Stock No.：5530

Lungyen Life Service Corp. and Subsidiaries

Consolidated Financial Statements

For The Year Ended December 31, 2017 and 2016
(Including an Independent Auditor's Audit Report)

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REPRESENTATION DECLARATION

The entities that are required to be included in the combined financial statement of Lungyen Life Service Corporation as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Report Standard 10, “Consolidated Financial Statement.” In addition, the information required to be disclosed in the combined financial statement is included in the consolidated financial statements. Consequently, Lungyen Life Service Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company: Lungyen Life Service Corporation
Chairman: Liu, Weilung
Date: March 27, 2018

INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders
Lungyen Life Service Corp.

Opinion

We have audited the accompanying consolidated financial statements of Lungyen Life Service Corporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provided a separate opinion on these matter. Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

1. Revenues Recognition

   Accounting policies regarding revenues recognition can be found Notes 4 (17) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (18) Revenues.

   Explanation for key audit matters:

   The Company sells columbarium and cemetery products and provides funeral services, prepayments for products and services are paid by cash or installments. Timing of revenues recognition is judged by management team.

   Besides, as being a listed company, the Company may be affected by external investors and debtors' expectation and internal performance pressure to inflate revenues, which may bring risks to revenues recognition. Therefore, examination on revenues recognition is one of our key audit matters when auditing the Company's consolidated financial reports.

   Adaptive auditing processes:

   - Examine whether revenues were recognized based on the Company's internal control process;

   - Conduct the selective examination of sales orders, contracts and collection records to clarify whether revenues were recognized at a proper timing.

2. Goodwill and Goodwill Impairment

   Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (15) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (1); explanation of goodwill and goodwill impairment can be found in Notes 6 (8) of the consolidated financial report.

   Explanation of key auditing matters:

   The Company's goodwill and trademark were resulted from corporate acquisition; receivable amounts related to goodwill and trademark were estimated based on managers' subjective judgment thus including high uncertainty, which may result in material risks of inaccurate expression. For this reason, examination on goodwill and goodwill impairment is one of our key audit matters when auditing the Company's consolidated financial reports.

   Adaptive auditing processes:

   - Examine whether the cash generating unit and impairment test process recognized by managers were comprehensive and correct.

   - Access the rationality of evaluation method adopted by managers to evaluate receivable amounts; access the accuracy of past forecast made by managers; examine calculating and accounting records of receivable amounts of cash unit evaluated by managers; access parameters used to estimate cash flow forecast and receivable amounts (eg. sales growth rate); and examine weighted average cost of capital and parameters thereon used in the impairment tests.

Other Matter

We also audited the unconsolidated financial report of Lungyen Life Service Corp. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charge with Governance of the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA: Zeng, Guo-Yang

Lai, Li-Zeng

Approval issued by the competent securities authority:
FSC VI. Tzi No. 0940129108
March 27, 2018

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

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

		12.31.2017		12.31.2016	
	Assets	**Amount**	%	**Amount**	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 169,781	-	199,621	-
1110	Financial assets at fair value through profit or loss – current (Note 6 (2), (22) & 8)	1,457,535	3	907,233	2
1150	Notes receivable, net	16,577	-	9,712	-
1170	Accounts receivable, net (Note 7)	1,009,425	2	531,124	1
1320	Inventories (Note 6 (3), 8 & 9)	14,768,349	28	14,425,211	28
1410	Prepayments (Note 7 & 9)	9,548,767	18	8,670,520	17
1476	Other financial assets – current (Note 6 (9), 7, 8 & 9)	2,374,528	4	2,070,622	4
1479	Other current assets (Note 7 & 9)	3,497	-	5,055	-
		29,348,459	55	26,819,098	52
	Non-current assets:				
1524	Available-for-sale financial assets – non-current (Note 6 (2), (22) & 8)	8,585,120	16	8,679,735	17
1527	Held to maturity financial assets – non-current (Note 6 (2) & (22))	614,832	1	307,915	-
1542	Financial assets carried at cost – non-current (Note 6 (2))	18,992	-	18,992	-
1550	Investment under equity method (Note 6 (4) & (5))	425,480	1	450,296	1
1600	Property, plant and equipment (Note 6 (6), 7& 8)	5,844,965	11	5,866,648	12
1760	Investment property, net (Note 6 (7) & 8)	6,486,105	12	6,534,031	13
1780	Intangible assets (Note 6 (8) & 7)	764,631	1	775,226	2
1840	Deferred income tax assets (Note 6 (15))	805,900	2	801,963	2
1980	Other financial assets – non-current	45,761	-	25,159	-
1990	Other non-current assets - others	697,334	1	697,365	1
		24,289,120	45	24,157,330	48
	Total Assets	**$ 53,637,579**	**100**	**50,976,428**	**100**

		12.31.2017		12.31.2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loan (Note 6(10) & (22))	$ 2,824,000	5	7,174,900	14
2170	Payable accounts (Note 6(22) & 7)	464,114	1	444,138	1
2200	Other payable accounts (Note 6(22) & 7)	709,194	1	404,691	1
2230	Current income tax liabilities	249,060	-	88,654	-
2310	Advance receipts (Note 9)	32,222,626	60	31,668,990	62
2399	Other current liabilities - others	8,562	-	11,951	-
		36,477,556	67	39,793,324	78
	Non-current liabilities:				
2530	Corporate bond payable (Note 6(11) & (22)	3,139,651	6	-	-
2570	Deferred income tax liabilities	18,994	-	24,287	-
2640	Net defined benefit liability – non-current	31,263	-	30,058	-
2645	Deposit received (Note 6 (22))	60,931	-	52,802	-
2670	Other non-current liabilities - others	2,981	-	2,981	-
		3,253,820	6	110,128	-
	Total liabilities	39,731,376	73	39,903,452	78
	Equity attributable to owners of parent (Note 6(15) & (16)):				
3100	Capital stock – common stock	4,200,841	8	3,990,8 42	8
3200	Capital surplus	2,519,954	5	1,420,112	3
	Retained earnings:				
3310	Legal reserve	1,095,604	2	997,81 7	2
3320	Special reserve	-	-	401,665	1
3350	Unappropriated retained earnings	4,253,894	8	2,610,784	5
3400	Other equity interest	458,615	1	397,357	1
	Total equity attributable to owners of parent	12,528,906	24	9,818,577	20
36xx	Non-controlling interest (Note 6(5) & (16))	1,377,297	3	1,254,399	, 2
	Total equity	13,906,203	27	11,072,976	22
	Total liabilities and equity	**$ 53,637,579**	**100**	**50,976,428**	**100**

(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 Comprehensive Income

January 1 to December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6 (13), (18) & 7)**	$ 5,104,378	100	3,463,382	100
5000	**Operating cost (Note 6 (13) & 7)**	1,293,599	25	1,362,123	39
5900	**Operating gross profit (loss)**	3,810,779	75	2,101,259	61
	Operating expenses (Note 6 (14) & 7):				
6100	Selling expenses	965,280	19	652,664	19
6200	Administration expenses	620,414	12	599,121	17
6000	**Total operating expenses**	1,585,694	31	1,251,785	36
6500	**Other income and expenses (Note 6(20))**	-	-	82,751	2
6900	**Operating income (loss)**	2,225,085	44	932,225	27
	Non-operating income and expenses (Note 6 (21)):				
7010	Other income	398,736	8	351,579	10
7020	Other gains and losses	(85,410)	(2)	6,694	-
7050	Financial costs (Note 6 (3))	(81,040)	(2)	(87,778)	(3)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (4))	(11,190)	-	803	-
		221,096	4	271,298	7
7900	**Operating income before tax**	2,446,181	48	1,203,523	34
7950	**Less: Income tax expense (Note 6 (15))**	264,148	5	135,613	4
8200	**Net income**	2,182,033	43	1,067,910	30
8300	**Other comprehensive income:**				
8310	**Items that may not be subsequently reclassified to profit or loss:**				
8311	Revaluation of defined benefit plans	(669)	-	(97 1)	-
8360	**Items that may be subsequently reclassified to profit or loss:**				
8361	Exchange differences on translation of foreign statements	(2,157)	-	(5,365)	-
8362	Unrealized losses on available-for-sale financial assets	60,431	1	806,638	23
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	(368)	-	(1,168)	-
	Total items that may be subsequently reclassified to profit or loss	57,906	1	800,105	23
	Other comprehensive income, net	57,237	1	799,134	23
8500	**Total comprehensive income**	**$ 2,239,270**	**44**	**1,867,044**	**53**
	Net income, attributable to:				
8610	Owners of parent	$ 1,843,999	36	977,840	27
8620	Non-controlling interest	338,034	7	90,070	3
		$ 2,182,033	**43**	**1,067,910**	**30**
	Total comprehensive income, attributable to:				
8710	Owners of parent	$ 1,904,588	37	1,775,891	51
8720	Non-controlling interest	334,682	7	91,153	2
		$ 2,239,270	**44**	**1,867,044**	**53**
	Earnings per share (Note 6(17))				
9710	**Basic earnings per share (NTD)**	**$ 4.44**		**2.45**	
9810	**Diluted earnings per share (NTD)**	**$ 4.15**		**2.45**	

(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 Year of 2017 and 2016

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

	Equity attributable to owners of parent											
			Retained Earnings				Other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interest	Total equity
Balance – January 1, 2016	$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559
Net profit	-	-	-	-	977,840	977,840	-	-	-	977,840	90,070	1,067,910
Other comprehensive income	-	-	-	-	(971)	(971)	(6,533)	805,555	799,022	798,051	1,083	799,134
Total comprehensive income	-	-	-	-	976,869	976,869	(6,533)	805,555	799,022	1,775,891	91,153	1,867,044
Legal reserve	-	-	108,936	-	(108,936)	-	-	-	-	-	-	-
Special reserve	-	-	-	387,207	(387,207)	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT$0.5 per share	-	-	-	-	(199,542)	(199,542)	-	-	-	(199,542)	-	(199,542)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	7,068	-	-	-	-	-	-	-	7,068	(267,127)	(260,059)
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	345,974	345,974
Balance – September 30, 2016	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	-	-	-	-	1,843,999	1,843,999	-	-	-	1,843,999	338,034	2,182,033
Other comprehensive income	-	-	-	-	(669)	(669)	(2,525)	63,783	61,258	60,589	(3,352)	57,237
Total comprehensive income	-	-	-	-	1,843,330	1,843,330	(2,525)	63,783	61,258	1,904,588	334,682	2,239,270
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-
Cash dividends – NT$1.2 per share	-	-	-	-	(504,101)	(504,101)	-	-	-	(504,101)	-	(504,101)
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	9,961	-	9,961
Capital increasing	210,000	1,094,100	-	-	-	-	-	-	-	1,304,100	-	1,304,100
Changes in subsidiaries' equity	-	(4,219)	-	-	-	-	-	-	-	(4,219)	4,219	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(216,003)	(216,003)
Balance – September 30, 2017	**$ 4,200,842**	**2,519,954**	**1,095,601**	**-**	**4,253,894**	**5,349,495**	**(13,825)**	**472,440**	**458,615**	**12,528,906**	**1,377,297**	**13,906,203**

(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 Year 2017 and 2016

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

	2017	2016
Cash flows from operating activities:		
Profit (loss) before tax	$ 2,446,181	1,203,523
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	144,589	172,813
Amortization expense	16,039	16,446
Allowance for doubtful accounts	19,643	11,664
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(25,910)	(58,116)
Interest expense	81,040	87,778
Interest income	(115,984)	(106,690)
Dividend income	(184,701)	(136,969)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	11,190	(803)
Loss (gain) on disposal and scrap of property, plant and equipment	(179)	199
Property, plant and equipment expenses	-	342
Impairment loss on financial assets carried at costs	-	5,140
Disposal of investment gains (losses)	(27,814)	(47,903)
Exchange loss on disposal of financial assets	88,602	69,553
Total adjustments to reconcile profit (loss)	6,515	13,454
Changes in operating assets and liabilities:		
Net changes in operating assets		
Financial assets held for trading	(524,392)	286,984
Financial assets held for trading	(6,865)	13,301
Notes receivable and account receivable, net	(497,884)	(49,688)
Inventories	(343,138)	(885,709)
Biological assets	-	16,421
Prepayments	(759,634)	(225,259)
Other financial assets - current	13,044	65,544
Other current assets	1,507	(698)
Total net changes in operating assets	(2,117,362)	(779,104)
Net changes in operating liabilities:		
Accounts payable	19,978	1,554
Other payable	189,663	(37,086)
Advance receipts	553,636	2,119,119
Other current liabilities	(3,379)	2,645
Net defined benefit liabilities	536	526
Total net changes in operating liabilities	760,434	2,086,758
Total net changes in operating assets and liabilities	(1,356,928)	1,307,654
Total adjustments	(1,350,413)	1,321,108
Cash inflow (outflow) generated from operations	1,095,768	2,524,631
Interest received	109,852	99,347
Dividend received	187,000	136,793
Interest paid	(37,899)	(84,932)
Income taxes refund	-	49,398
Income taxes (paid)	(112,891)	(306,097)
Net cash flows from (used in) operating activities	1,241,830	2,419,140

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows
F For Year 2017 and 2016

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

	2017	2016
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	$ (1,124,127)	(2,804,968)
Proceeds from disposal of available-for-sale financial assets	1,218,123	1,226,136
Acquisition of hold to maturity financial assets	(309,640)	(308,491)
Acquisition of financial assets carried at costs	-	(9,900)
Payment from capital reduction of the financial assets carried at costs	-	2,856
Acquisition of investment using equity method	-	(13,008)
Payment from capital reduction of investee under equity method	11,135	-
Acquisition of property, plant and equipment	(75,765)	(250,233
Disposal of property, plant and equipment	997	256
Acquisition of intangible assets	(5,444)	(26,991)
Acquisition of investing real estate	-	(480)
Decrease (increase) in other financial assets - current	(317,515	33,950
Decrease (increase) in other financial assets - non current	(20,612)	2,127
Cash outflow due loss of control of subsidiaries	-	(134,867)
Decrease (increase) in other non-current assets	15	(39,473)
Net cash flows from (used in) investing activities	(622,833)	(2,323,086)
Cash flow from (used in) financing activities:		
Increase in short-term loans	8,804,100	7,663,400
Decrease in short-term loans	(13,155,000)	(7,729,000)
Issuance of corporate bond	3,113,000	-
Payback of long-term debt	-	(172,700)
Increase (decrease) in guarantee deposits received	8,129	(14,804)
Payment for cash dividends	(504,101)	(199,542)
Capital Increase	1,304,100	-
Change in non-controlling interests	(216,003)	345,974
Net cash flows from (used in) financing activities	(645,775)	106,672)
Effects of foreign exchange rates changes on cash and cash equivalents	(3,062)	(2,480)
Net increase (decrease) in cash and cash equivalents	(29,840)	(13,098)
Cash and cash equivalents at beginning of period	199,621	212,719
Cash and cash equivalents at end of period	**$ 169,781**	**199,621**

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

Chairman: **General Manager:** **Chief Accountant:**

Lungyen Life Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2017 and 2016

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

I. Company profile

Lungyen Life Service Corp. (Original Da Han Construction; 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 'Consolidated Company' 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 March 27, 2018.

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:

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

Amendments to IFRIC 21 “Levies” January 1, 2014

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

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

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

New／Amended／Revised Standards and Interpretations	Effective date per IASB
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 Consolidated Company 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.

   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 assessment, the Consolidated Company does not believe that the new classification requirements would have had a material impact on its accounting for trade receivables, part loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Consolidated Company had equity investments classified as available-for-sale and bonds with a fair value of $8,002,228 thousand, profit (loss) from reclassification of financial assets with a fair value of $447,886 thousand and financial assets measured at cost of $18,992 thousand that are held for long-term strategic purposes. The Company classified above investments as FVOCI at initial application of IFRS 9 thus 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. The Consolidated Company estimated that above change may decrease other equity by $208,161 thousand and increase retained earnings by 208,161 thousand.

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.

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 Consolidated Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Consolidated Company 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 Consolidated Company's assessment included an analysis to identify data gaps against current processes and the Consolidated Company 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 Consolidated Company 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 in equity; however, under IFRS No.15, management fees are thought to be consideration for C&C sites operation and management obligation specified in the contracts, thus will be recognized as revenues up to the amount the costs occurred at the time.

2) Significant financial components

FIRS 15 specified that entities shall adjust the amount of committed consideration to reflect impact of time value in money if terms regarding timing of payment and product or service delivery in the contract clearly or unclearly includes material financial benefits to

customers or entities when the contract price decided. However, above situation is not applicable for repayment if the timing of transfer of product or service is decided by customers. Currently, the advanced receipts from C&C products and pre-need funeral contracts are collected by one-time payment or installments. Customers paying installments also bear the time value cost; in comparison, customers choosing one-time payment have the right to request for immediate exercise of the contract, which means that the timing of transfer is decided by the customers thus no financial components shall be considered. Customers paying installments can only request to exercise the contract when paying up the whole amount of sales price hence contract revenues and financial components shall be separately recognized in the Comprehensive Income statement. The financial components are recognized as interest revenues in accordance with the repayment schedule.

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 Consolidated 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 Consolidated Company estimated that above changes may increase the contract assets by $7,718,654 thousand, contract liabilities by $6,516,429 thousand and retained earnings by $896,694 thousand.

However, above estimates may vary with changes of future condition and environment.

3. Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

New／Amended／Revised Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	Affective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative	January 1, 2019

Compensation"	
Amendments to IFRS 28 "Long-Term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

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

Issuance / Release Dates	Standards or Interpretations	Standards or Interpretations
January13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Consolidated Company 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 Consolidated Company completes its evaluation.

IV. Summary of significant accounting policies

The consolidated financial report utilizes significant accounting policies summary as below. Despite other explanations, the following accounting policies are all applied to the period presented in this consolidated financial report.

(I) Compliance Statement

The consolidated financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as "the Regulations" hereinafter) 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.

(II) Basis of consolidation

1. Basis of measurement

Except for the important items in the balance sheet as below, the consolidated financial report has been prepared in accordance with the historical cost:

(1) Financial instruments measured at fair value through profit or loss (including derivatives);

(2) Available-for-sale financial assets valued at fair value;

(3) Defined benefit liabilities (or assets) are recognized in accordance with the fair value of pension fund assets deducted by net present value of defined benefit obligation and maximum effects in Note 4(14).

2. Functional currency and presentation currency

Each vehicle of the Consolidated Company makes the currency of the primary economic environment its functional currency. The consolidated financial report is prepared in the Company's functional currency, NT Dollar. All financial information expressed in New Taiwan Dollar is with the monetary unit of NT$ Thousand.

(III) Basis of consolidation

1. Principle for preparation of consolidated financial statements

The Company and its subsidiaries are the business entity of the consolidated financial report prepared. The Company controls the investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are integrated into the consolidated financial statements from the day acquired control over the subsidiaries until the day loss control over the subsidiaries. The inter-company transaction, balance amount, and unrealized income and expense of the Consolidated Company are eliminated from the quarterly consolidated financial statements prepared. The consolidated profit or loss of the subsidiaries should be attributable to owners of the parent and non-controlling equity even if the non-controlling equity is with a deficit balance.

Financial statements of subsidiaries have already been adjusted properly, so that of which accounting policy consists with that used by the Consolidated Company.

If the Consolidated Company's equity ownership change in a subsidiary does not result in loss of control, it is treated as equity transaction with the shareholders. The adjusted amount of non-controlling interests, which resulted in the difference between the fair value and consideration paid or received, is recognized directly in equity and attributed to owners of the Company.

2. Losing control of the subsidiaries

When the consolidated company lost control of the subsidiary, the consolidated financial report eliminated the assets (including goodwill) and liabilities and non-controlling interests of the former subsidiary by the amount of the loss control day and revalued the retention of the investment from former subsidiary through fair value of the loss control day. The differences of disposal of profit and loss:(1)the total amount of the fair value of the consideration received and the total value of the retention of the investment in the loss control day, and (2) the assets (including goodwill) of the subsidiary and the liabilities and non-controlling interests in the loss control day. For all amounts previously recognized in the other consolidated profits and losses affiliated to the subsidiary, the basis of its accounting methods is the same as the basis as if the consolidated company disposed of the related assets or liabilities.

3. The subsidiaries included in the quarterly consolidated financial statements

The subsidiaries included in the quarterly consolidated financial statements include:

Investee	Name of subsidiary	Nature of business	Shareholding ratio		Remarks
			12.31.2017	12.31.2016	
The Company	Jin Huang Construction Co., Ltd.	Architecture and Civil Engineering business operations	98.20%	98.20%	-
The Company	Yuji Development Corp.	Funeral services business operations	54.42%	54.42%	
The Company	Dahan Property Management Co., Ltd.	Residences and buildings development and lease.	80.00%	80.00%	-
The Company	Sea Dragon Traders Ltd. (BVI)	Investment business	100.00%	100.00%	Note4 (3).5(1)
The Company	Singapore Lungyen Life Service Pte. Ltd.	Funeral services	100.00%	100.00%	-
The Company	Lung An Company Limited	Funeral services	100.00%	70.00%	Note4 (3).5(3)
Yuji Development Corp.	Lung Fu Company Limited	Funeral services	77.75%	77.75%	
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Company Limited (Lungyen (Cayman))	Investment business	100.00%	100.00%	Note4 (3).5(2)
Lungyen Cayman Company Limited	Lungyen HK Company Limited (Lungyen (HK))	Investment business	100.00%	100.00%	Note4 (3).5(2)
Lungyen HK Company Limited	Lungyen Cemetery (Wenzhou) Co. Ltd (Lungyen (Wenzhou))	Funeral services	100.00%	100.00%	Note4(3).5(2)

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

5. Changes in subsidiary:

   (1) The Company increased cash capital in Sea Dragon Traders Ltd. in June and July, 2017 and October, 2016 with a total amount of US$11,000 thousand. The pre-money and post-money percentages of ownership were both 100%.

   (2) Sea Dragon established and invested in Lungyen (Wenzhou) for US$11,000 thousand with 100% ownership through Lungten (Cayman) and Lungyen (HK) in October, 2016. In June and July, 2017, Sea Dragon increased cash capital in Lungyen (Wenzhou) for US$7,000 thousand and US$10,000 thousand through above vehicles. The post-money percentage of ownership remained 100%.

   (3) Lung An issued new common shares to increase cash capital in January, 2016 for $216,000 thousand. The Company did not subscribe the new shares by original percentage of ownership thus its shareholding ratio decreased from 100% to 70%. In January and May, 2017, the Company acquired 10,800 thousand of Lung An's outstanding shares for each transaction from other shareholder(s) at $10 per share. The Company's shareholding ratio after above transactions increased to 85% and 100% respectively.

(IV) Foreign currency

1. Transactions in foreign currencies

   Foreign currency transactions are translated in accordance with the exchange rate on the transactions date as the functional currency. Foreign currency monetary items are translated in accordance with the prevailing exchange rates into the functional currency on the end of reporting period. The exchange gain or loss is the difference between the amortized cost valued in functional currency at the beginning less the adjusted current effective interest and payment and the amortized cost value in foreign currency translated in accordance with the exchange rate on the reporting date.

   The foreign currency non-monetary item measured at fair value is translated into functional currency in accordance with the exchange rate on the valuation date. The foreign currency non-monetary item valued at historical cost is translated in accordance with the exchange rates on the transaction date.

   Except for non-monetary available-for-sale equity instrument, financial liabilities designated as hedges of foreign institution's net investment or qualified cash flow hedge, the foreign currency exchange difference arising from translation is recognized in "Other comprehensive profit or loss" while others are recognized in "Profit or loss."

2. Foreign operating agency

   Foreign institution's assets and liabilities include goodwill arising on acquisition and fair value adjustments that are translated into the functional currency on the reporting date. Except for highly inflationary economy, income and expenses are translated into the functional currency in accordance with the current average exchange rates; also, the resulted exchange differences are recognized in "Other comprehensive profit or loss."

   When the disposal of a foreign operation causes a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is

entirely reclassified as "Profit or loss." If some of the foreign institution's subsidiaries are disposed of, the related cumulative exchange difference is proportionally re-attributed to the non-controlling equity. If some of the foreign institution's affiliated enterprises or joint ventures are disposed of, the related cumulative exchange difference is proportionally re-attributed to the "Profit or loss".

For the foreign institution's monetary receivable or payable, if there is no settlement plan available and without possibility in the foreseeable future to be settled, the resulted foreign exchange gains and losses is deemed as the foreign institution's net investment and is recognized in "Other comprehensive profit or loss."

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

Assets in compliance with one of the following conditions are classified as current assets. Assets other than current assets are classified as noncurrent assets:

1. Expected to realize in the normal business cycle of the Consolidated Company, or with intent to sell or consume.
2. Primarily for trading purposes.
3. Expected to be realized within 12 months after the financial report date.
4. Cash or cash equivalent, but does not include those to be used for exchange or settlement of liabilities within 12 months after the financial report date or the restricted cash or cash equivalent.

Liabilities in compliance with one of the following conditions are classified as current liabilities. Liabilities other than current liabilities are classified as noncurrent liabilities:

1. Expected to be settled in the normal business cycle of the Consolidated Company.
2. Primarily for trading purposes.
3. Expected to be settled within 12 months after the financial report date.
4. The Consolidated Company cannot unconditionally have the settlement period extended for at least 12 months after the financial report date. The classification of the liabilities that are settled with equity instrument issued at the choice of the counterparty is not affected thereafter.

(VI) Cash and cash equivalent

Cash and cash equivalent includes cash on hand, demand deposits, and short-term with high liquidity investment that is readily convertible to known amounts of cash with insignificant risk of changes in value.

(VII) Financial instruments

Financial assets and financial liabilities are recognized when the Consolidated Company has become a party to the financial instrument contract.

1. Financial assets

The Consolidated Company's financial assets are classified as follows: "Financial assets at costs", "help-to maturity" financial assets, "available-for-sale" financial assets and "loans and receivables".

(1) Financial assets measured at fair value through profit or loss

The type of financial assets meant for the ones available-for-sale or measured at fair value through profit or loss. Available-for-sale financial assets are acquired or incurred principally for the purpose of sales or repurchase in a short term.

These financial assets are initially recognized at fair value. Transaction cost is recognized in profit or loss upon incurred. Subsequent valuation is based on the fair value measurement. The resulting gain or loss (including the related dividend income and interest income) is recognized as profit or loss; also, it is booked in the "Other profit or loss" of the "Non-operating income and expenses." The financial assets that are purchased or sold in accordance with the general trade practice are processed in accordance with the trade date accounting.

If these financial assets are an equity investment "without quoted market price and reliably measured fair value," they are measured at cost less the amount of impairment loss and it is reported in "Financial assets carried at cost."

(2) Available-for-sale financial assets

This kind of financial assets is appointed as available-for-sale or non-derivative financial assets that are not classified as other categories. Initial recognition is measured in accordance with fair value adding transaction cost which can be directly classified. Subsequent measurement is in accordance with fair value, despite deducting impairment loss, interest income calculated based on effective interest rate method, dividend income and foreign currency exchange gain or loss of monetary financial assets, other changes of book value should be recognized as other comprehensive profit or loss, and accumulated at the unrealized gain or loss of the available-for-sale financial assets under equity. When derecognizing, the accumulative profit or loss under equity is reclassified to profit or loss. When purchasing or selling financial assets utilizes transaction date accounting treatment based on transaction practices.

If this kind of financial assets is classified as equity investment "without quoted market price in active market and of which fair value cannot be reliably measured", then it should be measured based on cost deducting impairment loss, and presented as "financial assets valued at cost.

Dividend income of equity investment should be recognized when the Consolidated Company has the right to receive dividends (usually on ex-dividend date).

(3) Held-to-maturity financial assets

Such financial assets are for the comprehensive company with positive intention and ability to hold debt securities to maturity. The original recognition is based on the fair value plus the direct attributable transaction cost. The follow-up evaluation takes the effective interest rate method to be measured after the amortization cost deducted by impairment loss. When purchasing or selling financial assets in accordance with trading practices, use the trading day accounting methods.

Interest income is reported in non-operating income and other income under expenses.

(4) Loans and receivables

Loans and receivables are financial assets without quoted market price and with fixed or determinable payments, including accounts receivable and other receivables. Initially recognized at fair value plus directly attributable transaction cost. Subsequent measurement is with the use of the effective interest method by having the amortized cost less impairment loss, except for the insignificant interest recognition of short-term receivables. The financial assets that are purchased or sold in accordance with the general trade practice are processed in accordance with the trade date accounting.

Interest income is reported in the "Other income" of the "Non-operating income and expenses."

(5) Financial assets impairment

For the financial assets that are not measured at fair value through profit or loss, the impairment is assessed on each reporting date. When there is objective evidence that the estimated future cash flow of the financial asset is affected by one or more events occurred after the initial recognition, the impairment of the financial assets has already occurred.

Objective evidence of financial assets impairment includes significant financial difficulty of issuer or obligor, default (such as, interest or principal payments delay or non-performing), the debtor faces possible bankruptcy or other financial reorganization, and active financial assets market disappeared due to financial difficulty. Besides, when the fair value of available-for-sale equity investment decreases significantly or continually to lower than its cost, it is also objective impairment evidence.

The individually assessed accounts receivable without impairment is further assessed for impairment on a collective basis. Objective evidence of collective receivables impairment includes the Consolidated Company's experience in collections, the increase of delay payment over the average credit period, and the national or regional economic changes related to the delay payment on receivables.

The impairment loss amount of the financial assets measured at amortized cost is recognized for the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the financial asset's initial effective interest rate.

The impairment loss amount of the financial assets measured at cost is recognized for the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the market rate of return for similar assets. The impairment loss shall not be reversed in the subsequent periods.

All financial assets impairment loss is directly deducted from the book value of the financial asset. However, the book value of accounts receivable is decreased through the allowance account. The receivable that is concluded to be uncollectible is written off against the allowance account. Previously written off amounts that are recovered subsequently are credited to the allowance account. Changes in the book value of the allowance account are recognized in "Profit or loss".

When financial assets are measured at amortized cost, if the amount of impairment loss decreases in the subsequent period and the decrease can be objectively linked to

an event occurred after the impairment loss was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the book value of the investment on reversal date shall not exceed the amortized cost before recognizing impairment.

Available-for-sale equity method which was initially recognized as impairment loss in profit or loss should not be reversed and recognized as profit or loss. When any fair value which was recognized impairment loss rebounds, the amount should be recognized as other comprehensive income or loss, and cumulated under other equity. If the rebound amount of fair value of available-for-sale liability method can be related objectively to the event occurred after recognizing impairment loss as profit or loss, then it should be reversed and recognized as profit or loss.

Bad debt losses and reversed amount of accounts receivable is reported as administrative expense. Impairment loss and reserved amount of financial assets other than accounts receivable is reported in the “Other gains and losses” of the “Non-operating income and expenses.”

(6) Elimination of financial assets

Consolidated Company derecognizes financial assets only when the contractual rights on the cash flows from the assets are terminated, or financial assets are transferred and the ownership, risk, and returns of the financial assets have been transferred to other companies.

When one financial asset is derecognized entirely, the difference between the book value and the total amount of the received or receivable plus the amount recognized in other comprehensive profit or loss and accumulated in “Other equity - unrealized gains and losses of available-for-sale g financial assets” is recognized in “profit or loss” and is reported in the “Other gains and losses” of the “Non-operating income and expenses.”

When one financial asset is not derecognized entirely, the Consolidated Company based on the relative fair value of each portion on the transfer date has the original book value of the financial asset allocated to the continuingly recognized portion and the derecognized portion. The difference between the book value allocated to the derecognized portion and the total amount of the consideration received for the derecognized portion plus any cumulative gain or loss recognized in other comprehensive profit or loss that is allocated to the derecognized portion is recognized in “profit or loss;” also, it is reported in the “Other gains and losses” of the “Non-operating income and expenses.” The cumulative gain or loss that is recognized in “Other comprehensive profit or loss” is allocated to the continuingly recognized portion and the derecognized portion.

2. Financial liabilities

(1) Classification of liabilities or equity

The debt and equity instruments issued by the Consolidated Company are classified as financial liability or equity in accordance with the substance of contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments are the contracts commending the Consolidated Company's residual equity of assets net of liabilities. The equity instruments issued by the Consolidated Company are recognized at the purchase price net of the direct issue cost.

(2) Other financial liabilities

For the financial liability that is not available-for-sale and is not measured at fair value through profit and (including long-term and short-term loans, accounts payable, and other payables), it was initially recognized at fair value plus any directly attributable transaction cost; also, it is subsequently measured with the effective interest rate method at amortized cost. Interest expense that is not capitalized as assets cost is reported in the "Finance cost" of the "Non-operating income and expenses."

(3) Elimination of financial liabilities

Consolidated Company will have financial liabilities derecognized when the contractual obligation is performed, discharged, or expired.

When financial liability is derecognized, the difference between the book value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in "Profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

(VIII) Inventories

1. Building for sales

Inventories are measured at the lower of cost or net realizable value. Cost includes the necessary expense to prepare it in the condition available for use at the designated location and the capitalized loan cost.

Net realizable value is the estimated selling price in ordinary course of business less the estimated cost needed to complete the work and the estimated cost needed to complete the sale.Net realizable value is determined as follows:

(1) Construction Site: Net realizable value is by referring to the estimate made by the competent authorities in accordance with the prevailing market conditions.

(2) Construction in progress: Net realizable value is the estimated selling price (prevailing market conditions) less the estimated cost and selling expense needed to complete.\

(3) Real estate for sale: Net realizable value is the estimated selling price (see the estimate made by the competent authorities in accordance with the prevailing market conditions) less the estimated cost and selling expense needed to sell the real estate.

2. Invest and construct columbarium and cemetery for sale

Construction in progress includes the cost of land and construction, upon completion, the permanent right to use that has been transferred to the clients is recognized as current operating cost proportionally to the selling price of columbarium and cemetery; also, the others are recognized as columbarium and cemetery for sale. Deferred marketing expenses are the direct marketing costs incurred for the sale of columbarium and cemetery during the construction period and it will be booked as current expense when income is recognized upon completion.

Interest expense incurred to have the construction in progress (including land and construction in progress) available for use or completed shall be capitalized. Columbarium and cemetery for sale is measured at the lower of cost or net realizable value.

(IX) Construction contract

Construction contract meant for the total amount to be collected from the customers but not yet billed proportionally to the construction work completed as of the reporting date. It is measured in accordance with the cost plus recognized profits as of the reporting date and less the billing made for the construction completed and the amount of loss recognized. Cost includes all expenses directly related to a specific project and fixed and variable manufacturing overhead expense allocated in accordance with the normal capacity.

If input cost plus recognized profits exceed construction-in-progress billing, construction contract is expressed on the balance sheet as construction receivables. If the construction-in-progress billing amount is greater than the cost incurred plus recognized profits, the difference is expressed on the balance sheet as construction payables.

(X) Investments in affiliated enterprises

Affiliated enterprise is the one that the Consolidated Company has significant influence but not control over its financial and operating policies. If the Consolidated Company owns 20%~50% voting rights of the invested company, it is assumed to have significant influence.

Under equity method, the original acquisition is recognized at cost and the investment cost includes transaction cost. The book value of investments in affiliated enterprises includes the goodwill recognized in original investment net of any accumulated impairment loss.

The consolidated financial report includes the period from the date the significant influence received to the date the significant influence ceased. After adjusting the accounting policies to be consistent with the Consolidated Company's, the Consolidated Company recognizes the affiliated enterprise's profit or loss and other comprehensive profit or loss proportionally to equity.

The unrealized gains arising from the transactions conducted between the Consolidated Company and the affiliated enterprise has been written off within the range of the invested company's equity held by the Consolidated Company. The elimination method for unrealized losses is same as the one for unrealized gains, but limited to the case without evidence of impairment.

When the loss in the affiliated enterprise recognized proportionally by the Consolidated Company equals or exceeds its interest in the affiliated enterprise, stop recognizing loss; also, only recognizes additional loss and related liability upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

(XI) Investment in properties

Investment in properties is held for earning rent income or for capital appreciation, or both, rather than for normal business operation, for sale, used in production, for supply of goods or services, or for administrative purposes. Investment property is initially recognized at cost and then subsequently measured at cost again. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property,

plant, and equipment. Cost includes the expense that can be directly attributable to the real estate acquired. The cost of the self-constructed investment property includes materials, direct labor, and directly attributable cost and capitalized loan cost to have the investment property ready for use. The estimated endurance life of current and comparable period is 2~55 years.

If the intended use of an investment property is changed and it is then reclassified as property, plant, and equipment, the reclassification is made in accordance with the book value at the time of changing the intended use.

(XII) Real property, plant, and equipment

1. Recognition and measurement

The property, plant, and equipment is recognized and measured in accordance with the cost model; also, it is measured in accordance with the cost net of accumulated depreciation and accumulated impairment. Cost includes the expense directly attributable to the assets acquired. The cost of the self-constructed asset includes the cost of materials and direct labor, directly attributable cost to have the asset ready for the intended use, item dismantling and removing and the location recovery cost, and the loan cost of the capitalized assets.

When property, plant, and equipment contains different parts and each part is relatively significant comparing to the total cost of the project and the use of different depreciation rates or methods is more appropriate, it will be deemed and processed as a separate item from the property, plant, and equipment (major component).

The gain or loss from the disposition of property, plant, and equipment bases on the difference between the book value and the disposal amount; also, the net amount is recognized in the “Other gains and losses” of the “Non-operating income and expenses.”

2. Subsequent cost

If the expected future economic effect arising from the subsequent expenditures of the property, plant, and equipment will probable inflow to the Consolidated Company with an amount can be measured reliably, the expenditure is recognized as part of the book value of the item and the book value of the replaced part is then derecognized. The routine maintenance cost of the property, plant, and equipment is recognized in profit or loss upon incurred.

3. Depreciation

Depreciation is computed at the cost of an asset less its residual value over the estimated useful lives in accordance with the straight-line method. Also, it is assessed by the significant part of the asset. If the useful life of a part of the asset is different from the rest of the asset, the said part should be depreciated separately. The appropriated depreciation is recognized in profit or loss.

If the ownership of the lease asset can be acquired by the Consolidated Company on the expiry date of the lease, the depreciation can be appropriated in accordance with the estimated useful lives; the depreciation of other leased assets is appropriated in accordance with the lease term or the useful lives whichever is shorter.

Land is not depreciated.

The estimated service life of the current year and the comparative period is as follows:

(1) House and building	1～55 years
(2) Office equipment	3～5 years
(3) Transportation equipment	5 years
(4) Other equipment	1～19 years
(5) Assets rented to others	3 years
(6) Leasehold improvement	2～10 years

Depreciation methods, service life, and residual values are examined at the end of each financial year. If the expected value is different from the previous estimate, if necessary, it will be appropriately adjusted. The said changes made will be handled in accordance with the requirements of accounting estimates.

4. Reclassification to investment property

When property for own-use is changed to investment property, the book value of the property should be reclassified to investment property.

(XIII) Lease

1. Lessor

Assets held under finance leases is presented as “lease payment receivable”, at an amount equal to the net investment in the lease. Initial direct cost results from negotiation and arrangement of operating leases is included in net investment in the lease. Net investment in the lease can reflect fixed rate of return during each period and the recognition is apportioned as “financing income” during the leasing period.

The rental income from operating leases is recognized as income over the period of the lease in accordance with the straight-line method. Initial direct cost results from negotiation and arrangement of operating leases is added to book amount of lease assets, and recognized as “expense” on a straight-line basis during the leasing period. The total incentives provided to the lessee for achieving the lease arrangement is recognized as decrease of rental income over the period of the lease in accordance with the straight-line method.

Contingent rental is recognized as “current income” when rental adjustment is determined.

2. Lessee

According to leasing conditions, when the Consolidated Company takes almost all risks and returns of lease assets ownership, the classification is “finance lease”. For initial recognition, the lease assets are measured at the lower of fair value or present value of minimum lease payment before handling in accordance with relevant accounting policy.

Minimum lease payment of financing lease is amortized pro rata on financial cost and can lower outstanding liabilities. Financial cost is based on liability balance and apportioned in accordance with fixed periodic interest rate during each lease period.

”Other leases” is classified as “operating leases” and its assets are not recognized in balance sheet of the Consolidated Company.

The rent payment for operating lease (excluding insurance and maintenance service cost) is recognized as expenses over the period of the lease in accordance with the straight-line

method. The total incentive provided by the lessor for achieving the lease arrangement is debited to the rent expense over the period of the lease in accordance with the straight-line method.

Contingent rental is recognized as "current income" when rental adjustment is determined.

If a property is leased back after being sold, the recognition of profit or loss of selling the property is based on lease type of leaseback transaction. When the leaseback transaction becomes financing lease, if the sale price is equal or below fair value, profit or loss should be recognized immediately, except if a loss is compensated for by future rentals at below market price, the loss it should be amortized over the expected period of use. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the expected period of use.

When a leaseback transaction that is classified as operating lease occurs, for the fair value at the time of the transaction is less than the carrying amount case, a loss equal to the difference should be recognized immediately.

On the commencing day of a lease arrangement without legal form, the Consolidated Company should conduct evaluation. If execution of this arrangement is based on usage of specific assets and transfers the use right of the assets, this arrangement is lease or includes lease. On the commencing day of this arrangement or when reevaluating this arrangement, this lease should be classified as "financing lease" or "operating lease" in accordance with aforementioned principle.

If an arrangement includes lease and other elements, the Consolidated Company should divide the payment and other amount into lease section and other elements section based on relative fair value base. If the Consolidated Company believes that it is not possible in practice, in the case of financing lease, the payment is recognized as assets and liabilities based on fair value of the asset. Subsequently, the liability is decreased when actual paid, and the current financial cost of the liability is calculated based on incremental borrowing rate of interest of the Consolidated Company. In contrast, for the case of operating lease, all payment should be viewed as lease expenditure and disclosed details that the payment cannot be classified reliably in Note.

(XIV) Intangible assets

1. Goodwill

(1) Initial recognition

The Goodwill arising from the acquisition of subsidiaries is included in the intangible asset.

(2) Subsequent measurement

Goodwill is measured at cost net of the accumulated impairment.

2. Other intangible assets

The intangible assets acquired by the Consolidated Company are measured at cost less accumulated amortization and accumulated impairment.

3. Subsequent expense

Subsequent expense can be capitalized only when it is able to help increase the future economic benefits of specific asset. All other expenses are recognized in profit or loss upon incurred, including internally developed goodwill and brands.

4. Amortization

The amortizable amount is the cost of the asset less the residual value.

Other than goodwill and intangible assets with indefinite useful life, intangible assets are amortized in accordance with the straight-line method and the estimated useful life from the date it is available for use. Amortization amount is recognized in profit of loss:

Computer software 1~10 years

The residual value, amortization period, and amortization method of intangible assets are examined at least at the end of the fiscal year with the change deemed as changes in accounting estimates.

(XV) Non-financial assets impairment

The Consolidated Company has inventories, deferred income tax assets, and non-financial assets other than biological asset assessed for impairment on each reporting date; also, estimates the recoverable amount of the assets with a sign of impairment. If the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit the asset belongs to in order to assess impairment.

The recoverable amount is the fair value of an individual asset or cash-generating unit less selling cost and the value in use whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is less than the book value, the book value of the individual asset or cash-generating unit is adjusted down to the recoverable amount with impairment loss recognized. Impairment losses were recognized immediately in current profit or loss.

The Consolidated Company on each reporting date reassesses whether there are indications that the recognized impairment losses of non-financial assets other than goodwill may no longer exist or have decreased. If the estimates used to determine the recoverable amount are changed, the impairment loss is reversed to increase the book value of an individual asset or cash-generating unit equivalent to its recoverable amount, but may not exceed the book value of an individual asset or cash-generating unit before recognizing impairment loss and after deducting depreciation and amortization.

Goodwill and intangible assets with indefinite useful life are tested for impairment annually; also, the recoverable amount less than the book value is recognized as impairment loss.

For the purpose of impairment testing, the goodwill acquired in a business consolidation shall be allocated to the Consolidated Company’s cash-generating units (or cash-generating group) that is expected to benefit from the synergies of the consolidation effort. If the recoverable amount of the cash-generating unit is less than its book value, an impairment loss is allocated to the cash-generating unit by reducing the book value of its goodwill and then to the book value of each asset within the unit proportionally. The recognized goodwill impairment loss shall not be reversed in the subsequent periods.

(XVI) Provision for liabilities

The recognition of provision is the current obligation due to past events, so that the Consolidated Company will probably need to flow out economic resources to pay off obligations, and the obligations can be reliably estimated. Provision can reflect that current market discounts time value of money and the pre-tax discount rate of liability specific risk evaluation to present value, the amortization of discounting should be recognized as interest expense.

(XVII) Income recognition

1. Invest and construct columbarium and cemetery for sale

   The proceeds collected for the sales of columbarium and cemetery is booked as advanced receipts and will be recognized as operating income once the permanent right to use is transferred to the client upon completion.

   According to Ministry of the Interior, “store ashes units traded the right to use standard contracts shall be documented and recorded" the Act applied to all contract signed after April 1, 2013, in accordance with the historical experience of estimated future occurrence of termination refund and ready to use right of life of the related liabilities of the undertaking.

2. Funeral service

   Funeral service is recognized as income upon the completion of the labor service.

   The proceeds collected for the sales of reserved labor service is recognized as operating income upon the completion of the labor service. The direct marketing expense incurred for the sale of contracted labor service is booked as deferred marketing expense and it is recognized as current expense upon the completion of the labor service.

3. Construction contract

   Contract income is recognized when it is highly probable and can be measured reliably, including the original amount of the contract signed plus any changes associated with the contract, requested compensation, and incentive payments. When the outcome of a construction contract can be estimated reliably, the income and cost related to the construction contract should be recognized as income and expenses on the balance sheet date with reference to the completion of contract activity. The cost of the future events related to the contract should be recognized as assets to the extent of the recoverable amount.

   By the nature of the contract, the degree of completion is based on the contract cost incurred proportionate to the estimated total contract cost. If the outcome of a construction contract cannot be estimated reliably, contract income is recognized only to the extent of the expected recoverable cost; also, the expected contract loss is recognized immediately in profit or loss.

4. Rent income

   The rent income arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The income generated from the sublease of property is recognized in the “Rent income” of the operating income.

(XVIII) Employee welfare

1. Defined contribution plan

   The defined contribution plan obligation is recognized as employee welfare expense during the labor service period.

2. Defined benefit plan

   The retirement pension plan that is not a defined contribution plan is a defined benefit plan. The Consolidated Company's net obligation under the defined benefit plan is the future benefits earned by employees currently or in the past and it is discounted to present value. Any unrecognized prior service cost and the fair value of the project assets is deducted or eliminated. Discount rate is based on the interest rate that is with a maturity date close to the net obligation deadline of the Consolidated Company and the currency of denomination same as the market yield rate of government bonds for the expected benefit payment on the reporting date.

   Enterprise's annual net obligation is calculated by a qualified actuary with the use of a projected unit welfare method. When the calculation result is favorable to the Consolidated Company, the recognized asset is limited to the total amount of any unrecognized prior service cost and the present value of the total economic benefits available from the future refund of the plan or reduction of funding to the plan. The calculation of the present value of any economic benefits shall consider the minimum capital appropriation requirement applicable to any plan of the Consolidated Company. If the benefit can be realized during the project period or when the project liabilities settled, it means economic benefit to the Consolidated Company.

   When the content of the planned welfare is improved, the welfare increase due to the service performed by the employees is recognized in profit or loss in accordance with the straight-line method over the average welfare vesting period. The associated expense of the vested benefit is recognized in profit or loss immediately.

   The Consolidated Company's actuarial gains and losses of the defined benefit plans arising subsequently is recognized immediately in the "Other comprehensive profit or loss."

   Net reconciliation of the welfare liabilities (assets) included (1) actual profit and loss; (2) plan assets remuneration, but not including the amount of net interest included in the net fixed liability (assets); and (3) any change in the number of assets, but not including the amount of net interest included in net fixed liability (assets). Net reconciliation of welfare liabilities (assets) is recognized under other comprehensive profit and loss items.

   The reconciliation amount of the confirmed welfare plan of the consolidated company is continued to be recognized as retained earnings.

   Consolidated Company shall have the curtailment or settlement gain or loss of the defined benefit plan recognized upon occurrence. Curtailment or settlement gain or loss includes any changes in the fair value of plan assets, changes in the present value of the defined benefit obligation, any previously unrecognized actuarial gain or loss, and prior service cost.

3. Short-term employee welfare

   Short-term employee benefit obligation is measured on an undiscounted basis and is

recognized as expense when the related services are provided.

For the short-term cash bonus or the amounts expected to be paid under the bonus plan, if the Consolidated Company has a present legal or constructive obligation to pay for the services rendered by employees before and the obligation can be estimated reliably, the amount is recognized as a liability.

(XIX) Income tax

Income tax expense comprises current and deferred tax. In addition to the business combination are recognized directly in equity or in other comprehensive income related to the project, as the current income tax and deferred tax should be recognized in profit or loss.

Income tax includes current year taxable income (loss) of the reporting date at the statutory rate or the rate of substantive legislation expected tax payable or receivable tax refund calculation, and any adjustment to tax payable in previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base amount of measure to be recognized. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

1. Does not belong to a business combination and trading upon initial recognition of an asset or liability and, at the time of the transaction affects neither the accounting profit nor taxable income (loss) persons.
2. Equity investments in subsidiaries and joint ventures generated, and it is probable in the foreseeable future will not swing by.
3. Original goodwill recognized.

Deferred income tax is based on the expected tax asset is realized or the liability is settled the current measure and report the date of the statutory tax rate or rates based on substantive legislation.

When Consolidated Company will only meet the following conditions, before the deferred tax assets and deferred tax liabilities offsetting:

1. There is a legally enforceable right to set off current tax assets against current tax liabilities netted; and
2. Deferred tax assets and deferred tax liabilities and one of the following tax levied by the same taxation authority of the taxable entity;
   (1) the same taxable entity; or
   (2) different taxable entities, provided that each of the main intentions of each future period in which significant amounts of deferred tax assets and deferred tax liabilities are expected recovery is expected to be settled, the current income tax liabilities and assets in order to settle on a net basis, or to realize asset and settle the liability.

For unused tax losses and unused tax credits handed turn late, and deductible temporary differences, within the range of probable future taxable income available for use, are recognized as deferred income tax assets. And date to be re-assessed at each reporting be reduced on the related income tax benefit is likely to fall within the scope of non-realized.

(XX) Earnings per share

Consolidated Company lists the basic and diluted earnings per share of the common stock shareholders of the Company. The Consolidated Company's basic earnings per share is based on the profit or loss of the Company's common stock shareholder divided by the weighted average number of outstanding common stock shares of the period. The Consolidated Company's diluted earnings per share is to have the profit or loss of the Company's common stock shareholder and the weighted average number of outstanding common stock shares calculated after having the effect of the potential diluted common stock adjusted respectively. The Consolidated Company's potential diluted common stock includes the estimated bonus to employees.

(XXI) Department information

An operating segment is an integral part of the Consolidated Company, engaged in the business activities that may earn income and incur expenses (including the income and expense of the transactions conducted with other divisions within the Consolidated Company).All operating segments' operating results are regularly reviewed by the chief operator of the Consolidated Company for decision-making in regard of the resource allocation to each division and evaluating its performance. Each operating division has independent financial information provided.

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

When the management has the consolidated financial statements prepared in accordance with the International Accounting Standard 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 administering authority continually checks estimation and basic assumption. The accounting estimated changes are recognized in the changeable period and future period being impacted.

(1) The following information is for the assumptions of uncertainty and the estimation having significant risks that will result in significant adjustments in the following year:

• Impairment of goodwill and trademark

The Consolidated Company conducts impairment test every year to determine whether the receivable amount is less than book value and recognize the difference as impairment loss. Goodwill acquired from corporate acquisition shall be allocated to cash generating units (or cash generating unit group) benefited by the merging synergy when conducting impairment test. If receivable amount of one cash generating unit is less than its book value, book value of goodwill allocated to the unit will be written-off first, then allocate book value of the unit's assets proportionally to each asset. However, important assumptions may vary with changes of market and economic condition. Explanation for related key assumptions can be found in Note 6 (8).

(2) Estimate Processes

The accounting policies of the Consolidated Company and disclosures include the conducting of fair value to measure their financial and nonfinancial assets and liabilities. The Consolidated Company establishes the relevant internal control system for the fair value measure. Including the establishment of an evaluation team to be responsible for reviewing all significant fair value

measurements (including the third level of fair value) and reporting directly to the Chief Financial Officer.

The evaluation team regularly reviews significant and unobservable input values and adjustments. If the input value used to measure the fair value is used from external third party information (such as broker or pricing service), the evaluation team will evaluate the evidence provided by the third party to support the input value to determine the rating and its fair value class is in compliance with the International Financial Reporting Standards.

The evaluation team also reports on major issues to the audit committee of the Consolidated Company. The investment property is appraised regularly by the Consolidated Company according to the evaluation method and the parameter hypothesis of the financial management committee.

Consolidated companies use their observing input value as much as possible when measuring their assets and liabilities. The level of fair value is based on the input value of the evaluation technique as follows:

Level 1: Public offer (unadjusted) of the same asset or liability in the active market.

Level 2: In addition to the public quotation at the first level, the input parameters of the asset or liability are observed directly (ie, price) or indirectly (ie derived from the price).

Level 3: Input parameters for assets or liabilities are not based on observable market data (non-observable parameters).

In the event of a transfer of the fair value between the grades, the Consolidated Company shall indicate the transfer on the reporting date.

Please refer to the following notes in the relevant information on the assumptions used in measuring the fair value:

Note 6 (22), financial instruments

VI. Important accounting accounts

(I) Cash and cash equivalent

	12.31.2017	12.31.2016
Cash on hand	$ 5,690	4,19
Check deposits	161,997	193,26
Demand deposits	94	16
Time deposits	2,000	2,00
Cash and cash equivalent on the Consolidated Statement of Cash Flow	**$ 169,781**	**199,62**

1. Time deposits with maturities of within 3 months, which are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, are classified as cash and cash equivalents.
2. For the interest rate risk and sensitivity analysis disclosure of the consolidated company's financial assets and liabilities, please refer to Note 6(22).

(II) Financial assets

1. Details are as follows:

	12.31.2017	12.31.2016
Financial asset at fair value through profit and loss- current		
Domestic and foreign common stocks	$516,334	538,167
Beneficiary certificates	941,201	369,066
Total	**$ 1,457,535**	**907,233**
Available-for-sale financial assets – non-current		
Domestic and foreign common stocks	$6,365,378	6,267,346
Bond investment	1,832,729	1,625,658
Beneficiary certificates	387,013	786,731
Total	**$ 8,585,120**	**8,679,735**
Held to maturity financial assets - non current		
Bond Investment	614,832	307,915
Total	**$614,832**	**307,915**
Financial assets valued at cost		
Stock Investment – PK Venture Capital Corp.	$3,277	3,277
Stock Investment – FORTUNE IC FUND I	4,030	4,030
Stock Investment – Chen-Yuan Industry Co., Ltd.	1,785	1,785
Stock Investment – Creative Space Design. Co., Ltd	9,900	9,900
Total	**$ 18,992**	**18,992**

(1) The Consolidated Company's stock investment valued at cost referred to above is measured in accordance with the cost net of impairment on the reporting date. Due to the significant range of the reasonable estimate of the fair value and the probability of various estimates cannot be reasonably assessed; the Consolidated Company's management believes that its fair value cannot be reliably measured.

(2) Investee company PK Venture Capital Corp. decided to perform reduction of cash capital in 2016, the Consolidated Company received capital reduction refund of NT$4,398 thousand. Additionally, NT$5,140 thousand of impairment loss was reported in 2016.

(3) The Company invested NT$4,500 thousand in Fuyou Healthcare Co., Ltd. in 2016 and was approved to be disbanded on April 19 2015.

(4) The Company invested in Creative Space Design Co., Ltd. in May 2016 and July 2016 respectively with the total investing amount of NT$9,900 thousand and owned 19.8% of shareholding.

(5) In order to acquire long-term stable dividend income, the Consolidated Company invested stocks of domestic listed companies for total NT$5,760,549 thousand at the end of 2017, without any control ability and significant influence, and recognized it under available-for-sale in accordance with holding intention.

(6) The coupon rates range of the Consolidated Company's available-for-sale financial

assets – non-current on December 31, 2017 and 2016, were 2.10%~6.38% and 2.63%~4.50%, respectively. Above financial assets matured or will mature in 2020 ~2046 and 2017 ~ 2046, respectively.

(7) At the end of December 31, 2017 and 2016, the Company has invested in held-to-the-maturity corporate bonds, with a coupon rate of 1.85%~2.08% and 1.90%~2.08%, respectively. The maturity period is from 2021-2025.

(8) With respect to details of transferring from financial assets measured at fair value through profit or loss to the Trust as of December 31, 2017, and 2016, please refer to Note 9(3) for more information.

(9) As of December 31, 2017 and 2016, the Consolidated Company did not have its financial assets pledged as collateral. Please refer to Note 8 for more information.

2. The Consolidated Company has disclosed the credit, currency, and interest rate exposure related to the financial instruments on Note 6(22).

Sensitivity analysis - Equity price risk

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:

	2017		**2016**	
Stock price on the reporting date	**Other consolidated profit or loss after tax**	**Profit or loss after tax**	**Other consolidated profit or loss after tax**	**Profit or loss after tax**
Increased by 10%	$ 632,807	49,184	624,160	50,963
Decreased by 10%	$ (632,807)	(49,184)	(624,160)	(50,963)

(III) Inventory

	12.31.2017	**12.31.2016**
Real estate for sale	$ -	4,008
Columbarium and cemetery for sale	2,477,979	2,015,577
Construction Site	4,600,606	4,597,067
Residential and building under construction	74,602	63,500
Columbarium and cemetery under construction	7,615,162	7,745,059
	$ 14,768,349	**14,425,211**
Expected to be recovered in more than twelve months	**$ 14,593,436**	**14,276,031**

1. In the year 2017 and 2016, the amount the Consolidated Company recognized as capitalization of interests of residential and building under construction and columbarium and cemetery under construction was 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 December 31, 2017 and 2016, please refers to Note 8.

(IV) Investments under equity method

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

	12.31.2017	12.31.2016
Investment in affiliated enterprises	$ 425,480	450,296

• Affiliated enterprises

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	
			12.31.2017	12.31.2016
Lung Ting Life Sciences Co. Ltd.	Flower cultivation, wholesales, and retail business	Taiwan	49.00%	49.00%

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

• Financial information for Lung Ting Life Sciences Ltd.:

	12.31.2017	12.31.2016
Current assets	$ 205,070	224,582
Non-current assets	295,178	296,535
Current liabilities	(11,272)	(11,198)
Net assets	$ 488,976	509,919
Net assets attributable to controlling equity	$ 249,378	260,059
Net assets attributable to the owner of the investee	$ 239,598	249,860
	2017	2016
Profits from biological assets	$ 98,299	82,751
Net income	$ (20,943)	(99,822)

Other comprehensive income	-	-
Total comprehensive income	$ (20,943)	(99,822)
Total comprehensive income attribute to controlling equity	$ (10,681)	(15,902)
Total comprehensive income attribute to owner of the investee	$ (10,262)	(83,290)

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

	12.31.2017	12.31.2016
Ending balance of affiliated enterprise under equity method which is not significant individually	$ 185,882	200,436

	2017	2016
Attribute to the Company:		
Continuing operations' current loss	$ (928)	803
Other comprehensive profit or loss	(368)	(1,168)
Total comprehensive profit or loss	$ (1,296)	(365)

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$13,008 thousand)，and the shareholding ratio was 40%，with significant influence. W&W PROFESSIONAL MANAGEMENT LIMITED deducted 40% of its total capital in February, 2017 and paid back cash of US$ 360 thousand.

3. As of December 31, 2017 and 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:

		Proportion of shareholdings held by non-controlling interest and voting rights	
Name of subsidiaries	**Main operation location /Country of registration**	**12.31.2017**	**12.31.2016**
Yuji	Taiwan	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:

		12.31.2017	12.31.2016
Current asset	$	2,927,368	2,247,743
Non-current asset		381,974	411,741
Current liability		(383,203)	(470,575)
Equity	**$**	**2,926,139**	**2,188,909**
Book value of ending non-controlling interests	**$**	**1,313,986**	**997,959**

		2017	2016
Operating revenue	$	1,276,921	430,116
Net income	$	744,583	239,366
Other comprehensive income		(7,353)	2,376
Total comprehensive income	**$**	**737,230**	**241,742**
Net income, attributable to non-controlling interest	**$**	**339,382**	**109,979**
Total comprehensive income, attributable to non-controlling interest	**$**	**336,030**	**111,061**

		2017	2016
Cash flows from operating activities	$	(830)	333,925
Cash flows from investing activities		20,560	(111,796)
Cash flows from financing activities		(18,000)	(226,208)
Net cash flow increase (decrease)	**$**	**1,730**	**(4,079)**
Cash dividend paid to non-controlling equity	**$**	**-**	**111,319**

(VI) Property, plant, and equipment

The changes in the cost, depreciation, and impairment loss of the consolidated company's property, plant, and equipment in 2017 and 2016 as follows:

		Land	Houses and buildings	Transportation equipment	Office equipment	Leased assets and leasehold improvements	Other equipment	Construction in progress and equipment to be tested	Total
Cost or identified cost:									
Balance on January 1, 2017	$	2,357,212	2,731,678	79,074	55,214	4,100	147,689	1,030,922	6,405,889
Additions		-	4,536	3,825	1,237	-	7,834	58,333	75,765
Disposal and scrap		-	-	(6,560)	(169)	-	(692)	-	(7,421)
Loss control of subsidiaries		1,994	34,596	17,029	-	-	15,257	(66,882)	1,994
Reclassification		-	-	35	1	-	-	-	36
Balance on December 31, 2017	**$**	**2,359,206**	**2,770,810**	**93,403**	**56,283**	**4,100**	**170,088**	**1,022,373**	**6,476,263**
Balance on January 1, 2016	$	2,705,209	2,885,182	81,576	141,787	4,251	140,380	1,061,530	7,019,915

Additions	330	11,181	1,812	1,078	186	19,133	226,780	260,500
Disposal and scrap	-	-	(4,028)	(1,463)	-	(3,950)	-	(9,441)
Loss control in subsidiaries	-	(216,625)	(286)	(86,188)	(337)	(25,625)	-	(329,061)
Reclassification	(348,327)	51,940	-	-	-	17,751	(257,388)	(536,024)
Balance on December 31, 2016	**$ 2,357,212**	**2,731,678**	**79,074**	**55,214**	**4,100**	**147,689**	**1,030,922**	**6,405,889**
Depreciation and impairment loss:								
Balance on January 1, 2017	$ -	379,721	63,394	53,622	2,933	39,571	-	539,241
Current depreciation	-	70,129	12,169	605	180	15,574	-	98,657
Disposal	-	-	(5,805)	(161)	-	(637)	-	(6,603)
Reclassification	-	-	3	-	-	-	-	3
Balance on December 31, 2017	**$ -**	**449,850**	**69,761**	**54,066**	**3,113**	**54,508**	**-**	**631,298**
Balance on January 1, 2016	$ -	353,108	56,170	59,822	2,523	31,713	-	503,336
Current depreciation	-	79,921	10,625	10,251	537	14,620	-	115,954
Disposal	-	-	(3,306)	(1,463)	-	(3,875)	-	(8,644)
Loss control in subsidiaries	-	(19,157)	(95)	(14,988)	(127)	(2,887)	-	(37,254)
Reclassification	-	(34,151)	-	-	-	-	-	(34,151)
Balance on December 31, 2016	**$ -**	**379,721**	**63,394**	**53,622**	**2,933**	**39,571**	**-**	**539,241**
Book value:								
December 31, 2017	**$ 2,359,206**	**2,320,960**	**23,642**	**2,217**	**987**	**115,580**	**1,022,373**	**5,844,965**
January 1, 2016	**$ 2,705,209**	**2,532,074**	**25,406**	**81,965**	**1,728**	**108,667**	**1,061,530**	**6,516,579**
December 31, 2016	**$ 2,357,212**	**2,351,957**	**15,680**	**1,592**	**1,167**	**108,118**	**1,030,922**	**5,866,648**

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 breakdown of the amount of guarantees and other financing as of December 31, 2017 and 2016, please refer to Note 8.
3. For part of property, plant and equipment in trust case as of December 31, 2017 and 2016, please refer to Note 9 (3).

(VII) Investment property

	Land and improvements	Building and structure	Total
Cost or identified cost:			
Balance on January 1, 2017	$ 5,024,142	1,992,136	7,016,278
Reclassification	(1,994)	-	(1,994)
Balance on December 31, 2017	**$ 5,022,148**	**1,992,136**	**7,014,284**
Balance on January 1, 2016	$ 4,597,840	1,882,725	6,480,565
Additions	-	480	480
Reclassification	426,302	108,931	535,233
Balance on December 31, 2016	**$ 5,024,142**	**1,992,136**	**7,016,278**
Depreciation and impairment loss:			
Balance on January 1, 2017	$ 19,910	371,327	391,237
Current depreciation	-	56,859	56,859
Balance on December 31, 2017	**$ 19,910**	**462,337**	**482,247**
Balance on January 1, 2016	$ 19,910	371,327	391,237
Current depreciation	-	56,859	56,859
Reclassification	-	34,151	34,151
Balance on January 1, 2016	**$ 19,910**	**462,337**	**482,247**
Book value:			
December 31, 2017	**$ 5,002,238**	**1,483,867**	**6,486,105**
January 1, 2016	**$ 4,577,930**	**1,511,398**	**6,089,328**
December 31, 2016	**$ 5,004,232**	**1,529,799**	**6,534,031**
Fair value:			
December 31, 2017			**$ 10,499,022**
December 31, 2016			**$ 11,479,994**

1. Investment property contains a number of commercial properties leased to others. Please refer to Note 6(18).
2. The fair value of investment property is evaluated based on near transaction prices.
3. With regards to real estate delivered to investment trust case as of December 31, 2017 and 2016, please refer to Note 9(3).
4. With regards to details of guarantees for financing facilities provided as of December 31, 2017 and 2016, please refer to Note 8.

(VIII) Intangible assets

The cost, depreciation, and impairment loss of the Consolidated Company's intangible assets as of 2016 and 2015 are as follows:

	Goodwill	Trademark	Computer software	Total
Cost:				
Balance on January 1, 2017	$ 542,428	192,750	116,510	851,688
Acquired separately	-	-	5,444	5,444
Balance on December, 31, 2017	**$ 542,428**	**192,750**	**121,954**	**857,132**
Balance on January, 1, 2016	$ 542,428	192,750	95,480	830,658
Acquired separately	-	-	26,991	26,991
Reclassification	-	-	(951)	(951)
Loss control of subsidiaries	-	-	(5,010)	(5,010)
Balance on December, 31, 2016	**$ 542,428**	**192,750**	**116,510**	**851,688**
Amortization and impairment loss:				
Balance on January 1, 2017	$ -	-	76,462	76,462
Current amortization	-	-	16,039	16,039
Balance on December 31, 2017	**$ -**	**-**	**92,501**	**92,501**
Balance on January 1, 2016	$ -	-	61,162	61,162
Current amortization	-	-	16,446	16,446
Loss control of subsidiaries	-	-	(1,146)	(1,146)
Balance on December 31, 2016	**$ -**	**-**	**76,462**	**76,462**
Book value:				
Balance on December 31, 2017	**$ 542,428**	**192,750**	**29,453**	**764,631**
Balance on January 1, 2016	**$ 542,428**	**192,750**	**34,318**	**769,496**
Balance on December 31, 2016	**$ 542,428**	**192,750**	**40,048**	**775,226**

Consolidated Company executed annually at the reporting date for impairment assessment of goodwill and trademarks, on December 31, 2017 and 2016, through the implementation of impairment testing, goodwill and trademark rights should be recognized without impairment losses. Hereby will calculate the recoverable amount is based key assumptions are summarized as follows:

(1) Department of estimated future cash flows based on historical operating performance management authorities and planning future operations of the five-year budget forecast.

(2) Pre-tax discount rate is calculated using the value system adopted in accordance with the industry weighted average cost of capital (WACC) for the estimation basis.

(IX) Other financial assets - current

The Consolidated Company's other financial assets as below:

	12.31.2017	12.31.2016
Time deposit – trust account	$ 609,698	314,242
Current deposit – trust account	637,912	444,866
Current deposit – management account	881,491	956,075
Guarantee Deposit	-	312,168
Financial management products	146,080	-
Other receivables	4,735	13,453
Bond interest receivables	19,950	16,597
Limited assets	709	709
Securities sales receivables	64,161	-
Others	9,792	12,512
Total	**$ 2,374,528**	**2,070,622**

(X) Short-term loan

The Consolidated Company's short-term loan details, conditions, and terms are as follows:

	12.31.2017	12.31.2016
Guaranteed bank loans	$ 2,492,000	6,835,000
Unguaranteed bank loans	332,000	339,900
Total	**$ 2,824,000**	**7,174,900**
Unused limit	**$ 2,404,000**	**4,178,100**
Interest rate range	**0.68%~1.83%**	**0.73%~1.25%**

1. For disclosure information of interest rate, foreign currency and liquidity risk of the Consolidated Company, please refer to Note 6(22).
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:

	12.31.2017	12.31.2016
Unsecured convertible bond	**$ 3,139,651**	**-**
Equity component- convertible rights (booked as capital reserve)	**$ 9,961**	**-**

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

Item	Content
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

(XII) Long-term loan

The Consolidated Company repaid its long-term debt in all for NT$172,200 thousand in 2016. Balances of long-term debt as of December 31, 2016 and 2017 were both NT$0.

(XIII) Operating lease

For the Consolidated Company's investment property leased as operating rental, please refer to Note 6(8). The future minimum lease payment receivable of the irrevocable lease term is as follows:

	12.31.2017	12.31.2016
Within 1 year	$ 194,008	183,450
1~5 years	565,082	544,046
Over 5 years	1,429,820	1,489,009
	$ 2,188,910	**2,216,505**

The rent income arising from the investment property amounted to NT$189,921 thousand and NT$155,617 thousand as of 2017 and 2016, respectively. The repair and maintenance expense (booked in the "Operating cost") incurred from investment property is as follows:

	2017	2016
Rent income generated	$ 91,468	108,940
Rent income not generated	-	-
	$ 91,468	**108,940**

(XIV) Employee welfare

1. Defined benefit plan

The Consolidated Company's recognized defined benefit obligation assets are as follows:

	12.31.2017	12.31.2016
Total present value of obligations	$ 38,896	37,579
The fair value of plan assets	(7,633)	(7,521)
Recognized defined benefit obligations liability (asset), net	**$ 31,263**	**30,058**

Consolidated Company's defined benefit plan is with fund appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

(1) Composition of plan assets

The pension fund appropriated by the Consolidated Company in accordance with the Labor Standards Act is managed by the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan (referred to as the "Labor Pension Fund Supervisory Committee" hereinafter). According to the "Guidelines for Labor Pension Fund Safekeeping and Implementation," the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank's two-year time deposit.

The Consolidated Company's labor pension fund account at the Bank of Taiwan is with a balance of NT$7,633 thousand and NT$7,521 thousand as of the report day. Labor Pension Fund Asset Management information includes fund yield rate and pension asset allocation. Please refer to the website of the Pension Fund Supervisory Committee of the Council of Labor.

(2) Changes in value of defined benefit obligation

The Consolidated Company's changes in value of defined benefit obligation for 2017 and 2016 as follows:

	2017	2016
Value of defined benefit obligation balance January 1	$ 37,579	35,992
Current service cost and interest	692	680
Re-measurement of net defined benefit obligation liability		
—Actuarial loss (gain) adjusted based on experience	(1,205)	376
—Actuarial loss (gain) caused by change of demographic statistics assumption	623	531
—Actuarial loss (gain) caused by change of finance assumption	1,207	-
Value of defined benefit obligation balance December 31	**$ 38,896**	**37,579**

(3) Changes in the present value of plan assets

Annual Consolidated Company 2017 and 2016 changes in the present value of the defined benefit plan assets are as follows:

	2017	2016
The fair value of plan assets on January 1	$ 7,521	7,431
Interest income	118	117
Re-measurement of net defined benefit obligation liability (asset)		
—Expected return on plan assets (excluded current interest)	(44)	(64)
Appropriated amount	38	37
The fair value of the plan assets is December 31	**$ 7,633**	**7,521**

(4) Expenses through profit or loss

The Consolidated Company recognized gains and losses for year 2016 and 2015 as follows:

	2017	2016
Current service cost	$ 130	141
Net interest of net defined benefit obligation liability	444	422
	$ 574	**563**
Operating expense	**$ 574**	**563**

(5) Actuarial gains and losses recognized in other comprehensive (loss) income

The Consolidated Company actuarial gains and losses recognized in other comprehensive (loss) income for year 2017 and 2016 as follows:

	2017	2016
January 1 cumulative balance	$ (8,516)	(7,545)
Recognition during this period	(669)	(971)
December 31 cumulative balance	**$ (9,185)**	**(8,516)**

(6) Actuarial assumptions

The Consolidated Company's principal actuarial assumptions (expressed as weighted average) in 2017 and 2016 are as follows:

	12.31.2017	12.31.2016
Discount rate	1.25%	1.50%
Future salary increases	2.00%	2.00%

The Consolidated Company expects to pay appropriated amount NT$726 thousand to defined benefit plan within 1 year after report day of 2017.

The weighted average duration of defined benefit plan is 12 years.

(7) Sensitivity Analysis

When calculating present value of defined benefit obligation, the Consolidated Company must design balance sheet related actuarial assumption using judgment and estimation, including discount rate, employee turnover rate and future change of wage. Any changes in actuarial assumption may influence defined benefit obligation amount of the Consolidated Company significantly.

On December 31, 2017 and 2016, impact to present value of defined benefit obligation caused by main actuarial assumption change as below.

	Impact to defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2017		
Discount rate (change 0.25%)	$ (1,232)	1,286
Future wage increase (change 0.25%)	1,274	(1,226)
December 31, 2016		
Discount rate (change 0.25%)	(1,252)	1,309
Future wage increase (change 0.25%)	1,299	(1,249)

Abovementioned sensitivity analysis is based on no change of other assumption and analyzes impact of individual assumption change. In practice, many assumption changes may be related. The method of sensitivity analysis and calculation of net defined benefit liability of balance sheet is consistent.

The method of sensitivity analysis is the same to previous one.

2. Defined contribution plans

Defined contribution plans of the Consolidated Company is in accordance with Labor Pension Act and appropriate 6% of monthly wage of labor to labor pension individual account of Bureau of Labor Insurance. Under this plan, the Consolidated Company appropriate fixed amount to Bureau of Labor Insurance and does not have legal or constructive obligation to pay extra amount.

As of 2017 and 2016, the Consolidated Company actual appropriated pension expense is NT$18,735 thousand and NT$20,121 thousand, respectively. The amount has already been appropriated to Bureau of Labor Insurance.

(XV) Income tax

1. Income tax expense

The Consolidated Company's income tax expenses of 2017 and 2016 as follows：

	2017	2016
Current income tax expenses		
Current period charge	$ 243,300	134,160
Overestimation of previous income tax	(3,640)	(22,845)
Land appreciation tax	1,562	2,675
10% surtax on undistributed earnings	77,665	39,702
	318,887	153,692
Differed income tax expenses (profits)		
Origination and reversal of temporary differences	(54,739)	(18,079)
Income tax expenses	**$ 264,148**	**135,613**

2. The Consolidated Company's adjustment between the relationship of income and income before tax as follows:

	2017	2016
Pre-tax profit	$ 2,446,181	1,203,523
Income tax rate calculation using the domestic tax rate	446,402	294,119
Tax-exempt income	(238,460)	(160,109)
Restoration of temporary management fee received in advance	(6,761)	(9,326)
Prior period overestimated income tax	(8,933)	(22,845)
Land appreciation tax	1,562	2,675
Undistributed earnings to 10%	77,665	39,702
Other	(7,327)	(8,603)
	$ 264,148	**135,613**

3. Deferred tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

December 31, 2017 and 2016 temporary differences associated with investments in subsidiaries due to the Consolidated Company can control the timing of reversal of temporary differences, and the belief in the foreseeable future will not swing, so unrecognized deferred income tax liabilities. Related amounts are as follows:

	12.31.2017	12.31.2016
Temporary differences associated with investments in subsidiaries aggregated amount	$ 42,400	71,122
Amount not recognized as deferred tax liabilities	$ 7,208	12,091

(2) Unrecognized deferred tax assets

The Company unrecognized deferred income tax assets as follows:

	12.31.2017	12.31.2016
Deductible temporary differences	$	756
Tax loss	12,899	8,998
	$ 12,899	9,754

Department of taxable losses in accordance with the provisions of the Income Tax Act, the tax authorities until after ten years' losses derived from the current year net interest deduction, tax re-nuclear course. These items are not recognized as deferred tax assets was due to the Consolidated Company is not very probable that sufficient taxable income in the future for the use of temporary differences.

Ended December 31, 2017, the Consolidated Company has not yet recognized as tax loss deferred tax asset, net of its period as follows:

Deductible Year	Losses yet to be deducted	Last Deductible Year
Authorized loss in 2008	$ 4,376	2018
Authorized loss in 2010	2,601	2020
Authorized loss in 2011	101	2021
Authorized loss in 2012	1,953	2022
Authorized loss in 2013	13,416	2023
Authorized loss in 2014	3,898	2024
Authorized loss in 2015	15,291	2025
Authorized loss in 2016	17,929	2026
Authorized loss in 2017	16,314	2027
	$ 75,879	

(3) Recognized deferred tax assets and liabilities

Changes in assets and liabilities of the years ended 2017 and 2016 deferred income tax as follows:

Deferred income tax liabilities:

	Goodwill and trademark amortization	Other	Total
January 1, 2017	$ 21,172	3,115	24,287
Debit (credit) to income statement	(7,569)	-	(7,569)
December 31, 2017	**$ 13,603**	**3,115**	**16,718**
January 1, 2016	$ 46,472	3,115	49,587
Debit (credit) to income statement	(25,300)	-	(25,300)
December 31, 2016	**$ 21,172**	**3,115**	**24,287**

Deferred tax assets:

	Cemetery Revenue	Contract Revenue	Other	Total
January 1, 2017	$ 647,612	101,780	52,571	801,963
(Debit) credit to income statement	(25,140)	2,382	26,614	3,856
(Debit) credit to exchange profits and losses	-	-	81	81
December 31, 2017	**$ 622,472**	**104,162**	**79,266**	**805,900**
January 1, 2016	$ 619,456	83,998	105,730	809,184
(Debit) credit to income statement	28,156	17,782	(53,159)	(7,221)
December 31, 2016	**$ 647,612**	**101,780**	**52,571**	**801,963**

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

	12.31.2017	12.31.2016
Undistributed earnings before 1997	(*)	$ -
Undistributed earnings after 1998	(*)	2,610,784
		$ 2,610,784
Imputed tax credit account balance	(*)	**$ 597,757**

	2017(Estimated)	2016(Actual)
The tax credit ratio granted to the earnings of the ROC residents.	(*)	**21.07%**

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

∗ The Amendment to Tax Act issued by the Office of the President on February 7, 2018 cancelled the opening, recording, calculating and allocating of shareholders' tax deductible accounts from January 1, 2018.

(XVI) Capital and other equity

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 and 399,084 thousand common stock shares issued as of December 31, 2017 and 2016.

The Company's reconciliation table of outstanding shares of year 2017 and 2016 is listed below:

	Common Stock	
	2017	**2016**
Balance of January 1	399,084	399,084
Cash capital increase	21,000	-
Balance of December 31	**420,084**	**399,084**

1. Issuance of ordinary shares

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

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

2. Additional paid-in capital

The Company's additional paid-in capital balance:

	12.31.2017	12.31.2016
Stock premium	$ 2,486,172	1,392,072
Disposal of difference of book value of subsidiaries' equity	20,972	20,972
Recognition changes in net equity of subsidiaries	2,849	7,068
Stock premium	9,961	-
Total	**$ 2,519,954**	**1,420,112**

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

3. Retained earnings

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

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

(1) Legal reserve

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

(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.

	2017	2016
Beginning balance at January 1	$ 401,665	14,458
Special reserve reversed	(401,665)	387,207
Ending balance at December 31	**$ -**	**401,665**

(3) Distribution of earnings

The company's distribution of 2017 and 2016 earnings was proposed by the shareholder meeting on June 21, 2017 and June 17, 2016. The distribution of dividends to shareholders is as follows:

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

4. Other equity (net amount after tax)

	Exchange differences from the translation of foreign institution's financial statements	Available-for-sale investment	Total
January 1, 2017	$ (11,300)	408,657	397,357
The Company	(4,848)	67,783	62,935
Unrealized profits (losses) from held-to-maturity financial assets using equity method	-	(4,000)	(4,000)
Exchange difference of affiliate company using equity method	2,323	-	2,323
Balance on December 31, 2017	**$ (13,825)**	**472,440**	**458,615**
January 1, 2016	$ (4,767)	(396,898)	(401,665)
The Company	(4,097)	804,262	800,165
Unrealized profits (losses) from held-to-maturity financial assets using equity method	-	1,293	1,293
Exchange difference of affiliate company using equity method	(2,436)	-	(2,436)
Balance on December 31, 2016	**$ (11,300)**	**408,657**	**397,357**

5. Non-controlling equity

	2017	2016
Balance at beginning of period	$ 1,254,399	1,084,399
Non-controlling equity		
Net profit of non-controlling equity	338,034	90,070
(Losses) gains on valuation of available-for-sale financial assets	(3,352)	1,083
Changes in ownership interests in subsidiaries	4,219	(267,127)
Cash dividend	-	(111,319)
Capital increase to subsidiaries	-	457,293
Acquisition of shares of subsidiaries to non-control equity	(216,003)	-
Balance at end of period	**$ 1,377,297**	**1,254,399**

(XVII) Earnings per share

The Consolidated Company's basic earnings per share and diluted earnings per share as of 2017 and 2016 are calculated as follows:

	2017	2016
Basic earnings per share		
Net income attributable to the Consolidated Company's common stock shareholders:	**$ 1,843,999**	**977,840**
Weighted average outstanding common stock shares	415,079	399,084
	$ 4.44	**2.45**
Diluted earnings per share		
Net income attributable to the Consolidated Company	$ 1,843,999	977,840
Impact of common stock shares with potential dilutive effect		
Convertible Bond	30,388	-
Net income attributable to the Consolidated Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	**$ 1,874,387**	**977,840**
Weighted average outstanding common stock shares	$ 415,079	399,084
Impact of common stock shares with potential dilutive effect		
Impact of stock bonus to employees	308	259
Impact of convertible bond	36,010	-
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	**$ 451,397**	**399,343**
	$ 4.15	**2.45**

(XVIII) Income

The Consolidated Company's income as of 2017 and 2016 is as follows:

	2017	2016
Columbarium and cemetery income	$ 3,041,659	1,507,216
Funeral services income	1,671,863	1,599,292
Rent income from investment property	189,921	155,617
Construction contract income	4,264	6,766
Other operating income	196,671	194,491
	$ 5,104,378	**3,463,382**

(XIX) Remuneration to employees, directors and supervisors

According to the Company's Articles of Incorporation, 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 bonus to employees as of 2017 and 2016 is estimated to be NT21,149 thousand and NT$11,340 thousand, and the remuneration to directors and supervisors is estimated to be NT$42,297 thousand and NT$22,680. The estimated base of remuneration payable to employees, directors and supervisors is after-tax net income of the specific period multiply by the distribution fractional ratio of the Company's Articles of association; also, the bonus to employees and the remuneration to directors and supervisors are reported as operating cost or operating expense as of 2017 and 2016. Any related information could refer to Market Observation Post System (MOPS). No difference between actual remuneration distribution for employees, directors and supervisors and the estimated amount in 2016 and 2015 financial report of the Consolidated Company.

(XX) Other profit and loss

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

	2017	2016
Gain (loss) on change in fair value of biological assets	**$**	**82,751**

(XXI) Non-operating income and expense

1. Other income

The consolidated company's other income is as follows:

	2017	2016
Interest income	$ 115,984	106,690
Dividend income	184,701	136,969
Fines income	42,080	52,107

Other income	55,971	55,813
	$ 398,736	**351,579**

2. Other profit and loss

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

	2017	**2016**
Foreign exchange gain (loss)	$ (136,843)	(89,400)
Gain from disposal of investment and financial assets	27,814	48,707
Net financial assets measured at fair value through profit or loss	25,910	58,116
Disposal and scrapping of property, plant, and equipment	179	(199)
Loss on disposal of financial assets measured at costs	-	(804)
Loss on financial assets measured at cost	-	(5,140)
Other expense	(2,470)	(4,586)
	$ (85,410)	**6,694**

3. Finance costs

Consolidated company's finance cost as of 2017 and 2016 is as follows:

	2017	**2016**
Interest expense	**$ 87,778**	**76,083**

(XXII) Financial instruments

1. Types of financial instruments

(1) Financial assets

	12.31.2017	**12.31.2016**
Financial assets at fair value through profit or loss：		
Holding for transaction	$ 1,457,535	907,233
Financial assets available for sales	8,585,120	8,679,735
Hold to maturity investment	614,832	307,915
Financial assets carried at costs	18,992	18,992
Loans and accounts receivables		
Cash and cash equivalent	169,781	199,621
Notes receivable and accounts receivable	1,026,002	540,836
Other financial assets (current & non-current)	2,420,289	2,095,781

Sub. total	3,616,072	2,836,238
Total	**$ 14,292,551**	**12,750,113**

(2) Financial liabilities

	12.31.2017	**12.31.2016**
Amortization after financial liabilities carried at costs		
Short term loans	$ 2,824,000	7,174,900
Payable accounts	1,173,308	848,829
Guarantee deposit	3,139,651	-
Total	60,931	52,802
Amortization after financial liabilities carried at costs	**$ 7,197,890**	**8,076,531**

2. Credit risk

(1) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

As the company has a broad customer base, not with a significant focus on customer transactions and sales area scattered, so there is no significant credit risk concentration of accounts receivable danger. And in order to reduce credit risk, the Company also continued to regularly assess the financial condition of customers, but usually do not require customers to provide collateral.

(3) Impairment loss

Loans and receivables aging analysis on the reporting date:

	12.31.2017		**12.31.2016**	
	Total	**Impairment**	**Total**	**Impairment**
Not overdue	$ 922,681	43,435	502,324	27,615
Overdue 31~60 days	47,241	2,896	24,886	1,695
Overdue 61~90 days	23,332	1,122	9,445	838
Overdue 91~120 days	12,542	358	3,714	629
Overdue more than 120 days	95,662	28,247	70,335	25,638
	$1,101,458	**76,058**	**610,704**	**56,415**

Changes in allowance for doubtful accounts receivable is as follows:

	2017	**2016**
Balance at 1 January	$ 56,415	56,415
Recognition of impairment loss (reverse)	19,643	11,664
Loss control of subsidiaries	-	(11,664)

Balance at 31 December	**$ 76,058**	**56,415**

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, excluding the estimated interest but not 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
December 31, 2017							
Non-derivative financial liabilities							
Floating rate instruments	$ 2,792,000	2,792,000	2,792,000	-	-	-	-
Fixing rate instrument	3,171,651	3,171,651	32,000	-	-	3,139,651	-
No interest-bearing liabilities	858,507	858,507	858,507	-	-	-	-
	$ 6,822,158	**6,822,158**	**3,682,507**	-	-	**3,139,651**	-
December 31, 2016							
Non-derivative financial liabilities							
Floating rate instruments	$ 7,156,900	7,156,900	7,156,900	-	-	-	-
Fixing rate instrument	18,000	18,051	18,051	-	-	-	-
No interest-bearing liabilities	623,856	623,856	623,856	-	-	-	-
	$ 7,798,756	**7,798,807**	**7,798,807**	-	-	-	-

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. Exchange rate risk

(1) Exchange rate risk exposure

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

	12.31.2017			12.31.2016		
	Foreign currency	Exchange rate	New Taiwan Dollar	Foreign currency	Exchange rate	New Taiwan Dollar
Financial assets						
Monetary items						
RMB/NTD	$ 25,95	4.55	118,18	46,85	4.64	217,51
RMB/USD	1,65	0.15	7,54	1,65	0.14	7,66
USD/NTD	74,25	29.84	2,216,38	60,00	32.27	1,936,80
Japanese yen/NTD	17,98	0.26	4,74	31,27	0.27	8,64
HKD/NTD	16,97	3.80	64,58	7,09	4.16	29,56
Non-monetary items						
Japanese yen/NTD	229,82	0.26	60,62	215,96	0.27	59,67
RMB/NTD		4.55		25,30	4.64	117,49

USD/NTD	8,63	29.84	257,74	8,44	32.27	272,44
HKD/NTD	51,09	3.80	194,40	53,68	4.16	223,75
SGD/NTD	1,06	22.25	23,59	42	22.34	9,54

(2) Sensitivity analysis

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 December 31, 2017 and 2016, the net income was increased or decreased by NT$244,668 thousand and NT$239,298 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 2017 and 2016, the foreign currency exchange gain (loss) was NT$(136,843) thousand and NT$89,400 thousand, respectively.

5. Interest rate analysis

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

The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire year. In addition, interest rate is assessed within the reasonable and possible range of change. If interest rate is increased or decreased by 0.5%, with all other variables held constant, the Consolidated Company's net income as of 2017 and 2016 is decreased by NT$11,587 thousand and increased by NT$29,701 thousand, respectively.

6. 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:

	12.31.2017				
		Fair Value			
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	$1,457,535	1,457,535	-	-	1,457,535
Available-for-sale financial assets	8,585,120	8,585,120	-	-	8,585,120
Hold to maturity investment	614,832	614,832	-	-	614,832

Total	$10,657,487	10,657,487	-	-	10,657,487

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

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

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

The consolidated company estimates non-fair value measurements using the following methods and assumptions:

Held-to-maturity financial assets: In case of open market quotation, the market price is the fair value; if there is no market price for reference, the use of valuation models is used to estimate or use the counterparty offer.

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

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

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

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

(XXIII) Financial risk management

1. Summary

The Consolidated Company is exposed to the following risks due to the use of the financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The Consolidated Company's risk exposure information and the Consolidated Company's measurement and risk management objectives, policies, and procedures are expressed in this Note. Please refer to the notes to the consolidated financial statements for the further quantified disclosure.

2. Risk management structure

The Consolidated Company's risk management policies are setup to identify and analyze the risk faced by the Consolidated Company, to define appropriate risk limits and controls, and to monitor risks and risk limits compliance. Risk management policies and systems are reviewed regularly to reflect market conditions and changes in the operation of the Consolidated Company. The Consolidated Company through training, management guidelines, and operating procedures develops a disciplined and constructive controlled environment to help all employees understand their roles and obligations.

The Consolidated Company's Audit Committee supervises how the management monitors the Consolidated Company's risk management policies and procedures compliance and reviews the appropriateness of the Consolidated Company's risk management structure in service. Internal audit staff assists the Consolidated Company's Audit Committee to play a supervisory role. These personnel conduct regular and extraordinary review of risk management controls and procedures; also, have the outcome of the review reported to the Audit Committee.

3. Credit risk

Credit risk is the risk of financial losses faced by the Consolidated Company when the client or the counterparty of financial instruments trade is unable to meet its contractual obligations. It is mainly from the Consolidated Company's accounts receivables from customers and securities investment.

(1) Accounts receivable and other receivables

The Consolidated Company's credit risk exposure is mainly affected by the condition of each individual customer. However, the management also considers the statistical data of the Consolidated Company's customers, including the default risk of the industry and country the customer belongs to since it may affect credit risk.

The Consolidated Company has the allowance account setup to reflect the estimated losses of the accounts receivable, other receivables, and investments. The allowance account mainly includes specific loss related to individual significant exposure and the consolidated loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for consolidated loss is determined in accordance with the historical payment statistics of similar financial assets.

(2) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Finance Department of the

Consolidated Company. The Consolidated Company's trade counterparty and performing party is all reputable banks, investing financial institutions, corporate organizations, and government agencies with no significant performance concerns; therefore, there is no significant credit risk.

(3) Guarantees

The Consolidated Company regulated by the company policies can only provide financial guarantee to the business-related companies. The Consolidated Company offers no endorsement and guarantee to non-subsidiary as of December 31, 2017 and 2016.

4. Liquidity risk

Liquidity risk is the risk that the Consolidated Company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Consolidated Company's managing liquidity is to ensure that the Consolidated Company in general practice or under pressure has sufficient current fund to liquidate liabilities when due, without incurring unacceptable losses or causing harm to the Consolidated Company's reputation.

The Consolidated Company's unused loan facilities amounted to NT$2,404,000 thousand and NT$4,178,100 thousand as of December 31, 2017 and 2016.

5. Market risk

Market risk is the risk the Consolidated Company's yield or financial instrument value affected by changes in market prices, such as exchange rates and interest rates. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

(1) Exchange rate risk

The Consolidated Company is exposed to exchange rate risk that is resulted from the investment transactions measured with a currency other than the company's functional currency. New Taiwan Dollar is the functional currency of the Consolidated Company. These transactions are denominated in major currencies of New Taiwan Dollar, Singapore Dollar, U.S. Dollar, RMB, and Japanese Yen.

In addition, the Consolidated Company's principle is for natural hedge. The Consolidated Company bases on the capital demand in each currency and the net positions and the foreign exchange market condition to hedge exchange rate risk.

(2) Interest rate risk

The Consolidated Company's policy is to ensure that the interest rate risk exposure is assessed in accordance with the international economic situation and market interest rate.

(XXIV) Capital management

The Consolidated Company's capital management objective is to safeguard the operating ability in order to provide investment returns to shareholders and profits to the related party; also, to maintain an optimal capital structure for reducing the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to pay off liabilities.

The Consolidated Company and the industry both have capital managed in accordance with the debt to equity ratio. This debt to equity ratio is calculated by having net debt divided by total capital.Net debt is the total liabilities less cash and cash equivalent on the balance sheet. Total capital is the entire equity (i.e. capital stock, additional paid-in capital, retained earnings, and other equity and non-controlling equity) plus net debt.

The debt to equity ratio on the reporting date is as follows:

	12.31.2017	12.31.2016
Total liabilities	$ 39,731,376	39,903,452
Minus: Cash and cash equivalent	(169,781)	(199,621)
Net liabilities	39,561,595	39,703,831
Total equity	12,528,906	9,818,577
Adjusted capital	**$ 52,090,501**	**49,522,408**
Debt to equity ratio	**75.95%**	**80.17%**

The Consolidated Company's capital management method has not been changed as of December 31, 2017 and 2016.

VII. Related Party Transactions

(I) Related parties' names and relations

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

Related Parties	Relations with the Consolidated Company
Lung Ting 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
Creative Space Design Co. Ltd.	Affiliated Company of the Company
Other natural person	Director, supervisor and major administrator of the Company and consolidated company

(II) Other related party transactions

1. Sales

Sales		Receivables from related parties (booked in "Accounts receivable – net")	
2017	2016	12.31.2017	12.31.2016

Other related party	$ -	41,192	-	-

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

2. Purchase from related party

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

	Purchase		Payable accounts for related parties	
	2017	2016	12.31.2017	12.31.2016
Affiliated enterprises	$ 505	3,716	45	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 from the related party for a rent expense of NT$7,394 thousand and NT$8,523 thousand in the year of 2017 and 2016.

(2) Lessor:

The Consolidated Company has office building and parking space rented to the related party for a rent income of NT$34 thousand and NT$429 thousand in the year of 2017 and 2016.

The terms and conditions of above lease contract are negotiated by both sides.

4. Others

(1) Other receivables (recognized as other financial assets)

	12.31.2017	12.31.2016
Other related party	$	2,402

(2) Other payables

	12.31.2017	12.31.2016
Other related party	$ 95	4,368

(3) Prepayments

	12.31.2017	12.31.2016
Other related party	$	738

(4) Payment on behalf of others

	12.31.2017	12.31.2016
Other related party	$ 557	557

(5) Refundable deposits (recognized as other financial assets – non-current)

	12.31.2017	12.31.2016
Other related party	$ 961	961

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

(6) Management fees

	2017	2016
Other related parties	$ 553	553

The Consolidated Company entrusts related party with management service for leased buildings and pays management fees in accordance to the contract.

5. Obtaining other assets

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

Kinds of related parties	Item	2017	2016
Affiliated Company s	Intangible assets	$ -	4,079
	Operating Expenses	$ -	34,784
	Fixed assets	$ 850	3,385

The Consolidated Company purchased enterprise resources planning software from affiliated company, related consultant fess and computer equipment on April 29, 2016 (recognized as operation expenses).

6. Trust contract

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

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 December 31, 2017 and 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$4,411 thousand, NT$5,772 thousand as of December 31, 2017 and 2016, respectively.

(III) Key management personnel transactions

	2017	2016
Short-term employee benefits	$ 45,121	37,780
Retirement benefits	1,598	1,216
	$ 46,719	38,996

VIII. Pledged Assets

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

Assets name	Purpose of collateral	12.31.2017	12.31.2016
Financial Assets at fair value	Guarantee for mutual investment development and sales	$ -	333,900
Other financial assets - current	Collateral for loan	1,221	313,158
Inventories	Guarantee for loans and corporate finance amount	3,161,789	3,100,846
Property, plant, and equipment – book value	Collateral for loan	2,402,195	2,320,191
Investment property	Collateral for loan	4,021,630	4,004,286
Available-for-sale financial assets – non-current	Collateral for loan	3,091,111	5,685,133
		$ 12,677,946	15,757,514

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Significant unrecognized contractual commitments:

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

	12.31.2017	12.31.2016
Acquisition of cemetery and columbarium under construction	$ 19,580	19,580
Construction contracts	960,754	495,104

(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 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 Company cannot be confirmed. The negotiation among parties is finished on October 18, 2017, thus the proposal is sent to the Legislative Yuan for further discussion on December 29, 2017; the 2nd and 3rd reading will start after completion of the discussion. 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 1st shareholders' interim meeting on October 12, 2010 according to the provisions of

Paragraph 1 of Article 317 of the Company Law. The Taipei District Court of the decided judicially in this civil ruling that the Company shall buy back all the shares held by the shareholders in an unreasonable price. As the civil ruling is not identified in accordance with the provisions of the Enterprise Mergers and Acquisitions Law and contrary to the provisions of the law, and the original ruling included in the assets shall be excluded as well as many fall-overs in the real estate valuation report. So the Company has filed a complaint on October 24, 2016 to the preceding matters, the case is still in processing.

(III) Others

1. The Consolidated Company (referred to as "the principal" hereinafter) for enhancing the quality of funeral service and ensuring the ability of performance had a trust contract 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 December 31, 2016 and 2017 are as follows：

	12.31.2017	12.31.2016
Bank deposits (recognized as "Other financial assets – current")		
Demand deposits	$ 637,912	444,866
Time deposits	609,698	314,242
Financial assets measured at fair value through profit or loss - current	679,012	367,809
Available-for-sale financial assets – non-current	2,439,218	2,563,851
Hold to maturity financial assets	614,832	307,915
Property, plant and equipment (Note)	2,206,293	2,206,293
Investment property (Note)	1,962,845	1,962,845
	$ 9,149,810	**8,167,821**

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

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

2. The Consolidated Company has an administration fee account setup for the fees collected in a lump sum or periodically from the clients to maintain funeral facilities safety and cleanness, and to organize ceremony activities and internal administration. The administration fee account was with a balance of NT$881,491 thousand and NT$956,075 thousand as of December 31, 2017 and 2016, respectively. Above figures were recognized as "Other financial assets – current.".

3. The Consolidated Company had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2017 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	12.31.2017	12.31.2016

Total contract price	$ 39,808,069	38,856,483
Outstanding proceeds	(8,465,773)	(8,410,892)
Advanced receipts	**$ 31,342,296**	**30,445,591**
Deferred marketing expense	**$ 8,444,352**	**8,326,382**
Expected to be reclassified for more than twelve months	**$ 28,638,880**	**27,743,211**

4. Pre-need contract signed by affiliated company and client for cemetery and columbarium products and funeral services and related differed marketing expenses as of December 31, 217 and 2016 were listed below:

	12.31.2017	**12.31.2016**
Total contract price	$ 81,818	564,034
Outstanding proceeds	(41,065)	(278,640)
Advanced receipts	**$ 40,753**	**285,394**
Deferred marketing expense	**$ 7,201**	**36,606**
Expected to be reclassified for more than twelve months	**$ 30,157**	**41,687**

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 RMB207,166 thousand, amount which RMB 103,583 thousand are paid as first payment for the land as of December 31, 2017.

X. Significant disaster loss: None.

XI. Significant subsequent events:

(I) The Office of President announced amendment to the Tax Act on February 7, 2018. The amendment includes an increase in the corporate income tax rate from current 17% to 20% from 2018. The change in tax rate has no impact on the recognized differed income tax of 2017; however, it will impact future and current differed income tax of the Consolidated Company. If the new tax rate is applied to evaluate the temperate differences and unused tax losses recognized in 2016, the differed income tax assets and differed income tax liabilities will increase NT$141,2501 thousand and NT$3,352 thousand, respectively.

(II) The Consolidated Company, Bliss Knight Limited and SINO-OCEAN Group signed a joint-venture agreement on December 31, 2017 based on the cooperation framework of jointly developing, constructing and operating cemetery sites and also developing and marketing

funeral related services and products. The JV uses one of the Consolidated Company's existing subsidiaries, Lungyen Cayman, and was renamed LUNGYANG LIFE (Cayman) Co., Ltd. SINO-OCEAR Group made cash capital increase in Lungyen Cayman by US$28,000 thousand in January, 2018, which decreased the Consolidated Company's ownership from 100% to 50%. Henceforth the Consolidated Company would never recognized LUNGYANG LIFE's profits and losses into consolidated financial statement but treat them with equity method instead.

XII. Others

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

By function / By item	2017				2016			
	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	217,726	308,81	110,13	636,68	236,79	222,45	98,90	558,15
Labor and health insurance	15,051	15,97	6,99	38,02	17,25	15,12	6,70	39,08
Pension	8,358	8,08	2,86	19,30	9,64	7,81	3,22	20,68
Others	6,764	10,10	3,63	20,50	7,98	9,81	3,86	21,66
Depreciation	80,442	50,54	13,60	144,58	112,32	46,85	13,62	172,81
Amortization	-	14,79	1,24	16,03	81	13,82	1,80	16,44

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 of the year 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	654,720	-	In accordance with the contract	2	-	To purchase land for Wenzhou project	-	-	-	847,233	847,233

Note 1：On December, 2018, the US dollar / Taiwan dollar exchange rate of 29.76.

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：Nature of fund financing to others:

i. Business interactions.
ii. 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	Relation ship										
0	Lungyen Life Service Corp.	LungAn Co.Ltd.	2	3,758,671	100,000	100,000	-	-	0.08%	6,264,452	Y	N	N
0	Lungyen Life Service Corp.	Yuji Developme nt Corp.	2	3,758,671	400,000	400,000	-	-	3.19%	6,264,452	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	3,758,671	100,000	100,000	32,000	-	0.08%	6,264,452	N	N	N

Note 1: The total amount of guarantees and endorsements shall not exceed 20% 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.

ii. The Company has business with the receiving parties.
iii. The Company holds directly more than 50% of the common stock of the subsidiaries.
iv. In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
v. In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.
vi. The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
vii. 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 December 27, 2017, the maximum amount of endorsements to LungAn has been set to NT$100,000 thousand.

Note 4: Upon the board resolution on August 11, 2016, the maximum amount of endorsements to Yuji has been set to NT$200,000 thousand of which the expiration date was December 31, 2017. The endorsements was extended upon the board resolution on December 27, 2017.

Note 5: Upon the Board resolution on December 27, 2017, the maximum amount of endorsements to Lung Fu has been set to NT$100,000 thousand.

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

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Quantity of shares (thousand shares)/unit	Book Value	% of Ownership	Fair Value	Maximum shareholding or funding during the period	Remarks
The Company	Stock of Chang Hwa Bank	-	Financial assets at fair value through profit or loss-current	20,979	347,208	0.22%	347,208.00	0.22%	-
The Company	LUMAX securities	-	Financial assets at fair value through profit or loss-current	218	12,175	0.20%	12,175.00	0.20%	-
The Company	Stock of CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-current	1	23	-%	23.00	- %	-
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profit or loss-current	245	12,863	0.01%	12,863.00	0.01%	-
The Company	Stock of Sun Life Corporation	-	Financial assets at fair value through profit or loss-current	160	42,039	2.35%	42,039.00	2.35%	-
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through profit or loss-current	210	9,509	0.02%	9,509.00	0.02%	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through profit or loss-current	1,990	43,387	0.01%	43,387.00	0.01%	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through profit or loss-current	320	49,130	- %	49,130.00	- %	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profit or loss-current	1	85,283	- %	85,283.00	- %	-
The Company	Hang Seng H-Share Index ETF	-	Financial assets at fair value through profit or loss-current	35	15,921	- %	15,921.00	- %	Trust
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	24,124	390,994	- %	390,994.00	- %	Trust
The Company	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss-current	5,664	70,147	- %	70,147.00	- %	Trust
The Company	Franklin Templeton Sinoam Money Market Fund		Financial assets at fair value through profit or loss-current	4,873	50,063	- %	50,063.00	- %	Trust
The Company	iShares China Large-Cap ETF		Financial assets at fair value through profit or loss-current	20	39,821	- %	39,821.00	- %	Trust
The Company	iShares Biological ETF		Financial assets at fair value through profit or loss-current	3	10,039	- %	10,039.00	- %	Trust
The Company	Yuanta USD Money Market Fund- RMB	-	Available-for-sale financial assets – non-current	25,959	238,597	- %	238,597.00	- %	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,550	79,584	- %	79,584.00	- %	Trust
The Company	Guotai Junan Corporate Bond	-	Available-for-sale financial assets – non-current	200	6,011	- %	6,011.00	- %	Trust
The Company	Abu Dhabi National Energy Company10-year Senior Unsecured USD Callable Corporate Bond 3.625 20230112	-	Available-for-sale financial assets – non-current	1,600	48,425	- %	48,425.00	- %	Trust
The Company	Abu Dhabi National Energy Company10-year Senior Unsecured USD Callable Corporate Bond 3.875 20240506	-	Available-for-sale financial assets – non-current	600	18,202	- %	18,202.00	- %	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	-	Available-for-sale financial assets – non-current	3,100	91,777	- %	91,777.00	- %	Trust
The	The Export-import	-	Available-for-sale	5,000	22,455	- %	22,455.00	- %	Trust

Company	Bank of China RMB Callable Corporate Bond 4.15 20270618		financial assets – non-current						
The Company	African Finance Corp. Bond 4.375	-	Available-for-sale financial assets – non-current	3,000	92,210	- %	92,210.00	- %	Trust
The Company	ICBC RMB Corp. Bond 4.2	-	Available-for-sale financial assets – non-current	5,000	22,474	- %	22,474.00	- %	Trust
The Company	ICBC RMB Corp. Bond 4.5	-	Available-for-sale financial assets – non-current	5,000	22,982	- %	22,982.00	- %	Trust
The Company	China Comm Cons Corp. Bond	-	Available-for-sale financial assets – non-current	1,900	56,658	- %	56,658.00	- %	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	2,000	60,512	- %	60,512.00	- %	Trust
The Company	Saudi Electricity Global - Bond	-	Available-for-sale financial assets – non-current	1,000	30,840	- %	30,840.00	- %	Trust
The Company	QTel USD Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	88,829	- %	88,829.00	- %	Trust
The Company	Standard Chartered USD Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	92,170	- %	92,170.00	- %	Trust
The Company	Islamic Bank	-	Available-for-sale financial assets – non-current	3,000	90,489	- %	90,489.00	- %	Trust
The Company	QATAR State Bond	-	Available-for-sale financial assets – non-current	3,000	87,420	- %	87,420.00	- %	Trust
The Company	VZ Corp. Bond	-	Available-for-sale financial assets – non-current	3,000	84,461	- %	84,461.00	- %	-
The Company	Malaysia National Resource Bond	-	Available-for-sale financial assets – non-current	1,000	29,126	- %	29,126.00	- %	Trust
The Company	Stock of Chang Hwa Bank	-	Available-for-sale financial assets – non-current	348,069	5,760,549	3.70%	5,760,549.00	3.70%	-
The Company	Stocks of ORIX	-	Available-for-sale financial assets – non-current	37	18,588	- %	18,588.00	- %	Trust
The Company	Cathay China High Yield Bond B TWD	-	Available-for-sale financial assets – non-current	5,389	47,211	- %	47,211.00	- %	Trust
The Company	Hang Seng H-Share Index ETF	-	Available-for-sale financial assets – non-current	48	21,768	- %	21,768.00	- %	Trust
The Company	BARC Corp.20260112	-	Available-for-sale financial assets – non-current	2,800	87,185	- %	87,185.00	- %	-
The Company	China Railway USD Bond 20260728	-	Available-for-sale financial assets – non-current	2,500	73,467	- %	73,467.00	- %	Trust
The Company	China Cinda USD Bond 20240309		Available-for-sale financial assets – non-current	1,500	45,862	- %	45,862.00	- %	Trust
The Company	Stocks of Taiyen	-	Available-for-sale financial assets – non-current	11,060	308,575	5.53%	308,575.00	5.53%	-
The Company	Bristol-Myers Squibb	-	Available-for-sale financial assets – non-current	17	30,729	- %	30,729.00	- %	Trust
The Company	Stocks of China Res Gas	-	Available-for-sale financial assets – non-current	220	23,732	- %	23,732.00	- %	Trust
The Company	Stocks of SGN Telecomm	-	Available-for-sale financial assets – non-current	297	23,596	- %	23,596.00	- %	Trust
The Company	Qualcomm	-	Available-for-sale financial assets – non-current	25	47,523	- %	47,523.00	- %	Trust
The Company	Nomura Global Short Duration Bond TWD	-	Available-for-sale financial assets – non-current	2,937	31,032	- %	31,032.00	- %	Trust
The	Prudential Financial	-	Available-for-sale	5,362	48,405	- %	48,405.00	- %	Trust

Company	Asia Bo		financial assets – non-current						
The Company	Huarong USD Bond	-	Available-for-sale financial assets – non-current	3,000	91,967	- %	91,967.00	- %	Trust
The Company	CITI USD Bond	-	Available-for-sale financial assets – non-current	3,000	90,965	- %	90,965.00	- %	Trust
The Company	HAL	-	Available-for-sale financial assets – non-current	16	23,630	- %	23,630.00	- %	Trust
The Company	SLB	-	Available-for-sale financial assets – non-current	10	20,718	- %	20,718.00	- %	Trust
The Company	China Construction Bank		Available-for-sale financial assets – non-current	1,130	30,957	- %	30,957.00	- %	Trust
The Company	DB USD Bond 20200515	-	Available-for-sale financial assets – non-current	3,000	89,985	- %	89,985.00	- %	Trust
The Company	Bank of China USD Bond 20220711	-	Available-for-sale financial assets – non-current	3,000	89,620	- %	89,620.00	- %	Trust
The Company	AT&T USD Bond 20230214	-	Available-for-sale financial assets – non-current	3,000	90,318	- %	90,318.00	- %	Trust
The Company	Bank of Communications USD Bond 20200515	-	Available-for-sale financial assets – non-current	2,000	59,701	- %	59,701.00	- %	Trust
The Company	Saudi Arab USD Bond		Available-for-sale financial assets – non-current	3,000	89,034	- %	89,034.00	- %	Trust
The Company	Nan Ya Plastics Corporate Bond	-	Held-to-maturity financial assets- non current	100,000	107,012	- %	105,663.00	- %	-
The Company	Chailease Holding Company Limited-A	-	Held-to-maturity financial assets- non current	200,000	200,000	- %	200,000.00	- %	-
The Company	China airline corporate bond	-	Held-to-maturity financial assets- non current	150,000	151,708	- %	151,826.00	- %	-
The Company	Taipower Corporate bond	-	Held-to-maturity financial assets- non current	150,000	156,112	- %	158,193.00	- %	-
The Company	FORTUNE IC FUND I	-	Financial assets carried at costs- non current	600	4,030	4.86%	21,747.00	4.86%	-
The Company	Stocks of PK Venture Capital Corp	-	Financial assets carried at costs- non current	694	3,277	8.57%	3,277.00	8.57%	-
The Company	Trans globe insurance	-	Financial assets carried at costs- non current	15	-	0.01%	-	0.01%	-
The Company	Stocks of Creative Space Design	-	Financial assets carried at costs- non current	990	9,900	19.80%	9,900.00	19.80%	-
Yuji Development	Stocks of Taiyen		Available-for-sale financial assets – non-current	2,752	76,781	1.38%	76,781.00	1.38%	-
Yuji Development	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss-current	21,762	238,416	- %	238,416.00	- %	-
Jing Huang Construction	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,170	31,954	- %	31,954.00	- %	-
Jing Huang Construction	Stocks of J-Garden Corp.	-	Financial assets carried at costs- non current	179	1,785	5.00%	3,087.00	5.00%	-
Long An	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss-current	782	8,563	- %	8,563.00	- %	-

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
The Company	Sea Dragon Co. Ltd.	Long-term investment under equity method	Sea Dragon Co. Ltd.	Subsidiary	1,571	493,584	1,700	516,952 US$17,000	-	-	-	-	3,271	1,010,53 USD 32,710
Wenzhou Lungyen Cemetery Co.	Bank of China Capital Scheduled Wealth Management Plan in RMB	Other financial assets - current	Bank of China	-	-	-		1,273,096 RMB277,363	-	1,129,172 RMB246,007	1,126,216 RMB 245,363	RMB644	-	146,080 RMB 32,000

Note: Exchange rate between RMB and NTD of Bank of Taiwan of December, 2017 was 4.59.

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	317,560	Shenchen Construction Co.	None	-	-	-	-	Board of the Company	For core businesses	
The Company	Sanczi, New Taipei City	2017.3.29	585,083	315,106	Hsingfa Construction Co.	None	-	-	-	-	Board of the Company	For core businesses	
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	None	-	-	-	-	Public Bidding	For core businesses	

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

Number (Note 1)	Name of the Company	Name of the counter-party	Existing relationship with the counter-party (Note 2)	Transaction Details			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	Lungyen Life Service Corp	Yuji Development Corp.	1	Other financial assets – current	$ 3,879	Not significant different to those with third parties	0.01%
0	〃	〃	1	Payables	38,178		0.07%
0	〃	〃	1	Prepayments	20,805	-	0.04%
0	〃	〃	1	Operating revenues	1,177	-	0.02%
0	〃	〃	1	Operating costs	5,345	-	0.10%
0	〃	〃	1	Other revenues	36,144	-	0.71%
0	〃	〃	1	Other liabilities- current	29,434	-	0.05%
0	〃	LongAn co.Ltd.	1	Payable accounts	1,589	-	- %
0	〃	〃	1	Other financial assets – current	24,210	-	0.05%
0	〃	〃		Operating costs	349		0.01%
0	〃	Lung Fu Company Limited	1	Other revenue	1,356	-	0.03%
0	〃	Dahan Property Management Co., Ltd	1	Operating revenues	1,216		0.02%
1	Yuji Development Corp.	Lungyen Life Service Corp	2	Accounts Receivable	67,612	-	0.13%
1	〃	〃	2	Advanced receipts	20,805	-	0.04%
1	〃	〃	2	Other Payables	3,879	-	0.01%

1	〃	〃	2	Operating revenues	5,345	-	0.10%
1	〃	〃	2	Administration fees	1,177	-	0.02%
1	〃	〃	2	Administration fees	36,144		0.71%
2	LongAn co.Ltd.	Lungyen Life Service Corp	2	Payable accounts	16,229	-	0.03%
2	〃	〃	2	Account receivable	1,589	-	- %
2	〃	〃	2	Other liabilities- current	7,981	-	0.01%
2	〃	〃	2	Operating revenues	349		0.01%
2	Lung Fu Company Limited	Lungyen Life Service Corp	2	Administration fees	1,356	-	0.03%
2	Dahan Property Management Co., Ltd	Lungyen Life Service Corp	2	Administration fees	1,216		0.02%

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 about investees:

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

Unit: Thousand NTD

Name of the Investor	Name of Investee	Location	Major Operations	Original Investment Amount		Ending balance			Maximum Percentage of Ownership during the period	Current gain/loss of investees	Current recognized Investment gains and losses	Note
				December 31, 2017	December 31, 2016	Shares (In Thousands)	% of ownership	Carrying value				
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20%	(11,938)	98.20%	174	176	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	110,723	54.42%	1,570,291	54.42%	744,583	405,121	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%	2,509	80.00%	(1,334)	(1,067)	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%	1,078,052	100.00%	(14,942)	(14,942)	Subsidiary
The Company	Lungding Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	259,700	259,700	25,970	49.00%	239,598	49.00%	(20,943)	(10,262)	Affiliated Company
The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00%	(13,126)	100.00%	(10,598)	(10,598)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	716,656	500,656	72,000	100.00%	697,424	100.00%	(9,930)	(9,505)	Subsidiary
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00%	27,777	49.00%	145	71	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75%	139,366	77.75%	(2,963)	(2,304)	Sub-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%	157,061	26.32%	(2,698)	(710)	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%	1,044	40.00%	(721)	(289)	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%	847,233	100.00%	(14,168)	(14,168)	Sub-subsidiary
Lungyen Cayman Co.Ltd	Lungyen HK Co. Ltd.	Hong Kong	Investment	863,463 (USD28,000)	346,511 (USD11,000)	2,800	100.00%	847,233	100.00%	(14,168)	(14,168)	Sub-subsidiary

Note 1: The Consolidated Company writes off equities of above subsidiaries in the consolidated financial

reports.

(III) China investment information:

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

Unit: Thousand NTD/Foreign Currency

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Percentage of Ownership	Maximum Percentage of Ownership during the period	Recognized Investment Profits or Losses (Note2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earning as of December 31, 2017
					Outflow	Inflow						
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%	100.00%	(14,168)	847,233	-

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 (Note 4)
863,463	1,190,400 USD 40,000	7,517,342

Closing rate of USD/NTD: 29.76

Note 1: An investment is divided into the following three ways, list out the type of the category:
(1) Directly engaged in investment in Mainland China
(2) Re-invest in the mainland through a third country company (please specify in the third area of investment companies)
(3) Other methods.

Note 2: the current investment income recognized:
(1) During the stage of preparations, note that there is no investment income.
(2) The gain or loss recognized on the basis of the investment is divided into the following three types with note:
i. Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.
ii. 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 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.

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

	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	$ 3,041,659	1,671,863	189,921	196,671	4,264	-	5,104,378
Inter-segment income	5,694	-	2,495	-	-	(8,189)	-
Total income	$ 3,047,353	1,671,863	192,416	196,671	4,264	(8,189)	5,104,378
Interest expenses	$ -	-	-	(81,040)	-	-	(81,040)
Depreciation and amortization	-	(32,546)	(47,018)	(81,064)	-	-	(160,628)
Portion of profits or losses from affiliated and joint-venture company under equity method	-	-	-	(11,190)	-	-	(11,190)
Reportable segment profit or loss	**$ 1,665,598**	**380,144**	**77,864**	**331,026**	**(262)**	**(8,189)**	**2,446,181**
Assets:							
Investments under equity method	$ -	-	-	425,480	-	-	425,480
Reportable segment assets	**$ 16,066,733**	**4,180,595**	**6,486,105**	**22,361,938**	**4,675,208**	**(133,000)**	**53,637,579**
Reportable segment liabilities	**$ 15,954,035**	**15,381,238**	**57,690**	**8,449,068**	**-**	**(110,655)**	**39,731,376**

	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	$ 1,507,216	1,599,292	155,617	194,491	6,766	-	3,463,382
Inter-segment income	2,512	-	189	3,716	-	(6,417)	-
Total income	**$ 1,509,728**	**1,599,292**	**155,806**	**198,207**	**6,766**	**(6,417)**	**3,463,382**

Interest expenses	$ -	-	-	(87,778)	-	-	(87,778)
Depreciation and amortization	-	(30,513)	(58,201)	(24,424)	-	(60,686)	(173,824)
Portion of profits or losses from affiliated and joint-venture company under equity method	-	-	-	803	-	-	803
Reportable segment profit or loss	**$ 676,518**	**245,187**	**21,509**	**292,498**	**3,083**	**(35,272)**	**1,203,523**
Assets:							
Investments under equity method	$ -	-	-	450,296	-	-	450,296
Reportable segment assets	**$ 14,702,288**	**4,009,130**	**6,534,031**	**18,726**	**4,664,575**	**21,047,678**	**50,976,428**
Reportable segment liabilities	**$ 16,655,711**	**14,075,275**	**55,604**	**845,037**	**-**	**8,271,825**	**39,903,452**

(III) Region Information

Region information of the Consolidated Company is listed below. Among which, revenues were categorized by customers location, while non-current assets were by location of each asset.

Region	**2017**	**2016**
Revenues from external customers:		
Taiwan	$ 5,104,378	3,463,382
Non-current assets:		
Taiwan	$ 13,793,035	13,873,270

Non-current assets includes real estate, plant and equipment, investment properties, intangible assets and other assets. Financial instruments and differed income tax assets are not included.

(IV) Information of important customers

The Consolidated Company had no customer who attributed revenues for more than 10% of the total operation revenues recognized in the comprehensive income statements of 2017 and 2016.