-current	1,00	29,68	-	29,68	Trust
The Company	Stock of Chang Hwa Bank	-	Available-for-sale financial assets – non-current	348,06	5,708,33	3.69775	5,708,33	-
						%		
The Company	Stocks of ICBC	-	Available-for-sale financial assets – non-current	1,630	36,705	0.00188	36,705	Trust
The Company	Stocks of Wells Fargo	-	Available-for-sale financial assets – non-current	14	23,398	0.00028	23,398	Trust
The Company	Stocks of ORIX	-	Available-for-sale financial assets – non-current	37	18,093	0.00279	18,093	Trust
The Company	Cathay China High Yield Bond B TWD	-	Available-for-sale financial assets – non-current	5,389	48,308	-	48,308	Trust
The Company	iShares China Large-Cap ETF	-	Available-for-sale financial assets – non-current	3	49,59	-	49,59	Trust
						%		
The Company	Hang Seng H-Share Index ETF	-	Available-for-sale financial assets – non-current	48	20,746	-	20,746	Trust
The Company	BARC Corp.20260112	-	Available-for-sale financial assets – non-current	2,800	88,683	-	88,683	Trust
The Company	China Railway USD Bond 20260728	-	Available-for-sale financial assets – non-current	2,500	74,271	-	74,271	Trust
The Company	China Cinda USD Bond 20240309	-	Available-for-sale financial assets – non-current	1,500	46,329	-	46,329	Trust
The Company	Stocks of Taiyen	-	Available-for-sale financial assets – non-current	11,060	310,786	5.53000	310,786	-
The Company	Bristol-Myers Squibb	-	Available-for-sale financial assets – non-current	17	32,452	0.00104	32,452	Trust
The Company	WABCO Holdings	-	Available-for-sale financial assets – non-current	8	36,016	0.01492	36,016	Trust
The Company	Stocks of China Res Gas	-	Available-for-sale financial assets – non-current	534	56,393	0.02401	56,393	Trust

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

The Company	Stocks of SGN Telecomm	-	Available-for-sale financial assets – non-current	297	24,415	0.01812 %	24,415	Trust
The Company	China Pingan Bank	-	Available-for-sale financial assets – non-current	58	13,383	0.00078 %	13,383	Trust
The Company	Qualcomm	-	Available-for-sale financial assets – non-current	19	29,174	0.00129 %	29,174	Trust
The Company	Nomura Global Short Duration Bond TWD	-	Available-for-sale financial assets – non-current	2,937	30,910	- %	30,910	Trust
The Company	Prudential Financial Asia Bo	-	Available-for-sale financial assets – non-current	5,362	49,262	- %	49,262	Trust
The Company	Huarong USD Bond	-	Available-for-sale financial assets – non-current	3,000	92,939	- %	92,939	Trust
The Company	CITI USD Bond	-	Available-for-sale financial assets – non-current	3,000	91,391	- %	91,391	Trust
The Company	HAL	-	Available-for-sale financial assets – non-current	8	11,439	0.00092 %	11,439	Trust
The Company	SLB	-	Available-for-sale financial assets – non-current	5	10,782	0.00036 %	10,782	Trust
The Company	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss-current	4,873	50,007	- %	50,007	Trust
The Company	DB USD Bond 20200515	-	Available-for-sale financial assets – non-current	3,000	91,224	- %	91,224	Trust
The Company	Bank of China USD Bond 20220711	-	Available-for-sale financial assets – non-current	3,000	90,971	- %	90,971	Trust
The Company	AT&T USD Bond 20230214	-	Available-for-sale financial assets – non-current	3,000	90,940	- %	90,940	Trust
The Company	Bank of Communications USD Bond 20200515	-	Available-for-sale financial assets – non-current	2,000	60,634	- %	60,634	Trust
The Company	Nan Ya Plastics Corporate Bond	-	Held-to-maturity financial assets- non current	100,000	107,241	- %	107,241	Trust
The Company	Chailease Holding Company Limited-A	-	Held-to-maturity financial assets- non current	200,000	200,000	- %	200,000	Trust
The Company	China airline corporate bond	-	Held-to-maturity financial assets- non current	150,000	151,987	- %	151,987	Trust
The Company	Taipower Corporate bond	-	Held-to-maturity financial assets- non current	150,000	156,360	- %	156,360	Trust
The Company	FORTUNE IC FUND I	-	Financial assets carried at costs- non current	600	4,030	4.86000 %	24,013	-
The Company	Stocks of PK Venture Capital Corp	-	Financial assets carried at costs- non current	694	3,277	8.57000 %	3,299	-
The Company	Trans globe insurance	-	Financial assets carried at costs- non current	15	-	0.01000 %	-	-
The Company	Stocks of Creative Space Design	-	Financial assets carried at costs- non current	990	9,900	19.80000 %	9,900	-
Yuji Development Corp.	Stocks of Taiyen	-	Available-for-sale financial assets – non-current	2,752	77,331	1.37600 %	77,331	-
Yuji Development Corp.	Stocks of Sinyi	-	Available-for-sale financial assets – non-current	903	29,244	0.05035 %	29,244	-
Yuji Development Corp.	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss-current	15,003	164,204	- %	164,204	-
Jing Huang Construction Co.	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,170	31,920	- %	31,920	-
Jing Huang Construction Co.	Stocks of J-Garden Corp.	-	Financial assets carried at costs- non current	17	1,78	5.00000 %	2,16	-
Dahan Property Management	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss-current	11	1,41	- %	1,41	-

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t Co., Ltd.								
Long An Company Ltd.	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss-current	78	8,55	- %	8,55	-

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

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 party	Relationship	Beginning		Purchased		Sold			Ending		
					Qty of shares	Amount	Qty of shares	Amount	Qty of shares	Price	Book Costs	Gain or loss after disposal	Qty of shares	Amount
Wenzhou Lungyen Cemetery Co.	Bank of China Capital Scheduled Wealth Management Plan in RMB	Other financial assets - current	Bank Chinaof	-	-	-	-	911,852 RMB200,363	-	749,973 RMB164,793	748,016 RMB164,363	1,957 RMB430	-	163,836 RMB36,000

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

Purchase Company	Asset Title	Date	Transaction Amount	Payment Made	Transaction party	Relationship	Previous Transaction Information Given the counterpart is Related Party				Reference of Price Decision	Purpose and usage	Other Remarks
							Owner	Relationship	Date of Transaction	Amount			
The Company	Sanczi, New Taipei City	2017.3.29	514,917	268,350	Shenchen Construction Co.	無	-	-	-	-	Board of the Company	For core business	
The Company	Sanczi, New Taipei City	2017.3.29	585,083	273,810	Hsingfa Construction Co.	無	-	-	-	-	Board of the Company	For core business	
Wenzhou Lungyen Cemetery Co.	Ruian funeral park	2017.8.1	942,817 (RMB207,166)	658,151 (RMB144,616)	Bureau of Land Management of Ruian City	無	-	-	-	-	Public Bidding	For core business	

6. The disposition of real property exceeding NT\$300 million or 20% of the paid-in capital: None.

7. Amount of sales amounted to NT\$100 million or 20% of paid-in capital or more with related parties: None.

8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital: None.

9. Engage in derivatives trading: None.

10. Business relationships and significant intercompany transactions:

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction Details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	Lungyen Life Service Corp	Yuji Development Corp.	1	Other financial assets - current	\$ 3,879	equal to non-related party transactions	0.01%
0	"	"	1	Prepayments	38,178	-	0.07%
0	"	"	1	Operating costs	20,805	-	0.04%
0	"	"	1	Payable accounts	5,345	-	0.15%
0	"	"	1	Other revenue	27,144	-	0.75%
0	"	"	1	Other liabilities- current	19,323	-	0.04%
0	"	LongAn co.Ltd.	1	Payable accounts	1,589	-	- %
0	"	"	1	Other financial assets - current	22,950	-	0.04%
0	"	Lung Fu Company Limited	1	Other revenue	983	-	0.03%
1	Yuji Development Corp.	Lungyen Life Service Corp	2	Accounts Receivable	57,501	-	0.11%
1	"	"	2	Advanced receipts	20,805	-	0.04%
1	"	"	2	Other Payables	3,897	-	0.01%



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2	"	"	2	Operating revenue	5,345	-	0.15%
1	"	"	2	Administration fees	27,144	-	0.75%
2	LongAn co.Ltd.	Lungyen Life Service Corp	2	Payable accounts	14,969	-	0.03%
2	"	"	2	Account receivable	1,589	-	- %
2	"	"	2	Other liabilities- current	7,981	-	0.02%
3	Lung Fu Company Limited	Lungyen Life Service Corp	2	Administration fees	983	-	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 September 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%	(11,899)	214	210	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	99,000	54.42%	1,340,150	316,937	172,477	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%	3,314	(327)	(261)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	1,010,536 (USD32,710)	493,584 (USD15,710)	3,271	100.00%	1,074,105	(16,610)	(16,610)	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	259,700	259,700	25,970	49.00%	244,088	(11,780)	(5,772)	Affiliated Company
The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00%	(12,186)	(9,618)	(9,618)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	715,055	500,656	72,000	100.00%	699,709	(7,645)	(7,220)	Subsidiary
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	26,948	(101)	(49)	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75%	220,816	(1,431)	(1,113)	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited(BVI)	British Virgin Islands	Investment	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32%	156,519	(1,600)	(421)	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%	1,077	(637)	(255)	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	863,463 (USD28,000)	346,511 (USD11,000)	2,800	100.00%	842,678	(16,054)	(16,054)	Subsidiary
Lungyen Cayman Co.Ltd	Lungyen HK Co. Ltd.	Hong Kong	Investment	863,463 (USD28,000)	346,511 (USD11,000)	2,800	100.00%	842,678	(16,054)	(16,054)	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					

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Lungyen Cemetery (Wenzhou) Co. Ltd	Funeral Services	863,463 (USD28,000)	Sea Dragon Traders Ltd. (BVI)	346,511 (USD11,000)	516,952 (USD17,000)	-	863,463 (USD28,000)	100.00%	(16,054)	842,678	-
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## 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
863,463	1,291,160 USD 40,000	7,217,072

US Dollar Exchange Rate: closing rate: 32.279

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

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

Note 2: the current investment income recognized:

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

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

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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:

July to September, 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	\$ 812,883	451,365	47,813	48,394	-	-	1,360,455
Inter-segment income	-	-	623	-	-	(623)	-
Total income	<b>\$ 812,883</b>	<b>451,365</b>	<b>48,436</b>	<b>48,394</b>	<b>-</b>	<b>(623)</b>	<b>1,360,455</b>
Reportable segment profit or loss	<b>\$ 435,758</b>	<b>123,353</b>	<b>19,659</b>	<b>241,692</b>	<b>2</b>	<b>(623)</b>	<b>819,841</b>

July to September, 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	\$ 381,796	361,055	46,336	44,700	-	-	833,887
Inter-segment income	-	-	51	1,077	-	(1,128)	-
Total income	<b>\$ 381,796</b>	<b>361,055</b>	<b>46,387</b>	<b>45,777</b>	<b>-</b>	<b>(1,128)</b>	<b>833,887</b>
Reportable segment profit or loss	<b>\$ 188,367</b>	<b>34,167</b>	<b>22,143</b>	<b>111,957</b>	<b>(1,621)</b>	<b>(1,128)</b>	<b>353,885</b>

January to September, 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	\$ 2,019,409	1,278,640	142,393	160,894	4,264	-	3,605,600
Inter-segment income	5,345	-	726	-	-	(6,071)	-
Total income	<b>\$ 2,024,754</b>	<b>1,278,640</b>	<b>143,119</b>	<b>160,894</b>	<b>4,264</b>	<b>(6,071)</b>	<b>3,605,600</b>
Reportable segment profit or loss	<b>\$ 1,091,039</b>	<b>295,126</b>	<b>56,414</b>	<b>259,938</b>	<b>(263)</b>	<b>(6,071)</b>	<b>1,696,183</b>

January to September, 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	\$ 1,068,029	1,204,625	109,761	153,372	-	-	2,535,787
Inter-segment income	2,512	-	137	3,134	-	(5,783)	-
Total income	<b>\$ 1,070,541</b>	<b>1,204,625</b>	<b>109,898</b>	<b>156,506</b>	<b>-</b>	<b>(5,783)</b>	<b>2,535,787</b>

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Reportable segment profit or loss	<u>\$ 544,058</u>	<u>177,927</u>	<u>28,274</u>	<u>194,496</u>	<u>(1,621)</u>	<u>(5,783)</u>	<u>937,351</u>
	<u>Columbarium and cemetery for sale</u>	<u>Funeral services</u>	<u>Property leasing</u>	<u>Cemetery operation and others</u>	<u>Construction for sales</u>	<u>Adjustments and written-off</u>	<u>Total</u>
Reportable segment assets							
September 30, 2017	<u>\$ 15,492,525</u>	<u>4,013,322</u>	<u>6,499,372</u>	<u>22,145,900</u>	<u>4,668,927</u>	<u>(126,452)</u>	<u>52,693,594</u>
December 31, 2016	<u>\$ 14,702,288</u>	<u>4,009,130</u>	<u>6,534,031</u>	<u>21,197,636</u>	<u>4,664,575</u>	<u>(131,232)</u>	<u>50,976,428</u>
September 30, 2016	<u>\$ 14,060,251</u>	<u>3,975,464</u>	<u>6,548,057</u>	<u>20,553,873</u>	<u>4,662,447</u>	<u>(103,865)</u>	<u>49,696,227</u>