(English Translation of Annnual Report Originally Issued in Chinese)

Stock ticker：5530

Lungyen Life Service Corp.
2018 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw/
The Company's website: http://www.lungyengroup.com.tw

Printed on April 30, 2019

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I. Company spokesman and acting spokesman

Spokesman

Name: Chan, Shu-Juan
Job title: Executive Vice President and CFO
Tel. No: (02)6615-9999
Email: daphne@lungyengroup.com.tw

Acting spokesman

Name: Liang, Jian-Yun
Job title: Vice President of the Board of Director
Tel. No: (02)6615-9999
Email: janet@lungyengroup.com.tw

II. Company, Branch Company, Factory address and Tel. No.

Company Address: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan
Tel: (02)6615-9999
Fax: (02)6615-7777
Branch Office: Referred to "Company Profile" section
Factory: Referred to "Company Profile" section

III. Shares Registrar:

Name: Jih Sun Securities Co., Ltd., Share Registration Department
Address: 7F., No.85, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan
Website: www.jihsun.com.tw
Tel: (02)2541-9977

IV. Certified CPA

Name: CPA Tseng, Guo-Yang and CPA Lai-Li-Tsen
Office: KPMG
Address:68F.,No.7,Sec. 5,Xinyi Rd., Taipei City
Website: www.kpmg.com.tw
Tel: (02)8101-6666

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None

VI. The company's website: http://www.lungyengroup.com.tw

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I. Letter to Shareholders

The global economy has seen a high since 2018, including the OECD leading indicators began to decline at the beginning of the year, and the major think tanks have gradually lowered their economic forecasts for the future. The political uncertainty includes the continuously changing Sino-US trade war, the US-South Korea relationship, the US bipartisan confrontation, the Brexit and other issues, which have a huge impact on the capital market or the real economy. This also forced central banks with tighter monetary policies in early 2018 to gradually turn into a loose policy.

Looking ahead to the Taiwan economy in 2019, global uncertainties still exist and continue to change. Major economic forecasting institutions believe that growth in 2019 will not be as good as in 2018. Due to the high linkage between Taiwan's economy and the world, especially China and the United States are both Taiwan's major export markets, changes in the international situation will test Taiwan's economic performance, and whether the government can launch corresponding policies in a timely manner is another uncertainty. Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) predicts that the economic growth in 2019 will be 2.27% (the real GDP will increase by NT$380.8 billion compared with 2018), which is 0.14 percentage points lower than the forecast of 2.41% in November 2018. The GDP per capita is US$25,229 and the CPI is up 0.73%.

Facing the uncertainty of economic and political situation, the Company's management team and all employees still adhere to the spirit of the Company, focusing on the improvement of product and service quality, deepening brand value, and continuously pursuing steady growth. Business performance for the year 2018 and the business plan for 2019 are hereby presented to the Company’s shareholders as of follows:

1. Operating results for 2018:

The Company's 2018 annual revenue benefited from the recognition construction completion of columbarium and cemetery products, and its performance remained outstanding. In addition, for the activation of assets and effective allocation of funds, revenue from non-operating activities also contributed to the growth of profit. The net profit attributable to the parent company was NT$2.18 billion, an increase of 18.3% over the previous year. The net profit after tax was 46.2%, which was 3.5 percentage points higher than the previous year. Earnings per share reached NT%5.19, reaching a new high in the past four years.

As of December 31, 2018, the total consolidated asset was NT$63.29 billion, increased by 18.0% compared to the previous year; the total liability was NT$46.82 billion and debt ratio was 74.0%. It includes contract liabilities of NT$37.76 billion. These contract liabilities are the nature of advance receipts and booked as unrealized income, and will be recognized as operating income once the funeral service is delivered or the permanent right of columbarium

and cemetery is transferred to the client upon completion. The debt ratio was 35.49% if the company deducted the contract liabilities and relative asset amounts.

2. Summary of business plan for 2019

(1) Operations guidelines:

i. Carry out business plan to achieve business target
ii. Optimize capital allocation to improve financial performance
iii. Strengthen risk management to solidify business fundamentals
iv. Improve operations management to enhance corporate value
v. Fulfill corporate social responsibilities to polish corporate image

(2) Executive summary:

i. Carry out business plan to achieve business target

Exercise the merger effect of northern, central and southern cemetery; also, the cross integration of customers, channels, and commodities with unified funeral service provided to effectively increase product penetration rate. In addition, through the construction of pavilions throughout Taiwan area, combined with high-standard hardware facilities and high-quality services, the sales momentum will be strengthened to significantly increase the market share. At the same time, we will replicate the successful experience of Taiwan and actively explore overseas markets to become the best funeral service provider in Greater China.

ii. Optimize capital allocation to improve financial performance

Closely watch the capital market for appropriate opportunities to plan for suitable funding so as to elevate financial performance. Provide sound operational management procedures in accordance with the latest regulations so as to strengthen operational efficiency. And activate the efficiency of assets through selling investment properties to fulfill the profits of long-term investment and invest more capitals in expanding the core business.

iii. Strengthen risk management to solidify business fundamentals

Strengthen the functions of internal audit and internal control, substantiate corporate governance, review and modify the risk management regulations and update the internal control operating procedures in a timely manner in order to enhance risk management capability.

iv. Improve operational management to enhance corporate value

Promote human resources exchanges and talents incubation plan within the Group to develop the cross-industry management talent needed, enhance manpower capital, and strengthen competitiveness. Utilize information technology for integrating workflow and service innovation to ensure competitive advantage. Exercise the bargaining power of procurement, effectively reduce operating costs and maintain the Group's long-term stability of profit growth.

v. Fulfill corporate social responsibility and optimize corporate image

Work with the Government to execute the policies and improve the quality of this industry, to convey business philosophy by combining it with public service, to exercise the synergy of business operations, to continuously feedback to the society, to serve the citizens, and to fulfill the satisfaction of customers, employees, shareholders and other stakeholders.

(3) Estimated production and sales in 2019 (including subsidiaries)

Unit: SET

Product Name	Targeted Sales Unit
Columbarium	6,063
Cemetery	210
Preneed Funeral	12,448
Total	**18,721**

3. The Company's development strategy

In 2019, we will continue to focus on the planning and design new columbarium and cemetery products, actively launch diversified products in different regions and at different price to meet the diverse needs of different consumer groups, supplemented by a combination of preneed funeral contract. Under the philosophy of integrated funeral services of the entire country, we shall further effectively augment the benefits of Lungyen brand logo. In addition, through the combination of high-standard pavilions hardware facilities and high-quality services, sales momentum can be strengthened, and insurance multi-sales channels can be expanded. As a result, our core business market share will continuously expand to maximize economic benefits and enhance company profitability.

Through the diversification of sales methods and products, the Company will continue to promote the concept of funeral industry reform and solidify the concept of preneed funeral contract, and strive to improve the quality of the industry to achieve the purpose of continuous growth of performance; in addition, the Company will continue to strengthen the internal

control and requirements of service quality, deepen the brand value, and then deepen the broader consumer base to increase market share.

As Taiwan moves towards an aging society, and the problem of lower fertility rate becomes more serious, it will be conducive to the increase in the demand for preneed funeral contracts. In addition to the life service business as the foundation, the Company will gradually expand its operation into related businesses in the life service industry with a steady spirit. On the other hand, in addition to firmly operate Taiwan's existing market, it will replicate Taiwan's successful experience to actively expand the mainland China market, ally local superior teams to implement the Wenzhou project and continue to develop other high-quality projects to achieve the goal of becoming the best funeral service provider in Greater China.

4. Impact of external competitive environment, regulatory environment and the macro business environment

Over the years, the Company has been committed to the reform of the funeral business, and to improve the overall industrial quality as a priority, to arouse the importance of consumer rights protection. The funeral business is being perfected under the relevant regulations by the domestic authorities, which will help improve the efficiency of industrial management, prevent unscrupulous operators from depriving consumers of their rights and interests, and further protect Lungyen’s long-term philosophy of integrity management. The Company has set up the Audit Committee, the Compensation Committee and the Corporate Governance and Nomination Committee under the Board of Directors. The responsibility of these committees is to ensure the effectiveness and appropriateness of the Company's internal control system and the appropriate reporting of financial statements, and to formulate and regularly review related issues regarding the performance evaluation and salary remuneration of managers, corporate governance operations, and the nomination and succession of board members, functional committee members and senior managers. These committees help to enhance the effectiveness and quality of the board of directors in corporate governance performance, and will take the international best practice as the benchmark to achieve outstanding performance as business operation.

The funeral business is a necessity for the people’s livelihood; therefore, the sales performance is less affected by the economy. The aging population and the trend of declining birth rate are also the sales momentum of the funeral industry. In perspective, we will continue to uphold the business philosophy of professionalism, integrity and compassion to strengthen operating performance, solid operating foundation, generate outstanding business performance, create greater shareholders’ equity, contribute to the prosperity of society and set the record again for national economic development.

Thanks to our shareholders for the support over the years and we do look forward to the continuing guidance and encouragement in the future. Thank you!

Chairman: Liu, Wei-Lung President: Liu, Wei-Lung Chief Accountant: Chan, Shu-Juan

II. Company Profile

1. **Date of incorporation:** March 27, 1987
2. **The Company, branch offices, and factories' address and phone number:**

(1) The Company:

i. Address: No.111, Dongshi St., Xizhi Dist., New Taipei City

ii. Tel: (02)6615-9999

(2) Location of the Company:

i. Address: 1F, No.166, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City

(3) Branch Office:

Branch Offices	Address	Tel.
New Taipei City	No.38-2, Mujiliao, Sanzhi Dist., New Taipei City	(02)2636-5300
Banqiao	1F., No.40, Sec. 1, Changjiang Rd., Banqiao Dist., New Taipei City	(02)6607-6206
Keelung City	1F., No.105, Ren 1st Rd., Ren'ai Dist., Keelung City	(02)2425-3037
Hsinchu City	1F., No.10, Chengde Rd., North Dist., Hsinchu City	(03)527-7398
Miaoli County	No.35, Weigong Rd., Miaoli City, Miaoli County	(037)260-006
Taichung City	No.255, Xueshi Rd., North Dist., Taichung City	(04)2207-6090
Chiayi City	No.591, Zhongshan Rd., West Dist., Chiayi City	(05)216-9769
Changhua County	No.154, Dapu Rd., Changhua City, Changhua County	(04)712-1366
Tainan City	No.213, Sec. 1, Zhonghua S. Rd., South Dist., Tainan City	(06)336-9566
Kaohsiung	No.39, Ln. 600, Benguan Rd., Sanmin Dist., Kaohsiung City	(07)370-1918
Yilan County	No.510, Sec. 2, Zhongshan Rd., Luodong Township, Yilan County	(03)953-2590
Hualien County	B1F., No.100, Sec. 1, Huacheng Rd., Ji'an Township, Hualien County	(03)842-1111

(4) Factories:

As funeral business is our major activity, we don't belong to manufacturing industry, thus have no factory. Cemetery owned or held by the Company are as below.

Company	Cemetery	Address	Tel.
Lungyen Life Service Corp.	Baisha Bay Cemetery Park	No.38-2, Mujiliao, Sanzhi Dist., New Taipei City	(02)2636-5300
Lungyen Life Service Corp.	Fushou Columbarium	No.100, Sec. 1, Huacheng Rd., Ji'an Township, Hualien County	(03)842-1111
Lungyen Life Service Corp.	Quan An Tai Cemetery Park	No.9-26, Baolin, Neimen Dist., Kaohsiung City	(07)660-2225
Yuji Development Corp.	Wanshoushan Cemetery Park	No.22-3, Yuantan, Wanli Dist., New Taipei City	(02)2498-9604
Yuji Development Corp.	Baoshan Cemetery Park	No.225, Nanguo Ln., Sec. 2, Changlong Rd., Taiping Dist., Taichung City	(04)2277-7547
Yuji Development Corp.	Chiayun Cemetery Park	No.112-4, Niuchoupu, Shuishang Township, Chiayi County	(05)289-1649
Lung Fu Company Limited	Fu Guei Village Cemetery	No.16-2,13rd Neighborhood, Shiwujian, Xinwu Dist., Taoyuan City	(03)476-6686

3. The Company's History:

1987: The Company was established on March 27, 1987, headquartered in Xinzhuang City, Taipei County, with paid-in capital of NT$20,000,000.

1989: The Company launched the villa community residential area project, Dahan O-Hsiang, in Linkou, Taipei County.– Thanks to diligent planning and attention to quality, the Company was honored with the "Best Construction Quality Community – Beautiful House Award" and a "Chinese Architectural Inscribed Stone Award". The sales rate was 100%.

1992: In order to co-ordinate the Company's business scale expansion and establish a sound financial structure, the Company arranged a capital increase of NT$120,000,000 in October. Total paid-in capital thus increased to NT$140,000,000.

1994: In order to co-ordinate business expansion, the Company arranged a capital increase of NT$59,503,000 in January. Total paid-in capital increased to NT$199,503,000.

1995: In order to co-ordinate the Company's future development and improve its financial structure, the shareholders' meeting resolved to increase capital by NT$300,994,000. Total paid-in capital increased to NT$500,497,000.Meanwhile, the Company was honored with a "Good Service Award - Construction Company Category" due to the upgrade of its service quality.

1996: Achieved an outstanding sales record in the new product series in the Taoyuan area, including "Dahan family love," "Dahan hometown love," and "Dahan cozy home". Introduced ISO9002 certifying procedures to upgrade all service quality in July.

1997: In order co-ordinate the Company's future development and improve its financial structure, the Company was approved to carry out an issuance of public stock on June 5 and also a capital increase totaling NT$300,994,000 to translate the capital collected from advance stock sales into paid-in capital, totaling NT$500,497,000. Also, in December, the Company arranged a capital increase totaling NT$49,503,000. Total paid-in capital increased to NT$550,000,000.The Company launched the project, "Dahan Technology Headquarters – 2nd Phase", in Neihu District. Meanwhile, the Company was granted an "Architecture Investment Business Identity Logo" by the Ministry of Interior and honored with an "R.O.C. Golden Customer Satisfaction Award".

1998: Capital increase of NT$157.99 million through cash injection and capitalization of earnings in September. Total actual paid-in capital amounted to NT$ 707.99 million after funding.

The Company launched the top quality living space residential building project, "Dahan Summer Palace", in Taoyuan, and was also nominated as one of the candidates for an "R.O.C. Gold Architecture Award – Planning & Design".

1999: Capital increase of NT$110.81 million through capitalization of employee bonuses in November. Total actual paid-in capital amounted to NT$ 818.41 million after funding. The "Da Han Summer Palace" was awarded the 7th "Chinese Golden Stone Award for Architecture" under the planning/design category.

2000: "Da Han Summer Palace" was awarded the 8th "Chinese Golden Stone Award for Architecture" under the management and maintenance category and the 2nd "National Golden Award for Architecture" under the construction quality category. Also, "Da Han Da Zhi w.w.w was awarded the 8th "Chinese Golden Stone Award for Architecture" under the planning/design category. The Company carried out recapitalization from retained earnings and capital surplus, totaling NT$66,803,000, on September 8. Total paid-in capital increased to NT$885,603,000. The Company was listed on the GreTai Securities Market as of October 4.

2001: The Company introduced a learning organization project and carried out a cultural & HR diagnostic project.

2002: Supervisor, Mr. Chen Wei-Kuo, called the first shareholders' meeting of 2002 to discharge and reelect directors/supervisors on April 12, 2002. As a result, Mr. Chen Chi-Sheng was reelected Company chairman.

2003: The Company promoted a "Production Marketing Integration System" to integrate "architectural planning", "construction management' and "product marketing".

The Company launched the projects "Twin 4M5" on Nongan Street, "Dahan Tunchun" in Daan District, Taipei City, and "Dahan Fong Chiang Ge" in Taishan Hsiang, Taipei County. The projects "Dahan Tunchun" and "Dahan Fong Chiang Ge" were completed and delivered.

2004: Launched "Da Han MVP" in Neihu, Taipei City, in February.

Launched "Beitou Da Han" in Beitou, Taipei City, and finished the construction of "Shuang Chen 4.5M" in December.

2005: Lauched "Da Han Chung Zhi" in Shilin, Taipei, in October.

Finished the construction of "Da Han MVP" in November.

The Board of Directors reelected Mr. Lai Ming-Huang as the Company's chairman in November.

2006: The Company called the first special shareholders' meeting of 2006 on February 8, 2006 as required which resolved to reelect directors and supervisors. Mr. Lai Ming-Huang was reelected Company chairman.

In February, in order to expand the business, the Company was relocated to Taipei City to provide customers with more complete and timely services.

2007: Launched "Kwang Xizang" in the Wenshan area in April.

Finished construction of "Beitou Da Han" in April.

Capital increase through earnings capitalization in September of NT$32,920 thousand. Total actual paid-in capital amounted to NT$ 1,072.35 million in September.

2008: The special shareholders' meeting ratified a cash capital increase in the form of private placement in August.

Company headquarters moved to 7F., No.150, Guangfu N. Rd., Songshan Dist., Taipei City, from No.369-15, Guangfu N. Rd., Songshan Dist., Taipei City, in September. The Company acquired approval of change of registration address obtained on September 9th.

2009: Capital increase through cash injection via private placement on February 26th. The Ministry of Economic Affairs approved the change in registration on March 13th. Total actual paid-in capital amounted to NT$3,072.35 million.

Re-election of board members and supervisors on June 12th.

By election of independent board members to form the audit committee on 29th October.

The board approved an increase in capital by issuing new shares to transfer 75% of shareholding from shareholders on November 6th.

Finished construction of "Kwang Xizang" in the Wenshan area in December.

2010: February 5th was the base date for the transaction of transferring 75% of shareholdings from shareholders together with the new issuance of 74,924,315 shares. The Ministry of Economic Affairs approved the change in registration on February 26th. Total actual paid-in capital amounted to NT$3,821,593,150.

On October 12, in order to upgrade the effectiveness of future resources integration and active strategic business development, a motion for merger of the Company and Lungyen Life Service Co., Ltd., Ltd. was ratified at the shareholders' meeting of both parties. Upon the merger, new shares totaling 16,924,884 were issued to increase capital.

2011: The Company merged with Lungyen Life Service Corp., with the move approved

by FSC Fa-Chi#1000001274 from the Securities and Futures Bureau, the Financial Supervisory Commission on January 26th. The board set February 1st as the merge base date and changed the Company name to the Lungyen Life Service Corporation. On April 8th, the new issuance from merger was initially offered, and a month later the new issuance due to change of name was made available in the public market.

The following acquisitions were made through subsidiary capital injections: the Wan Sho Shan Cemetery in New Taipei City and ownership of and right of operation in the Chia-Yi Chia-Yun-Bao-Cheng columbarium tower; the Bao Shan Memorial Cemetery in Taichung; the Fu Guei Village Cemetery in Fugang, Yangmei; and the partial ownership of burial land in Chin Tang, Xindain.

2012: Released Corporate Social Responsibility Report in April.

In April applied to GreTai Securities Market for a change from the "Construction" sector to the "Other" sector.

Received approval from GreTai Securities Market to list 200,000,000 shares issued through private placement in 2009.

2013: The Company and Quan An Tai Co. Ltd. signed an operating cooperation agreement on Quan An Tai Cemetery Park in Kaohsiung. The Company took the responsibility for management and sales.

The Company's subsidiaries Yuji Development Corp. and Fu Yang Development Co. Ltd. signed a cooperation agreement, and set a joint-venture company Lung Fu Company Limited as sub-subsidiary. At the meanwhile, the Company acquired assets and the right of operation of Fugan Cemetery Park located at Xinwu Dist., Taoyuan City.

2014: In August, the Company was honored as New Star Awards of CSR Excellence in

Corporate Social Responsibility, held by CommonWealth Magazine and the top level

(A++) in Appraisal of listed companies in Taiwan Stock Exchange.

In October, the Company was honored as Outstanding Commerce Entrepreneur of

68th Golden Merchant Awards, the first awarded company in funerary services.

2015: Received the award for top 5% of the excellent enterprises at 1st term of corporate governance evaluation on GTSM listed companies in June.

Lungyen Headquarters in Xizhi founded and activated in July.

Honored as the excellent merchant of the R.O.C. of Golden Merchants Award of 69th term in October for two years consecutively.

Honored as 2015 excellent funeral service providers and excellent service provider following the public charge policy in December.

2016: April: Received the award for top 5% of the excellent enterprises at 2nd term of corporate governance evaluation on GTSM listed companies

December: Awarded "the Best Enterprise in Innovation and Excellence" by Excellence Magazine

2017: January: at the special shareholders' meeting, the shareholders approved a capital increase in cash and the placement of convertible bonds in a private way.

March: raising funds for capital increase in cash of NT$210,000,000 in a private way was completed.

April: it was approved by the Ministry of Economic Affairs to register the changes that the Company's paid-in capital be NT$4,200,841,990.

April: the Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for three consecutive sessions.

June: The construction of Palace of the Light and Ceturial Cemetery began.

August: Awarded "little Giant in Excellence in Corporate Social Responsibility"by Common Wealth Magazine.

August: Winning the bid of the land inWenzhou City, which planned as cemetery and service center.

August: Top shareholder Shih-Tsung Lee gifted his shares to his daughter Lee, Kelly.

December: Honored as excellent funeral service providers of Taipei City.

December: Signed the contract of joint venture with Sea Dragon Corp., Lungyen (Cayman) Corp., Fujiure Corp., and Sino Ocean Group.

2018: January: Sino-Ocean Group invested in Lungyen (Cayman) Co. Ltd. by cash offering.

April: The mainland business of the Company and Sino-Ocean Group has entered a critical period of rapid development. The board of directors of the Company decided to send Mr. Kuo, Hsueh-Chun as the chairman of the joint venture of the Company and Sino-Ocean Group (ie Longyoung Life Corp.).

April: Mr.Liu Wei-Lung (Chairman) also serves as president.

April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for four consecutive sessions.

June: Re-election of the 13th director of the Company.

June: Form the Corporate Governance and Nominating Committee.

November: The construction of the service center of Palace of the Light and Ceturial Cemetery began.

December: The Company once again won the award for the funeral facilities and the funeral service industry evaluation.

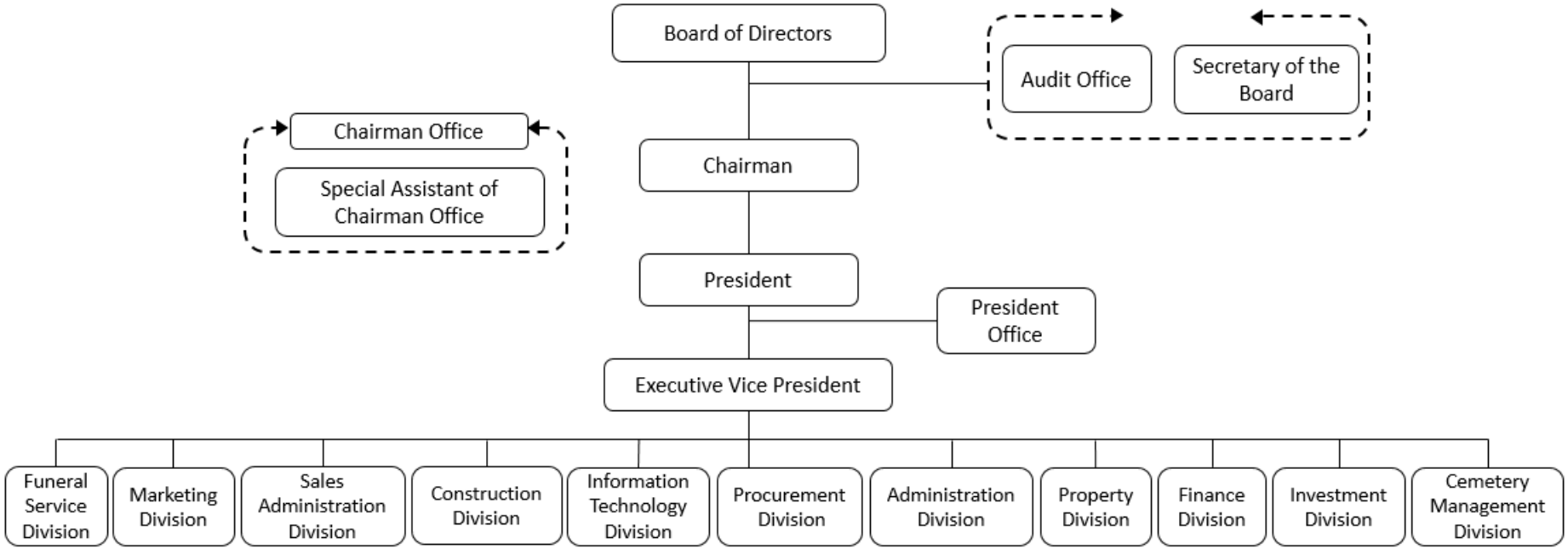
2019: April: The Company and the 100%-owned subsidiary Lung An Company Limited conducted the simple merger. After the merger, the Company is the surviving company, and Lung An Company Limited is the extinguished company.

April: The Company was honored as one of top 5% excellent enterprises at the Corporate Governance Evaluation on GTSM Listed Company for five consecutive sessions.

III. Corporate Governance Report

1. Organization:

(1) Organization Chart: (2019.4.30)



(2) Main business activities of our departments:

(1)	Auditing Office	Responsible for drafting and implementation of annual audit plan, ensure compliance with the Company's policies as well as with external regulations.
(2)	Secretary of the Board	Implementation of corporate governance and other Board committees.
(3)	Sales Administration Division	Responsible for sales planning, execution, sales channel and contract managing, customers' service implementation.
(4)	Funeral Service Division	Responsible for funeral and assembly hall service and management.
(5)	Marketing Division	Responsible for product development and publicity for business.
(6)	Procurement Division	Responsible for procurement management.
(7)	Administration Division	Responsible for implementation of legal affairs, human resourcing, and staffs' restaurant.
(8)	Training and Development Division	Responsible for planning and handling corporate education, business training and incentive activities.
(9)	Property Division	Responsible for utilization and management of the Company's properties.
(10)	Information Technology Division	Responsible for planning, implementing, and integrating the Company's hardware and software.
(11)	Finance Division	Responsible for management and execution of accounting, cashier, funding allocation.
(12)	Investment Division	Responsible for investment evaluation, analysis, implementation, risk management, and investors' relations
(13)	Cemetery Management Division	Responsible for columbarium and cemetery service and management.
(14)	Construction Division	Responsible for construction project, quality control, product design and development.

2. Profiles of Directors, Supervisors, President, Vice Presients, Asst. VPs, and heads of the departments and branches

(1) Directors and supervisors:

i. Directors and Supervisors:

Job Title	Nationality	Name	Gender	Date Elected	Term	Date 1st Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (Shares)		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers, Directors, Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Job Title	Name	Relationships
Chairman	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA
	R.O.C	Representative: Liu, Wei-Lung	M	2018.06.20	3 years 2021.06.19	2009.06.10	0	0%	0	0%	0	0%	0	0%	Bachelor, Law Department, National Taiwan University Vice President, Kuan Yuan Media Vice President, sales and marketing division, Lungyen Life Service Co. Ltd.	Director, Jin Huang Construction Co., Ltd. Director, Long Yong Life Co. (Cayman) Director, Long Yong Life Co. (Hong Kong) Director, Long Yong Life Co. (China) Director, Lungyen Cementary (Wenzhou) Co. Ltd.	NA	NA	NA
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA
	Canada	Representative: Anthony Lee	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Department of Linguistics, University of Toronto Knowtions Research Inc, Co-Founder	Knowtions Research Inc, Chief Executive Officer Knowtions Research Inc,Board of Directors	NA	NA	NA
Director	BVI	Wish Giver Limited	-	2018.06.20	3 years 2021.06.19	2018.06.20	63,000	0.01%	63,000	0.01%	0	0%	0	0%	NA	NA	NA	NA	NA
	Japan	Representative: Fujibayashi Ichiro	M	2018.06.20	3 years 2021.06.19	2013.06.04	0	0%	0	0%	0	0%	0	0%	School of Science and Engineering, Meisei University, Japan	CEO, Fuji Kogyo Co. Ltd, Japan CEO, Tur Bao Si Co. Ltd., Japan Chairman, Tur Bao Si Co. Ltd., Malaysia Chairman & President, Tur Bao Si Co. Ltd., China	NA	NA	NA

																Managing Supervisor, Fuji Optical Corp., South Korea Supervisor, Hi-Mecha Corp., JP Supervisor, Fuji Flower CO.,LTD, Japan			
Director	Hong Kong	Orix Asia Capital (Note 3)	–	2018.06.20	3 years 2021.06.19	2017.06.21	21,000,000	5.0%	21,000,000	5.0%	0	0%	0	0%	NA	NA	NA	NA	NA
	R.O.C	Representative: Chao,Tsen-Sen g	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Bachelor, Department of Law, National Taiwan University MBA, National Cheng Chi University Credit Management Dept., Bank of Bank of Panhsin NPL, Orix Asset Management Taiwan Corporation Orix Investment Corporation (Bejin) Manager, Investment Banking, Orix Taiwan Corporation Manager,Corporate Financing, Orix Taiwan Corporation	Head of Investment and Financing Division and Business Promotion , Orix Taiwan Corp.	NA	NA	NA
Independen t Director	ROC	Yeh, Shu	M	2018.06.20	3 years 2021.06.19	2012.6.06	0	0%	0	0%	0	0%	0	0%	Doctor, Accounting, University of California, LA Master, Accounting, University of Texas at Austin Bachelor, Department of Economics, National Taiwan University Executive VP & CFO, CHT Supervisor, Taiwan Cogeneration Corporation Supervisor, HannStar Display Corporation Independent director, Phecda Technology Co. Ltd. Supervisor, Elite Advanced Laser Corporation Independent Director, Nova Technology	Professor, Accounting Department, National Taiwan University Independent Director, AP Memory Technology Corp. Independent Director, GEM Services Inc.	NA	NA	NA
Independen t director	ROC	Wang, Huai	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, NCCU Vice President, Champion Venture Vice President & Partner, KPMG Management Consulting Co. Ltd Chairman, New Century Technology Co. Supervisor, CHC Healthcare Holding	Secretary General, Taiwan Corporate Governance Association Supervisor, Supreme Technology Co. Supervisor, CDIB Bio Science Ventures I	NA	NA	NA
Independen t director	ROC	Wang, Frank Chun-Chung	M	2018.06.20	3 years 2021.06.19	2018.06.20	0	0%	0	0%	0	0%	0	0%	BA in Accounting and Mechanical Engineering, The Ohio State University Information Designer, Ohio Department of Development CFO, GM International COO, Titan Corporation Advisor, CIBC Supervisor and member of Remuneration Committee, Headway Technology Co. CPA of Indiana, USA	Director, Advancedtek International Inc	NA	NA	NA

(2) Directors and Supervisors that are representatives of institutional shareholders, major shareholder of an institutional shareholder：

i. Major shareholder of an institutional shareholder 2019.4.2

Institutional Shareholders (Note 1)	Major shareholders (Note 2)
Wish Giver Limited	PHOENIX TYCOON LIMITED 100%
Orix Asia Capital Corp.	Orix Corp. 100%

Note 1 : Directors and Supervisors that are representatives of institutional shareholders should disclose the name of institutional shareholders

Note 2 : The top 10 sharehlders and percentage of the shares, and fill in the sheet below if the major shareholder is a legal person

ii. Major shareholders that are legal people: 2019.4.2

Name of Institutional Shareholder (Note 1)	Major shareholders (Note 2)	
PHOENIX TYCOON LIMITED	Lee, Kelly	100%
Orix Corp.	BlackRock, Inc. (NYSE:BLK)	6.35%
	Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	4.08%
	FMR LLC	4.06%
	Sumitomo Mitsui Trust Asset Management Co., Ltd.	3.17%
	The Vanguard Group, Inc.	2.78%
	Nomura Asset Management Co., Ltd.	2.55%
	Norges Bank Investment Management	1.67%
	Nikko Asset Management Co., Ltd.	1.40%
	Daiwa Asset Management Co. Ltd.	1.37%
	FIL Limited	1.26%

Note 1: If the major shareholder is a legal person should disclose the name of the legal person.

Note 2: The top 10 sharehlders and percentage of the shares

(3) The professional knowledge and independence of the Board Directors and Supervisors.

2019.4.2

Qualifications / Name	Has at least five years of relevant working experience and the following professional qualifications			**Complies with independent status (Note)**										**Number of positions as an Independent Director in other publically listed companies**
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Liu, Wei-Lung	-	-	✓			✓	✓	✓		✓	✓	✓		0
Lee, Anthony	-	-	✓	✓	✓	✓		✓	✓	✓	✓	✓		0
Fujibayashi Ichiro	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chao,Tsen-Seng	-	-	✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Yeh, Shu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wang, Huai	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Frank Chun-Chung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : A "✓" is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

1. Not an employee of the company or an affiliate.
2. Not a director or supervisor of the Company or its associates (this does not include an independent director who represents a institution or the parent of the institution who directly and indirectly holds more than 50 percent of the voting shares).
3. The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is he/she one of the company's ten largest natural-person shareholders.
4. Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the three foregoing paragraphs.
5. Is not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the company's total outstanding shares, nor is a director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
6. Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares of any company or organization that has a financial or business relationship with the company.
7. Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
8. Is not the spouse or relative within the second degree of kinship of another director.
9. Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.
10. Has not been elected as a representative of a government unit, institution, or other body as prescribed in Article 27 of the Company Act.

2. Profile of Directors, Supervisors, President, and Vice Presidents, Asst. VPs, and heads of the various deparments and branches.

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship
President	ROC	Liu, Wei-Lung (Note 1)	M	2017.04.01	0	0%	0	0%	0	0%	Bachelor, Law Department, National Taiwan University Vice President, Kuan Yuan Media Vice President, sales and marketing division, Lungyen Life Service Co. Ltd. President, Lungyen Life Service Co. Ltd.	Director, Jin Huang Construction Co., Ltd. Director, Long Yong Life Co. (Cayman) Director, Long Yong Life Co. (Hong Kong) Director, Long Yong Life Co. (China) Director, Wenzhou Lungyen Cementary Co	NA	NA	NA
Executive Vice President and Chief Financial Officer	ROC	Chan, Shu-Juan	F	2010.03.01	0	0%	0	0%	0	0%	Master, Accounting Department, Soochow University CPA, Deloitte & Touche	Supervisor, Jin Huang Construction Co., Ltd. (Representative from Lungyen Life Service Corp.) Supervisor, Yuji Development Corp. (The representative of Chen Chang Investment Corp.) Supervisor, Dahan Property Management Co., Ltd. (Representative from Lungyen Life Service Corp.) Supervisor, Lung Fu Company Limited Supervisor, Lung-I-Sheng International Development Co.	NA	NA	NA
Secretary of the Board and Corporate Governance Director	ROC	Liang, Jian-Yun	F	2010.03.18	4,000	0%	0	0%	0	0%	Bachelor, Department of Economics, National Chung Hsing University Accounting and auditing, Lungyen Life Service Co. Ltd. Auditing Supervisor, Deputy Assistant General Manager, Customer Service Division, Lungyen Life Service Corp.	Director, Yuji Development Corp. (Representative from Lungyen Life Service Corp.) Director, Lung Fu Company Limited Director, Dahan Property Management Co., Ltd. Director, Lung-I-Sheng International Development Co.	NA	NA	NA

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship
Vice President of Cemetery Management Division	ROC	Lin, Shu-Ling	F	2012.11.08	0	0%	0	0%	0	0%	Department of International Trade, Takming Junior College of Commerce	Director, Yuji Development Corp. Chairman, Lung Fu Company Limited Director, Dahan Property Management Co., Ltd. Chairman, Lung-I-Sheng International Development Co.	NA	NA	NA
Vice President of Information Technology Division	ROC	Wu, Hong-En	M	2015.08.11	0	0%	44,000	0.01%	0	0%	Bachelor, Department of Accounting, National Chengchi University Auditor, Audit Department, KPMG Vice President, Cemetery Management Division, Lungyen Life Service Corp. Vice President, China Business Division, Lungyen Life Service Corp.	Director, Lung-I-Sheng International Development Co	NA	NA	NA
Vice President of Marketing Division	ROC	Niu, An-Tzu	F	2013.04.25	0	0%	0	0%	0	0%	Bachelor, Chinese Literature, SooChow University Advertising Manager, Shiseido Taiwan	None	NA	NA	NA
Vice President of Purchasing Division	ROC	Jian, Hui-Juan	F	2013.02.25	0	0%	0	0%	0	0%	Bachelor, Department of Journalism, Chinese Culture University	Chairman, United Corp.	NA	NA	NA
Vice President of Funeral Service Division	ROC	Hsu, Mei-Yu	F	2015.04.16	0	0%	0	0%	0	0%	Bachelor, Business Management Department, National Taiwan University VP, Property Service Division, Standard Chartered Bank (UK) Supervisor, Property Management Department, Jones Lang LaSalle Marketing and CRM Manager, Salmat Limited Assistant Manager, Credit Card Administration Department, AIG	None	NA	NA	NA
Vice President of	ROC	Chou, I-Ping	M	2015.04.01	0	0%	0	0%	0	0%	MBA, Pennsylvania State University	Supervisor, TDA Air Corp.	NA	NA	NA

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship
Investment Division											Customer Consulting Director, Ultra High Net Worth, UBS Hong Kong Senior manager, Dealing room, CTBC Investment Consultant Manager, Goldman Sachs (Asia)				
Vice President of Construtcion Division	ROC	Liu, Yu-Min	M	2016.11.04	0	0%	0	0%	0	0%	BS Civil Engineering, National Chao-Tun Univ. EMBA NTU VP Wah-Sin Li Wah Co. Director, Clevo Computer Project Manager, Ren-Hong Precision Co.	None	NA	NA	NA
Vice President of Administration Division	ROC	Fu, Ming	M	2018.07.02	0	0%	0	0%	0	0%	Master of Law, Fu Jen Catholic University Bachelor, Department of Law, National Chung Hsing University Law Clerk of Taipei District Court Auctioneer of Taiwan Financial Asset Service Corporation Assistant Vice President, Investment Banking Business, Orix Taiwan Corp. Laywer, Alliance International Law Offices	None	NA	NA	NA
Assistant Vice President of Sales Administration Division	ROC	Chen, Yung-Cheng	M	2017.03.02	0	0%	0	0%	0	0%	MS Economics, Fu-Jen Univ. Chief, Cathay Life Insurance Manager of Funeral Service, Lungyen AVP, General Management, Lungyen	None	NA	NA	NA
Special Assistant of President Office	ROC	Lee, Shu-Hui (Note 2)	F	2018.05.10	5,000	0%	0	0%	0	0%	KPMG Accounting, Lungyen Life Corp. AVP, Operation Management, Lungyen Life Corp. Special Assistant of President, Lungyen Life Corp. Auditing Office, Lungyen Life Corp. Funeral Service Division, Lungyen Life	None	NA	NA	NA

Job title	Nationality	Name	Sex	On-board date	Shares held		Shares held by spouse and underage children		Shares held under another person's name		Education and work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship
											Corp.				
Assistant Vice President of Finance & Accounting Division	ROC	Wu, Tsuen-Long	M	2017.03.02	0	0%	0	0%	0	0%	BS Accounting, Soochou Univ. Accounting Manager, Lungyen Assist Manager, Deloitte Manager, Merit Biotech Co. Ltd. Manager, Caremed Supply Inc.	NA	NA	NA	NA
Assistant Vice President of Property Division	ROC	Chuang, Chin-Liang (Note 2)	M	2018.05.10	0	0%	0	0%	0	0%	Bachelor, Department of Urban Planning, Chinese Culture University Manager of Asset Management, Century Asset Management Company Assistant Vice President, Real Estates Investment Department, CA Capital Partners Asset Management, CIVIL Asset Management Consultant Co. Ltd. Manager, Real Estates Investment Department, Lungyen Life Co. Ltd.	None	NA	NA	NA
Assistant Vice President of Training and Development Division	ROC	Wu, Kai-Ling (Note 3)	F	2019.04.18	0	0%	0	0%	0	0%	Bachelor, Department of Finance and Banking, Shih Chien University Manager, Multichannel department, Lungyen Life Co. Ltd. Manager, Training Department, Lungyen Life Co. Ltd. Deputy Director, Training Department, TransglobeLife Insurance Co.	None	NA	NA	NA

Note1: Mr. Liu, Wei-Lung was elected by the board of directors as the chairman on March 2, 2017, the job of the president was to Mr. Kuo, Hsueh-Chun, as our China business with Sino-Ocean Group has entered a critical period of rapid development, Mr. Kuo, Hsueh-Chun was elected by the board of directors on March 27, 2018 as the chairman of Longyoung Life Corp., Chairman Mr. Liu, Wei-Lung serves as the president on April 01, 2018.
Note 2: On-board after adjustment of duties on May 10, 2018.
Note 3: On-board after adjustment of duties on April 11, 2019.

(English Translation of Annnual Report Originally Issued in Chinese)

3. Remuneration paid to Directors, Supervisors, President, and Vice Presidents

(1) Remuneration paid to Directors

2018.12.31 NTD$thousand

Job title	Name	Remuneration to Directors								(A+B+C+D) as a percentage of net income		Remuneration to part-time employees								(A+B+C+D+E+F+G) as a percentage of net income Exercisable Employee Stock Options (H)		Remuneration from invested non-subsidiary enterprise(s)
		Compensation (A) (Note 1)		Pension upon Retirement (B)		Compensation from Earnings Distribution © (Note 2) - proposed		Service Expenses (D)				Base Salary, Bonuses, and Allowances (E)		Pension upon Retirement (F)		Compensation from Earnings Allocation (G) (Note 3) - proposed						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman	Wish Giver Limited Representative:Liu, Wei-Lung (note 5)	0	0	0	0	12,336	12,336	0	0	0.57%	0.57%	27,000	2,700	0	0	5,695	0	5,695	0	2.07%	2.07%	0
Chairman	Liu, Wei-Lung (note 4)	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Lee, Shih-Tsung (Note 4)	0	0	0	0	0	0	0	0	0.00%	0.00%	3,000	3,000	0	0	0	0	0	0	0.14%	0.14%	0
Director	Representative of Wish Giver Limited: Anthony Lee (Note 5)	0	0	0	0	12,336	12,336	0	0	0.57%	0.57%	0	0	0	0	0	0	0	0	0.57%	0.57%	0
Director	Institutional representative of Cheng Chang Investment Co., Ltd : Fujibayashi Ichiro (note 4)	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0

Director	Representative of Wish Giver Limited: Fujibayashi Ichiro (Note 5)	600	600	0	0	12,336	12,336	0	0	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	0
Director	Institutional representative of Cheng Chang Investment Co., Ltd: Lin, Chian-Ju (note 4)	17	17	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Chan, Pai-Liang (Note 4)	17	17	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Director	Institutional representative of Orix Asia Capital Co., Ltd.: Chao, Tsen-Sheng	0	0	0	0	12,336	12,336	0	0	0.57%	0.57%	0	0	0	0	0	0	0	0	0.57%	0.57%	0
Independent Director	Yeh, Shu	2,966	2,966	0	0	0	0	0	0	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	0
Independent Director	Wang, Huai (Note 5)	2,071	2,071	0	0	0	0	0	0	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	0
Independent Director	Wang, Chun-Chung (Note 5)	966	966	0	0	0	0	0	0	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	0
Independent Director	Chang, Show-Lian (Note 4)	17	17	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Independent Director	Hung, Kuo- Chao (Note 4)	1,411	1,411	0	0	0	0	0	0	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0

Note1：The Company's remuneration policies and procedures for determining remuneration and its connection with job performance are implemented in accordance with the Articles of Incorporation and resolution made by the Board of Directors.

Note 2：The remuneration of the directors is the proposed number and will be approved by the resolution of the shareholders' meeting in 2019. The actual allocation will authorize the board of directors to decide.

Note 3：Employee bonus through earning distribution paid to directors who are also employees is a proposed number and pending 2019 shareholder meeting approval

Note 4：Re-election of the 12th directors.

Note 5：Elected by the shareholders' meeting on June 20, 2018.

Range of remuneration

2018.12.31 NTD$Thousand

Remuneration Paid to Directors by Range	董事姓名			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Company	Companies included into the consolidated financial statement (I)	The Company	Companies included into the consolidated financial statement (J)
Below NT$2,000,000	**Not Applicable**			
NT$2,000,000 (included)~NT$5,000,000 (excluded)				
NT$5,000,000 (included)~NT$10,000,000 (excluded)				
NT$10,000,000 (included)~NT$15,000,000 (excluded)				
NT$15,000,000 (included) ~NT$30,,000,000 (excluded)				
NT$30,000,000 (included)~NT$50,000,000 (excluded)				
NT$50,000,000 (included)~NT$100,000,000 (excluded)				
Over NT$100,000,000				
Total				

Note: The Company discloses compensation paid on an individualized basis, thus range of remuneration isn't needed.

(2) Remuneration Paid to Supervisors

Job title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of net income after tax		Remuneration from invested non-subsidiary enterprise(s)
		Compensation (A)		Compensation from Earnings Distribution (B)		Service Expenses (C)				
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	
		(Not Applicable)								

Range of remuneration

12.31.2018 Unit: NT$ Thousand

Remuneration Paid to Supervisors by Range	Supervisor's name	
	Total Remuneration from (A+B+C)	
	The Company	Companies included into the consolidated financial statement D
Below NT$2,000,000	**(Not Applicable)**	**(Not Applicable)**
NT$2,000,000 (included)~NT$5,000,000 (excluded)		
NT$5,000,000 (included)~NT$10,000,000 (excluded)		
NT$10,000,000 (included)~NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~NT$30,,000,000 (excluded)		
NT$30,000,000 (included)~NT$50,000,000 (excluded)		
NT$50,000,000 (included)~NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total		

Note: Not applicable, as the Company adopted an Audit Committee in lieu of supervisors.

(3) Remuneration Paid to President and Vice Presidents

2018.12.31 NTD$Thousand

Job title	Name	Compensation (A) (Note 6)		Pension upon Retirement (B)		Commission and Allowance C (Note 8)		Employee Bonuses from Earnings Distribution (D) (Note 9)				(A+B+C+D) as a percentage of net income (%)		Remuneration from invested non-subsidiary enterprise(s)
		The Company	Companies included into the financial statement	The Company	The Company	Companies included into the financial statement	The Company	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman & President	Liu, Wei-Lung(Note 1)	30,113	30,113	1,423	1,423	19,747	19,747	5,355	0	5,355	0	2.59%	2.59%	None
President	Kuo, Hsueh-Chun(Note 1)													
Executive Vice President	Chan, Shu-Juan													
Vice President	Lin, Shu-Ling													
Vice President	Wu, Hong-En													
Vice President	Liang, Jian-Yun													
Vice President	Niu, An-Tzu													
Vice President	Jian, Hui-Juan													
Vice President	Chou, I-Ping													
Vice President	Hsu, Mei-Yu													
Vice President	Tu, Po-Yen(Note 2)													
Vice President	Liu, Yu-Min													
Vice President	Fu, Ming (Note 3)													
Vice President	Hong, Xiao-Wei (Note 4)													
Assistant Vice President	Tsao, Rou-Chi(Note 5)													
Assistant Vice President	Wang, Chih-Yung(Note 5)													
Assistant Vice President	Wu, Tsuen-Long													

Assistant Vice President	Chen, Yung-Cheng													
Assistant Vice President	Chen, Chung-Ti(Note 5)													
Assistant Vice President	Zhuang, Qing-Liang (Note 6)													
Assistant Vice President	Lee, Shu-Hui (Note 6)													

Note 1：Mr. Kuo, Hsueh-Chun was transferred by the board of directors on March 27, 2018, and Mr. Liu, Wei-Lung also served as the president. His remuneration was not included.
Note 2：Resigned on March 31, 2018..
Note 3：Reported on July 2, 2018
Note 4：Reported on December 8, 2018.
Note 5：Terminated the job of manager due to job adjustment on May 10, 2018
Note 6：Reported as a manager due to job adjustment on May 10, 2018
Note 7：Manager's compensation policy, procedures, and performance appraisal are executed based on resolutions of the compensation committee.
Note 8：Bonus and special allowances, et al. for expenditure in year-end and performance bonuses.
Note 9：Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2019 shareholder meeting approval.

Range of remuneration

Remuneration Paid to President & all Vice Presidents by Range	Name of President & Vice Presidents	
	The Company	Companies included into the financial statement E
Below NT$2,000,000	Kuo,Hsueh-Chun、 Tu, Po-Yen、 Tsao, Rou-Chi、Chen, Chung-Ti、 Wang, Chih-Yung、 Wu, Tsuen-Long、Chen, Yung-Cheng、Zhuang, Qing-Liang、Lee, Shu-Hui、Fu, Ming、Hong, Xiao-Wei	Kuo,Hsueh-Chun、 Tu, Po-Yen、 Tsao, Rou-Chi、Chen, Chung-Ti、 Wang, Chih-Yung、 Wu, Tsuen-Long、Chen, Yung-Cheng、Zhuang, Qing-Liang、Lee, Shu-Hui、Fu, Ming、Hong, Xiao-Wei
NT$2,000,000 (included)~NT$5,000,000 (excluded)	Lin, Shu-Ling、Wu, Hong-En、、Liang, Jian-Yun, 、Niu, An-Tzu、Jian, Hui-Juan、 Hsu, Mei-Yu、Liu, Yu-Min	Lin, Shu-Ling、Wu, Hong-En、、Liang, Jian-Yun, 、Niu, An-Tzu、Jian, Hui-Juan、 Hsu, Mei-Yu、Liu, Yu-Min
NT$5,000,000 (included)~NT$10,000,000 (excluded)	Chan, Shu-Juan、Chou, I-Ping	Chan, Shu-Juan、Chou, I-Ping
NT$10,000,000 (included)~NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~NT$30,,000,000 (excluded)		
NT$30,000,000 (included)~NT$50,000,000 (excluded)		
NT$50,000,000 (included)~NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total	20	20

(4) Manager name of employee bonus distributions and actual distribution

	Job title	Name	Stock bonus	Cash bonuses (Note 8) – proposed	Total	Total sum as a percentage of net income (%)
Managers	Chairman & President	Liu, Wei-Lung(Note 1)	0	5,355	5,355	0.25%
	President	Kuo, Hsueh-Chun(Note 1)				
	Vice President	Chan, Shu-Juan				
	Vice President	Lin, Shu-Ling				
	Vice President	Wu, Hong-En				
	Vice President	Liang, Jian-Yun				
	Vice President	Niu, An-Tzu				
	Vice President	Jian, Hui-Juan				
	Vice President	Chou, I-Ping				
	Vice President	Hsu, Mei-Yu				
	Vice President	Tu, Po-Yen(Note 2)				
	Vice President	Liu, Yu-Min				
	Vice President	Fu, Ming (Note 3)				
	Vice President	Hong, Xiao-Wei (Note 4)				
	Assistant Vice President	Tsao, Rou-Chi(Note 5)				
	Assistant Vice President	Wang, Chih-Yung(Note 5)				
	Assistant Vice President	Wu, Tsuen-Long				
	Assistant Vice President	Chen, Yung-Cheng				
	Assistant Vice President	Chen, Chung-Ti(Note 5)				
	Assistant Vice President	Zhuang, Qing-Liang (Note 6)				
	Assistant Vice President	Lee, Shu-Hui (Note 6)				

Note 1：Mr. Kuo, Hsueh-Chun was transferred by the board of directors on March 27, 2018, and Mr. Liu, Wei-Lung also served as the president.
Note 2：Resigned on March 31, 2018.
Note 3：Reported on July 2, 2018
Note 4：Reported on December 8, 2018.
Note 5：Terminated the job of manager due to job adjustment on May 10, 2018
Note 6：Reported as a manager due to job adjustment on May 10, 2018.
Note 7：Employee bonuses paid from earnings distribution to managers is a proposed number and pending 2019 shareholder meeting approval.

(5) Analysis of the total remuneration, as a percentage of net income after tax, as paid by the Company and by each other company included in the consolidated financial statements during the most recent 2 years to Directors, Supervisors, President, and Vice Presidents and the Company's remuneration policies, standards and packages, and procedures for determining remuneration and its connection with job performance.

i. Analysis of total remuneration paid in 2014 and 2015 as a percentage of net income to the Directors, Supervisors, President, and Vice Presidents of the Company by the parent and all other subsidiaries in this Annual Report

2018.12.31 NTD$Thousand

Job title	2017				2018			
	Remuneration amount		% of net income after tax		Remuneration amount		% of net income after tax	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	79,036	79,036	4.29%	4.29%	93,106	93,106	4.27%	4.27%

GM and VPs	66,506	66,506	3.61%	3.61%	56,639	56,639	2.60%	2.60%

Note: Including the renumeration for both served as director and staff.

ii. Remuneration policy, standards and packages, and the procedures for determining remuneration, along with their correlation with operating performance and future risk exposure:

a. Remuneration to directors

The remuneration paid by the Company to directors may be categorized into compensation, remuneration allocated from earnings, and professional practice fees:

The remuneration shall be handled subject to the resolution made by the Company's Remuneration Committee. The remuneration allocated from earnings shall comply with the Company's articles of incorporation, and shall be set in accordance with their level of participation in Company operations and value of their contributions as well as the domestic industry standards. Because the remuneration is allocated at a fixed rate subject to the profit sought by the Company in then year, it has intensive connection with the Company's business performance. The professional practice fees refer to transportation allowance primarily, and are paid based on the standards applied by the other renowned industries.

The remuneration to the Company's directors shall be paid based on the Company's past business performance. The payment criteria, structure and system of the remuneration will also be adjusted based on the future risk factors, and if the economy is poor or the Company's business risk increases, the remuneration to the directors will be cut relatively. Meanwhile, the Company's Remuneration Committee will meet periodically to evaluate the directors' remuneration, and submit the relevant motion to a directors' meeting for discussion, in order to seek the balance between sustainable operation and risk control.

b. Compensation to president and vice presidents

The compensation paid by the Company to the president and vice president is categorized into salary, bonus and special allowance, plus employee bonus allocated from earnings:

The salary is also the remuneration referred to in the Company Act, which refers to the remuneration sufficient to reflect the worker's performance based on the job responsibilities, overall environment and market level. The bonus and the employee bonus is allocated in accordance with the Company's articles of incorporation. Since the bonus is allocated at a fixed rate subject to the profit sought by the Company in then year, it has intensive connection with the Company's business performance. The remuneration to the Company's president and vice president shall be paid based on the domestic and foreign industry standards and the Company's past business performance. The payment criteria, structure and system of the remuneration will also be adjusted based on the actual overview of business and related laws and regulation. Meanwhile, please do not instigate the managers to engage in any activities beyond the risk tolerable by the

Company in order to pursue the remuneration. Meanwhile, the Company's Remuneration Committee will meet periodically to evaluate the presidents and vice president's remuneration, and submit the relevant motion to a directors' meeting for discussion, in order to seek the balance between sustainable operation and risk control.

In conclusion, the remuneration policies toward directors, president and vice president adopted by the Company and procedures for determining remuneration have positive connection with business performance.

4. Status of Corporate Governance

(1) Operations of the Board of Director

i. Total number of meetings convened in fiscal year 2018 (from 2018/01/01 ~ 2019/4/30) is 13(A), the attendance status is as below:

Job title	Name	Attendance in Person (B)	by proxy	Attendance Rate in Person (%) [B/A]	Notes:
Chairman	Liu, Wei-Lung	3	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Chairman	Institutional representative of Wish Giver Limited: Liu, Wei-Lung	10	0	100.00%	Reported after re-election on June 20, 2018, the number of attendance should be 10 times
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Lee, Shih-Tsung	1	0	33.33%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Lee, Anthony	6	4	60.00%	Reported after re-election on June 20, 2018, the number of attendance should be 10 times
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Fujibayashi Ichiro	3	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Director	Institutional representative of Wish Giver Limited: Fujibayashi Ichiro	8	2	80.00%	Reported after re-election on June 20, 2018, the number of attendance should be 10 times
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Chan, Pai-Liang	2	0	66.67%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Director	Institutional representative of Cheng Chang Investment Co., Ltd.: Lin, Chian-Ju	2	0	66.67%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Director	Institutional representative of Orix Asia Capital Corp.: Fu, Ming	3	0	100.00%	Reassigned after re-election on June 20, 2018, the number of attendance should be 3 times
Director	Institutional representative of Orix Asia Capital Corp.: Chao, Tsen-Sheng	10	0	100.00%	Reassigned after re-election on June 20, 2018, the number of attendance should be 10 times
Independent Director	Yeh, Shu	13	0	100.00%	

Independent Director	Chang, Show-Lian	3	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Independent Director	Hong, Guo-Chao	3	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 3 times
Independent Director	Wang, Huai	10	0	100.00%	Reported after re-election on June 20, 2018, the number of attendance should be 10 times
Independent Director	Wang, Chun-Chung	10	0	100.00%	Reported after re-election on June 20, 2018, the number of attendance should be 10 times

ii. The attendency of Independent Directors this year

◎：Attendance in Person； By proxy；＊Absence

Meeting Dates	Meeting Information	Yeh, Shu	Chang, Show-Lian	Hong, Guo-Chao	Wang, Huai	Wang, Chun-Chung
2018.02.05	27th meeting of the 12th Board of Directors	◎	◎	◎	Note	Note
2018.03.27	28th meeting of the 12th Board of Directors	◎	◎	◎		
2018.05.07	29th meeting of the 12th Board of Directors	◎	◎	◎		
2018.06.20	1st meeting of the 13th Board of Directors	◎	Note	Note	◎	◎
2018.07.24	2nd meeting of the 13th Board of Directors	◎			◎	◎
2018.08.10	3rd meeting of the 13th Board of Directors	◎			◎	◎
2018.11.08	4th meeting of the 13th Board of Directors	◎			◎	◎
2018.12.28	5th meeting of the 13th Board of Directors	◎			◎	◎
2019.01.18	6th meeting of the 13th Board of Directors	◎			◎	◎
2019.02.14	7th meeting of the 13th Board of Directors	◎			◎	◎
2019.02.26	8th meeting of the 13th Board of Directors	◎			◎	◎
2019.04.11	9th meeting of the 13th Board of Directors	◎			◎	◎
2019.04.18	10th meeting of the 13th Board of Directors	◎			◎	◎

Note: Chang, Show-Lian and Hong, Guo-Chao were retired on June 20, 2018 due to re-election. Wang, Huai and Wang, Chun-Chung were elected as the new independent director on the same day.

iii. Other matters to be specified

a. The operation of the board of directors shall, if any of the following circumstances, specify the date, period, the contents of the board of directors, the opinions of all independent directors and the handling of the opinions of the independent directors：

a-1: Matters that are subject to the Article #14-3 of "Securities Act":

The Company has set up the Audit Committee, following the Article #14-5 of "Securities Act", the regulations of the Article #14-3" do not apply to the company.

a-2. Except for the previously said maters, oter matters were rejected or abstained by the independent direcotors and were kept in record or put in writing: none.

b. Situations when the director was excused from the Board meeting due to a conflict of interest - information including the director's name, meeting agenda, causes of recusal, and final participation of voting should be stated:

Meeting Dates	Meeting Information	Name of Director	Case	Causes of recusal	Participation
2018.08.10	3rd meeting of the 13th Board of Directors	Yeh, Shu, Wang, Huai, Wang, Chun-Chung	Remuneration of the independent director	Parties fo the case	Except for the avoidance of directors who have their own interests, the remaining attending directors passed the case without objection.
2019.01.18	6th meeting of the 13th Board of Directors	Liu, Wei-Lung	Annual performance appraisal and bonus issuance rules and time schedule planning		

c. Evaluation of measures taken to strengthen the functionality of the Board recent years (such as establishing Audit Committee, improving the Release of the Information and so on):

c-1. The Company's official website has a "Corporate Governance" section (https://www.lungyengroup.com.tw/Page/corporate-governance), which includes the board of directors, important resolutions of the board of directors, corporate governance structure, organization and operation of internal audits and important company regulations, etc., shareholders can understand the operation of the board of directors of the company through the website.

c-2. The Company has elected 3 independent directors on 2018.06.20 on general shareholders' meeting, the term of service is 3 years. According to Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company has the Procedural Rules of the Board and release the attendance of the directors.

c-3. We believe a sound and efficient board of directors is the foundation of superior corporate governance. Under such a principal, we established an audit committee on 10/29/2009 and a compensation committee on 09/29/2011 and established the Corporate Governance and Nomination Committee on June 20, 2018. These committees are composed entirely of three independent directors to assist the board of directors in the exercise of their duties in order to achieve their responsibilities of supervision and to achieve the objective of enhancing the functions of the board of directors.

c-4. In order to comply with the trend of international corporate governance, the Company has updated the Company's " Code of Ethical Conduct " , " Ethical Corporate Management Best Practice Principles " and "Whistleblower Reporting and Protection System Management Measures " on November 8, 2018, and revised the "Director's Meeting Rules" of the Company on April 11, 2019. Also, the relevant organization specifications on the Company's website was updated to safeguard shareholders' rights and improve corporate governance standards.

c-5. The Company also set up the head of corporate governance on February 26, 2019 to handle the corporate governance matters and provide the necessary support for the board of directors.

c-6. In order to enhance the transparency of information, the Company's major resolutions after the board meeting were immediately announced to the Market Observation Post System (MOPS).

c-7. On November 8, 2018, the Company passed the "Board and Functional Committee Evaluation Method" and completed the 2018 Board of Directors evaluation in January 2019. The evaluation results are based on the operation of the board of directors, director participation, board decision quality, board structure, internal control and other parts. The evaluation results reached the score of 94%. According to the "Board and Functional Committee Evaluation Method", the overall performance evaluation of the Board of Directors for the 2018 is "excellent".

c-8. As a new appointed member of during the term of the Board, the members of the Board will continue to participate in the courses of corporate governance related topics. The independent directors are in compliance with the Securities Exchange Law, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other matters to be followed.The board members have different professional functions and implement director diversity policy.

c-9. The Company has insured liability insurance for all directors. For more information, please visit t the Market Observation Post System (MOPS).

d. The diversity of members of the Board of Directors:

According to the Company's Corporate Governance Rule #20, the members of the Board should emphasize on gender equality and able to have necessary professional knowledge, abilities related to service. In order to achieve the goal of corporate governance, the board of directors should have the diversity of capabilities.

d-1. Professional knowledge:

Name of Directors	Gender	Professional Background	Professional Knowledge	Industries Experiences
Liu, Wei-Lung	M	✓	✓	✓
Lee, Anthony	M	✓	✓	✓
Fujibayashi Ichiro	M	✓	✓	✓
Chao, Tsen-Sheng	M	✓	✓	✓
Yeh, Shu (Independent Director)	M	✓	✓	✓
Wang, Huai (Independent Director)	M	✓	✓	✓
Wang, Chun-Chung (Independent Director)	M	✓	✓	✓

d-2. Diversity of ability of core items:

Diversity of core items Name of Directors	Gender	Operating Judgement	Accounting and Finance Analyze	Business Mana-gement	Crisis Mana-gement	Industry Knowledge	View of International Market	Leadership	Strategic Decision
Liu, Wei-Lung	M	✓	✓	✓	✓	✓	✓	✓	✓
Lee, Anthony	M	✓	✓	✓	✓	-	✓	✓	✓
Fujibayashi Ichiro	M	✓	✓	✓	✓	✓	✓	✓	✓
Chao, Tsen-Sheng	M	✓	✓	✓	✓	-	✓	✓	✓
Yeh, Shu (Independent Director)	M	✓	✓	✓	✓	✓	✓	✓	✓
Wang, Huai (Independent Director)	M	✓	✓	✓	✓	-	✓	✓	✓

Wang, Chun-Chung (Independent Director)	M	✓	✓	✓	✓	-	✓	✓	✓

(2) Operations of the Audit Committee:

i. Total number of meetings convened in fiscal year 2018 (from 2018/01/01 ~ 2019/04/30) is 10 (A), the attendance status is as below:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%) (B/A) (Note)	Remarks:
Audit Committee members	Yeh, Shu	10	0	100.00%	
Audit Committee members	Chang, Show-Lian	2	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 2 times
Audit Committee members	Hong, Guo-Chao	2	0	100.00%	Retired after re-election on June 20, 2018, the number of attendance should be 2 times
Audit Committee members	Wang, Huai	8	0	100.00%	Reported after re-election on June 20, 2018, the number of attendance should be 8 times
Audit Committee members	Wang, Chun-Chung	8	0	100.00%	Reported after re-election on June 20, 2018, the number of attendance should be 8 times

ii. Other matters to be specified:

a. Should any of the following circumstances occur during the operations of the Audit Committee, the date, session, content of proposal, resolution of Audit Committee and the Company's disposition to the opinions of Audit Committee.

a-1. The matters stipulated by Article 14-5 of the Securities and Exchange Act:
For details, please refer to "(4) Audit Committee Annual Work Priorities and Operational Situation"

a-2. Except with the foregoing matters, other matters to be resolved that are approved by over 2/3 of all directors but not approved by the Audit Committee: None

b. Situations when an independent director was excused from the Board meeting due to a conflict of interest information including director's name, meeting agenda, causes of recusal, and final participation in voting should be stated: None.

c. Communication among independent directors and internal auditing managers and independent accountants (concerning issues about Company financials, business operations, means of communication, and results of such communication):

c-1. Communication among independent directors and internal auditing managers

Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
March 27, 2018	25th meeting of the 3rd Audit Committee	2017 Internal Auditor's report	The internal auditors have presented the findings of all audit reports and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any
		2017 Declaration on Internal Control System	
May 07, 2018	26th meeting of the 3rd Audit Committee	1Q 2018 Internal Auditor's report	
August 10, 2018	2nd meeting of the 4th Audit Committee	2Q 2018 Internal Auditor's report	
November 08, 2018	3rd meeting of the 4th	3Q 2018 Internal	

	Audit Committee	Auditor's report	dissension.
December 28, 2018	4th meeting of the 4th Audit Committee	Audit Office's Implementation Plan of 2019	
February 26, 2019	6th meeting of the 4th Audit Committee	Q1 2019 Internal Auditor's report	
		2018 Declaration on Internal Control System	

c-2 Communication among independent directors and independent accountants:

Convening Date of Board Meeting	Meeting Information	Content of Proposals	Explanations
March 27, 2018	25th meeting of the 3rd Audit Committee	2017 Annual Financial Statement and Consolidated Financial Statement	The independent accountants have presented the findings of all reports each year, quarter and discussed with independent directors, the proposal will be reported after being approved by all attending members, without any dissension.
May 07, 2018	26th meeting of the 3rd Audit Committee	1Q 2018 Consolidated Financial Statement	
August 10, 2018	2nd meeting of the 4th Audit Committee	2Q 2018 Consolidated Financial Statement	
November 08, 2018	3rd meeting of the 4th Audit Committee	3Q 2018 Consolidated Financial Statement	
February 26, 2019	6th meeting of the 4th Audit Committee	2018 Annual Financial Statement and Consolidated Financial Statement	

d. Annual work priorities and operational status of the Audit Committee:

d-1: Summary of annual work priorities:

The Audit Committee held 10 meetings in 2018, and the matters considered mainly include:

(d-1-1) Internal control system and related policies and procedures.

(d-1-2) Significant assets or derivatives transactions.

(d-1-3) Fund lending and endorsement or guarantee.

(d-1-4) Assessment of competence and independence of accountants.

(d-1-5) Appointment and remuneration of accountants.

(d-1-6) Financial statement audit and accounting policies and procedures.

d-2: Annual operation:

Convening Date	Meeting Information	Content of Proposals	Items stated in Article 14-5 of the Securities and Exchange Act	The Audit Committee Resolution result	Company's processing to the Audit Committee's opinions
2018.03.27	25th meeting of the 3rd Audit Committee	2017 Annual Financial Statement and Consolidated Financial Statement	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		The Company's "2017 Declaration on Internal Control System	✓		
		Amendments to the "Articles of Incorporation"			
2018.05.07	26th meeting of the 3rd Audit Committee	Proposal of 2017 Distribution of Profits		Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Proposal of assessment on independence of the Company's certified public accountants and engagement and remuneration of the Company's certified public accountants for 2018	✓		
		Amendments to the "Articles of Incorporation"			
		Amendments to the Company's "Regulations on the Rules of the Board of Directors" and the "Administrative Measures on the Determination of Authorities"	✓		
2018.07.20	1st meeting of the 4th Audit Committee	Appointed the fourth convener of the Audit Committee	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Set the target of the audit committee and the key work plan for the second half of the year 2018			
2018.08.10	2nd meeting of the 4th Audit	2Q 2018 Consolidated Financial Statement	✓	Approved by all attending members,	Submitted to the board of directors for discussion.
		Real estate disposal proposal	✓		

	Committee	The Company intends to handle the cash increase of the subsidiary Hailong Trading Co., Ltd. and the indirect capital increase of Long Young Life (Cayman) Co., Ltd., Long Young Life (Hong Kong) Co., Ltd. and Long Young Life (China) Holdings Co., Ltd.	✓	without any dissension	Approved by all attending directors
		Agreement on the construction of Banqiao Commercial Building	✓		
		Disposal of stocks	✓		
2018.11.08	3rd meeting of the 4th Audit Committee	3Q 2018 Consolidated Financial Statement	✓	Approved by all attending members, without any dissension	Submit to the board of directors to report
2018.12.28	4th meeting of the 4th Audit Committee	2019 annual audit implementation plan	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		It is proposed that Yuji Development Company will handle the capital increase and equity acquisition of Longfu Business Co., Ltd., and Longfu Business Co., Ltd. intends to obtain real estate from related parties.	✓		
		Yuji Development Company providedloan to Sungde Futian Miaoguo Company Limited	✓		
		Providing an endorsement guarantee for others	✓		
2019.02.14	5th meeting of the 4th Audit Committee	Involved to participate in the land court auction bidding	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.02.26	Committee	2018 Annual Financial Statement and Consolidated Financial Statement	✓	Approved by all attending members, without any dissension.	Submitted to the board of directors for discussion. Approved by all attending directors
		The Company's "2018 Declaration on Internal Control System	✓		

		The Company merged with Lung An Company Limited	✓		
		Additional case of the second water and soil conservation project on the hillside burial facilities of the Xinxiaojilong section of Sanzhi District, New Taipei City	✓		
		Establishing the 2019 annual work plan of the Audit Committee			
2019.04.11	7th meeting of the 4th Audit Committee	Amendments to the “Articles of Incorporation”		Approved by all attending members after discussion of the revised articles, without any dissension	Submitted to the board of directors for discussion. Approved by all the attending directors, and resented to the 2019 shareholders meeting for discussion.
		Amendment to the section of the Company's "Procedures for the Acquisition and Disposal of Assets"	✓		
		Amendments to the sections of the Company's "Procedures for Loaning of Fund” and “Endorsement and Guarantee Procedures "	✓		
2019.04.18	8th meeting of the 4th Audit Committee	Involved to participate in the land court auction bidding	✓	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

d-3: 2019 annual work target:
(d-3-1) Comprehensive review of existing related procedures and internal control cycle and actual operations, supervise the improvement planning
(d-3-2) Supervise the management team to establish an internal control continuous monitoring system and culture to achieve improvement in the control environment
(d-3-3) Supervise the improvement results from audit.
(d-3-4) Supervise accounting policies and report presented fairly
(d-3-5) Supervise the process of authorizing the major financial operations between the parent company and subsidiaries
(d-3-6) Supervise the communication with investors and implement the management of investor relations

(3) The status of the Company's implementation of corporate governance, any deviation from such implementation of the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
I. Does the Company establish and disclose own corporate practice principles with reference to the Corporate Governance Best Practice Principles (BPP) for TWSE/GTSM Listed Companies?	✓		The Company has established the Code of Corporate Governance Practice. Please refer to 4. Status of Corporate Governance of the Annual Report and our company website (https://www.lungyengroup.com.tw/Page/corporate-governance) for details. No difference from the Corporate Governance BPP has been reported so far.	None
II. Equity structure and shareholders' equity (1) Does the Company establish and implement the internal operation procedures to handle shareholders' suggestions, concern, disputes and litigation matters? (2) Does the Company hold the list of its major shareholders and their ultimate owners? (3)Does the Company establish and execute risk control mechanisms and firewalls between the Company and its affiliates (4) Has the company established internal rules prohibiting insider trading on undisclosed information?	✓ ✓ ✓	✓	(1) Although relevant operating procedures have not been established, this Company has established a spokesperson, deputy spokesperson, stock affairs units, investor relations department and legal affairs units to handle relevant shareholder suggestions or disputes. (2) The Company's stock affairs unit was responsible for controlling the relevant information, and keeping in touch with the major shareholders. The Company also disclosed the major shareholders and shareholdings of the ultimate controllers of the major shareholders. (3) This Company has established relevant controls in our internal control system and the "Regulations Government Trading Activities with Interested Parties, Specific Parties, and Affiliates of the Group" with reference to applicable laws and regulations. (4) This Company has established its own "Procedures for Handling Material Inside Information". According to Article 6, Confidentiality firewall operations—Personnel, no director, supervisor, managerial officer, or employee with knowledge of material inside information of this Company may disclose such information to others. In addition, referring to the "Procedures for Preventing Insider Trading", prior to material information announcement, no information of any nature should be announced externally and no unauthorized behavior	None

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status of implementation (Note 1)</th><th rowspan="2">Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>should be conducted to ensure accuracy and concurrency of information.</td><td></td></tr>
<tr><td>III. Composition and responsibilities of Board of Directors
(1) Does the board of directors establish and implement diversified policies with reference to board formation?</td><td>✓</td><td></td><td>(1) The Company has established the “Code of Corporate Governance Practice” on December 26, 2014, and specified that board members should be aware of gender equality and equipped with the knowledge, skills, and competencies required for carrying out their duties. The Company has disclosed the diverdity of individual directors on our website: https://www.lungyengroup.com.tw/Page/corporate-governance.
Please also refer to the "Operation of the Board of Directors" in the annual report.</td><td>none</td></tr>
<tr><td>(2) After establishing a compensation committee and audit committee by the law, does the company voluntarily establish other functional committees?</td><td>✓</td><td></td><td>(2) The Company has set up the audit committee and the remuneration committee before the requirements of the laws and regulations, and voluntarily set up the corporate governance and nomination committee on June 20, 2018. The independent directors acted as convener and the members included the chairman of the company, and corporate governance and CSR experts, total of 3 members. The functional committee members of the board of directors of the Company are as follows.
<table>
<tr><th>Title</th><th>Name</th><th>Audit Committee</th><th>Remuneration Committee</th><th>Corporate Governance and Nomination Committee</th></tr>
<tr><td>Chairman</td><td>Liu, Wei-Lu</td><td></td><td></td><td>✓</td></tr>
</table></td><td></td></tr>
</table>

(English Translation of Annnual Report Originally Issued in Chinese)

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status of implementation (Note 1)</th><th rowspan="2">Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(3) Does the company establish board performance evaluation regulations and methods to evaluate board performance every year?</td><td>✓</td><td></td><td>
<table>
<tr><td></td><td>ng</td><td></td><td></td><td></td></tr>
<tr><td>Independent Director</td><td>Yeh, Su</td><td>✓ (convener)</td><td>✓</td><td></td></tr>
<tr><td>Independent Director</td><td>Wang, Huai</td><td>✓</td><td></td><td>✓ (convener)</td></tr>
<tr><td>Independent Director</td><td>Wang, Chun-Chung</td><td>✓</td><td>✓(convener)</td><td></td></tr>
<tr><td>Member</td><td>Yu, Ying-Chi</td><td></td><td>✓</td><td></td></tr>
<tr><td>Member</td><td>Chu, Chu-Yuan</td><td></td><td></td><td>✓</td></tr>
</table>
The Corporate Governance and Nominating Committee will meet at least twice a year to supervise the company's corporate governance operations and the nomination and succession of board members, functional committee members and senior managers. Relevant information has been disclosed in the company's official website "Corporate Governance” section.
(https://www.lungyengroup.com.tw/Page/corporate-governance)
(3) The Company has established the “Procedures for the Evaluation of Board of Directors and Functional Committees” on November 8, 2018. The Board of Directors shall implement at least one performance review each year for the Board of Directors, Directors, Remuneration Committee, Audit Committee and Corporate Governance and Nomination Committee. From 2018, a self-assessment questionnaire has been issued to all board members in December each year. The performance evaluation of the board of directors is carried out on a regular basis each year.
To measure the performance, the following five aspects are included:
</td><td></td></tr>
</table>

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
			i. Participation in company operations. ii. Improve the decision quality of the Board iii. Board composition and structure iv. Appointment of directors and continuing training v. Internal control The measurement items of the performance evaluation of directors include the following aspects: i. Self-goal achievement ii. Important achievements in the board of directors iii. Self-evaluation and suggestions The measurement items of the performance evaluation of Audit Committee include the following aspects: i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions The measurement items of the performance evaluation of the compensation committee include the following aspects: i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions The measurement items of the performance evaluation of the Corporate Governance and Nominating Committee include the following aspects: i. The achievement of this session's target ii. The achievement of this year's target iii. Self-evaluation and suggestions The results of the performance evaluation will be used as a reference for the appointment or nomination of directors in the future, and the results of the performance evaluation of the directors and functional committee members will be used as a reference for determining their individual salary remuneration. The results of the evaluation will be reported by the designated unit of the board of directors on January 18,	

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
			2019, and will be reported in the direction of continuous improvement in the year of 2018. Suggestions and improvements to the Board of Directors and the Functional Committee are as follows: i. Establish a mechanism for regular interaction between the chairman and independent directors: The board secretary will arrange the relevant interactions irregularly without any specific location. ii. Regularly report IT improvement plans Summarize relevant discussions and report to the board of directors through irregular work meetings of directors and information departments iii. Establish a manager's succession plan The human resources department draws up the succession and incubation plan of managers and submits to the board of directors. iv. Increase the understanding and interaction mechanism of directors' participation in products and service strategies The board secretary will be responsible for arranging directors' visiting of relevant columbarium areas, cemeteries and service centers, and participating in relevant business decision meetings for better understanding the products and future business strategies. v. Regular review of the achievememt of business plan (short, medium and long term) on the board of directors' meetings. Report the achievement status to the board of directors once a quarter. vi. As for Corporate Social Responsibility, continue to refer to or introduce external professional institutions and individuals to provide professional services or consulting reference The board secretary and the Corporate Governance Committee will continue to improve the Company's corporate social	

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
(4) Does the company assess the independency of its CPAs?	✓		responsibility issues through non-scheduled work meetings. (4) The company annually lists the relevant independent evaluation items (Note 2) based on the "CPA's Independence, Professionalism and Qualification Assessment Method", and conducts a preliminary assessment of the independence and suitability of the CPA, and obtains the CPA's "Accountant's independence declaration (Note 3). The relevant assessment results were submitted to the Audit Committee and the Board of Directors at the 29th meeting of the 12th Board of Directors on May 7, 2018 for discussion as a reference for the appointment of a CPA by the Board of Directors. In summary, the company's CPA has not violated the situation of detached independence.	
4. Whether or not the TWSE/GTSM listed companies will set up a full-time (part-time) unit or employee to take charge of the affairs related to corporate governance, including but not limited to providing materials needed for the business execution of the directors, supervisors, handling the affairs related to the meetings of the Board of Directors and Shareholders' Meeting, conducting the incorporation and registration of changes, producing the minutes of the meetings of the Board of Directors and Shareholders' Meeting?	✓		The Company's board of directors passed the resolution on May 7, 2018 to establish the board secretary. On the 26th of February, 2019, vise president Liang, Jian-Yun was appointed as the head of corporate government. Vise president Liang, Jian-Yun has been engaged in legal affairs for more than three years in public companies. The Secretary of the Board of Directors has set up a responsible unit of the Corporate Governance (including matters that promote the integrity of business operations). The main duties are to protect the interests of shareholders and strengthen the functions of the Board of Directors, and to provide the information and the latest regulatory developments related to the operation required by the directors to conduct business and to assisting directors in complying with laws. The related business operations and implementation are as follows : (1) Proposing and planning on proper corporate systems and organizational structures to enhance the independence of the Board of Directors, the Company's transparency and the implementation of legal compliance, internal audit and internal control. (2) Consulting the opinions of all directors before the meeting of Board of Directors to plan on and draft the agendas, and giving	None

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
			notice 7 days prior to the meeting to all directors in order for them to attend the meeting and providing sufficient meeting materials for the directors to have knowledge of the contents of the relevant proposed items. In case of any circumstances where the contents of a proposed item concerns an interested party and such party shall be recused therefrom, prior reminder will be given to the counterpart. (3) For each year, registering the date of the Shareholders' Meeting, within the statutory period, producing and filing before the period the notice of meeting, handbook and agenda and conducting registration of changes after each amendment to the Articles of Incorporation or each election of directors and supervisors. (4) The Company is an enterprise having transparent information and ethical management, which discloses the information related to finance, operations, governance and ethical management according to the laws or in an active way and regularly discusses the reports on important matters such as implementation of the resolutions of the last meetings, internal audit, operating performance, ethical management and funds utilization at the meetings of the Board of Directors, Audit Committee and Remuneration Committee so that such directors and members of committees can particularly and immediately understand the Company's corporate goals, financial and operating situation to enable them to effectively master and supervise the achievement of corporate governance and operating goals. (5) For the board of directors to apply for at least 6 credits of the "Professional Courses", please refer to the " Important information that helps understand the company's corporate governance practice " in this annual report, and evaluate the purchase of "supervisors and important staff" Liability Insurance"	

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
V. Does the company establish mechanisms for communicating with stakeholders and a stakeholder site on the corporate website to appropriately respond to material CSR topics they are concerned about?	✓		The Company has established a stakeholder site on CSR site on 2016, so as to understand and reponse to CSR topics that stakeholders concern about. The Company has established a spokesperson policy and authorized the related department to execute it. The Company maintains good communication channels with financial institutions, shareholders, and employees and regularly releases important announcements and financial data through the Market Observation Post System in accordance with related information disclosure laws and regulations so as to ensure all parties have sufficient information to make judgments for self interest protection. In addition, the Company has established a suggestion box on the Chinese and English investor relations site of the corporate website to respond to topics concerned about by stakeholders.	None
VI. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		This Company has assigned Jih-Sun Securities to handle affairs relating to stock registration and shareholders' meetings of this Company.	None
VII. Disclosure of information (1) Does the Company establish a corporate website to disclose information concerning financial affairs and corporate governance? (2) Does the Company use other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesman system, and broadcasting of investor conferences via the company	✓ ✓		(1) The Company has set up investor relationship websites in both Chinese and English (http://investor.lungyengroup.com.tw/) and regularly releases financial data, important announcements and information regarding corporate governance through the Market Observation Post System. (2) The Company's spokesman system is well-founded, and the Company has assigned specific persons to collect and disclose important information and also set up Chinese and English investor relations web pages. Meanwhile, the Company also calls periodic investor conferences, and the process thereof is posted on the Company's website and disclosed on the M.O.P.S. for access by investors.	None

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
website)				
VIII. Does the Company have other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchase of insurance for directors and supervisors)?	✓		(1) Implementation of employee rights and employee care: Please refer to "Relationship between employer and employee" of this Annual Report. (2) Investor relations: The Company established a spokesperson policy and Investor Relations Department to handle related matters. (3) Supplier relations: The Company maintains benign interaction with all of its suppliers, customers, and financial institutions. (4) Stakeholders' rights and interests: The stakeholders may communicate with and provide suggestions to the Company, in order to maintain their legal interests and rights. (5) Continuing education of directors: Continuing education of the Company's directors is disclosed at "(8) Important information that helps understand the company's corporate governance practice:" of this Annual Report." (6) Implementation of risk management policies and risk evaluation measures: We have established various internal rules and regulations in accordance with the law so as to carry out all kinds of risk management and evaluation. Please refer to "Risk management and evaluation" of this Annual Report."(P.116) (7) Customer relations policies: We have allocated a dedicated customer service staff to handle customer complaints. (8) Purchase of director and supervisor liability insurances: We have purchased liability insurance, covering all directors. Please refer to the Market Observation Post System for the details.	None

IX. Please explain the improvement in terms of the corporate governance evaluation results released by the TWSE over the most recent years, and present the matters to be enhanced with priority and the measures for further improvement.

The Company's governance evaluation has resulted in the outstanding achievements of being honored as one of top 5% of the GTSM listed companies for five consecutive years. The improvements include that it is necessary to vote case by case and in an electronic manner for resolution of the shareholders' meeting, additional establishment of the special zone for interested parties such as to understand and respond to the important corporate social responsibility issues concerning the interested parties. In addition, the matters to be enhanced are the compilation of Corporate Social Responsibility Report that needs to refer to the internationally practiced

Item	Status of implementation (Note 1)			Deviation from such implementation of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such deviation
	Yes	No	Summary	
guidance for the compilation of such report and has to be certified by a third party.				

Note 1: Regardless of picking “Yes” or “No” for the operating status, descriptions shall be provided in the column of brief explanations.

Note 2: Independence, professionalism and competency evaluation form for the independent auditors

Item	Measures	Yes	No
1.	As of the latest auditing, there is no such thing that the independent auditor has not been changed for seven years.	✓	
2.	The independent auditor has no direct or significant financial interestwith the Company.	✓	
3.	There is no inappropriate relationship between the independent auditor and the Company.	✓	
4.	The independent auditor should let the assistants be honest, impartial and independent.	✓	
5.	The independent auditor's name can't be used by others.	✓	
6.	The independent auditor and all audit service team members do not hold shares of the Company and the related companies.	✓	
7.	There is no fund lending between the independent auditor and the Company and relatd companies.	✓	
8.	There is no co-investment or sharing of interests between the independent auditor and the Company and relatd companies.	✓	
9.	The independent auditor does not work concurrently with the Company or related companies, and paid by fixed salary.	✓	
10.	The independent auditor does not involve in the managemet function of decision making for the Company and related companies.	✓	
11.	The independent auditor does not run other business which may lose their independence.	✓	
12.	The independent auditor and all members of the audit service team have no spouse or second-degree relative relationship with the management of the Company.	✓	
13.	The independent auditor does not receive any commission related to business.	✓	
14.	Until now, there is no punishment or anything affected the independence of the independent auditor.	✓	
15.	Receiving the declaration of independence from the independent auditor each year.	✓	
16.	The independent auditor's quality and timeliness of auditing and taxation services meet the requirements.	✓	
17.	The independent auditor maintains good communication with the Company management and directors.	✓	
18.	The independent auditor provides proactive suggestions and keeps records regarding company policies and interal control auditing.	✓	
19.	The independent auditor regularly updates the tax, securities and related laws and regulations and newly revised IFRS accounting standards for the Company.	✓	
20.	The staff of the audit service team is stable.	✓	
21.	The independent auditor assesses the existence or potential risks of the Company.	✓	

Note 3: Regulations for independence include: the policies and procedures for the individual independence of all members (financial interests, financing and guarantee, employment relationship), business relationship with customers, accountant rotation and transfer system and non-audit services.

(4) Compensation Committee Meeting Status

The Company's board of directors resolved to set up a remuneration committee in September, 2011 before the regulation, independent directors as convener, and hired human resource experts to serve as members. The main duties of the committee: 1. To strengthen corporate governance and risk management. With the consideration of attracting, motivating and retaining manpower, we will promote the development of remuneration policies in line with the Company's cultural and strategic vision, and regularly assess and supervise the remuneration policies and systems of directors and managers in a professional and objective

position. 2. To strengthen performance evaluation and compensation linkage. 3. To optimize the succession program. 4. To optimize the retention plan. 5. To amend the organization rules of the Compensation Commission. 6. Other Board of Directors' instructtions for the Remuneration Committee.

i. Compensation Committee members

Position (Note 1)	Qualifications / Name	Has at least five years of relevant working experience and the following professional qualifications			**Independence Criteria (Note 2)**								**Number of positions as a compensation committee member in other public listed companies**	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualifications after passing national examinations relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Yeh, Shu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Compliance
Independent Director	Wang, Chun-Chung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance
Other	Yu, Ying-Chi	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Compliance

Note 1: Please specify director, independent director or other.

Note 2: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not a Group employee.
(2) Not a director or a supervisor of the company or an affiliate, Provided that this restriction does not apply, however, when the person is an independent director of the company, its parent company, or a subsidiary in which the company directly and indirectly holds more than 50% of voting shares.
(3) Not a natural-person shareholder whose aggregated shareholdings, together with holdings of his/her spouse, minor children, or other related person, reach 1% or more of the total outstanding shares of the Company, or is ranked in the top-10 holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three paragraphs.
(5) Not a director, supervisor, or officer of an institutional investor who holds 5% of the total outstanding shares of the Company or of a top-five institutional investor.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to any of the Group companies, or a spouse thereof.
(8) Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.

Note 3: If the member's position is Director, please specify whether it meets the conditions defined in #Article 6-5 under "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded Over the Counter".

ii. Compensation Committee Meeting Status

a. The Company's Remuneration Committee is with 3 members.

b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. 5 meetings were convened from 2018/01/01 to 2019/04/30. (A).The Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%)(B/A)	Remarks:
Committee member	Yeh, Shu	5	0	100%	
Committee member	Chang, Show-Lian	2	0	100%	Retired after re-election on June 20, 2018, the number of attendance should be 2 times
Committee member	Hong, Gua-Chao	2	0	100%	Retired after re-election on June 20, 2018, the number of attendance should be 2 times
Committee member	Wang, Huai	1	0	100%	Hired on February 5, 2018. Retired after re-election on June 20, 2018, the number of attendance should be 1 times
Committee member	Wang, Chun-Chung	3	0	100%	Reported after re-election on June 20, 2018, the number of attendance should be 3 times
Committee member	Chen, Ming-De	2	1	66.67%	Reported after re-election on June 20, 2018, and resigned on February 26, 2019. The number of attendance should be 3 times
Committee member	Yu, Ying-Chi	0	0	-	Reported on February 26, 2019, the number of attendance should be 0 times

c. Other noticeable particulars:

c-1. The discussion of the Compensation Committee and the outcome of the resolution, and the company's handling of the members' opinions:

Convening Date	Meeting Information	Content of Proposals	The Compensation Committee Resolution result	Company's processing to the Compensation Committee's opinions
107.02.01	7th meeting of the 3th Compensation Committee	Annual performance review and bonus issuance rules and time schedule planning	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
107.03.27	8th meeting of the 3th Compensation Committee	Proposal for the distribution of employee compensation and directors' compensation of 2017	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

107.07.20	1st meeting of the 4th Compensation Committee	Select the convenor of the 4th Compensation Committee	Approved by all attending members, without any dissension	Submitted to the board of directors for report
		Amendments to the "Regulations of the Organization of Compensation Comittee" of the Company		Submitted to the board of directors for discussion. Approved by all attending directors
		Review of the remuneration for independent directors	Independent directors who involved in the self interests evaded according to law. This proposal was sent to the board of directors	Except for the avoidance of directors who have their own interests, the remaining attending directors agreed to pass the proposal
		Set the target of the Compensation Committee and the key work plan for the second half of 2018	Approved by all attending members, without any dissension	Submitted to the board of directors for report
108.01.16	2nd meeting of the 4th Compensation Committee	Annual performance review and bonus issuance rules and time schedule planning	Approved by all attending members, without any dissension	Except for the avoidance of directors who have their own interests, the remaining attending directors agreed to pass the proposal
		The key work plan for 2019		Submitted to the board of directors for discussion. Approved by all attending directors
108.02.26	3rd meeting of the 4th Compensation Committee	Proposal for the distribution of employee compensation and directors' compensation of 2018	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

c-2. If events regarding proposals from the Compensation Committee are dissented to or revised by the Board, then information, including the Board meeting date, the meeting number, the meeting agenda, and the final resolution of the Board with the relevant Company response to the committee's opinion (e.g. the discrepancy and the reason when the approved compensation from the Board is higher than the Committee's recommendation), should be disclosed: None.

c-2.If there are events regarding Committee resolutions to which a member expressed a dissenting opinion or qualified opinion, either on the record or in writing, then information, including the committee meeting date, the meeting number, the meeting agenda, and all member opinions with the relevant Company response, should be disclosed: None.

(5) Corporate Governance and Nominating Committee Meeting Status

The Company voluntarily set up the Corporate Governance and Nomination Committee on June 20, 2018. It consists of one independent director, one external member and the chairman of the Company. The committee will meet at least twice a year. Supervising the operation of corporate governance and the nomination and succession of board members, functional committees and senior managers, and submitting the recommendations to the board for

discussion.

i. Corporate Governance and Nomination Committee members

Position (Note 1)	Qualifications / Name	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 2)								Number of positions as a Corporate Governance and Nomination Committee member in other public listed companies	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualifications after passing national examinations relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Wang, Huai	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance
Director	Liu, Wei-Lung	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	0	Compliance
Other	Chu, Chu-Yuan	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Compliance

Note 1: Please specify director, independent director or other.

Note 2: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not a Group employee.

(2) Not a director or a supervisor of the company or an affiliate, Provided that this restriction does not apply, however, when the person is an independent director of the company, its parent company, or a subsidiary in which the company directly and indirectly holds more than 50% of voting shares.

(3) Not a natural-person shareholder whose aggregated shareholdings, together with holdings of his/her spouse, minor children, or other related person, reach 1% or more of the total outstanding shares of the Company, or is ranked in the top-10 holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three paragraphs.

(5) Not a director, supervisor, or officer of an institutional investor who holds 5% of the total outstanding shares of the Company or of a top-five institutional investor.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to any of the Group companies, or a spouse thereof.

(8) Is not a person who meets the conditions specified in any of the subparagraphs of Article 30 of the Company Act.

Note 3: If the member's position is Director, please specify whether it meets the conditions defined in #Article 6-5 under "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"

ii. Corporate Governance and Nomination Committee Meeting Status

a. The Company's Corporate Governance and Nomination Committee is with 3 members.

b. The office term for the current Compensation Committee: From 2018/06/20 to 2021/06/19. 6 meetings were convened from 2018/01/01 to 2019/04/30. (A).The

Committee members' attendance status was as follows:

Job title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate in Person (%)(B/A)	Remarks:
Committee member (convener)	Wang, Huai	6	0	100%	
Committee member	Liu, Wei-Lung	6	0	100%	
Committee member	Chu, Chu-Yuan	6	0	100%	

c. Annual operating situation:

Convening Date	Meeting Information	Content of Proposals	The Corporate Governance and Nomination Committee Resolution result	Company's processing to the Corporate Governance and Nomination Committee's opinions
2018.07.20	1st meeting of the 1st Corporate Governance and Nomination Committee	Appointed the first convener of the Corporate Governance and Nominating Committee	Approved by all attending members, without any dissension	Submitted to the board of directtors for report
		Set the Company's "Corporate Governance and Nominating Committee Organizational Rules"	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Set the target of the Corporate Governance and Nomination Committee and the key work plan for the second half of 2018	Approved by all attending members, without any dissension	Submitted to the board of directtors for report
		Review of the Company's fourth corporate governance evaluation results		
2018.10.19	2nd meeting of the 1st Corporate Governance and Nomination Committee	Formulating the "Board Evaluation Method" of the Company	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Formulating the Company's " Ethical Corporate Management Best Practices "		
		Formulating the Company's "Codes of Ethical Conduct"		
		Formulating the "Procedures for Whistleblower Reporting and Protection System" of the Company		
2018.12.19	3rd meeting of the 1st Corporate Governance and Nomination Committee	Formulating the performance evaluation indicators of the board of directors and the assessment methods	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
2019.01.14	4th meeting of the 1st Corporate Governance and Nomination Committee	The Company's "Board Performance Evaluation" case	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

		Established the 2019 key annual work plan of the Corporate Governance and Nomination Committee	Approved by all attending members, without any dissension	Submitted to the board of directtors for report
2019.02.22	5th meeting of the 1st Corporate Governance and Nomination Committee	Appointment of members of the Company's compensation committee	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors
		Appointment the head of corporate governance		
2019.04.11	6th meeting of the 1st Corporate Governance and Nomination Committee	Amendment to the provisions of the "Regulations of the Board of Directors" of the Company	Approved by all attending members, without any dissension	Submitted to the board of directors for discussion. Approved by all attending directors

(6) Execution of corporate social responsibility (such as the system and measures as well as implementation progress the company has made on environmental, community involvement, social contributions, social services, social welfare, consumer rights and interests, human rights, health and safety and other social responsibility issues) - the execution of corporate social responsibility is described below:

Item	Status of implementation			The variation from the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
1. Implement and promotion of corporate governance (I) Does the company's define corporate social responsibility policy or system and review its implementation?	✓		(1) The Company has the Corporate Social Responsibility Report prepared and uploaded to the MOPS. The Company added the position of "Board Secretary" on May 10, 2018, and the Board Secretary formulated and reviewed the policies and guidelines for corporate social responsibility in accordance with the strategies and commitments of corporate social responsibility development. Except for the annual meeting of the Board of Directors to discuss the adoption of corporate social responsibility policies, systems or related management systems, at least once a quarter, the implementation of the situation will be reported to the board of directors after the meeting.	None
(II) Does the company arrange CSR training on a regular basis?	✓		(2) In addition to organizing social responsibility courses for new employees, the company regularly organizes relevant corporate social responsibility and corporate governance education training, and has specified the rights and obligations of employees in the "Personnel Management Regulations".	
(III) Does the company establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of	✓		(3) The company has established a "Board Secretary" under the Board of Directors on May 10, 2018, and the unit is responsible for promoting the corporate social responsibility on a full-time basis. The Board Secretary,	

Item	Status of implementation			The variation from the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
implementation to the board?			Liang Jian-Yun, is the convener and is responsible for assisting the board of directors and the management team to formulate and supervise the implementation of the integrity management policy and prevention program to ensure the implementation of the Ethical Corporate Management Best Practices. The Company also established the "Corporate Governance and Nomination Committee" on June 20, 2018, which will be held at least twice a year and will be held irregularly with the Board Secretary to review the effectiveness of corporate governance and corporate social responsibility operations. After the committee was held, the Board Secretary the chairman of the corporate governance and nomination committee reported the situation to directors in the latest BOD meeting.	
(IV) Has the Company established a fair compensation policy combing with the employee performance evaluation system and CSR policy and an effective and well-defined reward and punishment system?	✓		(4) The Company has established the Compensation Committee to reasonably combine the employee performance evaluation system with the corporate compensation policy. This Company also specifies the Employee Code of Conduct in the Personnel Management Regulations in connection with the reward and punishment system.	
II. Development of a sustainable environment (I) Is the company committed to enhance the utilization efficiency of resources and the use of environmentally low impact renewable materials?	✓		Please refer to 2018 CSR Report.	None
(II) Does the company construct an appropriate environmental management system in accordance with the industrial characteristics?	✓			
(III) Is the company aware of the impact of climate change				

Item	Status of implementation			The variation from the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
on its operations and has regulated the company's reducing carbon emissions and greenhouse gas reduction strategies?	✓			
III. Maintenance of social welfare (I) Has the company established relevant management policies and procedures with reference to relevant international regulations and international human rights treaties? (II) Has the company established mechanisms and channels for and proper handling of employee grievances? (III) Does the company provide safe and healthy work environment to employees; also, provide employees on a regular basis with the safety and health education? (IV) Does the company establish a mechanism for regular communication to the employees and have the employees notified in a reasonable manner the possible significant impact on them due to the changes in operations? (V) Has the company established effective training plans for employees to develop employability? (VI) Has the company established policies and procedures	✓ ✓ ✓ ✓ ✓		(1) The Company emphasizes on integrity of employees and business conduct through promotion brochure and the assessment of discipline and rules.To protect the human rights of our employees and ensure every employees is fairly treated, the Company formulated the "Sexual Harassment Prevention Regulation" and provide whistleblower reporting system to protect female rights. a. The Company complies with labor-related regulations, support and respect International Norms of Human Rights. b. Employment Relationship is based on agreement of two parties, no forced labor and illegal human trafficking. c. Working time will not exceed the limit of local regulation, and payments comply with all suitable acts. d. The Company treats employees in a humanitarian way, sexual harassment, sexual abusement, corporal punishment, physical and mental intimidation, and insulting. e. The Company forbids any sexual harassment and discrimination, the Company will not judge the performance and employment by race, gender, age, marriage, political position, and religion. (2) The Company has "Procedures for Whistleblower Reporting and Protection System" and set up a special line numbered 5186 for complaint, which is handled by the principal auditor. (3) Safety and sanitation inspection and education is regularly implemented for either working spaces or recreational spaces in all workplaces. Furthermore, a patrol for all of our properties is conducted every year for	None

Item	Status of implementation			The variation from the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
to protect consumer rights and benefits in R&D, procurement, production, operation, and service processes?	✓		regular review and improvement. (4) Quarterly activities for employees and rites units, regular labor-management communication meetings are held, through multiple channels and platforms, the Compant fosters harmonious labor relations.	
(VII) Does the company follow relevant regulations and international standards to market and label products and services?	✓		(5) Personnel Management Regulations regulate completely the employees' promotion and evaluation system. (Please refer to P.93)	
(VIII) Does the company assess if suppliers have records regarding causing impacts on the environment and society?	✓		(6) The Company prepares all-directional opinion exchanging channels such as the 0800 special line, official website, FB, to serve all interested parties.	
(IX) When signing contracts with major suppliers, does the company include the following terms in the contract: when suppliers violate the company's CSR policy and have significant impact on the environment and society, the company may terminate or rescind the contract at any time?	✓	✓	(7) The Company follows relevant regulations to plan and distribute all products. (8) The Company is not a manufacturer and thus does not need to assess suppliers. (9) The Company actively implements the promotion of corporate social responsibilities and hopes that the suppliers can come all together to provide related clauses in the Suppliers Management Regulations and the contract terms.	
IV. Enhancing information disclosure (I) Does the company disclose the relevant and reliable information of corporate social responsibility on company website and MOPS?	✓		The Company has disclosed the fulfillment of social responsibilities on the website, annual reports, and the prospectus.CSR Report is published on the MOPS.	None
V. If the company has the corporate social responsibility code defined in accordance with the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies," please describe the operational differences from the Code: No difference.				
VI. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: 1. The Company's qualified suppliers shall comply with the "PU-2-002 Suppliers Management Regulations" in the selection and performance appraisal. According to the "Labor Safety and Health Act" and the "Contractor's Site Safety and Health Management Rules", the project builders must specify the "Building Technology Rules" for the interior decoration manufacturers, and the wood materials must be approved as "Building materials stamp and Taiwan's CNS standard formaldehyde				

Item	Status of implementation			The variation from the "Corporate Social Responsibility Best-Practice Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
emission level F1 certificated by the Ministry of the Interior, and indoor air pollutants testing standards must comply with the relevant regulations of the Environmental Protection Department of the Executive Yuan, No. 1010106229. The Company also promotes environmental cremation with suppliers, participates in the promotion of measures such as using electronic couplets The Company shall work with suppliers to develop toward environment protection, quality, green product, personnel safety and ethical guidelines and to establish a sustainable cooperative supply chain management system to rest assure and satisfy customers. Meanwhile, the Company shall also work with suppliers to stop bribery and tips, in hopes of establishing a positive circulation. 2. The Company is a funeral service provider dedicated to providing customers with columbarium and funeral services. Therefore, ISO14001 or similar environment management system certification is not applicable to the Company.				
VII. Other information regarding "Corporate Responsibility Report" which is verified by certifying bodies:: Not yet apply for certification.				

The Company's participation in social welfare activities:
2018 social welfare participation:

Name	Activities
Lungyen Life Service Corp. & Lungyen Charitable Foundation	Please refer to the 2018 CSR Report.

(7) The company's fulfilling integrity management with the measures taken

1. The Company has implemented integrity management in accordance the Company Law, the Securities and Exchange Law, Business Accounting Law, Listed/OTC related regulations, or other commercial activities related regulations.
2. The director conflict of interest system is defined in the Company's "Rules of Procedure for Board of Directors Meetings." The board directors may not participate in the discussion and balloting of the underlying matters in the board meeting and cannot act for other directors to exercise their voting right if their conflict of interest is detrimental to the Company's interests.
3. The Company's internal control system - Public information reporting, no information can be disclosed before the announcement of material information to ensure the accuracy and availability of information. The published material information shall detail the facts, root cause, the impact on the company's financial business, the estimated amount, and the responsive measures.
4. The Company has effective accounting system and internal control system established to ensure the implementation of integrity

management. Internal auditors regularly check the compliance of the said two systems and report to the Board of Directors regularly; also, follow-up on the corrective actions performed by each department.

5. Core ethics and business conduct: To uphold the core values of our culture, we have set up a code of conduct to ensure each group employee stands by the corporate culture, ethical values and reputation of the Company, and complies thereof. All employees shall act in accordance with the following regulations:
   (1) Places the Company's interest and reputation ahead of personal interests.
   (2) Abstains from accepting or offering bribes under any circumstances.
   (3) Does not engage in any conduct that will result in adverse consequences to the Company, the environment, and society.
   (4) Abides by all regulations set by government authorities and the Company.
   (5) Is required to report matters that constitute or may constitute conflicts of interest or ethical concerns.
   All stakeholders, including contractors or other parties, shall abide by the Code and not engage in any conduct that violates the law, Company policy, and the morality of society.

Implementation of integrity management

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
1. Defining integrity management policies and programs (1) Does the company has the integrity management policy and method expressly stated in the Article of Incorporation and external documents; also, the Board of Directors and the management commit to actively implement integrity management?	✓		(1) The Company has a "Ethical Corporate Management Best Practices" as a basis for implementing integrity management, and formulates relevant operational practices (such as: ethical code of conduct, personnel management methods, etc.), including avoidance of conflicts of interest, prohibition of bribery and gifts and business hospitality and other regulations. Meanwhile, the Company will also ask suppliers to sign the "written undertaking of integrity" to maintain both parties' interest and right and comply with the Company's ethical management policy. Each year, the audit unit regularly checks each procedure and reports to the board of directors, and the board of directors makes recommendations and track improvements for the missing items.	None
(2) Has the company established and implemented programs to prevent unethical conduct and set out in each program and implement SOPs, conduct	✓		(2) Apart from formulating relevant measures such as the "Procedures for Whistleblower Reporting and Protection System", the Company posts the relevant regulations on the intranet for employees to read at any time to raise	

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
guidelines, penalties for violation, and a grievance system? (3) Does the company take precautionary action to prevent business activities specified in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and other business activities within its scope of business with higher behavioral risk?	✓		the compliance awareness and professional ethics of employees. In addition, this Company has established the "5186 Whistleblowing Box". This whistleblowing box is under direct supervision of the Audit Office of the Board of Director by special personnel. After receiving a report, the investigation will begin immediately in an impartial, independent, and objective manner, and the information of informers/informants will be kept confidential in every case. Either insiders or outsiders can report any corruption or misconduct or potential hazards of organizational interests via e-mail to the 5186@lungyengroup.com.tw. Make sure that only signed report with information of the fact and supporting details will be accepted. (3) If any directors, managers or employees engage in unethical behavior, they will be penalized according to Company regulations; if they engage in serious offences such as malpractice, acceptance of bribery or commissions, stealing, misappropriation or embezzlement of public deposits or property which causes financial loss or reputational loss for the Company, they will be dismissed. If any supplier violates their Honesty Contract, the Company will cancel its eligibility as a supplier as well as any outstanding orders.	
2. Implementation of integrity management (1) Does the company assess if trading counterparts involved in any unfair and unethical business operations and include the fair and ethical business operations clause in the transaction agreement signed with them? (2) Has the company established a dedicated (concurrent) unit directly under the board to promote fair and ethical business operations and report the effectiveness of implementation directly to the board?	✓ ✓		(1) Suppliers are being requested to enter into an "Honesty Contract" to maintain the interests and rights of both parties; they shall not bribe political parties or candidates; if there are any such incidents, suppliers shall report such incidents to the Company immediately (2) The Company has the secretary of the Board, which leads a corporate governance implementing group, responsible for protecting shareholders' equity, strengthening the Board, assisting directors with informations and latest regulation.Each year the Company at least twice discusses the reports on important matters such as the implementation of the resolutions of the last meetings, internal audit, operating performance, ethical management and funds utilization at the meetings of the Board of Directors, Audit Committee	None

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
			and Remuneration Committee so that such directors and members of committees can particularly and immediately understand the Company's corporate goals, financial and operating situation to enable them to effectively master and supervise the achievement of corporate governance and operating goals. The Company's implementation of the integrity management policy of 2018 is as below: i. Education and training: In the year of 2018, the internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue was held total of 300 people, 900 hours, and introduced and conducted in the new employee training. Test. ii. Communication channels: Employees can respond to various management and human resources department through multiple channels, and proactively declare honest business policies and implement integrity management on external activities such as websites, annual reports and other external documents and investor meetings. iii. The law compliance and the whistle-blower system. The Secretary of the Board promotes the education for all colleagues. Through the quarterly corporate-wide quarterly meetings, the Code of Integrity and the important internal information processing standards are collected through video and case studies to help colleagues be aware of when conducting business.	
(3) Does the company defines interest prevention policy of conflicts, establishes appropriate reporting channel, and actually implements?	✓		(3) The company provides multiple reporting channels, including suppliers ethical grievance hotline; employee grievance reporting channel, employee consultation mailbox, etc., for reporting any breach of business ethics committed by the employees.	
(4) Has the Company established effective accounting policy and internal control policy, and conduct regular audition by internal auditing units or external	✓		(4) The Company's Audit Office has conducted onsite audit or book review with the consideration of risk factor in accordance with the Company's annual audit plan approved by the Board of Directors in order to help the Board of Directors and the management reasonably ensure the continuing effective	

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
CPAs? (V) Does the company arrange regular internal/external training/education for fair and ethical business operations?	✓		implementation of the internal control system, including the achievement in the company's operational effectiveness and efficiency, reliability of financial reports, and the compliance of law and regulations. (5) In the year 2018, the company held internal and external education training (including corporate governance, integrity management, corporate culture and other related courses) related to the integrity management issue, which was totaled about 300 people, 900 hours, and introduced and tested in the new employee training. The Company posts the relevant specifications on the company's internal website for colleagues to inquire at any time, thereby enhancing the awareness of all employees and the ethics of their work. Irregular letters from Chairman and predisent for all employees to announce the concept of the company's integrity management are to strengthen the company's determination to implement ethical values and integrity management.	
3. The operation of the Company's reporting channel (1) Does the company establish a practical whistleblowing and reward system and channels to facilitate the reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?	✓		(1) According to the " Procedures for Whistleblower Reporting and Protection System " , the Company has established the "5186 Whistleblowing Box" under direct supervision of the Audit Office of the Board of Director by special personnel. Anyone who has been investigated to confirm that the accused person has violated the integrity of the business or has committed the wrongful act shall be punished in accordance with the relevant provisions of the personnel management measures. Anyone who has investigated and be confirmed that the reporter is true will be rewarded by the board of directors or the general manager for the degree of contribution to the company or the actual situation of the case.	None
(2) Does the company establish a SOP and a non-disclosure mechanism of relevant investigations?	✓		(2) According to the "Procedures for Whistleblower Reporting and Protection System" set by the Company, the Board of Directors shall instruct the Audit Office to accept the relevant matters, and report the case to the independent directors and directors within 15 business days from the date of acceptance,	

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
(3) Does the company establish and implement an informer protection policy to ensure no informer will receive indecent treatment?	✓		including investigation situation, treatment process and results and subsequent improvement and response measures. The relevant personnel of the audit office shall ensure the identity of the prosecutor and the content of the report when accepting, investigating and closing the case, so as to protect the prosecutor from any improper damage or disposal due to the report. (3) According to the "Procedures of Whistleblower Reporting and Protection System" set by the Company, for the discovery of corruption, unlawful and improper behavior, such as bribes, coercion, and instructions, etc., protection shall include, but is not limited to, the following items, but the whistleblower shall not apply if it is reported anonymously. i. Do not adversely treat the position and salary of the whistleblower. ii. No termination or change to the ongoing contract iii. Do not commit acts of coercion, insult or harassment to ensure the safety of life, work and economic rights of the whistleblower If there is a leakage of whistleblower identity, those who are not intentional shall be punished in accordance with the personnel management measures and shall be responsible for all laws and damages. Those who are intentional should be punished more seriously.	
4. Enhancing information disclosure (1) Does the company disclose the information of integrity management on its corporate website and MOPS?	✓		The Company discloses its integrated operation and implementation in the annual report, and discloses the content of Ethical Corporate Management Best Practice Principles on MOPS.	None
5. If the Company has established its own ethical business principles based on "Ethical Business Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has not yet enacted its own ethical business best practice principles, but it has enacted the "Code of Business Conduct" about the ethical management policy and program, under which the Company is dedicated to carrying out all businesses in an ethical and fair manner.				
6. Other information that helps understand the practice of integrity management (such as, the Company reviews and revises the its integrity management code): An honest service attitude is the most important management style of this company, helping strengthen the leading role of this company in the funeral industry, and receiving the respect and trust of families, shareholders, employees and society. The Company respects and maintains democracy and the rule of law, complies with standards mutually				

Item	Status of implementation			The variation from the "Integrity Management Principles for Listed/OTC Companies" and the root cause
	Yes	No	Summary	
agreed by law and industry, while seeking a high standard of operations. To ensure legal compliance, this Company has established the Code of Conduct for Directors, Managers and Employees. This code of conduct is introduced to new employees and test will be implemented afterwards. Relevant regulations are posted on the intranet for employees to read at any time to raise the compliance awareness and professional ethics of employees.				

(8) Important information that helps understand the company's corporate governance practice:

a. Director's advanced education

Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
Chairman	Liu, Wei-Lung	2018/08/10	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and the Board of Directors under the Securities Exchange Law	3HR
		2018/12/28		Global Trend Analysis - Risks and Opportunities	3HR
Director	Lee, Anthony	2018/08/10	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and the Board of Directors under the Securities Exchange Law	3HR
		2018/11/02		Enterprise internal control and risk management	3HR
		2018/11/07	Securities & Future Institute	Directors and Supervisors (including Independent) Practice Advanced Seminar - Corporate Strategy and Key Performance Indicators	3HR
		2018/12/28	Taiwan Corporate Governance Association	Global Trend Analysis - Risks and Opportunities	3HR
Director	Fujibayashi Ichiro	2018/08/10	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and the Board of Directors under the Securities Exchange Law	3HR
		2018/12/28		Global Trend Analysis - Risks and Opportunities	3HR
Director	Chao, Tsen-Sheng	2018/08/10	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and the Board of Directors under the Securities Exchange Law	3HR
		2018/10/15	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	6HR
		2018/12/28	Taiwan	Global Trend Analysis - Risks	3HR

Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
			Corporate Governance Association	and Opportunities	
Independent Director	Yeh, Shu	2018/08/10	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and the Board of Directors under the Securities Exchange Law	3HR
		2018/12/28		Global Trend Analysis - Risks and Opportunities	3HR
Independent Director	Wang, Huai	2018/03/20	Taiwan Corporate Governance Association	Teaching - Building a healthy, dynamic, and leading board of directors	3HR
		2018/06/08		Teaching - The Board Secretary's View of Corporate Governance and the Management of the Board	3HR
		2018/06/27		Teaching--Analysis of Board Performance and Effectiveness from the Perspective of Directors and Supervisors	3HR
		2018/08/03		Teaching - Board Function and Effectiveness Assessment	3HR
		2018/08/14		Teaching - Case Study on Board Operation Practice (I)	3HR
		2018/08/14		Teaching - Case Study on Board Operation Practice (II)	3HR
		2018/09/19		The 14th International Forum on Corporate Governance	6HR
		2018/09/27		Latest revision trend and analysis of company law	3HR
		2018/10/15	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	3HR
		2018/11/08	Taiwan Corporate Governance Association	Teaching - Board of Directors focuses on strategy, competitiveness, risk and crisis issues	3HR
		2018/11/09		Teaching - Excellent Enterprises Need to Build Health. Dynamic. Leadership Board	3HR
		2018/11/12		Teaching - Evaluating Board Performance and Effectiveness from the Perspective of Directors	3HR

Job title	Name	Advanced education date	Organizers	Course titles	Advanced education hours
		2018/11/13		Teaching - Strategy, Competitiveness, Risk and Crisis	3HR
Independent Director	Wang, Chun-Chung	2018/09/19	Taiwan Corporate Governance Association	The 14th International Forum on Corporate Governance	6HR
		2018/11/16		Directors and supervisors must know the brand intellectual property strategy	3HR
		2018/12/14		How to effectively play the role of directors and implement corporate governance	3HR
		2018/12/28		Global Trend Analysis - Risks and Opportunities	3HR

b. Manager's advanced education

Job title	Name	Advanced education date		Organizers	Course titles	Advanced education hours
		Beginning	Ending			
Chief Financial Officer	Chan, Shu-Juan	2018/12/13	2018/12/14	ROC Accounting Research and Development Foundation	Continued educational program for chief accountants of issuers, securities firms and securities exchanges	12HR
Assistant Vice President of Finance Division	Wu, Tsuen-Long	2019/01/17	2019/01/18	ROC Accounting Research and Development Foundation	Continued educational program for chief accountants of issuers, securities firms and securities exchanges	12HR
Chief Auditor	Tseng, Cai-Li	2018/05/25	2018/05/25	Internal Auditing Association	Analyze corporate fraud to improve governance energy	6HR
		2018/10/23	2018/10/23		Financial fraud prevention and financial forensics skills	6HR

(9) Implementation of an internal control system

a. Internal control system statement

Lungyen Life Service Corp.
Statement on Internal Control System

2019.02.26

We made the following declaration based on self-assessment of the Company's internal control policies from 2018:

1. The Company is aware that the Company's board of directors and managers shall be responsible for the establishment, execution, and maintenance of its internal control policies are the responsibilities. Such policies were implemented throughout the Company. The purposes of these policies are to provide reasonable assurance towards operational results and efficiency (including profitability, performance, and asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance and other goals.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria of internal control policies adopted in the Regulations were consisted of five major elements designated for the stages of internal control: (1) Control environment; (2) Risk assessment; (3) Control procedures; (4) Information and communication; and (5) Supervision. Each element further contains several items. Please refer to the Regulations for details.
4. The Company adopted the above-mentioned criteria to validate the effectiveness of its internal control policy design and execution.
5. Based on results of the assessment above, the Company believes that the design and execution of its internal control policies taking effect on December 31, 2018 was effective with respect to the comprehension of business results and target accomplishments, the reliable, timely and transparent financial reporting, and regulatory compliance (including the supervision and management of its subsidiaries), and may provide reasonable assurance to comply with the above targets.
6. This statement forms an integral part of the Company's annual report and prospectus, and shall be made public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Declaration was approved at the Company's board of directors meeting held on February 26, 2019. None of the 6 directors present to the meeting held any objections, and unanimously agreed to the contents of this Declaration.

Lungyen Life Service Corp.

Chairman: signature
President: signature

b. If the CPA is commissioned specially to review the internal control system, the CPA's audit report shall be disclosed: None

(10) Regulatory authorities' legal penalties to the Company or its employees, and the Company's resulting punishment on its employees for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2017 and as of the date of this annual report: None.

(11) Important resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication date of the annual report:

i. Important proposals in Shareholders' meeting and its implementation:

a. 2018 Regular Shareholders' Meeting

Meeting Date	Content of Proposals	Resolution	Implementation
2018.06.20	Recognition of 2017 Annual Financial Statement and Consolidated Financial Statement	Approved	Relative matters have been completed.
	Recognition of 2017 Distribution of Profits	Approved	A distribution of a cash dividend of NT$2.5 per share, the total amount is NTD 1,050,930,518, distributed on 2018.08.30
	Amendments to the "Articles of Incorporation"	Approved	The number of directors is increased, and the directors were fully re-elected on 2018.10.15 with the completion of the registration on file with the Ministry of Economic Affairs.
	Election for 7 seats of the Company's 13th Board of Directors (including 3 seats of Independent Directors)	The list of elected members of the 13th Board of Directors is as follows: Director: 1.Wish Giver Limited Representative: Liu, Wei-Lung 2.Wish Giver Limited Representative: Anthony Lee 3.Wish Giver Limited Representative: Fujibayashi Ichiro 4.ORIX Asia Capital Independent Director: 1. Yeh, Su 2.Wang, Huai 3.Wang, Chun-Chung	Has been registered on file with the Ministry of Economic Affairs on 2018.10.15.
	Proposal for removal of non-compete clause for Directors	Approved	Relative matters have been completed.

ii. The Board of Directors:

Convening Date of Meeting	Meeting Information	Content of Agendas
2018.02.05	The 27th meeting of 12th Board of Directors	Presented in the Company's and its subsidiaries' annual performance appraisal and bonus issuance rules for 2017 years
		The compensation proposal of independent director Yeh, Su
		Amendment of some of the provisions of the Company's "Registration Rules for the Compensation Committee"
		Proposal of appointment of members of the Company's compensation committee
2018.03.27	The 28th meeting of 12th Board of Directors	The Company's 2017 employee compensation and director compensation distribution
		2017 Annual Financial Statement and Consolidated Financial Statement
		The Company's "2017 Statement on Internal Control System "
		Amendments to the “Articles of Incorporation”
		Election for 7 seats of the Company’s 13th Board of Directors (including 3 seats of Independent Directors)
		Proposal for removal of non-compete clause for Directors
		Set the time, place and motion of the Company's 2018 shareholders' meeting
		Presenting the Company's personnel change
2018.05.07	The 29th meeting of 12th Board of Directors	Proposed 2017 annual earnings distribution
		The Company's independent auditor’s independence assessment and the appointment and remuneration of 2018
		Review of director candidates nomination result
		Amendments to the “Articles of Incorporation”
		The Company's organizational change
		The Company’s corporate social responsibility policies, systems or related management systems
		Amendments to the Company's "Regulations of the Board of Directors" and the "Administrative Measures on the Determination of Authorities"
2018.06.20	The 1st meeting of 13th Board of Directors	Electtion of the 13th chairman of the Company
		Appointment of the 4th audit committee member of the Company
		Appointment of the 4th compensation committee member of the Company
		Appointment of the first corporate governance and nomination committee

Convening Date of Meeting	Meeting Information	Content of Agendas
		member of the Company
		Appointment of members of the 4th Investment Review Committee
		Personnel appointment
2018.07.24	The 2nd meeting of 13th Board of Directors	Investment contract agreement
2018.08.10	The 3rd meeting of 13th Board of Directors	Director and manager liability insurance for renewal
		Real estate disposal
		Appointed Director Yeh, Su as a member of the 4th Investment Review Committee
		Amendments of some of the provisions of the Company's "Compensation Committee Organization Rules"
		Set the company's "Corporate Governance and Nomination Committee Organizational Rules"
		Review of the remuneration payment for independent director
		The Company intends to conduct capital increase of the subsidiary Hailong Trading Co., Ltd. and indirect capital increase of Long Young Life (Cayman) Co., Ltd., Long Young Life (Hong Kong) Co., Ltd., and Long Young Life (China) Holdings Co., Ltd.
		Banqiao Commercial Building Construction
		Stock disposal
2018.11.07	The 4th meeting of 13th Board of Directors	Formulating the "Board Evaluation Method" of the Company
		Formulating the Company's “Ethical Corporate Management Best Practices”
		Formulating the Company's "Code of Ethical Conduct"
		Formulate the "Procedures for Whistleblower Reporting and Protection System" of the Company
		Personnel appointment
2018.12.28	The 5th meeting of 13th Board of Directors	2019 business plan
		2019 audit implementation plan
		Board performance appraisal indicators and assessment methods
		Proposed that Yuji Development Company will conduct the capital increase and equity acquisition of Longfu Business Co., Ltd., and Longfu Business Co., Ltd.

Convening Date of Meeting	Meeting Information	Content of Agendas
		intends to obtain real estate case from related parties.
		Yuji Development Company provides funds for Sungde Futian Miaoguo Company Limited
		Providing an endorsement guarantee for others
2019.01.17	The 6th meeting of 13th Board of Directors	Annual performance appraisal and bonus issuance rules and time schedule planning
		The Company's "Board Performance Evaluation"
		The Company's organizational change and personnel appointment
2019.02.14	The 7th meeting of 13th Board of Directors	Involved to participate in the court land auction bidding case
2019.02.26	The 8th meeting of 13th Board of Directors	2018 employee and director compensation
		2018 Annual Financial Statement and Consolidated Financial Statement
		The Company's "2018 Statement on Internal Control System "
		The Company merged with Lung-An Business Co., Ltd.
		Additional case of the second water and soil conservation project on the hillside burial facilities of the Xinxiaojilong section of Sanzhi District, New Taipei City
		Appointment of the Company's compensation committee member
		Appointment of the head of corporate governance
		Set the time, place and motion for the 2019 Annual Shareholders' Meeting of the Company
		The company added new bank and credit authorization
2019.04.11	The 9th meeting of 13th Board of Directors	Proposed 2018 annual earnings distribution
		Amendment to certain sections of the Company's Articles of Incorporation
		Amendment to the provisions of the "Regulations of the Board of Directors" of the Company
		Amendment to the section of the Company's " Procedure for the Acquisition and Disposition of Assets "
		Amendment to the section of the Company's " Procedure for Loaning of Funds " and “Endorsement and Guarantee Procedures”
		Revision of the Company's 2019 shareholder meeting cases
		New appointment of member of the 4th Investment Review Committee

Convening Date of Meeting	Meeting Information	Content of Agendas
		The Company's organizational change and personnel appointment
2019.04.18	The 10h meeting of 13th Board of Directors	Involved to participate in the court land auction bidding case

(12) Directors or supervisors who have their oppositions to the resolutions reached in the board meeting documented in the most recent years and up to the publication date of the annual report: None

(13) Summary of the resignations and dismissal of the personnel related to the financial report (including the chairman, president, accounting manager, finance manager, internal audit manager, and R&D manager, etc.) recent years and up to the publication date of the annual report:

Position	Name	Onboard date	Termination date	Cause of change
President	Kuo,Hsueh-Chun	2017.03.02	2018.04.01	With his industry experiences and extraordinary leading ability, appointed as the Chairman of LongYoung Corp.

(14) Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information:

3 Taiwan certified public accountants in the Finance Division

1 certified internal auditor in the Internal Auditing Office

ISO9000 Auditor: 1 person in total in the Audit Department

5. Audit Fees

(1) Range of Professional Fees to the Independent Auditor

i. Range of audit fee

CPA Firm	CPA's name		Audit period	Notes
KPMG Taiwan	Tseng, Guo-Yang	Lai, Li-Zhen	2018	

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Unit: NT$ Thousand

Amount bracket \ Fee category		Audit fees	Non-audit fees	Audit fees
1	Less than $ 2,000 thousand	0	150	150
2	$2,000 thousand (inclusive)～ $4,000 thousand	2,420	0	2,420
3	$4,000 thousand (inclusive)～ $6,000 thousand	0	0	0
4	$6,000 thousand (inclusive)～ $8,000 thousand	0	0	0
5	$8,000 thousand (inclusive)～ $10,000 thousand	0	0	0
6	NT$ 10,000 and above	0	0	0

ii. When non-audit fees paid to certified public accountant, to the accounting firm of the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NT$ Thousand

CPA Firm	CPA's name	Audit fees	Non-audit fees					Duration of Audit	Remarks
			System design	Industrial Commercial registration	Human resource	Others (Note 2)	Subtotal		
KPMG Taiwan	Tseng, Guo-Yang	2,420	0	0	0	150	150	2018	Non-administrator's checklist, trust check report, etc.
	Lai, Li-Zhen							2018	

Note 1: If the Company has replaced the certified public accountant or CPA firm, please identify the duration of audit respectively, and specify the cause for replacement in the "Remark" section, and disclose the information about the paid audit fees and non-audit fees in order.
Note 2: The non-audit fees shall be identified respectively subject to the scope of service. If the "others" of non-audit fees amount to 25% of the total non-audit fees, please specify the contents of service in the "Remark" section.
Note 3: The audit fee is disclosed according to the amount of the contract amount.

iii. Commissioning another CPA and the audit fees paid in the changing year is less than the audit fee paid in the prior year: None

iv. Audit fees is reduced by more than 15% from the previous year: None

Unit: NT$ Thousand

2016 Audit fees	2017Audit fees	Diference	Explanation
2,500	2,420	(80)	Not applicable (Did not reach standard of difference)

6. CPA replacement: None

7. The company's chairman, general manager, and finance or accounting manager has worked in the CPA Firm contracted for auditing service or its affiliated companies within the year: None.

8. Stock Trade and Stock Pledge of Directors, Supervisors, Managers and Shareholders with 10% shareholdings or more in recent years and up to the publication date of the annual report.

(1) Net Change in Shareholding by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More

Unit: Share

Job title	Name	2018		As of 04.30.2019	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Chairman	Liu, Wei-Lung (Note 1 & 2)	-	-	-	-
Chairman (Note 3)	Wish Giver Limited	63,000	-	-	-
	Representative: Liu, Wei-Lung	-	-	-	-
Director (Note 2)	Cheng Chang Investment Co., Ltd.	-	-	-	-
	Representative:Lee, Shih-Tsung	-	-	-	-
Director (Note 3)	Wish Giver Limited	63,000	-	-	-
	Representative: Lee, Anthony	-	-	-	-
Director (Note 2)	Cheng Chang Investment Co., Ltd.	-	-	-	-
	Representative: Fujibayashi Ichiro	-	-	-	-
Director (Note 3)	Wish Giver Limited	63,000	-	-	-
	Representative: Fujibayashi Ichiro	-	-	-	-
Director (Note 2)	Cheng Chang Investment Co., Ltd.	-	-	-	-
	Representative: Chan, Pai-Lien	-	-	-	-
Director (Note 2)	Cheng Chang Investment Co., Ltd	-	-	-	-
	Representative: Lin, Chian-Ju	-	-	-	-
Director	Orix Asia Capital	-	-	-	-
	Representative: Chao, Tsen-Sheng	-	-	-	-

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Job title	Name	2018		As of 04.30.2019	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Independent Director	Yeh, Shu	-	-	-	-
Independent Director	Chang, Show-Lian (Note 2)	-	-	-	-
Independent Director	Hong, Guo-Chao (Note 2)	-	-	-	-
Independent Director	Wang, Huai (Note 3)	-	-	-	-
Independent Director	Wang, Chun-Chung (Note 3)	-	-	-	-
Shareholders who own 10% or more of shareholdings	Lee, Kelly (Note 4)	(139,792,000)	(22,600,000)	-	-
Shareholders who own 10% or more of shareholdings	Wish Giver Limited (Note 4)	139,792,000	67,900,000	-	-
President	Liu, Wei-Lung (Note1)	-	-	-	-
President	Kuo, Hsueh-Chun (Note 1)	-	-	-	-
Executive Vice President and Chief Financial Officer	Chan, Shu-Juan	-	-	-	-
Vice President	Liang, Jian-Yun	-	-	-	-
Vice President	Lin, Shu-Ling	-	-	-	-
Vice President	Wu, Hong-En	-	-	-	-
Vice President	Niu, An-Tzu	-	-	-	-
Vice President	Jian, Hui-Juan	-	-	-	-
Vice President	Chou, I-Ping	-	-	-	-
Vice President	Hsu, Mei-Yu	-	-	-	-
Vice President	Tu, Po-Yen (Note 5)	-	-	-	-
Vice President	Liu, Yu-Ming	(2,000)	-	-	-
Vice President	Fu, Ming (Note 6)	-	-	-	-

Job title	Name	2018		As of 04.30.2019	
		Shareholding increase (decrease)	Mortgaged shares increase (decrease)	Shareholding increase (decrease)	Mortgaged shares increase (decrease)
Vice President	Hung, Xiao-Wei (Note 7)	-	-	-	-
Associate Vice President	Lee, Shu-Hui(Note 8)	1,000	-	-	-
Associate Vice President	Tsao, Rou-Chi (Note 9)	-	-	-	-
Associate Vice President	Wang, Chih-Yung (Note 9)	-	-	-	-
Associate Vice President	Wu, Chuan-Lung (Note 10)	-	-	-	-
Associate Vice President	Chen, Yung-Cheng (Note 10)	-	-	-	-
Associate Vice President	Cheng, Chung-Ti (Note 9)	-	-	-	-
Associate Vice President	Chuang, Ching-Liang (Note 8)	-	-	-	-
Associate Vice President	Wu, Kai-Ling (Note 11)				

Note 1：Mr. Liu, Wei-Lung was elected as the chairman by the board of directors on March 2, 2017, and the president was replaced by Mr. Kuo, Hsueh-Chun. As the mainland China business of the Company and Sino-Ocean Group has entered a critical period of rapid development, the board of directors decided on March 27, 2018 that Mr. Kuo, Hsueh-Chun is the chairman of the joint venture company, and the general manager of the Company was replaced by Mr. Liu Wei-Lung, the chairman of the board of directors, which took effect on April 1, 2018.

Note 2：The director retired after the 13th director of the shareholders' meeting on June 20, 2018.

Note 3：The director was elected by the 2018 shareholders meeting on June 20, 2018.

Note 4：Wish Giver Limited is established under the laws of the British Virgin Islands. In addition to directly holding shares of the Company, it is also a trustee account established by Fubon Securities Co., Ltd. (hereinafter referred to as "FINI" The investment account ") holds the shares of the Company. As of April 2, 108, Wish Giver Limited held 139,855,000 shares of the Company's common stock (including 139,792,000 shares directly held and 63,000 shares held by FINI investment accounts), accounting for 33.29% of the issued shares of the Company..

Note 5：Reported on December 8, 2016, and resigned on March 31, 2018.

Note 6：Onboard on July 2, 2018.

Note 7：Onboard on November 8, 2018 and resigned on April 10, 2019.

Note 8：Onboard on May 10, 2018 due to job adjustment.

Note 9：Resigned on May 10, 2018 due to job adjustment.

Note 10：On board as associate vise president on March 2, 2017.

Note 11：Onboard on April 11, 2019 due to job adjustment.

(2) Information of the counterparty of stock trade that is relatives:

Name	Cause	Date of Trade	Counterparty	Relationship between counterparty and the Company, director, Supervisor, and Shareholders who own 10% or more of shareholdings	Shares	Trade Price
Lee, Kelly	Disposal	September 27,2018	Wish Giver Limited	Lee, Kelly is responsible for the company	88,292,000	59.4
		October 24, 2018			51,500,000	

(3) Information of the counterparty of stock pledge that is relatives: None

9. Information of the relationship between the top-ten shareholders

2019.04.02

Name	Shareholdings		Spouse and minor children shareholding		Shares held by nominee		If the top-ten shareholders are related parties or are a spouse or second cousin to each other, please state the title, name, and relationship.		Note
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Title (or Name)	Relationship	
Wish Giver Limited Representative: Lee, Kelly	139,792,000	33.28%	0	0%	63,000	0.01%	Cheng Chang Investment Co., Ltd.	Representative is the child of chairman of the listed company	4
							Bai Ruei Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Shih Investment Co., Ltd.	Representative is the child of chairman of the listed company	
							Lee Investment Co., Ltd.	Representative is the child of chairman of the listed company	
Cheng Chang Investment Co., Ltd. Representative: Lee, Shih-Tsung	41,716,332 0	9.93% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Citibank in custody for U-Trade(HK)-Customer Account	34,556,000	8.23%	0	0%	0	0%	None	None	
Fubon Securities-ORIX ASIA CAPITAL	21,000,000	5.00%	0	0%	0	0%	None	None	
Bai Ruei Investment Co., Ltd Representative: Lee, Shih-Tsung	18,488,690 0	4.40% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Fubon Life Insurance Co. Ltd. Representative: Tsai, Ming-Hsin	14,710,000 0	3.50% 0%	0 0	0% 0%	0 0	0% 0%	None	None	
Lee Shih Investment Co., Ltd. Representative: Lee, Shih-Tsung	13,050,152 0	3.11% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Fuji Kogyo Co., Ltd. Representative: Fujibayashi Ichiro	15,224,543 0	2.99% 0%	0 0	0% 0%	0 0	0% 0%	None	None	5
Lee Investment Co., Ltd. Representative: Lee, Shih-Tsung	8,549,114 0	2.04% 0%	0 0	0% 0%	0 0	0% 0%	Lee, Kelly	Father of the listed name	
Mercuries Life Insurance Representative: Chen, Hsiang-Chieh	7,790,000	1.85%	0 0	0% 0%	0 0	0% 0%	None	None	

Note 1: Illustrate the top-ten shareholders. For the institutional shareholders, the name of the institutional shareholders and the representative shall be illustrated separately.

Note 2: The shareholding ratio is calculated respectively by the name of the shareholders, the shareholder's spouse and

minor children, or shareholding of nominees.

Note 3: The relationship disclosed above, including institutional and leagal persons, will be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.
Mentioned shareholdings above are based on 2018.04.22, the date of transfer suspension.

Note 4: Wish Giver Limied is based on the laws of the British Virgin Islands. In addition to directly holding the shares of the Company, Fubon Securities Co., Ltd. is also appointed to establish a special account for the custody of the investment, that is, Fubon Securities Co., Ltd. custody of Wish Giver Limied. Wish Giver Limied is the legal director of the Company.

Note 5: Fujibayashi Ichiro is the legal representative of the Company's director.

The number of shares listed above is based on the number of shares registered on April 2, 2019, the date of transfer suspension.

10. The shares of the same reinvestment business held by the company's directors, supervisors, managers, and the enterprise directly or indirectly controlled by the Company; also, the general shareholding ratio is calculated in consolidation:

2019.04.30 Unit: thousand shares/%

Reinvestment	The Company's investment		The investment of the directors, supervisors, managers, and the enterprise directly or indirectly controlled by the company		Consolidated investment	
	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %
Jin Huang Construction Co., Ltd.	2,209	98.20%	0	0.00%	2,209	98.20%
Yuji Development Corp.	11,723	54.42%	12	0.01%	11,735	54.43%
Dahan Property Management Co., Ltd.	400	80.00%	0	0.00%	400	80.00%
Sea Dragon Traders Ltd. (BVI)	3,271	100.00%	0	0.00%	3,271	100.00%
SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD.	500	100.00%	0	0.00%	500	100.00%
Lung Fu Company Limited	0	0%	37,100	100%	37,100	100%

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IV. Capital Overview

1. Capitalization

(1) Type of Stock：

2019.04.30 Unit : Share ; NTD : dollar

Year Month	Issuing price	Authorized capital		Paid-in capital		Note		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Other
1988/06	10	2,000	20,000	2,000	20,000	By Cash	None	Note 1
1992/02	10	14,000	140,000	14,000	140,000	$120,000,000 of cash offering	None	Note 2
1994/06	10	19,950	199,503	19,950	199,503	$59,503,000 of cash offering	None	Note 3
1997/07	10	50,050	500,497	50,050	500,497	$300,994,000 of cash offering	None	Note 4
1997/12	10	69,000	690,000	55,000	550,000	$49,503,000 of cash offering	None	Note 5
1998/09	10	70,799	707,990	70,799	707,990	$100,000,000 of cash offering $57,990,000 capital increased by retained earning	None	Note 6
1999/11	10	112,800	1,128,000	81,880	818,800	$110,810,000 capital increased by retained earning	None	Note 7
2000/09	10	112,800	1,128,000	88,560	885,603	$42,239,000 capital increased by retained earning $24,564,000 capital increased by capital reserve	None	Note 8
2006/08	10	200,000	2,000,000	103,943	1,039,430	NT$153,827,000 capital increased by retained earning	None	Note 9
2007/10	10	200,000	2,000,000	2018,235	1,072,350	NT$32,920,000 capital increased by retained earning	None	Note 10
2009/02	4	600,000	6,000,000	307,235	3,072,350	200,000,000 new shares issued by cash offering (private placement)	None	Note 11
2010/02	21.03	600,000	6,000,000	382,159	3,821,593	Exchange of shares for capitalization	Issued 74,924,315 shares in exchange for 75% shareholding of Lungyen Life Service Co. Ltd.	Note 12
2011/01	44.20	600,000	6,000,000	399,084	3,990,842	Consolidated capitalization	Issued 16,924,884 shares in exchange for 25% shareholding of Lungyen Life Service Co. Ltd.	Note 13

2012/06	-	600,000	6,000,000	399,084	3,990,842	Supplementary public issuance of the 200,000,000 new shares issued through private placement in 2009	None	Note 14
2017/04	62.10	600,000	6,000,000	420,084	4,200,842	Capital increased by cash(private placement) 210,000,000 shares	None	Note 15

Note 1: Established approved by Government of Twaiwan Province on Febuary 27, 1987.
Note 2: Approval date and document number: November 15,1992 #123073
Note 3: Approval date and document number: October 27, 1994, #115139
Note 4: Approval date and document number: June 5, 1997, #44635 (Securities Commission, Ministry of Finance)
Note 5: Approval date and document number: November 24, 1997, #86928 (Securities Commission, Ministry of Finance)
Note 6: Approval date and document number: July 10, 1998, #57585 (Securities Commission, Ministry of Finance)
Note 7: Approval date and document number: October 28, 1999, #94451 (Securities Commission, Ministry of Finance)
Note 8: Approval date and document number: August 9, 2000, #68848 (Securities and Futures Commission, Ministry of Finance)
Note 9: Approval date and document number: 08/04/2006, FSC(1) Chi#0950134497.
Note 10: Approval date and document number: August 7, 2007; FSC(I).tzi No. 0960041875
Note 11: Approval date and document number: 03/13/2009, Ching-Sao-Shun-Chi#09801047000.
Note 12: Approval date and document number: January 19, 2010, FSC.far.tzi No. 0980071154
Note 13: Approval date and document number: 01/26/2011, FSC Fa- Chi#1000001274.
Note 14: Approval date and document number: 06/11/2012, GreTai Securities Chiang-Chi#10100135951.
Note 15:Approval date and document number: 04/11/2017, Ching-Sao-Shun-Chi#10601045930

Unit: Share

Type of stock	Authorized Share Capital			Note
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	420,084,199	179,915,801	600,000,000	—

Note: Stock of OTC listed company

(2) Shelf Registration: None.

2. Composition of Share Holders

2019.04.02 Unit: Share; %

Shareholder structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Persons	Total
Number of shareholders	0	0	78	10,881	113	11,072
Shareholding	0	0	117,966,744	68,005,884	234,111,571	420,084,199
Holding Percentage	0.00%	0.00%	28.08%	16.19%	55.73%	100.00%

Mentioned shareholdings above are based on 2019.04.02, the date of transfer suspension.

3. Distribution Profile of Share Ownership

(1) Common stock

2019.04.02 Unit: Person; Share; %

Shareholding classification	Number of shareholders	Shareholding	Percentage %
1 ~ 999	2,487	829,051	0.20%
1,000 ~ 5,000	6,496	13,481,747	3.21%
5,001 ~ 10,000	954	7,567,725	1.80%
10,001 ~ 15,000	314	4,083,272	0.97%
15,001 ~ 20,000	226	4,169,940	0.99%
20,001 ~ 30,000	177	4,505,876	1.07%
30,001 ~ 40,000	86	3,058,238	0.73%
40,001 ~ 50,000	66	3,069,457	0.73%
50,001 ~ 100,000	139	10,199,326	2.43%
100,001 ~ 200,000	56	7,746,036	1.84%
200,001 ~ 400,000	35	9,443,606	2.25%
400,001 ~ 600,000	5	2,405,000	0.57%
600,001 ~ 800,000	6	4,111,000	0.98%
800,001 ~ 1,000,000	5	4,311,631	1.03%
>1,000,001	20	341,102,294	81.20%
Total	11,072	420,084,199	100.00%

(2) Preferred stock: None

4. Major Shareholders

2018.04.22

Shares / Major Shareholders	Total Shares Ownes	Ownership
Wish Giver Limited	139,792,000	33.28%
Cheng Chang Investment Co., Ltd.	41,716,332	9.93%
Citibank in custody for U-Trade(HK)-Customer Account	34,556,000	8.23%
Fubon Securities holding ORIX Asia Capital Investment Account	21,000,000	5.00%
Bai Ruei Investment Co., Ltd.	18,488,690	4.40%
Fubon Life Insurance Co. Ltd.	14,710,000	3.50%

Major Shareholders \ Shares	Total Shares Ownes	Ownership
Lee Shih Investment Co., Ltd.	13,050,152	3.11%
Fuji Kogyo Co., Ltd.	12,540,543	2.99%
Lee Investment Co., Ltd.	8,549,114	2.04%
Mercuries Life Insurance	7,790,000	1.85%

5. Market Price, Net Worth, Earnings, and Dividends Per Common Share for two years:

Unit: NTD$ Dollar; Share

Item \ Year			2017	2018	As of 2019.03.31
Market price per share	Highest		79.90	71.60	64.00
	Lowest		54.90	55.60	56.00
	Average		65.92	62.09	59.90
Book value per share	Pre-distribution		33.10	39.21	42.14
	Post-distribution		Not applicable	Not applicable	Not applicable
EPS	Weighted average shares		415,078,721	420,084,199	420,084,199
	EPS		4.44	5.19	1.54
Dividend per share	Cash dividend		2.50	3.00 (Note 2)	Not applicable
	Stock dividend	Dividends from retained earnings	0	0	Not applicable
		Dividends from additional paid-in capital	0	0	Not applicable
	Accumulated unpaid dividends		0	0	Not applicable
Return on Investment analysis (Note 1)	PE ratio		14.85	10.11	9.72
	PD ratio		26.36	20.70	Not applicable
	Cash dividend yield (%)		3.79%	4.45%	Not applicable

＊If shares are distributed in connection with a capital increase out of earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: (1) PE ratio = Current average closing price per share / Earnings per share
(2) PD ratio = Current average closing price per share / Cash dividend
(3) Cash dividend yield ratio = Cash dividend per share / Current average closing price per share

Note 2: A cash distribution of NT$3.0 for 2018 fiscal year was proposed at the board meeting on April 11, 2019, and is pending for shareholders' resolution.

6. Dividend Policy and Distribution of Earnings

(1) Dividend policy set in 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. Any earnings after the Company's fiscal year final settlement shall be allotted to make the payment of taxes and dues, and complete the deficit and losses, and then set aside 10% as the statutory reserve, unless the statutory reserve amounts to the Company's paid-in capital. Then, the amount stated as less item of shareholders' equity as incurred in then year shall be set aside special reserve or reverse special reverse, and the balance, if any shall be used to pay the stock dividend. The remainder, if any, plus the undistributed earnings for the same period shall be allocated subject to the board's motion for allocation of earnings as resolved by a shareholders' meeting.

The Company's dividend policy is intended to protect shareholders' equity and plan the future funding need based on the Company's future capital and budget planning. The dividend may be allocated in cash or in the form of stock, and the dividend allocated in cash shall be the first priority. The stock dividend is also applicable, provided that the cash dividend, if any, shall be no less than 10% of the total shareholder bonus.

(2) Allocation of dividends proposed at the shareholders' meeting:

With respect to the motion for allocation of earnings 2018, the board of directors resolved on April 11, 2019 that NT$1,260,252,597 shall be allocated from the allocable earnings for this year to be distributed as cash dividend (NT$3.0 per share). Upon approval of the shareholders' meeting, the board of directors shall set the ex-dividend base date.

(3) Expected significant changes in dividend policy: None

7. Impact to the stock dividends proposed in the shareholders' meeting on the company's operating performance and earnings per share:

Not applicable, as the motion for allocation of earnings approved upon resolution made by the board of directors on April 11, 2019 (which has not yet been approved by a shareholders' meeting) will not apply the allocation of stock dividend.

8. Compensation to Directors, Supervisors and Profit Sharing Bonus to Employees

(1) The percentage or range of bonus to employees and compensation to directors and supervisors set in the company's Articles of Incorporation:

The total annual earnings, if any, should be appropriated not exceed 1% to employees' remuneration and not exceed 2% to directors' compensation.

(2) The accounting treatment for the estimated bonus to employees and compensation to directors and supervisors and the estimated stock dividend different from the actually distributed amount: None

(3) Information regarding bonus distribution to employees and compensation to directors proposed at the board meeting; and earnings per share calculation:

i. Proposed employee bonus money of NT$24,672,655 and director compensation of NT$49,345,311 **for 2018 fiscal year was proposed at the board meeting on 2019.02.26. Proposed employee bonuses and compensation to directors for fiscal year 2017 are in line with the amount recorded in financial reports for the same period. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences will be recorded in Profit & Loss as a change in accounting estimate in the year of actual appropriation.**

ii. The proposed amount of stock dividend to employees and the ratio of it to the total amount of the net income and total bonus to employees: The Company has no stock dividend distributed to employees; thus not applicable.

iii. The imputed earnings per share after considering the proposed distribution of bonus to employee and compensation to directors and supervisors: The proposed distribution of bonus to employee and compensation to directors and supervisors referred to above is booked as expense; thus not applicable.

iv. The actual distribution of bonus to employee and compensation to directors and supervisors in previous year:

The distribution of 2017 earnings was resolved in the general shareholders' meeting on June 20, 2018 shareholders' meeting. The distribution of dividends per share, bonus to employees, and compensation to directors and supervisors is as follows:

	2017
Dividend per common share (NT$)	
Cash	$ 2.5
Employee bonus – cash (NT$ thousands)	$21,149
Director remuneration (NT$ thousands)	42,297
Total	$ 63,446

Actual profit distribution for fiscal 2017 was in line with the recognized amount in the financial reports.

9. Buyback of Common Stock: None

10. Issuance of Corporate Bonds

(1) Conduct and conversion for the issuance of the Company's first privately placed uncollateralized convertible corporate bonds within the Republic of China is as below:

Type of Corporate Bond		**First Domestic Privately Placed Uncollateralized Convertible Corporate Bonds**
Issuing (conducting) Date		April 10, 2017
Denomination		NT$100,000
Issuing and Trading Places		N/A
Offering Price		Par
Total Amount		NT$3,113,000,000
Coupon Rate		0%
Maturity		Three years, maturity date: April 9, 2020
Guarantor		None
Trustee		CTBC Bank Co., Ltd.
Underwriter		N/A
Certified Legal Counsel		N/A
Certified Public Accountant		N/A
Repayment Way		Repayment of all principals and interests in a lump sum upon maturity
Outstanding Principal		NT$3,113,000,000
Clauses of Redemption or Earlier Pay-Off		None
Covenants		None
Credit Rating Institution Name, Rating Date, Rating Results of Corporate Bond		N/A
Other Attached Rights	Amount of Common Stocks That Have Been Converted (Exchanged or Subscribed),	None

	Overseas Depository Receipt or Other Securities by The Date of The Annual Report	
	Methods for Issuance and Conversion (Exchange or Subscription)	N/A
Methods for Issuance, Conversion, Exchange or Subscription of Stocks and The Issuance Conditions may have possible dilution and impact on Existing Shareholders' Equities		By April 40, 2019, if calculated in accordance with the conversion price of NT$59.30, the maximum shareholding dilution rate when applying for conversion of first domestic privately placed uncollateralized convertible corporate bond to common share is approximately 12.50%, which does not have a significant impact to existing shareholders' equities.
Name of The Entrusted Custodian of The Exchanged Target		N/A

(2) Information of convertible bond

Type of Corporate Bonds		**First Domestic Privately Placed Unsecured Convertible Bond**
Items / Year		Current year by April 30
Market Prices of Convertible Corporate Bonds	Highest	N/A
	Lowest	
	Average	
Conversion Price		NT$59.30
Issuance (Conduct) Date and Conversion Price at The Time of Issuance		April 10, 2017 NT$63
Way to Fulfil Conversion Obligation		Issuance of new shares

11. Preferred stock: None

12. Overseas depository receipts: None

13. Employee stock options: None

14. Status of New Share Issuance in Connection with Mergers and Acquisitions:

(1) The matters to be disclosed where the merger or issuance of new shares in exchange for the transfer of other companies' shares has been completed in the most recent

year and by the date of the Annual Report: N/A

(2) The implementation and basic information of the companies that are merged or transferring shares to be disclosed where the merger or issuance of new shares in exchange for the transfer of other companies' shares has been approved by the resolution of the Board of Directors in the most recent year and by the date of the Annual Report: N/A

15. Financing Plans and Implementation:

(1) Financing Plans: The first public issuing or private placement of marketable securities has not been completed or has been completed in past 3 years but the benefits is not yet obvious to the prior quarter of the publication date of the annual report: None.

(2) Financing Plans and Implementation: Not applicable.

V. Operational Highlights

1. Business Activities

(1) Business Range

i. Main Business Activities

- Residents and buildings development and rental business
- Specific professional area development business
- New towns and new community development business
- Construction materials wholesale business
- Furniture, beddings, kitchen utensils and appliances, and fixtures retail business
- Construction materials retail business
- Landscape and interior design business
- Investments in the construction of public works businessCemetery development and rental business
- Real estate trade business
- Real estate rental business
- Senior homes business
- Urban renewal and reconstruction business
- Funeral facilities operations business
- Funeral and liturgical services business
- Industrial incubation business
- General hotel business
- Recreational club business
- Information and leisure business
- Tournament and leisure stadium business
- Agency services business
- Festive general service business
- International trade business
- The ritual supplies retail business
- Food, sundries and beverage retail business
- Flower retail business
- Agricultural products retail business
- Non-store retail business
- Waste disposal business
- Waste collection business
- Unclassified services business
- Real estate brokerage business
- Real estate marketing agency business
- Warehousing business

- In addition to the chartered business, the business not prohibited or restricted by law

ii. Revenue Contribution

December 31, 2018

Products & services	Percentages
Funeral service	91.62%
Rental income	4.31%
Others	4.02%

iii. The Company's present and developing products and services

a. Present products and services

The main business activities of the Company are selling columbarium and cemetery facilities and funeral services, and selling or rental of residence and business buildings.

b. Developing products and services

As a member of the funeral industry, the Company has been emdeavoring to reform and innovate existing funeral service, products and facilities to provide better choices to consumers. Also, the Company will continue to foster quality funeral directors and other practitioners to improve the whole industry environment.

(2) Business Overview

i. Industry environment and development

a. Funeral industry

For thousands of years, the funeral customs and traditions have been at the heart of Chinese culture as Confucian philosophy preaches respect for the aged and filial peity. Filial piety is the most precious morality and also the essence and basic foundation of traditional customs and social morality. On account of filial piety, people keep the elder company and support him, and prepare appropriate funeral service when he passes away. Buddhism preaches the importance of filial piety, which leads the Chinese to arrange an elaborate funeral for the dead. Though funeral tradition has simplified in modern society, the conventional expectation for elaborate funeral still strike a chord.

As funeral service is one of the Four Rituals (coming-of-age ceremony, weddings, funerals, and worshipping), the general principle for funeral preparation is: "Treat the dead as the live; Treat the ceased as the survived.", therefore basic traits of Ancient Chinese funeral are generated, that are, "emphasize on filial piety, manifest patriarchal, show the social class, and elaborate funeral burial.", Taoism and Buddhism have also affected traditional Chinese funeral service.

Chinese culture consists of different kind of funeral traditions, including burying, cremation, sky burial, tree burial, sea burial, and so on. Owing to changes of economy and culture, the tradition has veried recently.

The most significant difference between funeral service industry and other industries is that the product can be used one-time, which leads to difference of market model among other industries. In the early days, people who work in this industry is not that much, and most of them are family business, in a mentor-apprentice way, or a part-time job for coffin producers, cemetery constructors, or priests, the procedure for funeral services mostly follow old rules and lack of systematic flow, and that related know-how has to be acquired by being onboard, thus few people are willing to work in the industry.

As the change of times, part of business groups dedicated in funeral servive industry, which start reversing the impression toward people since corporative management, with the trend of better quality, customization, emphasis on last wishes, and adjustments according to relatives, the funeral has simplified, being creative, and systematic. Those engage in funeral industry have more human and related resources, with professional training, workers can focus on specific responsibility. Workers changed from low-end labors to neatly suited and quality funeral directors. With the changes of the funeral culture, people start accepting the industry and regard them respectfully.

b. The market of funeral services in Taiwan

Basically, funeral activities in Taiwan is composed of successive rituals instead of single ceremony, the whole procedure can be separated into four parts: Hospice Care, Coffining, Proceeding to Cremation, and Burial. In traditional customs, being buried underground is the most popular way, but as the high density of population in Taiwna and cremation policy pushed by Taiwan Government, many people chose cremation which is more convenient, and ecological burial such as sea burial is now being more acceptable.

The progress of the industry in Taiwan is as following:

(a) During the time after Taiwan's Restoration Day, Taiwan is mostly held by agriculture, the main way of burial is being buried under the ground. With the related regulation set in 1946, and the duration until 1983, there is no significant difference for funeral tradition.

(b) The new regulation implemented in 1983 was mainly focused on the establishment of columbarium and cemetery facilities, the managing of funeral sevices are not yet being regulated. As the economy turned better in the 1980s-1990s, parade for the god, pat ka tsiong, dragon dance, and electric flower cars, and even ridiculous shows are being popular, which leads to the change of funeral services. With corporations that lack of prefession knowledge and relatives of the dead pushing those customs, the funeral culture has changed.

(c) Burial under the ground is the most popular way in the past, but since the high

density and narrow land of Taiwan, funeral facilities is insufficient, Ministry of the Interior and the former social division of Government of Taiwan Province pushed phase one and phase two of the policy about improving the funeral services and planning , assisting local governments in gardening public cemeteries, building columbariums, mortuary parlors, crematoriums, which pushed the modernization of managing cemetery, prviding better quality of facilities' services ahead, plus in the late 1990s, domestic business groups learned from foreign funeral service experiences, solemn funeral replaced hullabaloo in the 1980s.

(d) In recent years, percentage of people accept cremation has increased from 88.06% in 2008 to 96.32% in 2017, and putting the ashes of the dead in the columbarium after cremation is now the main way. Simultaneously, the rising of environmental consciousness result in different way of burial, such as tree burial, sea burial, and so on, it lower the costs of funeral and reduce the need of land for funeral use. Education of thanatology is also being spread, with industry, government, and education all devote to reforming the funeral industry, regulations on funeral released in 2002 started a brand new era for funeral services.

Year	Death Toll	Body Cremated	%	Quantity of Environmental Burial			
				Total	Non-Public Cemetery		Public Cemetery
					Park. Ground	Sea	Tree
2007	140,371	123,217	87.78	404	38	66	300
2008	143,594	126,442	88.06	669	221	65	383
2009	143,513	129,363	90.14	1,442	729	56	657
2010	145,804	130,886	89.77	1,542	603	182	757
2011	153,206	139,125	90.81	1,786	451	234	1,101
2012	155,239	142,030	91.49	2,939	542	62	2,335
2013	155,686	145,820	93.66	2,612	621	82	1,909
2014	163,327	152,963	93.65	3,910	658	137	3,115
2015	163,822	156,634	95.61	9,136	723	213	8,200
2016	172,829	166,246	96.19	6,774	1,024	280	5,470
2017	172,028	165,692	96.32	7,743	1,153	294	6,296

Source: 13th Statistics in 2019, Department of Statistics, Minister of the Interior

According to the Population Projections for R.O.C. (Taiwan) in August, 2016 by National Development Concil, fertility rate has decreased in long term, the total population in the future wll be a negative number. In terms of different fertility rate, negative population growth will occur in 2021 at the earliest and in 2025 at the latest. The top of populations will be between 23,660,000 and 23,810,000, approximately 72.5%~82.8% of populations in 2016. Besides, as the fertility rate decrease more, negative growth increases, and accelerate the decrease of

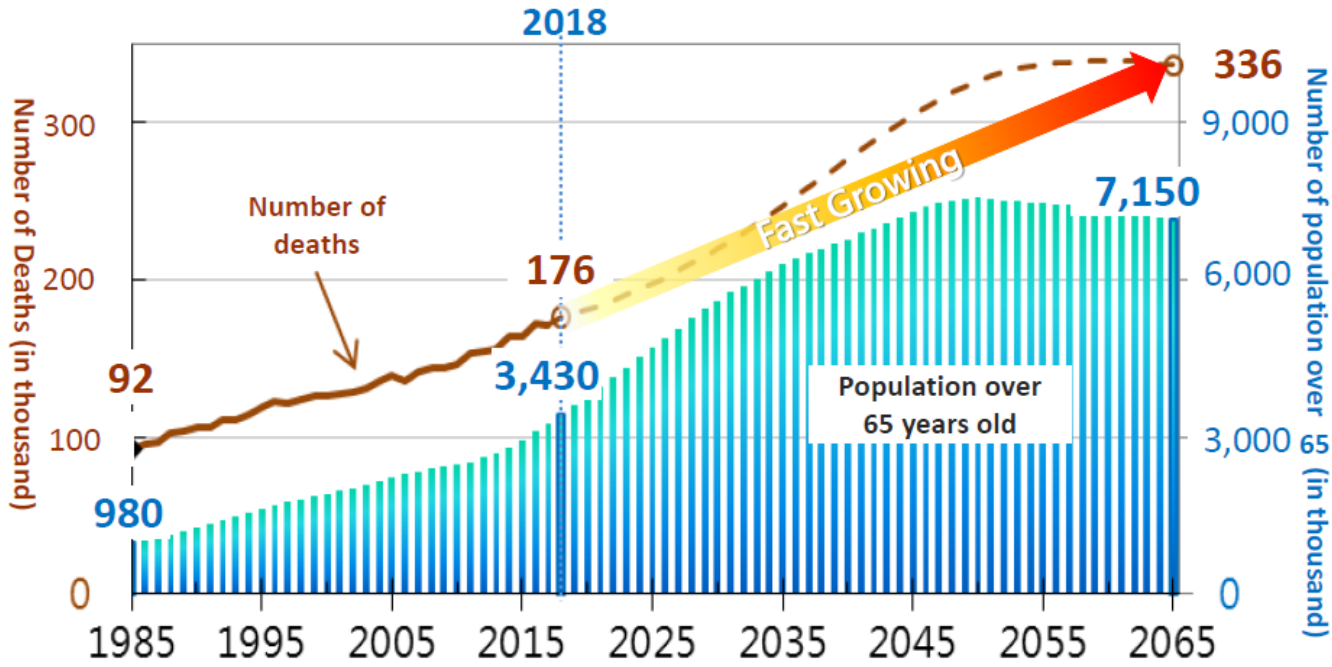
population.

With the figure as below, high, medium, and low variant of fertility rate, the estimated result of death is barely different due to economic development, medicotechnology, and public sanitation. According to the population structure in 2016, standardized death rate is going to decreae to 5.0‰ in 2066 compared to 7.2‰in 2016.

But affected by ageing quickly and the amount of the elders increased a lot, the death toll in the future will increase year over year, death toll will increased to 338,000 in 2066 in comparison to 169,000 in 2016, which has almost doubled.

Item		2016	2031	2041	2051
High estimate	Number of death (in thousand persons)	169	230	289	338
	Compared with which of 2016 (in thousand persons)	-	+610	+120	+169
	Crude death rate	7.2‰	9.7‰	12.6‰	17.2‰
	Standarized death rate	7.2‰	6.1‰	5.6‰	5.0‰
Medium estimate	Number of death (in thousand persons)	169	230	289	337
	Compared with which of 2016 (in thousand persons)	-	+610	+120	168
	Crude death rate	7.2‰	9.8‰	12.8‰	18.2‰
	Standarized death rate	7.2‰	6.1‰	5.6‰	5.0‰
Low estimate	Number of death (in thousand persons)	169	230	288	337
	Compared with which of 2016 (in thousand persons)	-	+61	119	+168
	Crude death rate	7.2‰	9.9‰	13.2‰	19.6‰
	Standarized death rate	7.2‰	6.1‰	5.6‰	5.0‰

Source: Population Projections for R.O.C. (Taiwan): 2016-2060, August, 2016



Source: Population Projections for R.O.C. (Taiwan): 2016-2060, August, 2016

Besides, according to the 13th Weekly Statistics in 2019 issued by the Department of Statistics, Minister of the Interior, number of columbarium used during 2017 was 196,551, which has increased 14.5% from which of 2008. The number included deaths cremated during the year and those buried in past 5~10 years and unearthed due to the Taiwanese folk custom – "bone collection".

Year	Public Cemetery					Columbarium								
	Total (places)	In use (places)	%	Number of deaths buried	% of total number of deaths	Total (places)	In use (places)	%	Maximun Capacity (units)	Occupied (units)	Occupation rate (%)	Annual occupationn	In bone	In bone ash
2008	3,140	…	…	15,258	10.63	411	…	…	7,993,190	2,052,511	25.68	171,628	44,256	127,372
2009	3,132	…	…	13,798	9.61	415	…	…	8,009,913	2,197,535	27.44	167,348	38,714	128,634
2010	3,125	2,574	82.37	12,896	8.84	431	425	98.61	7,945,457	2,363,721	29.75	171,514	41,107	130,407
2011	3,163	2,455	77.62	11,685	7.63	458	447	97.6	8,019,218	2,529,940	31.55	177,883	42,904	134,979
2012	3,142	2,217	70.56	10,878	7.01	470	452	96.17	8,197,382	2,740,514	33.43	185,808	37,952	147,856
2013	3,115	2,175	69.82	10,662	6.85	471	456	96.82	8,170,913	2,921,917	35.76	189,755	36,584	153,171
2014	3,105	2,144	69.05	11,325	6.93	486	472	97.12	8,358,531	3,104,335	37.14	185,022	35,383	149,639
2015	3,108	2,050	65.96	9,579	5.85	494	478	96.76	8,590,598	3,274,633	38.12	188,272	32,911	155,361
2016	3,088	1,920	62.18	8,848	5.12	517	493	95.36	8,746,100	3,477,500	39.76	197,168	29,452	167,716
2017	3,079	1,861	60.44	7,779	4.52	510	495	97.06	8,837,887	3,680,043	41.64	196,551	28,127	168,424
Compared with 2008 (%)	-1.94	--	--	-49.02	-6.1	24.09	--	--	10.57	79.29	15.96	14.52	-36.44	32.23
Compared with 2016 (%)	-0.29	-3.07	-1.74	-12.08	-0.6	-1.35	0.41	1.7	1.05	5.82	1.88	-0.31	-4.5	0.42

Source: 13th Statistics in 2019, Department of Statistics, Minister of the Interior

With the growing aging population, the increased environmental awareness and the scarcity of available land in Taiwan, needs for funeral services and columbarium continue to show an upward trend. In addition to the Taiwan market, the Company is also expanding businesses in China to create more growth momentum in the future.

c. Funeral Market in China

China has a population of more than 1.3 billion people, and the number of deaths is about 9 million per year. However, both the capacity and quality of current funeral facilities cannot meet the Chinese consumers' various needs, and the gap between supply and demand has been deppened by the fast urbaninzation in recent years.

With the development of society and the improvement of living standards, Chinese consumers tend to pursue cusumized and diversified services and products, while the backward and disordered industry failed to fulfull those demands. Combined with the funeral reformation promoted by the government, the death care industry in China is full of opportunity.

As China is the most populous country in the world and has a growing elder population, demands for death care services will continue to grow and the potential of the industry is huge.

Though the funeral market in China is still not an open market, more non-government players can be seen in past 20 years. They not only bring new ideas and options for consumers but also encourate the whole industry to develop and advance.

ii. The interrelationship among the upper, middle and lower stream of the industry

Funeral industry can be divided into two business scopes: cemetery and columbarium products and funeral services. For the supply of cemetery and columbarium, the construction contractor is the up-stream. For the supply of funeral service, the suppliers for all the relevant materials are the up-stream. From the perspective of industry suppliers, there are several enterprises in service cooperating with suppliers regularly and permanently; however, there is no monopoly or oligopoly in practice affecting the operation of the funeral industry.

Customers who need cemetery, columbarium and funeral service are the down-streams of the funeral industry. According to the analysis on the customers for cemetery and columbarium, in addition to the source of deaths each year, there is also the demand for exhumation and relocation of burial spot due to the high funeral cost and increasing cremation demand. To meet this need, Lungyen regularly plans and installs cemetery and columbarium. A certain number of the products are provided annually in accordance with the schedule planning. According to the analysis on the customers for funeral service, along with the gradual increase of the aging population, the future demand for funeral service personnel will rise, so Lungyen regularly recruit professional liturgy personnel; also, office staff and liturgy personnel are recruited expansively in accordance with the increase of caseload. In addition, materials needed for in funeral services are developed and renewed periodically not only to meet the needs of our customers but also to introduce materials beyond market expectation for leading the industry to grow.

iii. Product development trends

Due to the influence of funeral management policies and market competition, the product development of the overall funeral service industry in the future will face the following changes:

a. Rising awareness of environmental protection

While society is in an aging trend, the availability of public cemeteries is getting rare. To avoid land competition between the dead and the living, the Ministry of Interior Affairs has been promoting natural burials, including tree burials and sea burials. We know that it will be no easy effort for the public to change, but it does not mean that the Company is not planning for the new trend to create a triple-win solution for its clients, the government, and the Company.

b. Transformation of funeral services

To deal with the issues found in funeral service areas and serious traffic jams around

crematoriums, the Civil Affairs Department of the New Taipei City Government plans to adopt Japan's "extended burials" and encourage family members to cremate body remains and hold funerals at a later date. By so doing, hygiene issues arising from decay of remains prior to burial may be resolved and pressure placed on mortuary service offices from family members' for scheduling appointment of specific dates for cremation may also be alleviated. To begin with the government will only encourage adoption of this method. Notwithstanding, it is an inevitable trend that funeral service providers in Taiwan will move towards more environmental and cost effective methods. As a leader in the industry, Lungyen also encourages its customers to cremate remains first, and also takes the initiative to build ceremonial halls throughout Taiwan for its customers to hold funerals in after the remains are cremated.

c. Globalization and specialization

The booming development of the Internet has resulted in more frequent information exchange. In tandem with this the concept of a global village has come about accordingly. How to satisfy the needs of customers from different ethnic groups and religions in order to upgrade the Company's corporate image is a priority. Therefore, the Company needs to strengthen its observations of, and exchanges with, different countries, to provide a diversity of funeral choices for consumers from different cultures and religions. Also, with promotion by the government, academia and large-scale funeral service providers, funeral workers will move toward the goal of providing services based on professional training and professional licenses, instead of past services primarily provided based on skills passed on from previous generations.

d. Transparency and publicize

Consumer-oriented marketing concepts have already reached maturity in various domestic markets so naturally the funeral industry cannot escape this trend. Regardless of ritual procedure, service contents, supply quality, in-store displays or even product price lists, the funeral industry will need to them adopt transparency and openness step by step, to meet strong customer needs.

iv. Product competition

Arranged by the business development models, large funeral homes and funeral service groups (the Company's main competitors currently) utilizing modernized management to implement funeral services in Taiwan since 2000s to present are summarized as follows:

Company	Original Business Activities	Current Services and Products	Service Coverage	Business Model
Lunyen	Construction	Cemetery, columbarium, funeral services, cultural tourism, pre-need contract and construction	Nationwide	Direct sales
Long Bon International and subsidiaries	Construction	Real estates, funeral services (columbarium in Nantou is under construction) and hotel operation	None	None

Kee Tai Construction	Construction	Cemetery and columbarium (sold out), no funeral services currently	None	None
Teinpin Technology and subsidiaries	Electronics	Cemetery and columbarium for the Christian religion	None	None
Gobo Services Group	Construction	Cemetery, columbarium, funeral services, pre-need contract, construction, life insurance, publishing and recreational healthcare business	Nationwide other than Hua-lien and Taitung	Direct sales in the urban area and outsourcing in non-urban area
Chin Pao San Group	Construction	Cemetery, columbarium, funeral services, pre-need contract, cultural tourism	Taipei, New Taipei, Keelung and Taoyuan	Regional direct sale
Chanyun	Construction	Cemetery, columbarium, funeral services and pre-need contract sales	Nationwide other than Hua-lien and Taitung	Outsourcing to small-scale funeral servicers
Baushan Liturgica Services	Cemetery operation	Cemetery, funeral service and biochemical technology investment	Nationwide other than Hua-lien and Taitung	Direct sales in the urban area and outsourcing in non-urban area

(3) Technology, research and development

To meet customer demand, Lungyen not only works with the up-stream suppliers to develop specialized materials but also cooperates with Prizker Architecture Prize winner, Heinrich Wang, and the Okura Art China designers in Japan who work for Japan Royal brand to develop Centurial Cemetery, Wuxia panels, Binfen urns, Fenghua urns and so on. Meanwhile, the Company also provide such services as castrate and hair cutting to provide consumers with personalized, delicate and diversified services and to advance the entire funeral service so as to create customers' value and recognize Lungyen. The Company is engaged in funeral services emphasizing the quality of service. In conclusion, the Company has no R&D personnel or R&D expenses and results.

(4) Long-term and short-term business development plan:

i.Short-term business development plan

a. Marketing strategies

(a) Provide customers with good quality products and actively develop market and enhance sales.

(b) Combine the channel of insurance industries to enhance the reservation market share and provide customers with better service and generate maximum profits.

b. Product development

(a) Integrate the operation of Futan Cemetery Park, Taichung Bausan Cemetery Park, and Jiayun Cemetery Park through Yuji Development Corp., the affiliate, and inject the operating advantage of Lungyen to provide customers in central and southern Taiwan with diversified selection of columbarium and cemetery; also, to enhance the satisfaction of customers in central and southern Taiwan

(b) Coordinate with the company’s development and enhance the company’s image;

actively strengthen management and improve corporate performance.

ii. Long-term business development plan

a. Marketing Strategies

(a) The best marketing technique is to enhance the quality of funeral services and to build up loyalty to Lungyen brand. The considerate professional service provided by the undertaker helps win customer's recognition.

(b) Response to the growing needs of a significant diversified market, emphasizing small-scale service with diversity, innovative service, and fashionable features.

(c) The custom of setting up shrine for the deased is changing with time especially in the urban area. The Company is cooperating with leading international luxury house designers to build up a flagship funeral service center to provide our customers with luxury hotel like services, which is also a means to increase the Company's competivie edge.

(d) Gradually expand the horizons of funeral services to make it more vivid so that consumers can get rid of the strain of the final consumption; also, extend the service portfolio for the needs in different spatial.

b. Product development

(a) In addition to focusing on the columbarium, cemetery and funeral services, the plan is to combine nursing home, medical services, and insurance channels to expand market share and increase customer recognition.

(b) To demonstrate differentiation in a competitive market, the plan is to continue developing diversified products to meet market demand.

(c) Coordinate with the established policy of the government and the company to complete the work in each stage.

2. Market Environment

(1) Market Analysis

i. Main products

a. Cemetery, columbarium, funeral services and preneed funeral contract sales

b. Building: Residential, office, store and parking spaces

c. Offices, factories and residential rental

d. Others

Customers are generally domestic consumers aging 50 to 70 years old.

ii. Market share

Total entrusted amount for preneed funeral contracts was NT$13.9 billion as of the end of 2018, of which NT$10.3 billion is under Lungyen's administration, which means the Company owns the market share of around 71.9%. In terms of the columbarium, units of columbarium sold but not in use from our True Dragon Tower account for 3.29% of the total of Taipei residences, which is around 6.67 million people.

iii. Future market supply, demand and growth

a. Supply

According to the statistics issued by the Ministry of Interior in 2019, there were 3,079 public cemetery as of the end of 2017. Number of the deased buried in 2017 was 7,779, accouting for 4.5% of the total deaths. Number of columbarium facilities as of the end of 2017 was 510, which is able to house 8.8 million urns. In 2017, and additional 190 thousand unit of columbarium was used, which increased the total occupation rate to 41.6%. A total of 165 thousand bodies were cremated, accounting for 96.3% of total deaths, which has increased 8.26% in comparison to 2007.

b. Demand

According to the data of the Ministry of Interior, the household registration population was 23.59 million in the end of 2018. The mortality rate of residents in Taiwan was increased from 140,000 persons in 2007 to over 172,000 persons in 2018. Taiwan has officially become an aging society since 1993 and the percentage of senior citizen over 65 years old is increasing to 14.5% by the end of 2017. The mortality rate is expected to reach 175,000 persons each year in the next decade, and reach to 340,000 persons in 2060. Apparently, funeral industry has a good opportunity to grow in the future to come.

c. Growth Potential:

According to Taiwan pre-need contract trust fund statistics, Taiwan's trust fund amounted to NT$13.9 billion as of the end of 2018. Assuming preneed funeral contract is sold for an average price of NT$200,000, the necessary trust amount is NT$150,000 (75%); therefore, Taiwan's pre-need contract is sold for less than 100,000 contracts, accounting for only 2.7% of the senior citizens over 65 years old. Thus, the market is with great potential to grow.

iv. Competitive niches:

a. Transparent Financial Structure and Excellent Corporate Governance.

For some customers, buying columbarium or pre-need contracts is to purchase in advance, thus choosing a steady company is a major foctor, the Company is the 1st OTC listed funeral company, awarded for top 5% of the excellent enterprises evaluation on TWSE/GTSM listed companies in for three consecutive years in 2014~2016, thus enhanced the competitive power.

b. Own service halls for funeral services, providing solemn environment for funeral services.

To give feedback for our customers, the Company constructed service halls in Taiwan and provides solemn environment for funeral services.

c. The principle of "people-oriented" which leads to professional funeral services.

The Company dedicated to enhancing the quality of our human resources, assigning our employees to Japan to learn, and develop a new pre-need contracts that fits Taiwan market. Meanwhile, the Company learned from Japan which emphasized on people-oriented and blended into our business culture. With the certification for funeral directors implemented by Minister of the Interior, the Company's service will be more professional and standardized.

v. Favorable and unfavorable factors for development and countermeasures

a. Favorable Factors:

(a) Implementation of "One-Stop Funeral Service"

The Company is committed to the development and sale of funeral hardware; also, is dedicated to on-going concern with a department setup specially for funeral service, promotes "pre-need contract" that has been offered in the USA and Japan for years, implements the "one-stop-funeral" policy, improves service quality and range of services

(b) Excellent service quality

The Company keeps hiring and educating funeral directors, holding regular qualified test and onboard training, certification of funeral directors has exceeded 104 people until 2019.04, the Company looking forward to providing better qualify in the future.

(c) Transparent Financial Structure

The Company has always insisted on financial transparency practice for protecting the interests of customers and the security of business operation. Clearly publish the company's revenue distribution status and flow by public offering, public financial statements, and operation overview; also, becomes the first listed/OTC funeral service business in Taiwan.

b. Unfavorable factors:

(a) Costumers has insufficient knowledge for columbarium, cemetery and pre-need contract, thus hard to promote.

At the early stage of market development in Taiwan, under the traditional view of local residents, the society sees funeral business differently; therefore, the sales

organization and system cannot be effectively expanded and it is difficult to access to the market and convey the concept fully, coupled with the appearance of many illegal speculators, people have doubt in the trade of columbarium and preneed contract and they become conservative in consumption and the market order is thereby undermined.

Countermeasures:

Enhance undertaker's professional attitude and service quality to differentiate from the traditional funeral industry. Establish a new image and service quality standard for the industry. Create different styles of funeral service to prevent the competitors from imitating our operation. The acceptance of consumers for columbarium and pre-need contract is growing that is evidenced by the sales growth; apparently, it is a successful marketing strategy.

(b) Negative impression toward funeral industry in the society, thus difficult to hire.

Funeral industry in general is with low social prestige. Compared to other industries, funeral industry is less appealing than other industry and resulting in the industry isolation and lack of talent.

Countermeasures:

Initiate propaganda by media to educate the public; commission the relevant colleges and institutions to conduct training, performance evaluation, and promotion, and recruit talents through group operations with sufficient education and training provided.

(c)Price war among the region might decrease the earnings.

Part of Taiwan still run funeral-related business in a small group, which potentially initial the price war in the market.

Countermeasures:

The Company insist on high quality, by providing best quality for our customers, the Company becomes a trustworthy corporation, and advertise government policies on the trust of preneed funeral contract through advertising and DM propaganda. When all customers have this knowledge, the sale of pre-need contract by illegal operators can be stopped. Furthermore, ask the government to set up inspection teams to fine the illegal operators and to protect consumer's interests, and to enhance the overall image of the funeral industry and a healthy competition.

(2) Usage of major products and manufacturing processes

i. Usage of major products:

The Company's main products are divided into two groups, columbarium and funeral service. The intended use of columbarium is to provide the deceased with a comfortable

accommodation and make is easy for the visit of the descendants. The intended use of funeral services is to provide a set of ceremonial funeral services in conformity with liturgy and enable customers to plan for their funeral service in advance not only to relieve the descendants from the dilemma of being not familiar with funeral rituals and procedures but also through the advance payment to fight the worsening inflation.

ii. Production processes for major products:

Lungyen had True Dragon Tower constructed in the last decade with 380,000 Columbarium's provided. The customer-oriented container frame and fitting is currently designed in response to customer's demand for columbarium. In addition, Lungyen corporates with an international architect who won Pritzker Architecture Prize, and Shanghai Yuan-Lin to develop Centurial Cemetery in order to provide customers with the highest quality products. The principal production processes of funeral services is when customers ask for performance the Company will provide the most professional services based on the contract signed. For the non-contractual services requested by customers, the Company will do its best to provide the best support and the customer satisfaction surveys will be performed at the end of the service provided for reference in improvement and to meet customers' needs.

(3) The supply status of main raw material:

Material Category	Vendor	Classification	Sources	Supply Status
Construction	A and B	Cemetery Construction	Taiwan	Good
Funeral goods	C, D and E	Bereavement layout	Taiwan	Good
Funeral goods	F and subsidiary	Miscellaneous liturgy	Taiwan	Good
Funeral goods	G, B and H	Ceremonies	Taiwan	Good

(4) Major suppliers and customers

i. Customers accounting for at least 10% of annual sales

The Company is primarily engaged in sales of cremated remains storage facilities, funeral services, lease and sales of residential areas and buildings. Currently, products are presold to unspecified individuals and enterprises through consignment companies or the Company's own channel. For the last two years, no sales to a specific customer have been greater than 10% of total annual sales. Therefore, the Company has no customers who accounted for more than 10% of total sales in the last two years.

ii. Suppliers accounting for at least 10% of annual net procurement

Item	2017				2018				2019 Q1			
	Name	Amount	As % of total anuualy net procurement	Relation to the Company	Name	Amount	As % of total anuualy net procurement	Relation to the Company	Name	Amount	As % of total anuualy net procurement	Relation to the Company
1	A	459,593	36.91	None	A	456,726	30.57	None	A	64,736	24.07	None
2	B	179,005	14.38	None	B	257,028	17.20	None	B	204,213	75.93	None
3	Others											
	Net procurement	1,245,096	100.00		Net purchase	1,493,984	100.00		Net purchase	268,949	100.00	

Note: the annual net procurement amount includes construction in progress - increase in construction costs, cost for land transfers and the purchasing of funeral service items.

- Reason for the increase/decrease：

The company's main increase resulted from the soil and water conservation for 26 hectres in Sanchi.

(5) Production for the most recent two years

In NT$ thousand

Year / Production capacity value / Major goods	2017			2018		
	Capacity	Production quantity	Production value	Capacity	Production quantity	Production value
Columbarium	(Note 1)	12,294 units	209,481	(Note 1)	26,813 units	454,530
Cemetery	(Note 1)	1,643 units	556,102	(Note 1)	803 units	712,240
Others	None	(Note 2)	None	None	None	None
Total	(Note 1)	(Note 2)	765,583	(Note 1)	(Note 2)	1,166,770

Note 1: The Company does not manufacture its own products but relies on outsourced production. Therefore, there is no production capacity. Operations in 2015 mainly focused on the development of columbarium and cemetery facilities and funeral services.

Note 2: Due to different products have no mutual measurement, total number will not be measured.

(6) Sales for the most recent two years

In NT$ thousand

Year / Production capacity value / Mojor goods (or by department)	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Columbarium	11,232 units	2,438,969	-	-	29,132 units	2,561,993	-	-
Funeral service	5,692 units	1,671,863	-	-	5,731 units	1,630,939	-	-
Cemetery	236 units	602,690	-	-	140 units	348,961	-	-
Others	(Note 2)	390,856	-	-	(Note 2)	415,125	-	-
Total	(Note 2)	5,104,378	-	-	(Note 2)	4,957,018	-	-

Note 1: Columbaria and cemeteries are products in True Dragon Tower and cemeteries, of which sales value shall be recognized when the payment fully paid and construction completed; while sales value of funeral services shall be recognized when the services delivered.

In 2018, the Company's columbarium and cemetery revenue was NT$2,911 million, or 58.72% of total revenue; funeral service revenue was NT$1,631 million, or 32.90% of total revenue. In 2017, the Company's columbarium and cemetery revenue was NT$3,042 million, or 59.59% of total revenue; funeral service revenue was NT$1,672 million, or 32.75% of total revenue.

Note 2: Due to different products have no mutual measurement, total number will not be measured..

3. Information of our employees

Year		2017	2018	As of April 30, 2019 (Note)
Number of employees		499	506	531
Average age		37.12	37.45	37.26
Average years of service		5.92	5.62	5.55
Distribution of education	Doctorate	0.40%	0%	0 %
	Masters	8.62%	8.50%	8.10%
	University/ college	73.35%	73.32%	71.00%
	High School	15.03%	14.23%	15.82%
	Below High School	2.60%	3.95%	5.08%

Note: 1. Distribution of education and service year is based on year-end data
2. Service years refer to years working in the Company

4. Expenditure for Environmental Protection

(1) In accordance with related laws and regulations, if the Company should apply for a permit for pollution facility installment, a permit for pollution emission, payment of a pollution protection fee or setting up of responsible personnel for environmental protection, the situation of application, contribution and setup should be explained:

The Company belongs to funeral industry and has no immediate involvement in environmental pollution conduct. Sewage and wastes are gave over to qualified contractor to disposal. Information of permits required by related laws and regulations for pollutional facilities are listed below.

i. The Company has acquired Stationary Pollution Source Installation and Operating Permit

Cateory	Number	Valid Before
Permit for water pollution control	New Taipei City Huan-Sui-Hsu #02929-02	2023.03. 20

ii. Payment for Pollution Control

The Company outsources the disposal of its industrial waste to commissioned contractors. All operations comply with related laws and regulations.

iii. Establishment of specific responsibility for environmental protection: Not applicable.

(2) Investment in facilities for environmental protection, use and potential benefit: Not applicable

(3) In the most recent two years and up until the publication of the annual report, in the process of

environmental pollution improvements, any disputes arising and an explanation of the handling procedure adopted: Not applicable.

(4) In the current year up until publication of the annual report has the Company suffered losses due to environmental pollution: None.

(5) Information about current pollution and the impact of improvement in it on the profits, competitive position, and capital expenditures of the Company, as well as projected major environment-related capital expenses to be made: None.

(6) Related information on ROSH EU restrictions: The Company does not directly or indirectly export goods to Europe; thus no regulations regarding ROSH shall be applied.

5. Relationship between employer and employee

(1) Employee welfare measures including advanced study, training and pension plan, actual status of agreements between employer and employees and safeguarding of employee rights and interests are as below:

i. Employee welfare, advanced study and training measures:

a. National health insurance and labor insurance are provided in accordance with regulations;

b. Commercial insurance (group insurance) paid by the Company;

c. Training courses are provided to improve the professionalism of employees;

d. Annual bonus;

e. Staff canteen and shuttle bus;

f. Employee Welfare Committee established to handle various welfare activities:

(a) Allowance for staff group activities, birthday leave, subsidies or gift money for occasions such as wedding, funerals and maternity;

(b) Department dining and year-end party

ii. Educating, training and successor plan

a. The Company has been endeavoring to establish a working place with abundant learning resource to enrich employees' profession skills and improve efficiency. Sticking with the idea, the Company designated the "Employee Training Procedures", which cover the preemployment training, professional expatriate training, and on-job training. In 2018, employees under any training program totaled 140 with the total training time of 276.5 hours. The sum of traning expenses were NT$120,000.

Items	New Employment	Management Associaate Training	Espatriate Training	Total
Number of People	110	7	23	140

Hours	7.5	67.5	201.5	276.5
Person-Time (Number of people*Hours)	825	472.5	4,634.5	5,932
Expenditure	30,950	5,150	83,900	120,000

b. The Company's Board of Directos has been paying close attention to the successor arrangement. For this reason, the Board established the Corporate Governance and Charter of Nominating Committee to lead the training plan for successors to directors and top managers (including the general manager) wih the Compensation Committee. Target of the successor plan are: (i) setting up criteria for directors and top managers; (ii) being approved and supported by the board; (iii) establishing available talent pool; (iv) providing necessary resources and training; (v) establishing succession plan (including candidate and timing).

Status of succession plan meeting held before April 31, 2019:

Meeting Date	Participants	Agenda	Meeting Summary
January 31, 2019	Chairman, Liu, Wei-Lung, Independent Director, Yeh, Shu, Independent Director, Wang, Huai, Independent Director, Wang, Frank Chun-Chung, committee member, Yu, Ying-Chi	Organization, talent training and succession plan (1)	1. Clarified the Company's short, medium and long term goals and strategies in order to design the fittest organization 2. Set up clear criteria for talent 3. Reserv qualified candidate and provide sufficient resourses and training.
March 19, 2019		Organization, talent training and succession plan (2)	1. Review of the current organization. 2. Discussion on future organization 3. Initial idea for the talent criteria

iii. Retirement System and implementation

a. Employees' Retirement Pension: Comply with the Labors' Standard Act, the Company should raised 2% of monthly salary for retirement pension for those who were onboard before June 30, 2005, deposit to assigned treasury in Bank of Taiwan, and pay to workers according to Labors' Standard Act.

b. Labor Pension Act: Since July 1, 2007, for employees who select to apply to Labor Pension Act, should raised 6% of monthly salary for retirement fund to Employee's Individual Account of Labor Pension.

The Company comply with the Act, labors' retirement pension with no less than 6% will be raised monthly to Employee's Individual Account of Labor Pension.

iv. Status of employer/employee agreements:

Relationships with employees are always harmonious and there are no labor disputes. Thus there are no agreements in place. The company held meetings regularly to communicate and coordinate with each others.

v. Measures for the maintenance of employee rights and interests

The Company has Human Resources guidelines and regulations in place. Employees' rights and obligations are stated in detail and the Company spares no efforts to protect employee rights.

(2) In the most recent two years and up until publication of the Annual Report has the Company suffered any losses due to labor disputes? Please disclose the possible amount of losses currently and in the future and related measures:

i. In the most recent two years and up until publication of the Annual Report has the Company suffered losses due to labor disputes?: None.

ii. Possible amount of losses due to labor disputes currently and in the future and related measures:

Relationships with employees are always harmonious and so far there have been no labor disputes. The Company calls labor meetings irregularly to improve labor relationships. Employee briefings, monthly meetings and department meetings are irregularly held and a hotline 885 has been set up to deal with issues of colleagues.

(3) Disclose work environment and employee safety protection measures:

The Company is part of the service industry so employees aren't exposed to the same risks as in the manufacturing industry. The Company has work environment and employee safety protection measures in place. In addition the company has a commitment to a safe and comfortable working environment, protection from occupational disease and hazards, maintenance of health of employees, increasing awareness of environmental health and safety, exercise of responsibilities and shaping of the corporate culture.

Employee personal safety and work environment implementation in 2017 is as below:

i. Regular medical checkups

ii. Regular drinking water checkup

iii. Regular environment cleaning and sterilization

iv. Smoking prohibition within buildings

v. Regular examination for elevator operation

vi. Prohibition on dumping of goods in emergency staircases

vii. Group insurance consulting time every Friday by Farglory Life insurance company.

viii. Employee fire safety training seminar

ix. Access card security management notice and advocacy

x. Clear marking of hazardous materials and substances and waste classification in the work environment

xi. Employee emergency escape route planning and advocacy

xii. Set up of an emergency response team and immediate notification of employees during typhoons and earthquakes

(4) Moral Value, Business Activities, and Compliance:

Since the eatsblishment of the Company, we provide our products and services with the mission statement and core value "People-Oriented". "Profession. Honesty. Mercy", upgrading the industry, emphasizing on fairness, justice, and public. The company became the only OTC listed funeral company at present.

In such environment, the Company hires the employees according to Codes of Employee Behavior, which elaborate the regulations and obligations as an employee, the procedure is as following:

i. General regulations

ii. Employee Relationship Maintenance

iii. Prohibition on holding more than one job concurrently and avoidance of conflicts of interest

iv. Rules on gifting and entertainment

v. Confidentiality Regulations

vi. Maintenance of information completeness and accuracy

vii. Maintenance of intellectual property

viii. Non-public information use regulations

ix. Prohibition on bribes: It is forbidden to approach officials with the intent of offering bribes or gifts (including gifts or equivalent voucher, coupons or stock) in exchange for convenience of business control.

x. Responsibility and obligation to report

6. Material Contracts

As of the date of printing this annual report, the supply and marketing agreements, technical cooperation agreements, construction agreements and other important agreements which are able to influence investors' rights as below:

Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restrition Terms and Conditions
Construction	Construction of Xizhi headquarter	Taiwan Obayashi Corp.	Commenced from September 28, 2012 and will end on the expiry of warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction-bidding A	A Company	Commenced from March 29, 2017 and will end on the expiry of the warranty period	Civil engineering project	None.
	Sanzhi 26-hectare soil & water conservation construction - bidding B	B Company	Commenced from March 29, 2017 and will end on the expiry of warranty period	Civil engineering project	None
	The cemetery construction of land No.6 in Impress Graden	A Company	Commenced from November 28, 2014 and will end on the expiry of warranty period	Civil engineering project	None
	The landscape building of land No.6	A Company	Commenced from November 28, 2014 and will end on the expiry of warranty period	Civil engineering project	None
	Waterproof repair works of Sanzhi pet cemetery	Jun Zhou Co., Ltd.	Commenced from June 23, 2016 and will end on the expiry of warranty period	Waterproof works project	None.
	New Designing and Contruction Contract in Banqiao Dist., New Taipei City	Hongjing United Architects	Commenced fromNovember 03, 2016 and will end on the completion of construction	Design/Construction	None

Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restrition Terms and Conditions
	Recovery Construction after traumatic rain for 26-hectare	A company	Commenced from June 07, 2017 and will end on the expiry of warranty period	Civil engineering	None
	Sanzhi 26-hectare 2nd soil & water conservation construction for public cemetery	K Company	Commenced from June 07, 2017 and will end on the expiry of warranty period	Design and supersivion	None
	DESIGN SERVICES AGREEMENT BETWEEN LUNG YEN LIFE SERVICES CO., LTD. AND TADAO ANDO ARCHITECT & ASSOCIATES	TADAO ANDO ARCHITECT & ASSOCIATES	Commenced from Febuary 27, 2009 and will end on the contstruction date of the design.	Cemetery design	None.
Construction	Soil and water conservation works for Futian	A company	Commenced from August 17, 2018 and will end on the expiry of warranty period	Cicil engineering	None.
	Construction for service center of Sanchi Centerial Cemetery	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	Construction for funeral service center in Banqiao	IAU LUEN Construction Co. Ltd.	Commenced from September 10, 2018 and will end on the expiry of warranty period	Construction	None.
	Turnkey for landscape works for Sanchi cemetery	MUHE Landscape Design Construcion Co. Ltd.	Commenced from May 7, 2018 and will end on the expiry of warranty period	Construction	None.
Lease	Rental of the whole building	Customer A	2016.03.19 ~ 2036.03.18	Lease Contract	None

Nature of Contract	Case	Counterparty	Start/End Dates of Contracts	Main content	Restrition Terms and Conditions
Insurance	Fire Insurance of main operating assets	Fubon Insurance Corp. Ltd., Shin Kong Insurance Corp. Ltd	2017.12.31 ~ 2018.12.31	Fire Insurance	None
Banking	Bank Credit Contract	CTBC Bank Co., Ltd	2018.01.01 ~ 2018.12.31	Credit Contract	None
Trust	Preneed funeral contract deposited into Trust	Chang Hwa Bank	2012.12.28 ~ 2022.12.27	Preneed funeral contract deposited into Trust	None

VI. Financial Highlights

1. Condensed balance sheet and income statement

(1) Condensed balance sheet and comprehensive income statement

i. Condensed Balance Sheet - consolidated – IFRS applied

In NT$ thousand

Item \ Year		Financial Information for the Lastest 5 Years (Note 1)					Financial Information for the First Quarter of 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current Assets		25,289,203	26,117,836	26,819,098	29,348,459	38,823,762	37,432,082
Property, Plant, and Equipment		6,222,940	6,516,579	5,866,648	5,844,965	5,812,305	5,811,314
Intangible Assets		773,054	769,496	775,226	764,631	759,365	755,586
Other Assets		9,201,904	14,105,110	17,515,456	17,679,524	17,897,876	18,831,431
Total Assets		41,487,101	47,509,021	50,976,428	53,637,579	63,293,308	62,830,413
Current Liabilities	Pre-distribution	31,423,032	37,868,027	39,793,324	36,477,556	43,508,071	41,814,262
	Post-distribution	32,859,735	38,067,569	40,297,425	37,527,766	(Note 2)	Not applicable
Non-current Liabilities		128,088	321,435	110,128	3,253,820	3,312,244	3,312,404
Total Liabilities	Pre-distribution	31,551,120	38,189,462	39,903,452	39,731,376	46,820,315	45,126,666
	Post-distribution	32,987,823	38,389,004	40,407,553	40,781,586	(Note 2)	Not applicable
Equity Attributable to Owners of the Parent Company		8,965,534	8,235,160	9,818,577	12,528,906	14,982,373	16,249,679
Common stock		3,990,842	3,990,842	3,990,842	4,200,842	4,200,842	4,200,842
Paid-in Capital		1,392,072	1,413,044	1,420,112	2,519,954	2,519,954	2,519,954
Retained Earnings	Pre-distribution	3,597,078	3,232,939	4,010,266	5,349,495	7,573,124	8,219,246
	Post-distribution	2,160,375	3,033,397	3,506,165	4,299,285	(Note 2)	Not applicable
Other Equity		(14,458)	(401,665)	397,357	458,615	688,453	1,309,637
Treasury stock		0	0	0	0	0	0
Non-controlling interest		970,447	1,084,399	1,254,399	1,377,297	1,490,620	1,454,068
Total Equity	Pre-distribution	9,935,981	9,319,559	11,072,976	13,906,203	16,472,993	17,703,747
	Post-distribution	8,499,278	9,120,017	10,568,875	12,855,993	(Note 2)	Not applicable

Note 1: Financial information for 2014 to 2018 was audited and certified by an independent accountant.
Note 2: Appropriations for 2018 earnings are pending approval at the shareholders' meeting.
Note 3: Financial information as of March 31, 2019 was reviewed by an independent accountant.

ii. Condensed Statement of Comprehensive Income –Consolidated- IFRS applied

In NT$ thousand

Item \ Year	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating income	5,451,308	3,529,106	3,463,382	5,104,378	4,957,018	1,324,994
Gross profits	3,719,151	2,293,893	2,101,259	3,810,779	3,343,497	897,749
Operating profit	2,169,151	1,246,958	932,225	2,225,085	1,952,701	619,514
Other revenue and expenses	383,062	140,466	271,298	221,096	646,117	96,923
Net income before tax	2,552,213	1,387,424	1,203,523	2,446,181	2,598,818	716,437
Net income from continuing operations	2,300,427	1,189,580	1,067,910	2,182,033	2,291,474	670,413
Losses from discontinued operations	0	0	0	0	0	0
Net income(loss)	2,300,427	1,189,580	1,067,910	2,182,033	2,291,474	670,413
Other comprehensive income (net of tax)	(1,227)	(390,293)	799,134	57,237	428,832	627,441
Other total comprehensive income	2,299,200	799,287	1,867,044	2,239,270	2,720,306	1,297,854
Profit attributable to owners of the parent company	2,192,862	1,089,361	977,840	1,843,999	2,180,535	646,078
Profit attributable to owners of non-controlling interests	107,565	100,219	90,070	338,034	110,939	24,335
Comprehensive income attributable to owners of the parent company	2,191,635	699,067	1,775,891	1,904,588	2,606,983	1,270,837
Comprehensive income attributable to owners of non-controlling interests	107,565	100,220	91,153	334,682	113,323	27,017
EPS	5.49	2.73	2.45	4.44	5.19	1.54

Note 1: Financial information for 2014 to 2018 was audited and certified by an independent accountant.
Note 2: Financial information as of March 31, 2019 was reviewed by an independent accountant.

iii. Condensed Balance Sheet – Individual –IFRS

In NT$ thousand

Item \ Year		Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		23,035,801	23,155,574	23,335,233	24,683,267	34,475,813	Not applicable
Property, plant, and equipment		5,880,836	6,113,437	5,736,127	5,711,010	5,679,403	Not applicable
Intangible assets		771,538	767,522	775,079	764,631	759,365	Not applicable
Other assets		10,582,784	16,084,716	19,458,103	20,729,246	20,193,954	Not applicable
Total assets		40,270,959	46,121,249	49,304,542	51,888,154	61,108,535	Not applicable
Current liabilities	Pre-distribution	31,179,752	37,740,335	39,378,818	36,108,409	42,816,899	Not applicable
	Post-distribution	32,616,455	37,939,877	39,882,919	37,158,619	Note 2	Not applicable
Non-current liabilities		125,673	145,754	107,147	3,250,839	3,309,263	Not applicable
Total liabilities	Pre-distribution	31,305,425	37,886,089	39,485,965	39,359,248	46,126,162	Not applicable
	Post-distribution	32,742,128	38,085,631	39,990,066	40,409,458	Note 2	Not applicable
Equity attributable to owners of the parent company		8,965,534	8,235,160	9,818,577	12,528,906	14,982,373	Not applicable
Common stock		3,990,842	3,990,842	3,990,842	4,200,842	4,200,842	Not applicable
Additional paid-in capital		1,392,072	1,413,044	1,420,112	2,519,954	2,519,954	Not applicable
Retained earnings	Pre-distribution	3,597,078	3,232,939	4,010,266	5,349,495	7,573,124	Not applicable
	Post-distribution	2,160,375	3,033,397	3,506,165	4,299,285	Note 2	Not applicable
Other equity		(14,458)	(401,665)	397,357	458,615	688,453	Not applicable
Treasury stock		0	0	0	0	0	Not applicable
Non-controlling interest		0	0	0	0	0	Not applicable
Total equity	Pre-distribution	8,965,534	8,235,160	9,818,577	12,528,906	14,982,373	Not applicable
	Post-distribution	7,528,831	8,035,618	9,314,476	11,478,696	Note 2	Not applicable

Note 1: Financial information for 2014 to 2018 was audited and certified by an independent accountant.
Note 2: Appropriations for 2018 earnings are pending approval at the shareholders' meeting.
Note 3: Individual financial statement as of March 31, 2018 was not prepared.

iv. Condensed Statement of Comprehensive Income –Individual –IFRS

In NT$ thousand

Item \ Year	Financial data of the latest five years (Note 1)					Financial Information for the First Quarter of 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating income	5,083,418	3,271,239	3,033,180	3,831,552	4,378,482	Not applicable
Gross profits	3,394,501	2,043,800	1,858,068	2,654,950	2,826,246	Not applicable
Operating profit	1,897,455	1,009,988	789,631	1,449,645	1,593,169	Not applicable
Other revenue and expenses	535,258	259,667	310,341	601,768	800,400	Not applicable
Net income before tax	2,432,713	1,269,655	1,099,972	2,051,413	2,393,569	Not applicable
Net income from continuing operations	2,192,862	1,089,361	977,840	1,843,999	2,180,535	Not applicable
Losses from discontinued operations	0	0	0	0	0	Not applicable
Net income(loss)	2,192,862	1,089,361	977,840	1,843,999	2,180,535	Not applicable
Other comprehensive income (net of tax)	(1,227)	(390,293)	798,051	60,589	426,448	Not applicable
Other total comprehensive income	2,191,635	699,068	1,775,891	1,904,588	2,606,983	Not applicable
Profit attributable to owners of the parent company	2,192,862	1,089,361	977,840	1,843,999	2,180,535	Not applicable
Profit attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
Comprehensive income attributable to owners of the parent company	2,191,635	699,068	1,775,891	1,904,588	2,606,983	Not applicable
Comprehensive income attributable to owners of non-controlling interests	0	0	0	0	0	Not applicable
EPS	5.49	2.73	2.45	4.44	5.19	Not applicable

Note 1: Financial information for 2014 to 2018 was audited and certified by an independent accountant.
Note 2: Standalone financial statement as of March 31, 2019 was not prepared.

2. Financial Analysis

(1) Financial analysis - consolidated –IFRS

Year (Note1) / Analysis items (Note 3)		Financial data of the latest five years					Financial Information for the First Quarter of 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities/Assets ratio	76.05	80.38	78.28	74.07	73.97	71.82
	Long-term Fund for Property, Plant and Equipment	161.73	147.95	190.62	293.59	340.40	361.64
Solvency ability ratio	Current ratio	80.48	68.97	67.40	80.46	89.23	89.52
	Quick ratio	65.60	35.17	31.01	72.20	78.86	129.28
	Times Interest Earned Ratio	145.05	19.24	14.71	31.18	32.21	37.72
Operational performance	Average collection turnover (times)	13.03	7.38	7.45	6.97	1.01	0.60
	Average collection days	28.00	49.45	48.97	52.36	360.09	609.21
	Average inventory turnover (times)	0.14	0.09	0.10	0.09	0.11	0.11
	Average payable turnover (times)	3.39	2.52	3.10	2.85	2.96	2.74
	Days sales outstanding	2,607.14	4,055.56	3,650.00	4,055.56	3,318.18	3,318.18
	Property, Plant and Equipment Turnover (Times)	0.95	0.55	0.56	0.87	0.85	0.91
	Total assets turnover (times)	0.14	0.08	0.07	0.10	0.08	0.08
Profitability	Return on total assets (%)	5.74	2.82	2.32	4.30	4.03	4.35
	Return on Equity (%)	23.87	12.36	10.47	17.47	15.09	15.69
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	63.95	34.77	30.16	58.23	46.48	58.99
	Net profit margin (%)	42.2	33.71	30.83	42.75	46.23	50.60
	EPS (NTD)	5.49	2.73	2.45	4.44	5.19	1.54
Cash flow	Cash flow ratio (%)	5.84	6.44	6.34	3.00	3.93	16.17
	Cash flow adequacy ratio (%)	76.55	65.42	98.28	97.96	98.72	208.60
	Cash flow reinvestment ratio (%)	2.64	7.04	14.04	3.52	3.38	32.96
Leverage	Operating leverage	1.18	1.31	1.55	1.28	1.21	1.18
	Financial leverage	1.01	1.06	1.10	1.04	1.04	1.03

Please indicate the reasons for the changes in the financial ratios over the last two years. (If the increase or decrease of less than 20% can be exempted from analysis)
Average collection turnover decreased and average collection days increased because of the first adoption of IFRS 15 in 2018, which largely increased the amounts of contract liabilities and recievables.(note)
Average inventory turnover increased because of the higher cost ratio.
Cash flow ratio increased because there was a repayment for land purchase in Wenzhou, which led to less cash flow inflow.
Note: Average collection turnover and average collection days would be 4.85 and 75.26 if IFRS 15 was not applied.
Differences between figures mentioned above and those of 2017 and before were caused by the amount of receivables from installment sales, which was less in 2017 and before.

(2) Financial analysis – Individual –IFRS

Year (Note1) / Analysis items (Note 3)		Financial data of the latest five years					Financial Information for the First Quarter of 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure	Liabilities/Assets ratio	77.74	82.14	80.09	75.85	75.48	Not applicable
	Long-term Fund for Property, Plant and Equipment	154.59	137.09	173.04	276.30	322.07	Not applicable
Solvency ability ratio	Current ratio	73.88	61.35	59.26	68.36	80.52	Not applicable
	Quick ratio	65.19	32.26	27.54	61.35	69.00	Not applicable
	Times Interest Earned Ratio	140.31	18.33	13.95	26.42	31.14	Not applicable
Operational performance	Average collection turnover (times)	13.45	7.90	7.56	7.92	1.01	Not applicable
	Average collection days	27.15	46.18	48.27	46.07	362.57	Not applicable
	Average inventory turnover (times)	0.16	0.11	0.10	0.10	0.13	Not applicable
	Average payable turnover (times)	4.12	2.93	3.15	3.20	3.63	Not applicable
	Days sales outstanding	2,281.25	3,318.18	3,650.00	3,650.00	2,807.69	Not applicable
	Property, Plant and Equipment Turnover (Times)	0.92	0.55	0.51	0.67	0.77	Not applicable
	Total assets turnover (times)	0.13	0.08	0.06	0.08	0.08	Not applicable
Profitability	Return on total assets (%)	5.63	2.66	2.20	3.78	3.97	Not applicable
	Return on Equity (%)	25.29	12.67	10.83	16.50	15.85	Not applicable
	Pre-tax Income to Paid-in Capital Ratio (%)(Note 7)	60.96	31.81	27.56	48.83	56.98	Not applicable
	Net profit margin (%)	43.14	33.30	32.24	48.13	49.80	Not applicable
	EPS (NTD)	5.49	2.73	2.45	4.44	5.19	Not applicable
Cash flow	Cash flow ratio (%)	3.86	8.26	6.27	5.38	4.71	Not applicable
	Cash flow adequacy ratio (%)	71.15	82.28	126.04	122.22	134.54	Not applicable
	Cash flow reinvestment ratio (%)	(3.88)	10.66	12.35	7.29	4.44	Not applicable
Leverage	Operating leverage	1.21	1.40	1.61	1.33	1.22	Not applicable
	Financial leverage	1.01	1.08	1.12	1.06	1.05	Not applicable

Please indicate the reasons for the changes in the financial ratios over the last two years. (If the increase or decrease of less than 20% can be exempted from analysis)
Average collection turnover decreased and average collection days increased because of the first adoption of IFRS 15 in 2018, which largely increased the amounts of contract liabilities and recievables.(note)
Average inventory turnover increased because of the higher cost ratio.
Cash flow reinvestment decreased because the Company invested in several investment targets with high valuation interest, which led to the increase in long-term investment.
Note: Average collection turnover and average collection days would be 9.10 and 40.11 of 2018 if IFRS 15 was not applied.

Note 1: Financial information of 2014 to 2018 was audited and certified by an independent accountant.

Note 2:Individual financial reports are only be prepared on an anuual pace.

Note 3: Computation formulas for the ratios are shown at the bottom of the chart.

1. Financial structure (%)

(1) Debt ratio = Total debt / Total assets

(2) Long-term Fund to Property, Plant, and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment.

2. Liquidity Analysis

(1) Current ratio = Current asset / Current liability

(2) Quick ratio = (Current – Inventory - Prepaid expense) / Current liabilities

(3) Times Interest Earned = Net income before income tax and interest expense / Interest expense

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable from operations) turnover = Net sales / Average account receivable balance (including accounts receivable and notes receivable from operations)

(2) Average collection days = 365 / Average collection turnover

(3) Average inventory turnover r= Cost of goods sold / Average inventory

(4) Average payable turnover (including accounts payable and notes payable from operation) = Cost of goods sold / Average payables balance (including accounts payable and notes payable from operations)

(5) Average sales days = 365/ Inventory turnover

(6) Property, Plant, and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Return on total assets = [Income after tax + Interest expense x (1 - Tax rate)] / Average total asset

(2) Return on Equity = Net Income / Average shareholders' equity.

(3) Net margin = Income after tax / Net sales

(4) Earnings Per Share = (Net income attributable to shareholders of the parent - Preferred stock dividend) / Weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = Cash flow from operation activities / Current liabilities

(2) Net cash flow adequacy flow ratio = Cash flow from operational activities of latest five years / (Capital expenditure + Inventory incremental + Cash dividend) of latest five years

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital). (Note 5)

6. Leverage ratio

(1) Operational leverage ratio = (Net operation revenue - Variable operation cost and expense) / Operating income (Note 6)

(2) Financial leverage ratio = Operation income / (Operating income - Interest expense)

Note 4: Attention to the below items while evaluating the above EPS calculation formula:

1. Common stocks are based on weighted-average stocks, not on the year-end issuance

2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.

3. If there is a capitalization of earnings or capitalization of the additional paid-in capital, the adjustment should be done retroactively by capitalization percentage. No consideration for the issued period of the replenishment.

4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss .If the preferred stock is non-cumulative and there is a net income, the preferred stock dividend should be deducted from the net income. If there is a loss, then, no adjustment is required.

Note 5: For cash-flow analysis note the following items when balancing:

1. Cash flow from operating activities means the net cash-in-flow from operating activities in cash flow statement.

2. Capital expenditure is the cash–out–flow for capital investment annually.

3. The inventory increase is only accounted when the ending balance is greater than the beginning balance. If the year-end inventory decreases, then, count as zero.

4. Cash dividend includes cash dividend for common stock and preferred stock

5. Gross Property, Plant, and Equipment means fixed assets before accumulated depreciation.

Note 6: The issuer should distinguish each operation cost and operation expense as fixed and variable costs by nature. If it refers to estimation or subjective judgment, the consistency and reasonableness should be noted.

Note 7: In the case of shares issued with no par value or a par value other than NT$10 per share, the calculation of the paid-in capital shall be replaced by the equity attributable to owners of the parent.

3. Supervisors' or audit committee's review report for financial analysis

Lungyen Life Service Corp.

Audit Committee's Review Report

Authorized

The Board of Directors has the Company's 2018 business report, financial statements, and earnings distribution report prepared and presented, in which the financial statements have been audited by CPA Tseng, Guo-Yang and CPA Lai, Li-Zhen of KPMG Taiwan with an independent auditor's report issued.

The business report, financial statements, and earnings distribution report referred to above are audited and concluded by the Audit Committee members in compliance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Law.

To

Lungyen Life Service Corp. 2019 General Shareholders' Meeting

Independent Director: Yeh, Shu

Independent Director: Wang, Huai

Independent Director: Wang, Frank Chun-Chung

February 26, 2019

4. Financial Status: Please refer to Consolidated Financial Statement

5. Financial Statements with Independent Auditors' Report: Please refer to Individual Financial Statement.

6. Financial difficulties encountered by the company or related enterprises: None

VII.Review of Financial Status, Operating Results, and Risk Management

1. Financial Status

Unit: NTD $ Thousands

Item \ Period	2017	2018	Nonconformities	
			Amount	%
Current assets	29,348,459	38,823,762	9,475,303	32.29
Property, plant, and equipment	5,844,965	5,812,305	(32,660)	(0.56)
Intangible assets	764,631	759,365	(5,266)	(0.69)
Other assets	17,679,524	17,897,876	218,352	1.24
Total assets	53,637,579	63,293,308	9,655,729	18.00
Current liabilities	36,477,556	43,508,071	7,030,515	19.27
Non-current liabilities	3,253,820	3,312,244	58,424	1.80
Total liabilities	39,731,376	46,820,315	7,088,939	17.84
Common stock	4,200,842	4,200,842	-	-
Additional paid-in capital	2,519,954	2,519,954	-	-
Retained earnings	5,349,495	7,573,124	2,223,629	41.57
Other equity	458,615	688,453	229,838	50.12
Non-controlling interest	1,377,297	1,490,620	113,323	8.23
Total equity	13,906,203	16,472,993	2,566,790	18.46

Notes to material changes:

1. Current assets: The main increase is due to the application of IFRS15 in the year of 2018, and it is recognized as accounts receivable when there is an unconditional right to the consideration of contract liabilities, resulting in an increase in accounts receivable.
2. Retained earnings: The increase is mainly due to higher profitability in 2018.
3. Other equity: The increase is mainly due to the unrealized gain in the financial assets measured by fair value through other comprehensive income.

2. Operating results

Unit: NTD $ Thousands

Item	2017	2018	Increase (decrease) amount	Deviation percentage (%)
Operating income	5,104,378	4,957,018	(147,360)	(2.89)
Operating costs	1,293,599	1,613,521	319,922	24.73
Gross profits	3,810,779	3,343,497	(467,282)	(12.26)
Operating expenses	1,585,694	1,536,414	(49,280)	(3.11)
Other income and expenses - net	0	145,618	145,618	(100.00)
Net operating profits	2,225,085	1,952,701	(272,384)	(12.24)
Other revenue and expenses	221,096	646,117	425,021	192.23
Net income before tax from continuing operations	2,446,181	2,598,818	152,637	6.24
Less: Income tax expenses	264,148	307,344	43,196	16.35
Net income	2,182,033	2,291,474	109,441	5.02

Notes to material changes:
1. Operating costs: The increase in the mainly due to the higher cost of the columbariums.
2. Other income and expenses - net: The increase is mainly due to the application of IRFS15 from the beginning of 2018. The difference between the cash price and the installment price will be recognized as unrealized interest income, and the interest income will be recognized according to the collection period.
3. Other revenue and expenses: The increase is mainly due to the sale of other assets in 2018 - the profit generated by the disposal of art works and the foreign currency exchange gain.

3. Cash flow

(1) Flow analysis in 2017 and 2018

Item \ Year	2017	2018	Increase (decrease) percentage %
Cash flow ratio	3.00	3.93	30.96
Cash flow adequacy ratio	97.96	98.72	0.78
Cash reinvestment ratio	3.52	3.38	(4.02)
The increase of cash flow ratio is due to prepayments for cemetery land in Wenzhou in 2017.			

(2) Cash Flow Projection for Next Year

Unit: NTD $ Thousands

Balance of cash - beginning	Annual net cash flow from operating activities	Annual net cash flow from investments or financing activities	Cash balance (shortage)	Corrective actions against cash deficit	
				Investment plan	Wealth management plan
(1)	(2)	(3)	(1)+(2)-(3)=(4)		
107,666	1,575,451	(1,516,443)	166,674	0	0

i. Cash flow analysis for this year:

a. Operating activities: Cash flows are mainly from C&C, funeral services and rental activities, as well as expenses for planned purchase of facilities and building funeral service hall.

b. Investments or financing activities: Mainly for disposal of investment properties, construction of funeral service halls, planned distribution of cash dividend and return of bank loans.

ii. Remedial actions for liquidity shortfall: not applicable.

4. Major capital expenditures and impact on financial and business in recent years: None.

5. Reinvestment and long-term policy and results

(1) Strategic investments and investment policies:

Reinvestment	**Investing Policy**
Jin Huang Construction Co., Ltd.	Co-ordinate business needs, enhance QC and control construction progress
Yuji Development Corp.	An investment for the purpose of selling columbarium and cemetery and expanding our marketing and service network.
Dahan Property Management Co., Ltd	Co-ordinate business needs, developing leased real estate and provide management consultation services.
Sea Dragon Traders Ltd. (BVI)	An investment for the purpose of carrying out overseas investment.
Lung Ting Life Sciences Co., Ltd.	Flower Cultivation Industry
Singapore Lungyen Life Services Pte., Ltd.	To expand the business scale and extend funeral services to Overseas Chinese territories to increase sales channels and service bases.
Lung An Company Ltd.	The company has obtained the control of

	Chuan-Anti Cemetery, and will provide one-stop shopping service for cemetery business.
RIA AWANA SDN. BHD.	To increase business scale, extend our funeral services to Chinese districts overseas, and build the selling channel and service place in Malaysia.
Lung Fu Company Limited	An investment for the purpose of selling columbarium and cemetery from Yuji Development and expanding our marketing and service network.
Witty Dragon Limited (BVI)	Trade and lease for real estates.
W&W Professional Management Limited	Information Technology Software Industry
Lungyen (Cayman) Corp. Ltd. (It was renamed as Long Young Life (Cayman) Company. in February, 2018)	Holding Company, which is for the purpose of carrying out overseas investment.

(2) Long-term Reinvestment Policy and Results

Unit: NTD $ Thousands

Reinvestment	Amount Recognised In 2018	Results	Plan
Jin Huang Construction Co., Ltd.	113	Regular expenditure, no operation revenue	Accelerate the combination of resources among the group.
Yuji Development Corp.	135,763	Operating Well	None.
Dahan Property Management Co., Ltd	(2,122)	Regular expenditure, no operation revenue	Accelerate the combination of resources among the group.
Sea Dragon Traders Ltd. (BVI)	(41,437)	Deficit of reinvestment of subsidiaries	Aceelerate the developing plan in China, expending markets overseas.
Lung Ting Life Sciences Co., Ltd.	(7,665)	Operating is not as expected.	Expending business activities to increase revenue
Singapore Lungyen Life Services Pte., Ltd.	(3,189)	Regular expenditure, no operation revenue	Accelerate the combination of resources among the group.
Lung An Company Ltd.	(12,054)	In the stage of developing and is operating better	Accelerate the combination of resources among the group.
RIA AWANA SDN. BHD.	342	Operating Well	None
Lung Fu Company Limited	(7,835)	In the stage of developing and is operating better	Accelerate the combination of resources among the group.

Witty Dragon Limited (BVI)	(709)	Lease of real estate has no economies of scale	Rental adjustment and decrease vacancy.
W&W Professional Management Limited	76	Regular expenditure, no operation revenue	Liquidation was completed on July 25, 2018.
Lungyen (Cayman) Corp. Ltd. (It was renamed as Long Young Life (Cayman) Company. in February, 2018)	(34,285)	Deficit of reinvestment of subsidiaries	Aceelerate the developing plan in China, expending markets overseas.

Note:The Company signed a joint venture contract with Sino-Ocean Group, Sino-Ocean has invested in Lungyen(Cayman) for USD$28,000(thousands) by cash offering, and the shareholding ratio has decreased from 100% to 50%, therefore Lungyen (Cayman) Corp. Ltd.,Lungyen (HK) Corp. Ltd. and Lungyen Cemetery (Wenzhou) Co., Ltd are no longer subsidiaries since 2018.01.

(3) Investment plan in the upcoming year:

The Company's few overseas investment projects have developed significantly. The future investment plan will be oriented toward the goal of becoming the top 1 brand in Great China area and seek the chance for overseas investment, in hopes of reproducing the successful experience in Taiwan to the other Chinese regions to upgrade the quality of funeral culture of Chinese and expand overseas business scale.

6. Risk management & evaluation:

(1) Struture of risk management and implementation

i. The Company always uses a rigorous and conscientious approach to deal with risks faced (including risk detection, evaluation, reporting, and management), along with the latest development and guidance of internal auditing and related regulations to enforce risk management procedures.

ii. The Company's risk is controlled under a three-level control mechanism: The first level control mechanism is the organizer, which shall be responsible for considering and preventing risk by perceiving, evaluating and controlling risk at the initial stage. The second control mechanism is the top officer from each unit (division head) and individual manager meeting, covering risk projection and evaluation, and convened by the general manager. The final level control mechanism refers to the Audit Office, directors' meeting and various committees (e.g. Audit Committee). Risk management is ensured ultimately through review, supervision and follow-up by the Audit Office and review by the Board of Directos' meetings.

iii. When a risk that is likely to occur is discovered at any check point, it will be immediately reported to the upper management layer so as to prepare appropriate protection and prevention measures. Due to our strict enforcement, so far no material risk has occurred.

(2) Organization Chart for risk management

Unit: NTD $ Thousands

Risk management	Risk evaluation	Direct risk control (initial control mechanism)	Risk examination and control (the second control mechanism)	Decision making and follow-up (the ultimate control mechanism)
Financial, accounting and liquidity risk	1. Risks associated with interest, foreign exchange, and financial status 2. Risks associated with lending and endorsement/guarantee for other parties 3. Risks associated with derivative financial instruments and other monetary investment/arrangements 4. Risks associated with taxation, costs, and related accounts	Finance Dept. Finance Dept. Securities Investment Dept. Accounting Dept.	Finance Division, Investment Division and Economic Committee	Directors' meeting, Audit Committee (decision making and final control for risk evaluation and control), Audit Office (risk assessment, evaluation, supervision, improvement & follow-up, and reporting, et al.)
Market and credit risk	1. Risks associated with account collection and service quality 2. Risks associated with market movement research and assessment 3. Risks associated with marketing and sales	Funeral administration Dept. & Channel Management Dept. Channel Management Dept. Product Development Dept. & Sales	Sales and Administration Division, Funeral Service Division and Economic Committee	

		Planning Dept.		
Strategy and operational risk	1.Risks associated with company operating strategy risk 2. Risks associated with procurement and quality risk 3. Risks associated with corporate image and human resources risk 4. Risks associated with product improvement and R&D 5. Risks associated with political status, policies, and laws 6. Risks associated with long-term investments and associated companies 7. Risks associated with shareholding and management team 8. Other risks	General Manager's Office Procurement Dept. Human Resources Dept. Product Development Dept. Compliance Dept Finance Division and Investment Division Finance Division and General Manager's Office General Manager's Office	Procurement Division, Finance Division, Investment Division and all other divisions, as well as, the Economic Committee	

(3) Effect upon the Company's profit (loss) of changes of interest rates, exchange rate fluctuations and inflation in the last year, and response measures to be taken in the future:

i. Changes in interest rates: The Company's financial structure is stable and interacts with its correspondent banks well, so that the Company can be granted reasonable and preferential interest rates for its funding plans. In the future, the Company will still plan its cash flow and continue to strive for preferential interest rates to mitigate risk related to changes in interest rates.

As of December 31, 2018, the borrowing from bank information of the Company and its subsidiaries please refer to the Notes of consolidated financial report in the Annual report Note 6(13) short-term loan. For the exposure information of interest of the Consolidated Company, please refer to Note 6(25) "Financial instruments" in the consolidated financial report.

The 2017 and 2018 ratio of the financial costs of the Company to the net operating

revenue was 1.59% and 1.68%, respectively. The impact of changes in interest rates on the Company's profit and loss is limited. The Company's response to the impact of interest rate changes is based on regular evaluation of bank borrowing rates and close contact with banks to obtain a more favorable loan interest rate, so the interest rate is still stable. In addition, the Company's financial status is stable and credit is good, and the fund plan is based on the principle of conservative and stable, thus it is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

ii. Changes in foreign currency: As we are in a domestic-demand market, all business transactions, with both upstream vendors and downstream customers, are dominated by Taiwanese dollars. Hence, changes in foreign currency make no significant impact on the Company. For exposure information of foreign change risk of the Consolidated Company, please refer to Note 6(25) “Financial instruments” in the consolidated financial report.

The 2017 and 2018 ratio of the net exchange gains and losses of the Company to the net operating income was (2.68%) and 1.01%, respectively. As the Company is a domestic demand-oriented industry, customers and upstream and downstream suppliers are mostly located in the domestic market. The transaction is mainly dominated in Taiwan dollars, so the exchange rate changes have no significant impact on the company. The exchange gains and losses are mainly from the foreign currency trust assets of the Company. The Company is profitable from the impact of exchange rate changes. In addition to continuing to manage foreign currency positions in the future, it will pay attention to exchange rate changes at any time, collect exchange rate related information, strengthen the negotiation and planning of foreign exchange-related hedging strategies with financial institutions. The Company also establishes good relationship with financial institutions. When the foreign exchange demand arises, the Company can compare the conditions provided by each financial institution and select the party that best meets the needs of the Company to conduct the transaction.

iii. Inflation: The Company is primarily engaged in funeral services, and the percentage of raw materials & supplies required by the Company as a ratio of overall costs is low. Tha Company maintains a good interaction with suppliers, and at the same time has a number of qualified alternatives to choose from, in order to cope with the impact of inflation on the Company's profit and loss. The recent drastic rise in utilities fees which resulted in an increase in prices of raw materials & supplies did not have any material effect on the Company's core business.

For exposure information of liquidity risk of the Consolidated Company, please refer to Note 6(25) "Financial instruments" in the consolidated financial report.

(4) The result of the Company's policy regarding high-risk investments, highly leveraged investments, and loans to other parties, endorsements, guarantees, and derivatives transactions: The Company does not engage in any high-risk and highly leveraged investments or derivatives transactions, and also has an SOP for loaning of funds to others and regulations governing endorsement/guarantee making.

i. The result of the Company's policy regarding high-risk investments, highly leveraged investments: The Company emphasized on funeral services, with no high-risk investments and steady financial policies, the Company has no high-risk investments, highly leveraged investments up to the publication date of the Annual Report.

ii. The result of the Company's loans to other parties, endorsements, guarantees, and derivatives transactions: The Company has established relevant policies such as "Procedure for the Acquisition and Disposition of Assets", "Endorsement and Guarantee Procedures" and "Procedure for Loaning of Funds" in accordance with the relevant laws and regulations of the competent authorities. Relevant operations have been carefully implemented in consideration of risk conditions and related regulations.

(5) Research and development work to be carried out in the future, and further expenditures expected for research and development work: The Company primarily engages in funeral services and emphasizes upgrade of customer satisfaction with its funeral services. The Company proposes the upgrading of raw materials & supplies

required by the funeral services or columbarium layout design, and then contracts with the relevant supplier to produce samples. Therefore, there is no related R&D expenditure, and only some acquisition fees as stated.

(6) Impact on the Company financials from changes in domestic and international policies and laws, and remedial actions: The Company monitors important policies adopted and changes in the legal environment at home and abroad from time to time, and defines measures to be taken in response thereto to meet business needs. So far, no impact has been caused to the Company's financial operations because of adopted policies or changes in the legal environment.

(7) Effect on the Company's financial operations of developments in science and technology as well as industry changes, and measures to be taken in response: No material impact would be caused to the Company's financial operations by developments in science and technology or industry changes. The Company's information system adopts daily transaction data backup, and the overall data backup is performed on the last working day of each week to ensure uninterrupted personal information and service. The Company follows the "Information Facility Room Management Operation Standard Book" to strengthen the simulation test and emergency response exercises to ensure the normal operation of the information system and data preservation in order to reduce the risk of system interruption caused by unwarranted natural disasters and human error, and ensure that the expected system recovery time is met. In order to avoid the risk of customer personal information leakage and information system damage and to resume business operation as soon as possible and reduce possible losses and risks, in addition to dual-password protection and daily inspection of computer rooms, the Company continues to strengthen the control of employees and equipment enhancement. And the Company reviews and evaluates its network security regulations and procedures at least once a year to ensure its appropriateness and effectiveness, regularly conduct network information security maintenance and control, and continuously plan and design and improve appropriate software and hardware equipment resources and improve workflow and other countermeasures. Considering the security insurance is

still an emerging insurance, involving the security level testing institutions, claims forensics institutions and non-compensation conditions and other related packages, this insurance is currently under evaluation. In addition to strengthen the relevant regulations on information security and regular assessment of information security, the Company will continue to strengthen the protection of information security and establish a joint prevention mechanism. There is no impact from the change in technology and the industry on the Company's financial business in the most recent year and up until the publication date of the Annual Report.

(8) Impact on the Company's crisis management of changes in the Company's corporate identity, and measures to be taken in response: The Company adheres to a management philosophy of sustainable operations and also values corporate identity and risk management. For the most recent year and up until annual report publication, no impact on the Company's crisis management from changes in the Company's corporate identity has occurred.

(9) Expected benefits and possible risks associated with any merger and acquisitions: Not applicable

(10) Expected benefits and possible risks associated with any plant expansion: None

(11) Risks associated with any consolidation of sales or purchasing operations:

i. Sales

For purchasing operations, the Company purchases goods from different suppliers and so far there has been no consolidation of purchasing operations.

ii. Purchasing

The Company's sales target is the general public and, therefore, there is no consolidation of sales operations.

(12) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands: The director of the Company and the majority shareholder holding more than 10% of the Company, Lee, Kelly, transferred all the shares of the Company to the British Virgin Islands Wish Giver Limited in the year of 2018 due to personal tax planning

considerations. There is no significant transfer of equity in the remaining directors. Despite the equity transfer of the Company's directors and the majority shareholders holding more than 10% of the Company, there is no negative effect and risk in the most recent year and up to the publication date of the Annual Report.

(13) Effect upon and risk to the Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: The Company's long-term management structure is stable and there is no risk arising from.

(14) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any director and supervisor, the general manager, responsible person in fact, any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report:

Some shareholders of Lungyen Life Service Corp. Ltd., (merged in 2010) asked to buyback their shares with fair price, Taipei District Court decided that the Company should buy all the shares back with nonreasonable price in October 7, 2016, since that civil ruling has not comply with Business Mergers And Acquisitions Act, the Company has filed a counterappeal. The Taipei District Court of Taiwan abandoned the original ruling on October 25, 2018, and set a separate purchase price of NT$77.79 per share. However, the applicable regulations of this civil ruling were obviously wrong, and the Company filed another protest during the statutory period. . After the trial of the Taiwan High Court in 2018, the original ruling did not meet the legal purchase price at the date of the resolution of the shareholders' meeting, so the original ruling was sent back to the Taipei District Court. The ruling now belongs to the Taipei District Court

(15) Other important risks, and mitigation measures being or to be taken: None.

7. Other important matters: None

VIII. Other Special Notes

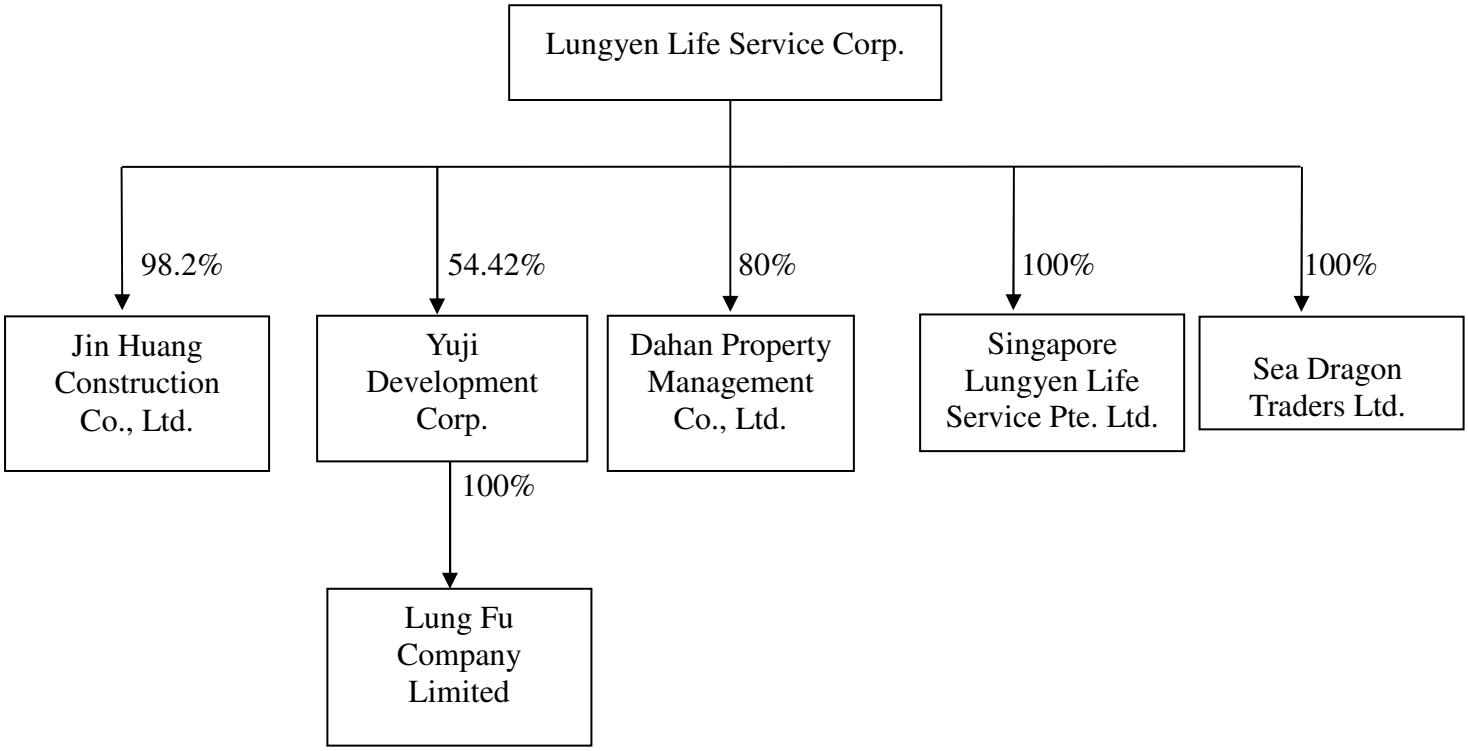
1. Subsidiaries

(1) Consolidated business report

i. Organizational chart of affiliates:

Holding companies and subsidiaries

2019.04.30



ii. Profile of Associated companies

2018.12.31 Unit: NTD and Foreign Currency: $Thousands

Name of enterprise	Date of incorporation	Address	Paid-in capital	Main business
Jin Huang Construction Co., Ltd.	1981.09.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	22,500	Architecture and Civil Engineering business operations
Yuji Development Corp.	2006.04.07	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	2,034,732	Funeral facilities and development, lease and sale of residential areas and buildings
Dahan Property Management Co., Ltd.	2007.07.17	No.111, Dongshi St., Xizhi Dist., New Taipei City 22141, Taiwan	5,000	Development, lease and sale of residential areas and buildings
Sea Dragon Traders Ltd. (BVI)	1995.05.30	Sea Meadow House, Blackburne Highway,(P.O. Box 116) Road Town, Tortola, British Virgin Islands	USD32,710	Securities investment
Singapore Lungyen Life Service Pte. Ltd.	2012.09.11	6 Battery Road #10-01 Singapore	SGD500	Funeral service
Lung An Company Limited (Note 1)	2012.04.20	No.39, Lane 600, Main Road, Sanmin District, Kaohsiung City	720,000	Funeral service
Lung Fu Company Limited	2013.03.27	38-2, Mu-Chi-Liao, Yuan-San Li, Sanzhi District, New Taipei City	271,000	Funeral service

Note: The Company signed a joint venture contract with Sino-Ocean Group, Sino-Ocean has invested in Lungyen(Cayman) for USD$28,000(thousands) by cash offering, and the shareholding ratio has decreased from 100% to 50%, therefore Lungyen (Cayman) Corp. Ltd., Lungyen (HK) Corp. Ltd. and Lungyen Cemetery (Wenzhou) Co., Ltd. are no longer subsidiaries since 2018.01.

iii. Common shareholders of an entity that meets the criteria for a presumptive relationship of control or subordination: None.

iv. Business Scope of the Company and its Subsidiaries :

a. Funeral facility business and funeral service.
b. Construction.
c. The Company consigned the project to Jing Huang Construction Co., Ltd. then the Company leased or sold the completed funeral facilities or real estates.

v. Directors, supervisors, and general managers of affiliated companies

2018.12.31

Name of enterprise	Job title	Name or representative	Shares held	
			Number of shares (thousand shares)	Percentage
Jin Huang Construction Co., Ltd.	Chairman	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Lee Shu-Rong		
	Director	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Lee Shih-Tsung		
	Director	Lungyen Life Service Corporation	2,209	98.20
	Institutional representative	Liu Wei-Lung		
	Supervisor	Chan Shu-Chuan	0	0
Yuji Development Corp.	Chairman	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Kuo, Hsueh-Chun		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Lin Shu-Ling		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Lin, Chian-Ju		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Chan, Pai-Liang		
	Director	Lungyen Life Service Corporation	110,723	54.42
	Institutional representative	Liang, Jian-Yun		
	Supervisor	Chen Chung Investment Corp.	12	0.01
	Institutional representative	Chan Shu-Chuan		
Dahan Property Management Co., Ltd.	Chairman	Lungyen Life Service Corporation		
	Institutional representative	Kuo, Hsueh-Chun	400	80
	Director	Lungyen Life Service Corporation		
	Institutional representative	Lin, Shu-Ling	400	80
	Director	Lungyen Life Service Corporation		
		Liang, Jian-Yun	400	80
	Supervisor	Chan Shu-Chuan	0	0

Name of enterprise	Job title	Name or representative	Shares held	
			Number of shares (thousand shares)	Percentage
Lung An Company Limited	Chairman Institutional representative Director Institutional representative Director Institutional representative Supervisor Institutional representative	Lungyen Life Service Corporation Kuo, Hsueh-Chun Lungyen Life Service Corporation Lin Shu-Ling Lungyen Life Service Corporation. Liang, Jian-Yun Lungyen Life Service Corporation. Chan Shu-Chuan	72,000 72,000 72,000 0	100 100 100 0
Lung Fu Company Limited	Chairman Institutional representative Director Institutional representative	Yuji Development Corp. Lin Shu-Ling Yuji Development Corp. Lian Jian-Yun	21,070 21,070	77.75 77.75
Sea Dragon Traders Ltd. (BVI)	Director Institutional representative	Lungyen Life Service Corporation Lee Shih-Tsung	USD32,710	100
Singapore Lungyen Life Service Pte. Ltd.	Director Institutional representative	Lungyen Life Service Corporation Lee Shih-Tsung	SGD500	100

Note 1: Lung An Company Limited has conducted the simple merger with the Company on April 1, 2019, the Cmpany is the surviving company, and Longan Business Co., Ltd. is the extinguished company.

Note 2: The Company signed a joint venture contract with Sino-Ocean Group on December 31, 2017, Sino-Ocean has invested in Lungyen(Cayman) for USD$28,000(thousands) by cash offering, and the shareholding ratio has decreased from 100% to 50%, therefore Lungyen (Cayman) Corp. Ltd., Lungyen (HK) Corp. Ltd. and Lungyen Cemetery (Wenzhou) Co., Ltd. are no longer subsidiaries since 2018.01.

vi. Overview of operations of affiliates

Unit: NTD and other foreign currency$ thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Current net income (after tax)	Earnings per share (NT$) (after tax)
Jin Huang Construction Co., Ltd.	22,500	41,545	19,284	22,261	0	(188)	115	0.05
Yuji Development Corp.	2,034,732	3,834,802	653,960	3,180,842	583,347	341,771	249,472	1.23
Dahan Property Management Co., Ltd.	5,000	524	40	484	0	(2,658)	(2,653)	(5.31)
Sea Dragon Traders Ltd. (BVI)	USD32,710	USD33,336	USD 1	USD33,335	0	(USD 1,365)	(USD 1,373)	(USD 0.42)
Singapore Lunyen Corp.	SGD500	SGD 45	SGD 777	(SGD 732)	0	(SGD 143)	(SGD 143)	(SGD 2.85)
Lung An Corp. Ltd.	720,000	736,416	51,046	685,370	2,516	(11,826)	(12,054)	(0.17)
Lung Fu Corp. Ltd.	271,000	338,679	66,278	272,401	263	(3,765)	(10,459)	(0.39)

(2) Consolidated Financial Statements of Affiliated Companies

Statement of Declaration

For 2018 (starting from 2018.01.01 to 2018.12.31), no separate consolidated financial statements of affiliates are required from the Company, because the affiliates pursuant to the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations" are the same as the entities required to be included in the consolidated financial statements of the parent and subsidiary companies as provided for in Financial Accounting Criteria Gazette No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the preceding consolidated financial statements.

In witness thereof, the Declaration is hereby presented.

Company name: Lungyen Life Service Corp.

Chairman: Liu Wei-Lung

Date: February 26, 2019

(3) Affiliation Reports: not applicable

2. Private Placement Securities in 2017 and as of the date of this Annual Report

Date of Resolution of the Board of Directors for Private Placement	December 8, 2016	December 8, 2016
Items	First private placement in 2017 Issuance date: April 25, 2017	Second private placement in 2017 Issuance date: April 10, 2017
Type of Securities privately placed (Note 2)	Common share	Convertible corporate bond
Date and Number of Approval of Shareholders' Meeting (Note 3)	January 25, 2017, ceiling is 21,000,000 common shares.	January 25, 2017, within the range of total issuance amount of NT$3,113,000,000.
Ground and Reasonability for Pricing	Pricing ground was according to the resolution of the Interim Shareholders' Meeting on January 25, 2017. The price for private placement was set to be no lower than 80% of the higher of the following two calculations, one of which is the simple arithmetic average closing price of the common shares for either of the 1, 3 or 5 business day(s) before the price base date (March 15, 2017) deducted by the ex-right value after costless allotment of share dividends and plus the reverse ex-rights value after capital decrease, and the other one of which is the simple arithmetic average closing price of the common shares for the 30 business days before the price base date deducted by the ex-right value after costless allotment of stock dividends and plus the reverse ex-right value after capital decrease. The pricing way of this private placement of common shares is in	The price for private placement was set to be no lower than 80% of the theoretical value price, which will be determined in the pricing model selected with coverage and simultaneous consideration of all rights contained in the issuance conditions. The pricing way of this private placement of convertible corporate bond is in accordance with relevant regulations of the competent authority, meanwhile, with reference to the operating efficiency brought by the introduction of strategic cooperative partner, such way should be reasonable.

	accordance with relevant regulations of the competent authority, simultaneously with reference to the factors such as the Company's operating status, future outlook and the reference price on the price base date, such way should be reasonable.									
Method for Selection of Specific Persons	The place for this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.					The object of the placement of this resolved private placement is limited to the specific persons in compliance with Article 43-6 of the Securities and Exchange Act, the Letter numbered (91) Tai-Cai-Zheng-(1)-Zi-0910003455 issued by former Securities & Futures Supervisory Commission of Ministry of Finance on June 13, 2002 and the Directions for Public Companies Conducting Private Placements of Securities amended by the letter numbered Jin-Guan-Zheng-Fa-Zi-1010055995 issued on January 8, 2013.				
Necessary Reasons for Private Placement	To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship and to inject funds needed by the Company and enhance the mobility and flexibility of fundraising. Moreover, as there is a restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placement and the Company can be further ensured. Therefore, it is really necessary to conduct the capital increase to issue new shares in the form of a private placement.					To introduce strategic investors and make use of the power and resources of both parties to build up a long-term strategic cooperation relationship, meanwhile, to inject funds needed by the Company and enhance the mobility and flexibility of fund raising. Moreover, as there is s restriction for the transfer of the securities within three years, the long-term cooperation relationship between the placee and the Company can be further ensured. Therefore, it is really necessary to conduct the private placement of securities.				
Deadline for Payment	March 29, 2017					March 27, 2017				
Placee’s Information	Object of private placement	Qualifications	Subscribed (in shares)	Relationship with the Company	Participation in the Company’s operations	Object of private placement	Qualifications	Subscribed shares (in NTD)	Relationship with the Company	Participatio n in the Company’s operation
	Orix Asia Capital	Sub-paragraph 2, Paragraph 1,	21,000,000	None	None	Orix Asia Capital Co.,	Subparagraph 2, Paragraph	3,113,000,000	None	None

	Co., Ltd.	Article 43 of Securities and Exchange Act				Ltd.	1, Article 43 of Securities and Exchange Act			
Actual Subscription (or Conversion) Price	NT$62.10					NT$63				
Discrepancy Between Actual Subscription Price and Reference Price	Actual subscription is NT$62.10, higher than the reference price of NT$57.77, premium rate is 7.5%.					The theoretical value of this convertible corporate bond is NT$103,100, the actual issuance price of this convertible corporate bond is NT$100,000, which has reached more than 80% of its theoretical value price.				
Impact of Private Placement on The Shareholders' Equities	The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save on interest expense and is positively conducive to the shareholders' equities.					The purpose of this fundraising is to repayment of bank loans, which is expected to strengthen the financial structure and save interest expense and is positively conducive to the shareholders' equities.				
Utilization Status and Implementation Progress of Privately Placed Funds	The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.					The funds under this capital increase program have been fully used to repayment of the bank loans and the plan under this fundraising has been 100% implemented.				
Outcome of Benefit From Private Placement	The privately placed funds have been fully used to repayment of the bank loans to save on interest expenses. Calculating with the Company's current average loan interest, NT$15,128,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experiences in the fields of elder care, asset development and management, and finance and investment to jointly develop national and international markets.					The privately placed funds have been fully used to repayment of the bank loans to save interest expenses. Calculating with the Company's current average loan interest, NT$36,111,000 in interests will be saved for one year. Furthermore, after introducing the Orix Group, the Company will combine its abundant experience in the fields of old age care, asset development and management, and finance and investment to jointly develop national and international markets.				

3. Status of common shares and ADRs acquired, disposed of, and held by Subsidiaries: None.

4. Other necessary supplement:

The current Mortuary Service Administration Act has not yet regulated the halls which provide only memorial ceremonies and the funeral facilities separately, and that the Company's partial halls provide the service of setting up the mourning hall, which offends against article 42.63.63-1 of the Act, and was imposed a fine of $540,000 for seven units in 2018.

Amendment of the Act is now under examination, 1st read of the bill has completed in October 24, 2016, deliberation was accomplished by Internal Administration Committee of the Legislative Yuan in December 26, 2016. After several consultations between related parties, the problem will be solved after the legislative procedure of 2nd and 3rd read of the bill.

5. Any Events in 2018 and as of the Date of this annual report that had significant impacts on shareholders' right or security prices as stated: Not Applicable.

L u n g y e n L i f e S e r v i c e C o r p .

Chairman: Liu, Wei-Lung

(English Translation of Annnual Report Originally Issued in Chinese)

Stock No.：5530

Lungyen Life Service Corp. and Subsidiaries

Consolidated Financial Statements

For The Year Ended December 31, 2018 and 2017
(Including an Independent Auditor's Audit Report)

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

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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, 2018, 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: February 27, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As mentioned in Note 3(1) of the Consolidated Financial Report, the Company first introduced the International Financial Reporting Standards 9 "Financial Instruments" on January 1, 2018 and chose not to restate the comparison period, thus we did not modify the audit opinion.

As mentioned in Note 3(1), the Company first introduced the International Financial Reporting Standards 15 "Revenue from Contracts with Customers" on January 1, 2018 and adopted the cumulative effect method rather restated the comparison period, thus we did not modify the audit opinion.

Key Audit Matter

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, 2018. 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, 2018 are stated as follows:

1. Revenues Recognition

   Accounting policies regarding revenues recognition can be found Notes 4 (18) Revenues Recognition; explanation for revenues recognition can be found in Notes 6 (20) 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 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (11) 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, 2018 and 2017 on which we have issued an unmodified opinion and an emphasis of matter.

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, 2018 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
February 26, 2019

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2018 and 2017

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

		12.31.2018		12.31.2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1) & 9)	$ 194,002	-	169,781	-
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) & 9)	1,527,182	[illegible]	1,457,535	[illegible]
1150	Notes receivable, net (Note 6 (3) & (20))	6,345	-	16,577	-
1170	Accounts receivable, net (Note 6 (3) & (20))	8,748,396	1[illegible]	1,009,425	[illegible]
1320	Inventory (Note 6(4), 7, & 8)	15,440,765	2[illegible]	14,768,349	2[illegible]
1410	Prepayments (Note 9)	251,030	-	9,548,767	1[illegible]
1460	Non-current assets for sale (net) (Note 6 (5) & 8)	2,565,683	[illegible]		-
1476	Other financial assets – current (Note 6 (12), 8 & 9)	2,113,425	[illegible]	2,374,528	[illegible]
1479	Other current assets (Note 7 & 9)	7,600	-	3,497	-
1480	Incremental cost of contract acquisition – current (Note 9)	7,969,334	1[illegible]		-
		38,823,762	6	29,348,459	5[illegible]
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), 8, & 9)	10,048,850	1[illegible]		-
1524	Available-for-sale financial assets - non-current (Note 6 (2), 8, & 9)		-	8,585,120	1[illegible]
1527	Held to maturity financial assets – non-current (Note 6(2) & 9)		-	614,832	[illegible]
1535	Financial assets at amortized cost－non-current (Note 6(2) & 9)	1,017,051	[illegible]		-
1543	Financial assets carried at cost－non-current (Note 6 (2))		-	18,992	-
1550	Investment under equity method (Note 6 (6) & (67)	1,209,106	[illegible]	425,480	[illegible]
1600	Property, plant and equipment (Note 6 (9), 7, 8, & 9)	5,812,305	[illegible]	5,844,965	1
1760	Investment property, net (Note 6 (10), 8, & 9)	3,893,572	[illegible]	6,486,105	1[illegible]
1780	Intangible assets (Note 6 (11))	759,365	[illegible]	764,631	[illegible]
1840	Deferred income tax assets (Note 6 (17))	899,795	[illegible]	805,900	[illegible]
1980	Other financial assets – non-current (Note 7)	55,838	-	45,761	-
1990	Other non-current assets - others	773,664	[illegible]	697,334	[illegible]
		24,469,546	3[illegible]	24,289,120	4[illegible]
	Total Assets	**$ 63,293,308**	**10[illegible]**	**53,637,579**	**10[illegible]**

		12.31.2018		12.31.2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loan (Note 6 (12))	$ 3,165,300	[illegible]	2,824,000	[illegible]
2130	Contract Liability－current(Note 6 (20) & 9)	37,755,020	6		-
2150	Notes payable	7,105	-		-
2170	Payable accounts (Note 7)	617,756	[illegible]	464,114	[illegible]
2200	Other payable accounts (Note 7)	830,485	[illegible]	709,194	[illegible]
2230	Current income tax liabilities (Note 6 (17))	290,179	-	249,060	-
2310	Advance receipts (Note 10)	834,391	[illegible]	32,222,626	6[illegible]
2399	Other current liabilities - others	7,835	-	8,562	-
		43,508,071	6[illegible]	36,477,556	6[illegible]
	Non-current liabilities:				
2530	Corporate bond payable (Note 6 (14))	3,190,916	[illegible]	3,139,651	[illegible]
2570	Deferred income tax liabilities (Note 6 (17))	16,119	-	18,994	-
2640	Net defined benefit liability – non-current	30,686	-	31,263	-
2645	Deposit received	71,542	-	60,931	-
2670	Other non-current liabilities - others	2,981	-	2,981	-
		3,312,244	[illegible]	3,253,820	6
	Total liabilities	46,820,315	7[illegible]	39,731,376	7[illegible]
	Equity attributable to owners of parent (Note 6(13) & (17))				
3100	Capital stock – common stock	4,200,842	[illegible]	4,200,842	[illegible]
3200	Capital surplus	2,519,954	[illegible]	2,519,954	[illegible]
	Retained earnings:				
3310	Legal reserve	1,280,001	[illegible]	1,095,601	2
3350	Unappropriated retained earnings	6,293,123	1[illegible]	4,253,894	[illegible]
3400	Other equity interest	688,453		458,615	
	Total equity attributable to owners of parent	14,982,373	2[illegible]	12,528,906	2[illegible]
36xx	Non-controlling interest (Note 6 (6)&(18))	1,490,620	[illegible]	1,377,297	[illegible]
	Total Equity	16,472,993	2[illegible]	13,906,203	2[illegible]
	Total liabilities and equity	**$ 63,293,308**	**10[illegible]**	**53,637,579**	**10[illegible]**

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For Year Ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6 (15), (20), (21), & 7)**	$ 4,957,018	100	5,104,378	100
5000	**Operating cost(Note 6 (15) & 7)**	1,613,521	33	1,293,599	25
5900	**Operating gross profit (loss)**	3,343,497	67	3,810,779	75
	Operating expenses (Note 6 (16),(22) & 7)：				
6100	Selling expenses	981,072	20	965,280	19
6200	Administration expenses	547,579	11	620,414	12
6450	Expected credit losses	7,763	-	-	-
6000		1,536,414	31	1,585,694	31
6500	**Other income and expenses (Note 6 (23))**	145,618	3	-	-
6900	**Operating income**	1,952,701	39	2,225,085	44
	Non-operating income and expenses (Note 6(24)&7)：				
7010	Other income	433,354	9	398,736	8
7020	Other gains and losses	338,277	7	(85,410)	(2)
7050	Financial costs	(83,273)	(2)	(81,040)	(2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6 (6))	(42,241)	(1)	(11,190)	-
		646,117	13	221,096	4
7900	**Operating income before tax**	2,598,818	52	2,446,181	48
7950	**Less: Income tax expense (Note 6 (17))**	307,344	6	264,148	5
	Net income	2,291,474	46	2,182,033	43
8300	**Other comprehensive income:**				
8310	**Items that may not be subsequently reclassified to profit or loss:**				
8311	Defined benefit obligation (Note 6(16))	791	-	(669)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	481,235	10	-	-
	Total items that may not be subsequently reclassified to profit or loss	482,026	10	(669)	-
8360	**Items that may be subsequently reclassified to profit or loss**				
8361	Exchange differences on translation of foreign statements	34,825	1	(2,157)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	60,431	1
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(42,204)	(1)	-	-
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	(45,815)	(1)	(368)	-
	Total items that may be subsequently reclassified to profit or loss	(53,194)	(1)	57,906	1
8300	**Other comprehensive income, net**	428,832	9	57,237	1
	Total comprehensive income	**$ 2,720,306**	**55**	**2,239,270**	**44**
	Net income, attributable to:				
8610	Owners of parent	$ 2,180,535	44	1,843,999	36
8620	Non-controlling interest	110,939	2	338,034	7
		$ 2,291,474	**46**	**2,182,033**	**43**
	Total comprehensive income, attributable to:				
8710	Owners of parent	$ 2,606,983	53	1,904,588	37
8720	Non-controlling interest	113,323	2	334,682	7
		$ 2,720,306	**55**	**2,239,270**	**44**
	Earnings per share (Note 6 (19))				
9750	**Basic earnings per share (NTD)**	**$ 5.19**		**4.44**	
9850	**Diluted earnings per share (NTD)**	**$ 4.70**		**4.15**	

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(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

From January 1 to December, 2018 and 2017

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

	Equity attributable to owners of parent												
	Capital Stock		Retained Earnings				Others						
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated Earnings	Total	Exchange diffefernces on foreign translation	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance – January 1, 2018	$ 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
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD$1.2 per share)	-	-	-	-	(504,101)	(504,101)	-	-	-	-	(504,101	-	(504,101
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	-	9,96	-	9,96
Capital increased by cash	210,000	1,094,100	-	-	-	-	-	-	-	-	1,304,10	-	1,304,10
Changes to subsidiaries' ownership	-	(4,219)	-	-	-	-	-	-	-	-	(4,219	4,21	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(216,003	(216,003
Balance – January 1, 2018	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
Retrospective adjustment due to new accounting standard	-	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694	-	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	-	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600	1,377,297	14,802,897
Net income	-	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535	110,939	2,291,474
Other comprehensive income	-	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448	2,384	428,832
Total comprehensive income	-	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983	113,323	2,720,306
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	184,400	-	(184,400)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD$2.5 per share)	-	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-	-	-
Balance –September 30, 2018	**$ 4,200,842**	**2,519,954**	**1,280,001**	**-**	**6,293,123**	**7,573,124**	**(24,815)**	**713,268**	**-**	**688,453**	**14,982,373**	**1,490,620**	**16,472,993**

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

Year Ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from (used in) operating activities		
Profit (loss) before tax	$ 2,598,818	2,446,181
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	127,920	144,589
Amortization expense	17,427	16,039
Allowance for bad debt	7,763	19,643
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	12,347	(25,910)
Interest expense	83,273	81,040
Interest revenue	(277,761)	(115,984)
Dividend income	(232,871)	(184,701)
Loss (gain) on affiliates under equity method	42,241	11,190
Loss (gain) on disposal and scrap of property, plant and equipment	1,780	(179)
Loss (gain) on disposal of investment property	(525)	-
Loss (gain) on disposal of other assets	(347,626)	-
Loss (gain) on disposal of investment	-	(27,814)
Loss (gain) on disposal of investment under equity method	6,924	-
Impairment loss on financial assets	5,940	-
Exchange loss on available-for-sale financial assets	-	88,602
Exchange profit on financial assets at fair value through other comprehensive income	(51,860)	-
Loss on disposal of financial assets at fair value through other comprehensive income	27,734	-
Total adjustments to reconcile profit (loss)	(577,294)	6,515
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets held for trading	-	(524,392)
(Increase) Decrease in financial assets at fair value through income	53,012	-
(Increase) Decrease in notes receivable	10,232	(6,865)
(Increase) Decrease in account receivable	(28,893)	(497,884)
(Increase) Decrease in inventories	(672,416)	(343,138)
(Increase) Decrease in prepayments	169,335	(759,634)
(Increase) Decrease in other financial assets	(99,759)	13,044
(Increase) Decrease in other current assets	(5,180)	1,507
Increase (Decrease) in incremental cost of contract acquisition	183,643	-
Increase (Decrease) in contract liabilities	(155,281)	-
Increase(Decrease) in accounts payable	153,642	19,978
Increase (Decrease) in other payable	76,677	189,663
Increase (Decrease) in advance receipts	5,637	553,636
Increase (Decrease) in other current liabilities	(729)	(3,379)
Increase (Decrease) in defined benefits liabilities	214	536
Total net change in assets and liabilities related to operations	(309,866)	(1,356,928)
Total Adjustments	(887,160)	(1,350,413)
Cash inflow generated from operations	1,711,658	1,095,768
Interest received	277,891	109,852
Dividend received	232,871	187,000
Interest paid	(25,874)	(37,899)
Income taxes (paid)	(368,476)	(112,891)

Lungyen Life Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows (Cont.)

Year Ended September 30, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Net cash flows from (used in) operating activities	1,828,070	1,241,830
Cash flows from (used in) investment activities		
Acquisition of financial assets at fair value through other comprehensive income	(1,857,471)	
Disposal of financial assets at fair value through other comprehensive income	929,548	
Return on capital reduction of financial assets at fair value through other comprehensive income	893	-
Distribution from liquidation of financial assets at fair value through other comprehensive income	2,551	-
Acquisition of financial assets at amortized cost	(607,084)	-
Acquisition of available-for-sale financial assets	-	(1,124,127)
Disposal of available-for-sale financial assets	-	1,218,123
Acquisition of held-to-maturity financial assets	-	(309,640)
Disposal of investment under equity method	1,009	-
Payment from capital reduction of investee under equity method	-	11,135
Acquisition of property, plant and equipment	(71,929)	(75,765)
Disposal of property, plant and equipment	814	997
Acquisition of intangible assets	(12,161)	(5,444)
Acquisition of investment property	(675)	-
Disposal of investment property	750	-
Decrease (Increase) in other financial assets - current	215,383	(317,515)
Decrease (Increase) in other financial assets - non current	(10,075)	(20,612)
Cash outflow due loss of control of subsidiaries	(17,621)	-
Disposal of other non-current assets	604,32	15
Acquisition of other non-current assets	(293,430)	-
Net cash flows from (used in) investing activities	(1,115,196)	(622,833)
Cash flow from (used in) financing activities:		
Increase in short-term loans	8,479,300	8,804,100
Decrease in short-term loans	(8,138,000)	(13,155,000)
Issuance of corporate bond	-	3,113,000
Increase in guarantee deposits	10,611	8,129
Cash dividends	(1,050,210)	(504,101)
Capital increase	-	1,304,100
Change in non-controlling interests	-	(216,003)
Net cash flows from (used in) financing activities	(698,299)	(645,775)
Effects of foreign exchange rates changes on cash and cash equivalents	9,646	(3,062)
Net (decrease) increase in cash and cash equivalents	24,221	(29,840)
Cash and cash equivalents at beginning of period	169,781	199,621
Cash and cash equivalents at end of period	**$ 194,002**	**169,781**

Lungyen Life Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements

For The Years Ended December 31, 2018 and 2017

(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 operation of funeral facilities, life 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 February 26, 2019.

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 2018. The financial report was issued according to the IFRS and became effective in 2018, 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.2 "Share-based Payment" that clarify the classification and measurement of transactions.	January 1, 2018
Amendments to IFRS No.4 "Insurance Contracts" about the scope of entities for financial instruments in IFRS No.9	January 1, 2018
IFRS No.9 "Financial Instruments"	January 1, 2018
IFRS No.15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS No.7 "Disclosure Initiative"	January 1, 2017
Amendments to IFRS No.12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 40 "Conversion of Investment Property"	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 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”.

   The Consolidated Company adopted cumulative impact method, which applied to IFRS 15. Thus, 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 applied substantive right to practice method to all contracts completed before January 1, 2018, that is, when the Consolidated Company identified completed contracts, not completed

contracts, determined trading prices, and the allocation of upcoming trading prices to completed contracts, not completed contracts, the Consolidated Company reflects all effects that occurred before January 1, 2018.

The extent and impact of signification changes are as follows:

(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

IFRS 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) Impact to Financial Statements:

The impact to 2018 consolidated financial statements applying IFRS 15 is as below:

Effected Items on Consolidated Balance Sheet	12.31.2018 Book Value (IFRS15 not applied)	12.31.2018 Effects of Changes in Accounting Policies	12.31.2018 Book Value (IFRS15 applied)	1.1.2018 Book Value (IFRS15 not applied)	1.1.2018 Effects of Changes in Accounting Policies	1.1.2018 Book Value (IFRS15 applied)
Accounts receivable, net	$ 1,012,101	7,736,295	8,748,396	1,009,425	7,718,654	8,728,079
Incremental cost of contract acquisition - current	8,242,086	(272,752)	7,969,334	8,451,553	(274,049)	8,177,504
Assets effects		**7,463,543**			**7,444,605**	
Contract liability – current	$ -	37,755,020	37,755,020	-	37,910,301	37,910,301
Other payables	799,244	31,241	830,485	709,194	31,482	740,676
Advance receipts	32,072,251	(31,237,860)	834,391	32,222,626	(31,393,872)	828,754
Liability effects		**6,548,401**			**6,547,911**	
Retained earnings (Note)	$ 5,169,820	915,142	6,084,962	4,253,894	896,694	5,150,588
Equity effects		**915,142**			**896,694**	

Note: Effects of IFRS 9 in not included in retained earnings on December 31 and January 1, 2018.

Effected Items on Comprehensive Income	2018 Book Value (IFRS15 not applied)	2018 Effects of Changes in Accounting Policies	2018 Book Value (IFRS15 applied)
Operating revenue	$ 5,110,761	(153,743)	4,957,018
Selling expenses	(1,021,407)	40,335	(981,072)
Administration expenses	(547,008)	(571)	(547,579)
Other income and losses	-	145,618	145,618
Interest income	106,297	(13,191)	93,106
Net income effects		**18,448**	
Basic earnings per share (NTD)	**$ 5.15**	**0.04**	**5.19**
Diluted earnings per share (NTD)	**$ 4.66**	**0.04**	**4.70**

Effected Items on Consolidated Statement of Cash Flows	Nine Months Ended September 30, 2018 Book Value (IFRS15 not applied)	Nine Months Ended September 30, 2018 Effects of Changes in Accounting Policies	Nine Months Ended September 30, 2018 Book Value (IFRS15 applied)
Cash flows from operating activities			
Profit (loss) before tax	$ 2,580,370	18,448	2,598,818
Adjustments:			
Interest income	(93,106)	(184,655)	(277,761)

(Increase) Decrease on account receivable	(11,252)	(17,641)	(28,893)
(Increase) Decrease on incremental cost of contract acquisition	184,940	(1,297)	183,643
Increase (Decrease) on contract liabilities	-	(155,281)	(155,281)
Increase (Decrease) on advance receipts	(150,375)	156,012	5,637
Increase (Decrease) on other payable	76,918	(241)	76,677
Cash outflow generated from operations effects		(203,103)	
Interest received	93,236	184,655	277,891
Net cash flows from (used in) operating activities effects		-	

2. IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” (hereinafter referred to as IFRS 9) replaces IAS 39 “Financial Instruments: Recognition and Measurement” (hereinafter referred to as IAS 39) which contains classification and measurement of financial instruments, impairment and hedge accounting.

On account of applying IFRS 9, the Consolidated Company applied IAS 1 “Presentation of Financial Statements”, which regulated that gain (loss) on financial assets should be carried alone, and gain or loss from accounts receivable was recognized as administration expenses before. Besides, the Consolidated Company applied IFRS 7 “Financial Instruments: Disclosures” to disclose information in 2018, and the rule is usually not applicable to comparative information.

The extent and impact of signification changes due to applying IFRS 9 are as follows:

(1) Classification- Financial assets and liabilities:

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).Under IFRS 9, classification of financial assets is based on the business model and contractual cash flows of the financial asset, and deleted held-to-maturity, 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, it's a classification to estimate the hybrid financial instrument. The accounting policies about classifications, measurements, and recognition related gains and losses of financial assets please refer to note 4(7).

Applying IFRS 9 has no significant impact on the accounting policy of financial liability of the consolidated company.

(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. The new impairment model which measured at amortized cost will apply to financial assets, contractual assets, and other measured at fair value through other comprehensive income, but not applicable to equity instruments.

Under IFRS 9, recognition time for credit losses is earlier than IAS 39, please refer to note 4(7).

(3) Transition

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

- 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.
- If credit risk of debt securities are low on the first effective date of IFRS 9, the consolidated company assumes that credit risks will not increase significantly since recognition date.

(4) Classification of financial assets on the first effective date of IFRS 9

Measuring category of financial assets applicable to IAS 39 which transferred to IFRS 9, the new measuring classification, book value, and extent of the financial assets are as below (measuring category and book value of financial liability are still) :

	IAS39		IFRS9	
	Classification	**Book Value**	**Classification**	**Book Value**
Financial Asset				
Investments in debt instruments	Investments in debt instrument (Note 1)	1,832,729	Measured at fair value through other comprehensive income	1,832,729
	Measured at fair value through profit or loss	662,268	Measured at fair value through profit or loss	662,268
	Available-for-sale (Note 2)	387,013	Measured at fair value through profit or loss	387,013

	Held-to-maturity (Note 3)	414,832	Amortized cost	414,832
	Held-to-maturity (Note 2)	200,000	Measured at fair value through other comprehensive income	200,000
Investments in equity instruments	Measured at fair value through profit or loss	347,381	Measured at fair value through profit or loss	347,381
	Measured at fair value through profit or loss (Note 2)	447,886	Measured at fair value through other comprehensive income	447,886
	Available-for-sale (Note 2)	195,879	Measured at fair value through profit or loss	195,879
	Available-for-sale (Note 4)	6,169,499	Measured at fair value through other comprehensive income	6,169,499
Investments in equity instruments	Measured at cost (Note 4)	18,992	Measured at fair value through other comprehensive income	18,992

Note 1: When applying IAS 39, investments in debt instruments are classified to available-for-sale financial assets, the finance department in the consolidated company gain interest revenue held in the same investment portfolio, but might be sold during operation to satisfy the liquidity, the consolidated company thinks that the business model of the debt is composed of earning cash and selling financial assets simultaneously. The maturity of the debt security will be in 1-2 years, plus contract provision of the financial asset which generate cash flows on specific date, the cash flows are to pay for principle amount and interest for outstanding principle amount. Thus, when applying IFRS 9, the classification of the asset will be measured at fair value through other comprehensive income.

Note 2: Those debt instruments and equity instruments were measured at

fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, the consolidated company reclassified to measured at fair value through other comprehensive income and measured at fair value through profit or loss on account of intention of holding.

Note 3: For the financial asset which was reclassified from held-to-maturity to be measured at amortized cost, the consolidated company has the intention to hold the asset to maturity to receive the cash flows of contractual right, the cash flows are to pay for principle amount and interest for outstanding principle amount.

Note 4: The equity instrument (including financial assets measured at cost) represent strategic investments that the consolidated company has the intention to hold for long-term, according to IFRS 9, the consolidated company designated the investment classification as measured at fair value through other comprehensive income on the first effective date.

The reconciliation from IFRS 39 to IAS 39 for book value of financial assets on January 1, 2018 is as below:

	12.31.2017 IAS 39 Book Value	Reclassification	Reassess	1.1.2018 IFRS 9 Book Value	1.1.2018 Retained Earnings Effects	1.1.2018 Other Equity Effects
Financial assets at fair value through profit or loss						
Measured at fair value through profit or loss at the beginning of the period under IAS 39	$ 1,457,535	-	-		-	-
Additions－Investments in debt instruments：						
From available-for-sale	-	387,013	-		(14,972)	14,972
Additions－Investments in equity instruments：						
From available-for-sale	-	195,879	-		20,280	(20,280)
Deductions－Investments in equity instruments：						
Reclassified to measured at fair value through other comprehensive income	-	(447,886)	-		-	-
Total	**$ 1,457,535**	**135,006**	**-**	**1,592,541**	**5,308**	**(5,308)**

Financial asset measured at fair value through other comprehensive income						
Available-for-sale (including measured at cost) at the beginning of the period under IAS 39	$ 8,604,112	-	-		-	-
Available-for-sale reclassified to measured at fair value through other comprehensive income	-	-	-		236,144	(236,144)
Additions－Investments in debt instruments：						
From held-to-maturity	-	200,000	-		-	-
Additions－Investments in equity instruments：						
From measured at fair value through profit or loss	-	447,886	-		(33,291)	33,291
Deductions－Investments in debt instruments：						
Reclassified to measured at fair value through profit or loss – reclassified on the basis of the classification standard	-	(387,013)	-		-	-
Deductions－Investments in equity instruments：						
Reclassified to measured at fair value through profit or loss – reclassified on the basis of the classification standard	-	(195,879)	-		-	-
Total	**$ 8,604,112**	**64,994**	**-**	**8,669,106**	**202,853**	**(202,853)**
Financial assets at amortized cost						
Investments in debt instruments with no active market, held-to-maturity, accounts receivable, and other financial assets at the beginning of the period under IAS 39	$ 614,832	-	-		-	-
Deductions：						
Reclassified to measured at fair value through other comprehensive income	-	(200,000)	-		-	-
Total	**$ 614,832**	**(200,000)**	**-**	**414,832**	**-**	**-**

3. IFRS No.7 “Disclosure Initiative”

Amendments to the standard has regulated that companies should provide users of financial statements changes in liabilities from financing activities to evaluate, including changes from both cash flows and non-cash flows. During 2018, the evaluation has no significant impact on changes in liabilities from financing activities of the consolidated company.

4. Amendments to IFRS No.12 “Recognition of Deferred Tax Assets for Unrealized Losses”

Amendments clarified that if meets specific requirements, unrealized losses will be recognized to deferred tax assets, and clarify the calculation of “Future Taxable Profit”. During 2018, the above-mentioned has no significant impact on recognition of deferred tax assets for unrealized losses of the consolidated company.

(II) The impact of IFRSs endorsed by the FSC but not yet applied

According to official document No.1070324857 announced by FSC on July 17, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

New／Amended／Revised Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
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

Applying endorsed IFRSs mentioned above have no significant impact on consolidated financial reports except for the followings. The characters and extent of impact which lead to signification changes are as follows:

1. IFRS 16 "Leases"

The standard supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 " Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease"

The new standard applies single accounting model to lessee which recognize leases on balance sheet, and recognizes a Right-to-use (ROU) Asset to express the right of using the underlying asset, and a Lease Liability to express the obligation of lease payments. Besides, lease expense will be expressed in depreciation and interest instead of operating leases which generally feature straight-line recognition of total lease expense. Moreover, there's an optional lessee exemption for short-term leases and low-value items. The accounting model for lessor remains similar to current standard, which indicates that lessor should classify into operating lease and finance lease.

The Company predicts that there will be potential impact to consolidated financial report due to the amendments mentioned above, but the detail evaluation is not yet

finished. The impact on financial reports on the first application date after applying will consider future situations, including evaluating discount rate, lease portfolio, option to extend the lease whether adopting transition and exemption.

(1) Identify whether an arrangement contains a lease

The Consolidated Company can choose the following during the transition.

- The definition of lease that is applicable to all contracts ; or
- Take practicable expedient measures and won't reassess whether an arrangement is, or contains, a lease.

The Consolidated Company plans to take practicable expedient measures and not to reassess the definition of lease. Meaning that all arrangements signed before January 1, 2019 are applicable to lease definition of current regulations.

(2) Transition

The Consolidated Company is able to choose the following if it's a lessee in an arrangement:

- Adopt the standard retrospectively; or
- Follow a modified retrospective approach and one or more practicable expedients.

The Consolidated Company expects to follow a modified retrospective approach, thus the accumulated effect will recognize to retained earnings on January 1, 2019 instead of restatement of comparative information.

When applying modified retrospective approach, whether agreements which are classified to operating leases under current standard to adopt one or more practical expedients can be evaluated on individual basis. The practical expedient the Consolidated Company will adopt are listed below.

- The Company will apply a single discount rate to a portfolio of lease with reasonably similar characteristics to measure lease liabilities.
- The evaluation results of onerous contracts made in accordance to IAS 37 before the first adoption date will be treated as the substitute to evaluate the losses of the use right assets.
- For those leases ending within 12 months from the first adoption date,

recognition of use right assets and lease liabilities can be remitted.

- Original costs will not be included into the evaluation of use right assets on the first adoption date.
- The lease duration of those lease contracts with an extension or termination option will be decided by the contract results.

(3) Up to date the Consolidated Company estimated the most important impact from adopting the new standard is recognition of use right assets and lease liabilities for those offices, factories and warehouses currently leased under operation lease. Difference mentioned above may increase the use right assets and lease liabilities by NT$51,791 and have no significant impact on those contracts currently treated as financial lease. Besides, the Consolidated Company expected that the adoption of the new standard has no impact on the adherence capacity of the maximum leverage limitation agreed in the loan contracts. Also, for those sublease contracts in which the Consolidated Company acts as an intermediate lessor, it is estimated that no adjustment has to be made.

2. IFRIC 23 "Uncertainty over Income Tax Treatments"

The new interpretation clarifies that when assessing the impact of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates with uncertainties, should assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

If after the assessment, the entity concludes that it is probable that a particular tax treatment will be accepted, it has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax filings; on the contrary, if after the assessment, the entity concludes that it is not probable that a particular tax treatment is accepted, it has to use the most likely amount or the expected value of the tax treatment. The decision should be able to reflect impact of every tax treatments with uncertainty.

So far, the Consolidated Company expected that above-mentioned changes has no significant impact on the Consolidated Company's financial report.

However, those expected effects mentioned above brought by the adoption of the new

standard may differ as the future environment or situation differs.

(III) The new and revised standards and interpretations but not yet endorsed by the FSC

The following table depicts the new, amended, revised standards and interpretations issued by IASB, but not yet endorsed by the FSC:

New／Amended／Revised Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition to a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture"	Affective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IFRS 1 and IFRS 8 "Definition of Material"	January 1, 2020

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

Issuance / Release Dates	New Standard or Amendments	Interpretations
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture"	Clarify that when an investor transfers its subsidiary to its associate or joint venture, if sales or contributions of assets constitute a business, a full gain or loss should be recognized on the loss of control of a business. If that does not constitute a business, it should calculates unrealized profits and losses according to shareholding ratio and defer recognition to the extent of the gain or loss.
October 22, 2018	Amendment to IFRS 3 "Definition of a Business"	The IASB issued the Amendment to IFRS 3 to narrow the criteria of a business and clarify its definitions. This amendment will help entities to distinguish between the acquisition of a business and a group of asset. The amended definition stresses that outputs of a business shall be able to provide good and services to customers; the previous version laid emphasis on the

		ability to provide returns such as dividends, lower costs or other economic benefits. Besides, in addition to the amendment to the definition, the IASB also has provided supplementary guidance.
October 31, 2018	Amendment to IFRS 1 and IFRS 8 "Definition to Material"	This amendment illustrates the definition of material and how to apply to the material guidance mentioned in the current standards. Besides, the amendment also has improved the explanation of material and confirmed that the definitions of material in all standards are consistent.

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. 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 and issued by the FSC.

(II) Basis of Preparation

1. Basis of measurement

Except for the material items in the balance sheet as below, the consolidated financial reports have been prepared in accordance with the historical cost:

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

(2) Financial assets at fair value through other comprehensive income (available-for-sale financial assets); and

(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(16).

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 the 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 consolidated financial statements

The subsidiaries included in the consolidated financial statements include:

Investee	Name of subsidiary	Nature of business	Shareholding ratio		Remarks
			12.31.2018	12.31.2017	
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%	100.00%	Note4 (3).5(3)
Yuji Development Corp.	Lung Fu Company Limited	Funeral services	77.75%	77.75%	
Sea Dragon	Lungyen Cayman	Investment business	50.00%	100.00%	Note4 (3).5(2)

Traders Ltd. (BVI)	Company Limited (renamed to Long Young Life Company Limited(Cayman) since Jan, 2018)				
Long Young Life (Cayman) Limited	Lungyen HK Company Limited (renamed to Long Young Life Company Limited (HK) since Feb, 2018)	Investment business	50.00%	100.00%	Note4 (3).5(2)
Long Young Life (HK) Limited	Wenzhou Lungyen Cemetery Company Limited (Lungyen Wenzhou)	Funeral services	50.00%	100.00%	Note4 (3).5(2)

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

3. Changes in subsidiary:

(1) The Company increased cash capital in Sea Dragon Traders Ltd. in June and July, 2017 by US$7,000 thousand and US$10,000 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 reinvesting in Lungyen (Cayman) and Lungyen (HK) in October, 2016. In June and July, 2017, Sea Dragon increased cash capital in Lungyen (Wenzhou) for USD$17,000 thousand through Lungyen (HK). The post-money percentage of ownership remained 100%. Sea Dragon signed a joint venture agreement with Sino-Ocean Group (joint venture party) on December 31, 2017, the joint venture party increased cash capital in Lungyen (Cayman) for USD$28,000 thousand, and changed the name of Lungyen (Cayman) into Long Young Life Company Limited (Cayman). Shareholding ratio of the Consolidated Company has decreased from 100% to 50% after increasing cash capital. As the Consolidated Company has residual interest in net assets of Long Young Life Company Limited (Cayman), thus the agreement was categorized into joint venture and using equity method, and will not be listed in the consolidated financial statements since 2018.

(3) 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 has increased from 70% to

100%.

(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 equity instrument at fair value through other comprehensive income (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. 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 include 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 (applicable from January 1, 2018)

1. Financial Assets

Financial assets of the Consolidated Company are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss.

Only when the operation model of financial asset management has been changed, the Consolidated Company will reclassify financial assets which are affected by the change.

(1) Financial asset at amortized cost:

Financial asset shall be measured at amortized cost when it meets the conditions simultaneously and not designated as measured at fair value through profit and loss.

- Financial asset held due to the business model of earning contractual cash flows.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then use effective interest rate method, which is calculated through amortized cost minus impairment loss. Interest revenue, profit and loss of foreign currency exchange, and impairment loss are recognized in profits and losses. Gains or losses will be in profit or loss during derecognition. Those financial assets

purchased or sold as a trade practice will be recognized by trade date accounting.

(2) Financial assets measured at fair value through other comprehensive income.

If investment in debt instrument meet the following conditions simultaneously, and not designated as measured at fair value through profit and loss, will be measured at fair value through other comprehensive income.

- Financial asset held due to the business model of earning contractual cash flows and being sold.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

The Consolidated Company has the choice of being irrevocable during initial recognition, the subsequent changes of fair value for investment in equity instrument not held for trading will be recognized in other comprehensive income. The above choice is on the basis of instrument-by-instrument approach.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then measured at fair value, except investments in debt instruments below: profits and losses of foreign currency exchanges, and interest revenue, impairment loss, dividend revenue of investment in equity instrument (unless representing

recovery of the cost of the investment significantly) using effective interest method will be recognized in profit and loss, other changes in book value will be recognized in other comprehensive income, and accumulated to unrealized profit and loss of financial assets measured at fair value through other comprehensive income in equity. Accumulated amount of gains or losses under equity will be reclassified to income if belongs to investments in debt instruments, and accumulated amount of gains or losses under equity will be reclassified to retained earnings instead of income if belongs to investments in equity instruments during derecognition. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

Dividend revenue of investments in equity will generally be recognized on the date that the Consolidated Company has the right to earn dividends (Usually equals to ex-dividend date).

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

Financial assets that aren't belong to above mentioned (measured at amortized cost or measured at fair value through other comprehensive income) will be measured at fair value through profit or loss, including derivative financial assets. To eliminate or reduce accounting mismatch significantly, the Consolidated Company is able to appoint financial assets that conform to measured at amortized cost

or measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss irrevocably during initial recognition.

If being measured at fair value in initial recognition, and recognized in income when transaction cost occurs, will be measured at fair value later, the profit or loss generated from remeasurement (including related dividend revenue and interest revenue) will be recognized to income. Those financial assets purchased or sold as a trade practice will be recognized by trade date accounting.

(4) Financial assets impairment

For financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, finance lease receivable, refundable deposit and other financial asset…etc.), investments in debt instruments measured at fair value through other comprehensive income, accounts receivables measured at fair value through other comprehensive income, forecast loss of credit for contractual assets, the Consolidated Company recognizes in allowance for loss.

The allowance for losses of following financial assets are amount measured at 12-month expected credit losses, other amount will be measured at lifetime expected credit losses:

・Credit loss of debt securities on reporting date is low; And

・Credit loss of other debt securities and bank deposits(refer to the risk of being default during expected lifetime of the financial asset) haven't increased significantly since initial recognition.

The amounts of accounts receivables and allowance for loss of contractual assets are measured at lifetime expected credit loss.

Lifetime expected credit loss refers to expected credit loss generated from possible default items during expected lifetime of financial instruments.

12-month expected credit loss refers to expected credit loss generated in 12 months from possible default items after reporting date of financial instruments (or shorter if the expected lifetime of the financial instrument is shorter than 12 months).

The longest period of measuring expected credit loss is the longest contractual period that the Consolidated Company being exposed to credit risk.

When determining if credit risk has increased significantly since initial recognition, the Consolidated Company considers rational and provable information (acquired with no undue cost or effort), including qualitative and quantitative information, and according to the Consolidated Company's past experiences, credit evaluation,

analyses from forecasting information.

If the credit risk evaluation equals to global-defined investment grade (BBB- or higher by Standards & Poor's, Baa3 or higher by Moody's, twA or higher by Taiwan Ratings, the Consolidated Company regards the debt security as low credit risk.

If the contractual amount has expired for over 30 days, the Consolidated Company will assume that the credit risk of the financial asset has increased significantly.

If the contractual amount has expired for over 90 days, or the borrower is unlikely to execute the contract of paying total amount to the Consolidated Company, the Consolidated Company considers that default has occurred.

Expected credit loss is the estimation of probability-weighting of credit loss during expected life of the financial asset. Credit loss is measured by total present value of short pay cash payment, which equals the difference between actual contractual cash flows receivable for Consolidated Company and expected contractual cash flows receivable for Consolidated Company. Expected credit loss is discounted at effective interest of the financial asset.

The Consolidated Company will evaluate financial assets measured at amortized cost and debt securities measured at fair value through other

comprehensive income on every reporting date to see if there is credit impairment. If one or more events that are adverse to the estimated future cash flows of the financial asset have occurred, the financial asset will be considered to be credit-impaired. The evident of credit impairment of the financial asset includes the following observable materials:

・Significant financial difficulty of the issuer or the borrower.

・A breach of contract, such as default or being expired for over 90 days.

・For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Consolidated Company would not otherwise consider.

・It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

・The disappearance of an active market for that financial asset because of financial difficulties.

Allowance for financial assets measured at amortized cost should be reduced from the book value of assets, allowance for debt securities measured at fair value through other comprehensive income should be recognized in other comprehensive income (which is not to reduce book value of the assets.). Loss allowance and reversal will be

recognized in profit and loss.

When there is no reasonable expectation of recovery for part of or all of the financial asset, the Consolidated Company will deduce the total book value for the financial asset directly. Which usually means that the Consolidated Company considers that assets or sources of income for the borrower aren't able to generate enough write-off amount. However, a write-off the financial asset can still be implemented to meet the procedure of recovering expired amount of the Consolidated Company.

(5) 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 financial assets measured at fair value through other comprehensive income" is recognized in "profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

When one investment in debt instrument 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 Assets (applicable before January 1, 2018)

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.

3. Financial liabilities and equity instruments

(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. Buildings for Sale

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. Columbarium and Cemetery Invested and Built 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) Non-Current Assets Held for Sale

The Board of the Consolidated Company approved the resolution to offer part of the Consolidated Company's investment property for sale by public auction. As a result, accounting policies related to non-current assets held for sales have been applied since July 1, 2018.

The non-current assets (or the disposal groups which are composed of assets

and liabilities) are reclassified as assets for sales or held for distribution to owners when the book value are expected to be recovered through sale or distribution to owners rather than continuing use. Those non-current assets or disposal groups met the criteria of the classification shall be available for immediate sale in their present condition and its sale must be highly probable within one year. Components of assets or disposal groups shall be reevaluated in accordance in the Company's accounting policies before being reclassified to held for sale or held for distribution for owners. After being classified to held for sale or held for distribution to owners, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Depreciation or amortization will no longer be accrued when properties, plants and equipment have been classified as assets held for sale or assets held for distribution to owners.

(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) Joint Arrangements

Joint arrangements are arrangements jointly controlled by two or more parties and include joint operation and joint venture. A joint arrangement has the following characteristics: (a) the parties are bound by a contractual arrangement, and (b) the contractual arrangement gives two or more of those

parties joint control of the arrangement. IFRS 11 "Joint Arrangement" defined the joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (namely activities have material impact on returns of the agreement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 unless the entity is exempted from applying the equity method as specified in that standard.

To evaluate the classification of the joint arrangement, the Consolidated Company considered the structure of the arrangement, the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances. The previous evaluation considered only the structure of the arrangement. The Consolidated Company reevaluated the joint arrangement it participated in and reclassified the "joint control entity" to "joint venture". That investment though has been reclassified, the equity method will still be adopted as its accounting treatment. Thus assets, liabilities and comprehensive income which have already been recognized will not be affected.

(XII)Investment Properties

Investment 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.

(XIII) 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 1～69 years

(2) Office equipment	3～5 years
(3) Transportation equipment	5 years
(4) Other equipment	1～10years
(5) 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.

(XIV) Lease

1. Lessor

The rental income from operating leases is recognized as income over the period of the lease in accordance with the straight-line method. 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.

2. Lessee

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.

(XV) 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. Regarding equity method investment, the book value of the goodwill is included in the book value of the investment, and the impairment loss of that investment will be treated as part of book value of the equity investment rather than be classified to goodwill and other assets.

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.

(XVI) 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.

For goodwill and intangible assets without certain useful life, an impairment loss assessment shall be proceeded annual no matter whether there is an indication of impairment.

The recoverable amount is the fair value of an individual asset or cash-generating unit less disposal cost and the value in use whichever is higher. When assessing the value in use, the estimated future cash flow shall be discounted at the pre-tax discount rate to calculate its present value. That discount rate shall reflect the market assessment of time value of money and certain unit risk generated by that asset or cash.

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.

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.

(XVII) 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.

(XVIII) Income Recognition

1. Revenue from Contracts with Customers (applicable from January 1, 2018)

Revenue is measured by the right of receiving the transaction price after transferring goods or services. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. The main items for revenue of the Consolidated Company is as below:

(1) Construction and sale of columbarium and cemeteries

The Consolidated Company invests in and constructs columbarium and cemetery for sale, and sells before or during construction frequently. The Consolidated Company recognizes revenues when control of the product is transferred, which is when the permanent use right has been transferred to the customer after the construction is completed and all receivables are collected.

For columbarium, cemeteries, and preneed contracts that are sold in advance, and usually sign a contract that contains the installments until the good or service is transferred to the customer during the period, if the contract contains finance income, it will recognize interest revenue in accordance with payment period; the unconditional right for the transaction price will be recognized as accounts receivable, the advance will be recognized as contract liabilities, and the accumulated amount of contract liabilities will be recognized as revenue at the time

the good or service is transferred to the customer.

In Accordance with "Mandatory Provisions to be Included in and Prohibitory Provisions of Standard Form Purchase and Sale Contract for Bone Ashes Storage Entity" issued by the Ministry of the Interior, for all standard form contracts signed after the regulation effective date on April 1, 2013, relevant provisions for future rescission and refund and promise for the useful life shall be estimated according to historical experience.

(2) Funeral services

Funeral services revenues are recognized upon the completion of the labor service.

(3) Rental

The rental 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 "Rental income" of the operating income.

(4) Land development and sale of properties

The Consolidated Company develops and sell residential real estate, and recognizes revenues when control of the real estate is transferred, therefore, the Consolidated Company recognizes revenues at the time

when legal ownership has been transferred to the customer and the property has been delivered. However, revenue will still be recognized if only one criterion mentioned above has been completed before the reporting date and the other one has been actually completed after the reporting date.

Revenue is measured by the transaction price agreed in the contract. In most cases, if the one being sold is a readily available property, the transaction price can be collected at the time the legal ownership of the property transferring to the customer. In a few cases, payment could be deferred if agreed in the contract, however, the deferment shall be within twelve months. Therefore, no adjustment to transaction price will be made for the sake of reflecting the effect of significant financing component. If the one being sold is a presale real estate, it is usually signed under a contract that contains the installments until the real estate is transferred to the customer during the period, if the contract contains significant financing component, the transaction price will be adjusted according to the loan interest of construction projects to reflect the effect of time value of money during the period. The advance will be recognized as contract liabilities, adjustment for the effect of time value of money will be recognized as interest expense and contract liabilities. The accumulated amount of contract liabilities will be recognized as revenue at the time when the real estate

is transferred to the customer.

(5) Construction contract

The Consolidated Company engages in the construction of houses, commercial buildings and public construction. For the reason that clients have the control right over the assets when construction is still in process, revenues are recognized based on the percentage of the actual costs incurred to date to the total expected contract costs. A contract contains both fixed consideration and variable consideration. Customers pay fixed consideration on the agreed schedule. Some variable considerations (such as penalties calculated based on days delayed and subsidy for price adjustment) are estimated based on historical expected value. The Consolidated Company recognizes variable consideration if it is highly probable that the recognition will not result in a significant revenue reversal. A contract asset will be recognized if the customer has not yet paid the related consideration and that contract asset will be reclassified as note receivables when the Consolidated Company owns unconditional rights to the consideration.

If the progress toward completion is not able to be assessed reasonably, the contract revenue can be recognized only within the range of estimated collectable costs.

When the Consolidated Company expects that the inevitable costs of an obligation of a construction contract will exceed the economic

benefits expected to be gained from the contract, a contract provision for that onerous contract shall be presented.

If the situation changes, estimation to revenue, cost and completion progress will be adjusted. Relevant increase and decrease will be presented in the income statement when the management finds out the change and makes the adjustment.

2. Revenue from Contracts with Customers (applicable until January 1, 2018)

(1) Construction and sale of columbarium and cemeteries

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.

(XIX) Costs from Contracts with Customers

1. Incremental Costs of Obtaining a Contract

   If the Consolidated Company expects that the incremental costs of obtaining a contract from customer are to be recovered, these costs are recognized as an asset. Incremental costs of obtaining a contract are costs that would not have been incurred had that individual contract not been obtained. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless whether the contract is obtained.

(XX) 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.

(XXI) 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.

(XXII) 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 convertible bond and the estimated bonus to employees.

(XXIII) 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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. Accounting policy involving critical judgment and having significant effect on the amounts recognized in the consolidated financial statements

   (1) Classification of Joint Arrangement

   Long Young Life (Cayman) Limited Co., a joint arrangement participated by the Consolidated Company, is structured as a single vehicle. The Consolidated Company owns the residual interests of the net asset of Long Young Life (Cayman) Limited Co, thus the Consolidated Company classified that joint arrangement as a joint venture and adopted equity method to treat relevant accounting recognition. Details can be found in Note 6 (7).

2. 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:

   (1) Impairment of receivables

   The receivable provision of the Consolidated Company is estimated based on assumptions of default risk and expected loss ratio. The Consolidated Company considered historical experience, current market condition and forward-looking estimation to judge and calculate the assumption upon calculating the impairment and choose the input amount. Explanation to relevant assumption and input amount can be found in Note 6 (3).

   (2) 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 (11).

(3) Measurement of defined benefit obligation

The defined benefit cost and defined benefit liabilities (assets) of a defined benefit plan are measured by the projected unit credit method, which adopts assumption including discount rate, employee separation rate and future salary increase rate, etc. If those assumptions change with changes of market and economic condition, recognized costs and liabilities may be effected significantly. Explanation for significant assumption adopted by the actuarial valuation and sensitivity analysis can be found in Note 6 (16).

(4) Recognition of deferred income tax asset

A deferred income tax asset is recognized for deductible temporary differences and unused tax credit when it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilized. The Consolidate Company adopted tax deduction assumption based on future sale growth, margin, tax exemption period, usable tax deduction and tax plan to measure the feasibility of a deferred income tax asset. The changes of economy, industrial environment and regulations may cause significant effect on the deferred income tax asset. Details of the measurement of the deferred income tax asset can be found in Note 6 (17).

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:

1. Note 6 (5) Non-current Assets Held for Sale

2. Note 6 (10) Investment Property
3. Note 6 (25) Financial Instruments

VI. IMPORTANT ACCOUNTING ACCOUNTS

(I) Cash and cash equivalent

	12.31.2018	12.31.2017
Cash on hand	$ 3,966	5,690
Demand deposits	189,996	161,997
Check deposits	40	94
Time deposits	-	2,000
Cash and cash equivalent on the Consolidated Statement of Cash Flow	**$ 194,002**	**169,781**

1. Time deposits, which are used for short-term cash commitments instead of investment or other purposes 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(25).

(II) Financial assets

1. Current financial assets at fair value through profit and loss

	12.31.2018	12.31.2017
Financial assets at fair value through profit and loss:		
Domestic and foreign common stocks	$115,590	-
Beneficiary certificates	1,411,592	-
Financial assets held for trading		
Domestic and foreign common stocks	-	516,334
Beneficiary certificates	-	941,201
Total	**$ 1,527,182**	**1,457,535**

(1) For profits and losses recognized from the reevaluation at fair value, please refer to Note 6(24).

(2) Those recognized as financial assets at fair value through profit and loss as of December 31, 2018 were recognized as financial assets held for trading and available-for-sale financial assets as of December 31, 2017.

2. Financial assets at fair value through other comprehensive income – non-current

	12.31.2018
Liability instruments at fair value through other comprehensive income:	
Bonds	$ 1,722,906
Equity instruments at fair value through other comprehensive income:	
Domestic and foreign common stocks	8,034,494
Beneficiary certificates	291,450
Total	**$ 10,048,850**

(1) Liability instruments at fair value through other comprehensive income

The Consolidated Company held bond investment through cash flow from contract with customers and sales of financial assets, thus the Company categorized those investments in bonds as financial assets at fair value through other comprehensive income from January 1, 2018. As of December 31, 2017, those investment were recognized as financial assets held for trading and financial assets held-to-maturity.

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.625% and 4.50% as of December 30, 2018. The maturity years were between 2020 and 2028.

For profits and losses from disposal of investment, please refer to Note 6 (24).

(2) Equity instruments at fair value through other comprehensive income

The Consolidated Company was for long-term strategic reason and not for trading to hold those equity instruments, thus recognized them at fair through other comprehensive income. Those equity instrument were categorized as available-for-sale financial assets, financial assets at fair value through profit and loss and financial assets carried at costs as of December 31, 2017.

The Consolidated Company made disposal of a portion of equity instruments at fair value through other comprehensive income with a fair value at NT$95,819 thousand and an accumulated disposal profits of NT$9,269 thousand, which have been transferred from other comprehensive income to retained earnings.

One of the Consolidated Company's investee, PK Venture Capital Corp, was liquidated on December 13, 2018 with a liquidation distribution of NT$2,551 thousand. The difference between the distribution and book value was NT$21,611 thousand. The foregoing accumulated liquidation loss has been transferred from other comprehensive income to retained earnings.

The Consolidated Company recognized an impairment loss of NT$5,940 thousand of Creative Space Design Co.in 2018 due to its continuous losses.

Details of credit risks (including impairment of debt instrument

investment) and market risks can be found in Note 6 (25).

None of foregoing financial assets are pledged as a collateral.

3. Available-for-sale financial assets – non-current

	12.31.2017
Listed investment:	
Domestic and foreign common stocks	$ 6,365,378
Bonds	1,832,729
Beneficiary certificates	387,013
Total	**$ 8,585,120**

(1) The coupon rates of the Consolidated Company's bonds recognized as available-for-sale financial assets – non-current as of December 31, 2017 were between 2.10%~6.38%. The maturity years were from 2020 to 2046.

(2) Investment mentioned above were recognized as financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss as of December 31, 2018.

4. Held-to-maturity investment – non-current

	12.31.2017
Bonds	**$ 614,83**

(1) The Consolidated Company's bond investment amounted to NT$200,000 thousand was recognized as financial assets at fair value through other comprehensive income on December 31, 2018, other investment targets were as financial assets at amortized cost.

(2) The coupon rates of the Consolidated Company's investments in held-to-maturity bonds were both from 1.85% to 2.08% as of December 31, 2017. The maturity years were from 2021 to 2025.

5. Financial assets at amortized cost – non-current

	12.31.2018
Bonds	**$ 1,017,051**

(1) The Consolidated Company held above investment to its maturity in order to collect the contract cash flow, which was purely for paying the

principle and interests of outstanding principle, thus the Company cauterized those investments as financial assets carried at amortized cost from January 1, 2018.

(2) The coupon rates of the Consolidated Company's investments in financial assets at amortized cost were between 0.625% and 2.45% as of December 31, 2018. The maturity years were from 2020 to 2027.

6. Financial assets carried at cost – non-current

	12.31.2017
Stock Investment - PK Venture Capital Corp.	$ 3,277
Stock Investment – FORTUNE IC FUND I	4,030
Stock Investment – Chen-Yuan Industry Co., Ltd	1,785
Stock Investment-Creative Space Design Co. Ltd.	9,900
Total	**$ 18,992**

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. Assets mentioned above were re-categorized as financial assets at fair through other comprehensive income.

7. For details of trusting part of the Consolidated Company's financial assets as of December 31, please refer to Note 9 (3).

8. For details of the Consolidated Company's financial assets pledged as collateral as of December 31, 2018 and 2017, please refer to Note 8.

9. Sensitivity analysis – risks from equity price change

The impact of the changes in equity price on the reporting date (the analysis of two terms are completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

	2018		2017	
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%	**$ 786,000**	**11,109**	**632,807**	**49,184**

Decreased by 10%	**$ (786,000)**	**(11,109)**	**(632,807)**	**(49,184)**

(III) Account Receivables and Note Receivables

	12.31.2018	12.31.2017
Note receivables – from operation	$ 6,345	16,577
Account receivables – at amortized cost	9,538,757	1,062,738
Less: allowance	(60,875)	(53,313)
Unrealized interest revenues	(729,486)	-
	$ 8,754,741	**1,026,002**

The Consolidated Company estimated expected credit risk of all account receivables and note receivables by the simplified method, which evaluates the expected credit losses by the duration. The Consolidated Company's expected credit losses from account receivables and note receivables are analyzed below.

	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue(*)	$ 9,490,896	0.00%~0.22%	2,208
Overdue for 31~90 days	6,132	29.65%	1,818
Overdue for 91~180 days	2,160	78.08%	1,687
Overdue for 181~270 days	2,022	91.84%	1,856
Overdue for 270 days and more	43,892	100%	43,892
	$ 9,545,102		**51,461**

*Account receivables as of December 31, 2018 included undue account receivables of NT$8,500,476 thousand.

Realized credit loss pattern was adopted to evaluate allowance of account receivables and note receivables as of December 31, 2017. Analysis of age of receivables for receivables which were overdue but not deducted as of December

31, 2017 are listed below.

	12.31.2017
Overdue for 31~60 days	$ 44,345
Overdue for 61~90 days	22,210
Overdue for 91~120 days	12,184
Overdue for 120 days and more	67,415
	$ 146,154

Change of the Consolidated Company's allowance for account receivables and note receivables are listed below.

		2017	
	2018	Allowance losses by individual evaluation	Allowance losses by group evaluation
Beginning balance (based on IAS39)	$ 53,313	-	33,730
Adjustment when IFRS 9 first applied	-		
Ending balance (based on IFRS 9)	53,313		
Recognized allowance loss	7,763	-	19,583
Bad debt written off	(201)	-	-
Ending balance	**$ 60,875**	**-**	**53,313**

(IV) Inventory

	12.31.2018	12.31.2017
Columbarium and cemetery for sale	$ 3,099,606	2,477,979
Construction Site	4,601,056	4,600,606
Residential and building under construction	92,118	74,602
Columbarium and cemetery under construction	7,647,985	7,615,162
	$ 15,440,765	**14,768,349**
Expected to be recovered in more than twelve months	**$ 15,419,793**	**14,593,436**

1. As of year 2018 and 2017, the interest which was recognized by the Consolidated Company and capitalized amount of residential and buildingunder construction as well as columbarium and cemetery under

construction is zero.

2. Parts of the land of the Company (refer to as "the principal") were registered by the trustee's name in order to deal with the land purchasing. The two sides signed the contract regulating after land consolidation has been completed, the property will be transferred to the Company unconditionally. The trustee shall, at the same time, hand over the documents required for the transfer of the right to the principal. In addition, the entrusted shall hand over the promissory note with the same value of the land opened and registered under his/her name to the principal.
3. For the Consolidated Company's inventories pledged as collateral as of December 31, 2018 and 2017, please refers to Note 8.

(V) Non-current Assets Held for Sale

	12.31.2018
Land held for sale	$ 1,762,998
Houses and buildings held for sale	802,685
	$ 2,565,683

The Consolidated Company's Board meeting made resolution on August 10, 2018 to dispose part of its investment properties. Since no impairment occurred when comparing the book value and the fair value minus disposal costs, those assets for sale were recognized at book value in non-current assets held for sale.

(VI)The investment under equity method

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

	12.31.2018	12.31.2017
Affiliates	$ 417,658	425,480
Joint venture	791,448	-

	$ 1,209,106	425,480

・ Affiliates

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

Affiliates	Nature of the relationship with the Company	Major operating place/ Country	Ownership & voting ratio	
			12.31.2018	12.31.2017
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

・ Financial information for Lung Ting Life Sciences Ltd:

	12.31.2018	12.31.2017
Current Assets	$ 222,526	205,070
Non-current Assets	265,544	295,178
Current Liabilities	(13,060)	(11,272)
Net Assets	(1,677)	-
Net Assets attributable to controlling equity	**$ 473,333**	**488,976**
Net Assets attributable to the owner of the investee	**$ 241,400**	**249,378**
Current Assets	**$ 231,933**	**239,598**

	2018	2017
Operating Revenue	**$ 110,879**	**98,299**
Current net loss	(15,643)	(20,943)
Other comprehensive profit or loss	-	-
Total profit or loss	**$ (15,643)**	**(20,943)**
Total comprehensive profit or loss attributable to controlling equity	**$ (7,978)**	**(10,681)**

	2018	2017
The share of the Company's net assets of affiliated enterprises at the beginning period	$ 239,598	249,860
Total comprehensive profit or loss attributable to the Consolidated Company	(7,665)	(10,262)
The book value of the Company's equity in the	**$ 231,933**	**239,598**

affiliated enterprise of the Company

(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.

	12.31.2018	12.31.2017
Ending balance of affiliated enterprise under equity method which is not significant individually	$ 185,725	185,882

	2018	2017
Attribute to the Company:		
Continuing operations' current loss	$ (291)	(928)
Other comprehensive profit or loss	1,255	(368)
Total comprehensive profit or loss	$ 964	(1,296)

(3) As of December 31, 2018 and 2017, the Consolidated Company did not have its investment using equity method pledged as collateral.

(4) Joint Venture

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 Long Young 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 since 2018 instead.

Long Young Life's financial condition was summarized in below table based on its own financial reports and fair value at acquisition and differences in accounting policy were adjusted accordingly.

	12.31.2018
Ownership	50%
Non-current assets	$ 1,562,292
Current assets	27,247
Current liabilities	(6,643)
Net assets	$ 1,582,896
Cash and cash equivalents	$ 27,247
Net assets attributable to the Consolidated Company	$ 791,448

	2018
Revenues	$ -
Net losses	-
Net losses from continuing operations	(68,573)
Other comprehensive income	(81,291)
Total comprehensive income	$ (149,864)
Net income attributable to the Consolidated Company(*)	$ (34,285)
Other comprehensive income attributable to the Consolidated Company	$ (40,646)

*Ending exchange rate of US$ on December 31, 2018: 30.733; average exchange rate of US$ for the year 2018: 30.189

(VII) Loss of Control to Subsidiary

The Consolidated Company lost control to Long Young Life (Cayman) Co. Ltd., Long Young Life (Hong Kong) Co., and Wenzhou Lungyen Co. on January 1, 2018., Based on fair value on December 31, 2018, total losses from writing-off net book value and remained equity were estimated to be US$234 thousand.

Book value of assets and liabilities of company mentioned above as of December 31, 2017 as below:

Cash and cash equivalents	$	17,621
Prepayment		676,900
Other financial assets		146,080
Other current assets		1,080
Real estate, plant and equipment		1,326
Differed tax assets		5,481
Other payables		(1,255)
Book value of subsidiaries' net assets	**$**	**847,233**

(VIII) 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:

Name of subsidiaries	Main operation location/ Country of registration	Proportion of shareholdings held by non-controlling interest and voting rights	
		12.31.2018	12.31.2017
Yuji construction Co. Ltd.	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:

		12.31.2018	12.31.2017
Current asset	$	3,422,653	2,927,368
Non-current asset		412,149	381,974
Current liability		(653,960)	(383,203)
Equity	**$**	**3,180,842**	**2,926,139**
Book value of ending non-controlling interests	**$**	**1,430,081**	**1,313,986**

	2018	2017
Operating revenue	$ 583,347	1,276,921
Net income	249,472	744,583
Other comprehensive income	5,230	(7,353)
Total comprehensive income	**$ 254,702**	**737,230**
Net income, attributable to non-controlling interest	**$ 113,710**	**339,382**
Total comprehensive income, attributable to non-controlling interest	**$ 116,095**	**336,030**

	2018	2017
Cash flows from operating activities	$ 11,601	(830)
Cash flows from investing activities	(15,350)	20,560
Cash flows from financing activities	-	(18,000)
Net cash flow increase (decrease)	**$ (3,749)**	**1,730**

(IX) Property, Plant, and Equipment

The changes in the cost, depreciation, and impairment loss of the consolidated company's property, plant, and equipment of year 2018 and 2017 are 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, 2018	$ 2,359,206	2,770,810	93,403	56,283	4,100	170,088	1,022,373	6,476,263
Additions	17	4,157	4,302	925	-	15,437	47,091	71,929
Disposal and scrap	-	(2,777)	(2,990)	(618)	-	(389)	-	(6,774)
Loss control of subsidiary	-	-	(1,516)	(88)	-	-	-	(1,604)
Reclassification	56,776	57,440	1,000	-	-	1,972	(117,238)	(50)
Balance on Dec. 31, 2018	$ 2,415,999	2,829,630	94,199	56,502	4,100	187,108	952,226	6,539,764
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)
Reclassification	1,994	34,596	17,029	-	-	15,257	(66,882)	1,994
Effects of Changes in Foreign Exchange Rates	-	-	35	1	-	-	-	36
Balance on Dec. 31, 2017	$ 2,359,206	2,770,810	93,403	56,283	4,100	170,088	1,022,373	6,476,263
Depreciation and impairment loss:								
Balance on January 1, 2018	$ -	449,850	69,761	54,066	3,113	54,508	-	631,298
Current depreciation	-	72,832	7,884	784	180	18,939	-	100,619
Disposal	-	(666)	(2,919)	(373)	-	(222)	-	(4,180)
Loss control of subsidiary	-	-	(240)	(38)	-	-	-	(278)
Reclassification	-	(60)	-	-	-	60	-	-
Balance on Dec. 31, 2018	$ -	521,956	74,486	54,439	3,293	73,285	-	727,459
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)
Effects of Changes in Foreign Exchange Rates	-	-	3	-	-	-	-	3
Balance on Dec. 31, 2017	$ -	449,850	69,761	54,066	3,113	54,508	-	631,298
Book value:								
December 31, 2018	$ 2,415,999	2,307,674	19,713	2,063	807	113,823	952,226	5,812,305
January 31, 2018	$ 2,357,212	2,351,957	15,680	1,592	1,167	108,118	1,030,922	5,866,648
December 31, 2017	$ 2,359,206	2,320,960	23,642	2,217	987	115,580	1,022,373	5,844,965

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 Principal unconditionally upon the completion of land consolidation. The 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 details of assets pledged as collateral as of December 31, 2018 and 2017, please refer to Note 8.
3. For details of part of the property, plant and equipment trusted as of December 31, 2018 and 2017, please refer to Note 9 (3)

(X) Investment Property

The changes in investment for the Company as the followings:

	Land and improvements	Building and structure	Total
Cost or identified cost:			
Balance on January 1, 2018	$ 5,022,148	1,992,136	7,014,284
Addition	-	675	675
Disposal	(129)	(167)	(296)
Reclassified as asset to be sold	(1,762,998)	(977,063)	(2,740,061)
Balance on December 31, 2018	**$ 3,259,021**	**1,015,581**	**4,274,602**
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**
Depreciation and impairment loss:			
Balance on January 1, 2018	$ 19,910	508,269	528,179
Current depreciation	-	27,301	27,301
Disposal	-	(72)	(72)
Reclassified as asset to be sold	-	(174,378)	(174,378)
Balance on December 31, 2018	**$ 19,910**	**361,120**	**381,030**
Balance on January 1, 2017	$ 19,910	462,337	482,247
Current depreciation	-	45,932	45,932

Balance on December 31, 2017	$	19,910	508,269	528,179
Book value:				
December 31, 2018	$	3,239,111	654,461	3,893,572
January 1, 2017	$	5,004,232	1,529,799	6,534,031
December 31, 2017	$	5,002,238	1,483,867	6,486,105
Fair value:				
December 31, 2018				$ 7,230,329
December 31, 2017				$ 10,499,022

1. Investment property contains a number of commercial properties leased to others. Please refer to Note 6 (15).
2. The Company reclassified part of land, building and structure as non-current asset to be sold after resolution of the Board of directors on August 10, 2018.
3. With regards to real estate delivered to investment trust case as of December 31, 2018 and 2017, please refer to Note 9 (3).
4. For the investment property pledged for collateral as of December 31, 2018 and 2017, please refer to Note 8.

(XI) Intangible Assets

Cost, amortization and impairment loss of the Consolidated Company's intangible assets as the followings:

	Goodwill	Trademark	Computer Software	Total
Cost:				
Balance on January 1, 2018	$ 542,428	192,750	121,954	857,132
Acquired separately	-	-	12,161	12,161
Balance on December 31, 2018	$ 542,428	192,750	134,115	869,293
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
Amortization and impairment loss:				
Balance on January 1, 2018	$ -	-	92,501	92,501
Current Amortization	-	-	17,427	17,427

Balance on December 31, 2018	**$ -**	**-**	**109,928**	**109,928**
Balance on January 1, 2017	$ -	-	76,462	76,462
Current Amortization	-	-	16,039	16,039
Balance on December 31, 2017	**$ -**	**-**	**92,501**	**92,501**
Book value:				
Balance on December 31, 2018	**$ 542,428**	**192,750**	**24,187**	**759,365**
January 1, 2017	**$ 542,428**	**192,750**	**40,048**	**775,226**
Balance on December 31, 2017	**$ 542,428**	**192,750**	**29,453**	**764,631**

The Consolidated Company conducts impairment assessment for goodwill and trademark every year. According to the impairment assessment carried out on December 31, 2018 and 2017, no impairment loss shall be recognized.

Explanation for critical assumptions adopted in calculating the recoverable amounts are as follows.

1. The future cash flow was estimated based on the 5-year financial budget which was compiled according to the management's estimation to historical operation results and future operation plan.
2. The industrial weighted average cost of capital (WACC) was adopted as the pre-tax discount rate to conduct the calculation.

(XII) Other Financial Assets - Current

The Consolidated Company's other financial assets as below:

	12.31.2018	12.31.2017
Time deposit – trust account	$ 350,000	609,698
Current deposit – trust account	828,307	637,912
Current deposit – management fees account	853,870	881,491
Financial products	-	146,080
Other receivables	7,530	4,735
Bond interest receivables	20,551	19,950

Restricted assets	709	709
Receivables for sales of securities	42,865	64,161
Others	9,593	9,792
Total	$ 2,113,425	2,374,528

(XIII) Short-term loan

	9.30.2018	12.31.2017
Guaranteed bank loans	$ 2,762,000	2,492,000
Unguaranteed bank loans	403,300	332,000
Total	$ 3,165,300	2,824,000
Unused credit lines	$ 3,302,700	2,404,000
Range of interest rates	0.68%~1.15%	0.68%~1.83%

1. For details of the Consolidated Company's exposure to exchange rate, foreign currency and liquidity risk, please refer to Note 6 (25).
2. For the Consolidated Company's assets pledged as collateral for bank loans, please refer to Note 8.

(XIV) Bond Payable

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

	12.31.2018	12.31.2017
Unsecured convertible bond	$ 3,190,916	3,139,651
Equity component- convertible rights (booked as capital reserve)	$ 9,961	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$59.30 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

(XV) Operating Lease

The Consolidated Company leased its investment property by means of operating lease, for more information please refer to Note6 (10).The minimum lease amount of future receivables during the guaranteed lease period is as the follows:

	12.31.2018	12.31.2017
Within 1 year	$ 190,813	194,008
1~5 years	642,567	565,082
Over 5 years	1,568,232	1,429,820
	$ 2,401,612	**2,188,910**

The rent income arising from the investment property amounted to NT$201,315 thousand and NT$189,921 thousand as of year 2018 and 2017, respectively. The tax and depreciation expenses (booked in the “Operating cost”) incurred from investment property are as follows:

	2018	2017
Rent income generated	$ 66,425	91,468

Rent income not generated	-	-
	$ 66,425	**91,468**

(XVI) Employee Welfare

1. Defined benefit plan

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

	12.31.2018	12.31.2017
Total present value of obligations	$ 38,665	38,896
The fair value of plan assets	(7,979)	(7,633)
Recognized defined benefit obligations liability (asset), net	**$ 30,686**	**31,263**

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$7,979 thousand and NT$7,633 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 2018 and 2017 as follows:

	2018	2017
Value of defined benefit obligation balance January 1	$ 38,896	37,579
Current service cost and interest	619	692
Re-measurement of net defined benefit obligation liability		
－Actuarial loss (gain) adjusted based on experience	(1,807)	(1,205)
－Actuarial loss (gain) caused by change of demographic statistics assumption	79	623
－Actuarial loss (gain) caused by change of finance assumption	1,147	1,207
Previous service costs	(269)	-
Value of defined benefit obligation balance December 31	**$ 38,665**	**38,896**

(3) Changes in the present value of plan assets

Annual Consolidated Company 2018 and 2017 changes in the present value of the defined benefit plan assets are as follows:

	2018	2017
The fair value of plan assets on January 1	$ 7,633	7,521
Interest income	98	118
Re-measurement of net defined benefit obligation liability (asset)		
－Expected return on plan assets (excluded current interest)	210	(44)
Appropriated amount	38	38
The fair value of the plan assets is December 31	**$ 7,979**	**7,633**

(4) Expenses through profit or loss

The Consolidated Company recognized gains and losses for year 2018 and 2017 as

follows:

	2018	2017
Current service cost	$ (135)	130
Net interest of net defined benefit obligation liability	386	444
	$ 251	574

(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 2018 and 2017 as follows:

	2018	2017
January 1 cumulative balance	$ (9,185)	(8,516)
Recognition during this period	791	(669)
December 31 cumulative balance	$ (8,394)	(9,185)

(6) Actuarial assumptions

The Consolidated Company's principal actuarial assumptions (expressed as weighted average) in 2018 and 2017 are as follows:

	12.31.2018	12.31.2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

The Consolidated Company expects to pay appropriated amount NT$729 thousand to defined benefit plan within 1 year after report day of 2018.

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, 2018 and 2017, 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, 2018		
Discount rate (change 0.25%)	$ (1,141)	1,189
Future wage increase (change 0.25%)	1,175	(1,133)
December 31, 2017		
Discount rate (change 0.25%)	(1,232)	1,286
Future wage increase (change 0.25%)	1,274	(1,226)

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 2018 and 2017, the Consolidated Company actual appropriated pension expense is NT$18,72 thousand and NT$18,735 thousand, respectively. The amount has already been appropriated to Bureau of Labor Insurance.

(XVII) Income Tax

On February 7, 2018, the R.O.C. government announced the amendment to the Income Tax Law to adjust the corporate income tax rate from 17% to 20%, which starting from January 1, 2018.

1. Income tax expense

The Consolidated Company's income tax expenses are as follows:

	2018	2017

Current income tax expenses		
Current generated	$ 263,049	243,300
Overestimate (underestimate) of previous income tax	17,209	(3,640)
Land value increment tax	1,452	1,562
Additional 10% Surtax on Undistributed Retained Earnings	127,885	77,665
	409,595	318,887
Deferred income tax expenses (profits)		
Change in income tax rate	(137,898)	-
Temperate differences happened and reversal	35,647	(54,739)
Current income tax expenses	(102,251)	(54,739)
Current generated	**$ 307,344**	**264,148**

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

	2018	2017
Pre-tax profit	$ 2,598,818	2,446,181
Income tax rate calculation using the domestic tax rate and dividend revenues	519,764	446,402
Profits from equity method investment	(186,031)	(238,460)
Tax-exempt income	8,448	-
Restoration of temporary management fee received in advance	(5,949)	(6,761)
Change of income tax rate	17,209	(8,933)
Prior period overestimated income tax	(137,898)	-
Land appreciation tax	1,452	1,562
Undistributed earnings to 10%	127,885	77,665
Other	(37,536)	(7,327)
	$ 307,344	**264,148**

1. Deferred tax assets and liabilities

(1) Unrecognized deferred income tax assets and liabilities

December 31, 2018 and 2017 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 assets and liabilities. Related amounts are as follows:

	12.31.2018	12.31.2017
Temporary differences associated with investments in subsidiaries aggregated amount	$ (14,471)	42,400
Amount not recognized as deferred tax (assets) liabilities	$ (2,894)	7,208

(2) Unrecognized deferred tax assets

The Company unrecognized deferred income tax assets as follows:

	12.31.2018	12.31.2017
Deductible temporary differences	$ 889	-
Tax loss	18,847	12,899
	$ 19,736	12,899

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, 2018, 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 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	15,325	2027
Authorized loss in 2018	23,724	2028
	$ 94,238	

(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, 2018	$ 15,879	3,115	18,994
Debit (credit) to income statement	(3,425)	550	(2,875)
December 31, 2018	**$ 12,454**	**3,665**	**16,119**
January 1, 2017	$ 21,172	3,115	24,287
Debit (credit) to income statement	(5,293)	-	(5,293)
December 31, 2017	**$ 15,879**	**3,11**	**18,994**

Deferred tax assets:

	Cemetery Revenue	Contract Revenue	Other	Total
January 1, 2018	$ 622,472	104,162	79,266	805,900
(Debit) credit to income statement	36,301	16,204	46,871	99,376
(Debit) credit to exchange profits and losses	-	-	(5,481)	(5,481)
December 31, 2018	**$ 658,773**	**120,366**	**120,656**	**899,795**
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 profit (loss)	-	-	81	81
December 31, 2017	**$ 622,472**	**104,162**	**79,266**	**805,900**

The Company's income tax returns have been audited by the tax authorities up to 2013.

(XVIII) 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 420,084 thousand common stock shares issued as of December 31, 2018 and 2017 respectively.

Adjustments for the Consolidated Company's numbers of outstanding shares for 2018 and 2017 are as follows:

(Thousand shares)

	Ordinary Shares	
	2018	**2017**
Balance on January 1	420,084	399,084
Capital increase	-	21,000
Balance on December 31	**420,084**	**420,084**

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:

	12.31.2018	**12.31.2017**

Stock premium	$ 2,486,172	2,486,172
Difference between disposal price and book value of subsidiaries' equity	20,972	20,972
Recognition changes in net equity of subsidiaries	2,849	2,849
Stock option for convertible bonds issued	9,961	9,961
Total	**$ 2,519,954**	**2,519,954**

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.

	2018	2017
Balance on January 1	$ -	401,665
Reversal of special reserve	-	(401,665)
Balance on December 31	$ -	-

(3) Distribution of earnings

The Company's distribution of 2017 earnings was resolved in the general shareholders' meeting on June 20, 2018, and the Company's distribution of 2016 earnings was resolved in the general shareholders' meeting on June 21, 2017. The distribution of dividends to shareholders is as follows:

	2017	2016

	Share distribution rate (NT$)	Amount	Share distribution rate (NT$)	Amount
Dividends distributed to common stock shareholders:				
Cash	$ 2.50	**1,050,210**	1.20	**504,101**

4. Other equity

	Exchange differences from the translation of foreign institution's financial statements	Investments at fair value through other comprehensive income	Available-for-sale investment	Total
January 1, 2018	$ (13,825)	-	472,440	458,615
Retrospective adjustment due to new accounting standard	-	264,279	(472,440)	(208,161)
Re-estimated balance on January 1, 2018	(13,825)	264,279	-	250,454
The Consolidate Company	34,825	436,647	-	471,472
Exchange difference of affiliate company using equity method	(45,815)	-	-	(45,815)
Disposal of equity instruments measured at fair value through other comprehensive income	-	12,342	-	12,342
Balance on December 31, 2018	**$ (24,815)**	**713,268**	**-**	**688,453**
January 1, 2017	$ (11,300)	-	408,657	397,357
The Consolidate Company	(4,848)	-	67,783	62,935
Unrealized profit (loss) from available-for-sale financial assets under 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**

5. Non-controlling equity

	2018	2017
Balance at beginning of period	$ 1,377,297	1,254,399
Non-controlling equity		

Net profit of non-controlling equity	110,939	338,034
Financial assets measured at fair value through other comprehensive income	2,384	(3,352)
Equity changes to subsidiaries	-	4,219
Acquisition of shares of subsidiaries to non-control equity	-	(216,003)
Balance at end of period	$ 1,490,620	1,377,297

(XIX) Earnings per share

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

	2018	2017
Basic earnings per share		
Net income attributable to the Consolidated Company's common stock shareholders:	2,180,535	1,843,999
Weighted average outstanding common stock shares	420,084	415,079
	$ 5.19	4.44
Diluted earnings per share		
Net income attributable to the Consolidated Company	$ 2,180,535	1,843,999
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
Convertible Bond	41,012	30,388
Net income attributable to the Consolidated Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	$ 2,221,547	1,874,387
Weighted average outstanding common stock shares	420,084	415,079
The impact of common stock shares with potential dilutive effect of the weighted average outstanding common stock shares		
The impact of stock bonus to employees	517	308
The impact of convertible bond	52,496	36,010
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	473,097	451,397
	$ 4.70	4.15

(XX) Revenues from Contracts with Customers

1. Details of revenues

	2018				
	Sales of columbarium and cemetery	Funeral services	Property leasing	Cemetery operation and others	Total
Main market area:					
Taiwan	$ 2,910,954	1,630,939	201,315	213,810	4,957,018
Revenues recognized at:					
Goods or services that are transferred at a certain point in time	$ 2,910,954	1,630,939	201,315	213,810	4,957,018

For details of revenues of 2017, please refer to Note 6 (21).

2. Outstanding contract amount

	12.31.2018	1.1.2018
Account receivables and note receivables	$ 9,545,102	1,079,315
Less: allowance	(60,875	(53,313)
Unrealized interests revenues	(729,486)	-
Total	$ 8,754,741	1,026,002
Contract liabilities – presale of columbarium and cemetery products and contracts of funeral services	$ 37,755,02	

For the disclosures of accounts receivables and allowances, please refer to Note 6(3).

NT$ 3,537,547 thousand of the contract liabilities balance on January 1, 2018 has been recognized as revenues during the year 2018.

Those contract liabilities are from sales of pre-sale cemetery and columbarium and pre-need funeral contract which have not yet been completed, paid off or performed. Those contract liabilities will be recognized as revenue when the recognition criteria are met.

(XXI) Revenues

The Consolidated Company's revenues for the year 2017 are as follows:

	2017
Sales of columbarium and cemetery	2,019,409
Funeral services	1,278,640
Rent from investment property	142,393
Other operation	165,158
	3,605,600

For details of revenues of 2018, please refer to Note 6 (20).

(XXII) Remuneration to Employees, Directors, and Supervisors

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

The Company's remuneration to employees as of the year 2018 and 2017 were NT$24,673 thousand and NT$21,149, and the remuneration to directors and supervisors were NT$49,345 thousand, NT$42,297 thousand. The estimated basis is that after-tax net income of the specific period before deducting the remuneration to employees and directors multiplied by the distribution ratio of the Company's Articles of association, and is reported as

operating expense during the period. When there is difference between the actual and estimated distribution amount in the next year, it will be conducted based on changes in accounting estimates, and recognized as profit or loss in the next year. If the Board resolves to pay stocks as employee remuneration, the calculation basis of the number of stock remuneration is in accordance with the closing price of the common stock on the day before the Board resolution.

In 2017 and 2016, the allowance amount of the remuneration to employees and directors and supervisors of the Consolidated Company had no difference with the actual apportion. For more information please refer to M.O.P.S.

(XXIII) Net Other Gains or Losses

The Consolidated Company's net other gains and losses are as follows:

	2018	2017
Interest income	$ 184,655	-
Marketing expenses	(39,037)	-
Management fees income	204,602	-
Management fees expenses	(204,602)	-
	$ 145,618	**-**

(XXIV) Non-operating Income and Expense

1. Other income

The Consolidated Company's other income is as follows:

	2018	2017
Interest income	$ 93,106	115,984

Dividend income	232,871	184,701
Fee income	12,291	14,657
Fines income	56,275	42,080
Other income	38,811	41,314
	$ 433,354	**398,736**

2. Other profit and loss

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

	2018	2017
Foreign exchange gain (loss)	$ 50,108	(136,843)
Net gains from net financial assets measured at fair value through income and loss	(12,347)	25,910
Gains (losses) from disposal of available-for-sale financial assets	-	27,814
Gains (losses) from disposal of financial assets at fair value through other comprehensive income	(27,734)	-
Gain (losses) from disposal of investment under equity method	(6,924)	-
Disposal of property, plant, and equipment	(1,780)	179
Disposal of investment property	525	-
Disposal of other non-current asset	347,626	-
Impairment loss	(5,940)	-
Other income (expense)	(5,257)	(2,470)
	$ 338,277	**(85,410)**

3. Financial cost

Details of the Consolidated Company's finance cost of year 2018 and 2017 are as follows:

	2018	2017
Interest expense	$ 32,007	44,428
Amortization for discount on cooperate bond	51,266	36,612
	$ 83,273	**81,040**

(XXV) Financial Instruments

1. Types of financial instruments

(1) Financial Assets

	12.31.2018	12.31.2017
Financial assets at fair value through income and loss	$ 1,527,182	1,457,535
Financial assets at fair value through other comprehensive income	10,048,850	-
Available-for-sale financial assets	-	8,585,120
Hold-to-maturity investment	-	614,832
Financial assets carried at amortized cost	1,017,051	-
Financial assets carried at cost	-	18,992
Financial assets carried at amortized cost (loans and receivables):		
Cash and cash equivalent	194,002	169,781
Notes receivable and accounts receivable	8,754,741	1,026,002
Other financial assets (current & non-current)	2,169,263	2,420,289
Sub-total	11,118,006	3,616,072
Total	**$ 23,711,089**	**14,292,551**

(2) Financial liabilities

	12.31.2018	12.31.2017
Financial liabilities carried at amortized costs:		
Short term loans	$ 3,165,300	2,824,000
Note, account and other payables	1,062,094	853,022
Bond payable	3,190,916	3,139,651
Guarantee deposit	71,542	60,931
Total	**$ 7,489,852**	**6,877,604**

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, thus credit risks of receivables are not concentrative. 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) Credit risks of account receivables and liabilities securities

For credit risk exposure to note receivables and account receivables, please refer to Note 6 (3). Other financial assets carried at amortized costs include other receivables.

Liabilities investments at fair value through other comprehensive income include non-listed liabilities securities (which were booked as available-for-sale or hold-to-maturity financial assets as of December 31, 2017)

Those mentioned above are all financial assets with low risks, thus the expected twelve-month credit loss amount is allied to evaluate the allowance during the reporting period (for details of how the Consolidated Company judges the credit risk, please refer to Note 4 (3)). Changes of allowance during 2018 are as follows:

	Other receivables	Liabilities securities carried at amortized costs	Liabilities securities at fair value through other comprehensive income	Total
Beginning balance (according to	$ 22,745	-	-	22,745

IAS39)				
Adjustment for IFRS 9 first applied	-	-	-	-
Beginning balance (according to IFRS 9)	22,745	-	-	22,745
Allowance	-	-	-	-
Ending balance	**$ 22,745**	**-**	**-**	**22,745**

3. Liquidity risk

The contract maturities of financial liabilities are illustrated in the table below, excluding the estimated interests and 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, 2018							
Non-derivative financial liabilities							
Floating rate instruments	$ 3,165,300	3,165,300	3,165,300	-	-	-	-
Fixed rate instruments	3,190,916	3,190,916	-	-	3,190,916	-	-
No interest-bearing liabilities	1,133,636	1,133,636	1,133,636	-	-	-	-
	$ 7,489,852	**7,489,852**	**4,298,936**	**-**	**3,190,916**	**-**	**-**
December 31, 2017							
Non-derivative financial liabilities							
Floating rate instruments	$ 2,824,000	2,824,000	2,824,000	-	-	-	-
Fixed rate instruments	3,139,651	3,139,651	-	-	-	3,139,651	-
No interest-bearing liabilities	913,953	913,953	913,953	-	-	-	-
	$ 6,877,604	**6,877,604**	**3,737,953**	**-**	**-**	**3,139,651**	**-**

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

4. Market risks

(1) Exchange rate risk

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

	12.31.2018	12.31.2017
	New Taiwan	New Taiwan

	Foreign currency	Exchange rate	Dollar	Foreign currency	Exchange rate	Dollar
Financial assets						
Monetary items						
RMB/NTD	$ 17,144	4.452	76,327	25,955	4.553	118,182
RMB/USD	250	0.145	1,111	1,657	0.153	7,543
USD/NTD	39,718	30.733	1,229,661	74,256	29.848	2,216,38
JPY/NTD	95,918	0.27	26,742	17,989	0.264	4,745
HKD/NTD	21,875	3.902	85,343	16,973	3.805	64,582
SGD/NTD	21,503	22.420	482,094	-	-	-
Non-monetary items	106	21.54	2,288	-	-	-
JPY/NTD						
USD/NTD	155,840	0.279	43,448	229,827	0.264	60,628
HKD/NTD	20,937	30.732	643,446	8,635	29.848	257,743
SGD/NTD	78,402	3.902	305,886	51,092	3.805	194,405

(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 the Consolidated Company's functional currency 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) of year 2018 and 2017, the net income was increased or decreased by NT$234,272 thousand and by NT$244,668 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. For the year 2018 and 2017, the foreign currency

exchange gain (loss) was NT$50,108 thousand and NT$(136,843), 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 for 2018 and 2017 is going to decreased or increased by NT$12,661 thousand and NT$11,720 thousand, respectively.

6. Fair value

(1) Financial instruments category and fair value

Fair value of the Consolidated Company's financial assets and liabilities at fair value through profits and losses, debt and hedging financial assets and financial assets at fair value though other comprehensive income (available-for-sale financial assets) are assessed based on repeatability. 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:

	12.31.2018				
		Fair Value			
	Book value	Class I	Class II	Class III	Total
Financial assets at fair value through profit or loss	$ 1,527,182	1,527,182	-	-	1,527,182
Financial assets at fair value through other comprehensive income	10,048,850	10,039,968	-	8,882	10,048,850
Financial assets at amortized costs	1,017,051	1,017,051	-	-	1,017,051
Total	**$ 12,593,083**	**12,584,201**	**-**	**8,882**	**12,593,083**

	12.31.2017				
		Fair Value			
	Book value	Class I	Class II	Class III	Total
Financial assets 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**

No financial assets and liabilities of each hierarchy were transferred during 2018 and 2017.

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

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

Financial assets at amortized costs (hold to maturity financial assets): If there's quoted market prices in active markets, the fair value is based on market price; if there's no market prices for references, the evaluation methods or counterparts' price will be adopted.

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

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

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

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

Except foregoing financial instruments traded in active markets, fair value of other financial instruments is measured by evaluation technique or estimated base on the counterparty's quoted price. Current fair value of other financial instruments, cash flow discount method and other evaluation techniques, such as modeling with available market information (e.g. the yield rate issued by the Taipei Exchange or Reuters's quotes for commercial papers) on the reporting date, can be used as the reference when using evaluation technique to measure the fair value.

Financial instruments held by the Consolidated Company's without active market are classifies based on classification and attribute as follows.

Equity instruments without public quote: the market comparable company method is adopted to measure the fair value. The investee's earnings before interests, tax, depreciation and amortization are used as the calculating base, and a multiple, which is derived from the market price of the listed comparable company, is applied to calculate the fair value. The estimate has been adjusted by the discount of lack of market liquidity.

(4) Details of changes in Class III

	Financial assets at fair value through other comprehensive

	income (available-for-sale) financial assets)		
	Equity instrument without public prices	Bonds	Total
January 1, 2018	$ 18,992	**-**	**18,992**
Total profits or losses			
Recognized as profit or loss	(5,940)	-	(5,940)
Liquidation	(3,277)	-	(3,277)
Return of capital reduction	(893)	-	(893)
September 30, 2018	**$ 8,882**	**-**	**8,882**

Total profits or losses mentioned above were recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income". Among which related asset still held as of December 31, 2018 are:

	2018
Total profits or losses	
Recognized in other comprehensive income (recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income")	$ -

(5) Quantitative information on the fair value measurement of significant unobservable input (class III)

The Consolidated Company's fair value measurement which categorized in class III mainly includes financial asset at fair value through other comprehensive income.

Most of the Consolidated Company's fair value measurement which categorized in class III equipped only one significant unobservable input; only equity instrument with active market has plural unobservable inputs. The significant unobservable inputs of investment in equity instrument without active market are mutually independent, thus no mutual relevance exists.

Information of significant unobservable inputs are quantified in below table:

Item	Measurement method	Significant unobservable input	Relation between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	• P/E ratio (20.92 as of December 31, 2018)	• The higher the multiplier and ownership premium, the higher the fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	• P/B ratio (1.46 as of December 31, 2018)	Same as above
Financial assets at fair value through other comprehensive income – investment in equity instrument without	Net assets value method	• Net asset value	Not applicable

active market

(6) Sensitivity analysis of fair value to reasonable possible alternative hypotheses for the class III of fair value measurement

The Consolidated Company's measurement on the fair value of financial instrument was reasonable; however, the results of measurement may differ due to the application of different measurement model or parameters. For financial assets categorized in class III, impact resulted from change in measurement parameters to current net income or other comprehensive income are as follows:

	Input parameter	Upward or downward change	Change in fair value reflected in current net income		Change in fair value reflected in current other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments without active market	P/E ratio	10%	-	-	444	(444)
Investment in equity instruments without active market	P/B ratio	10%	-	-	541	(541)

(XXVI) 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, 2018 and 2017.

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$3,302,700 thousand and NT$2,404,000 thousand as of December 31, 2018 and 2017.

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 Group. 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.

(XXVII) 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:

	12.31.2018	12.31.2017
Total liabilities	$ 46,820,315	39,731,376
Minus: Cash and cash equivalent	(194,002)	(169,781)
Net liabilities	46,626,313	39,561,595
Total equity	14,982,373	12,528,906
Adjusted capital	**$ 61,608,686**	**52,090,501**
Debt to equity ratio	**75.68%**	**75.95%**

The Consolidated Company's capital management method has not been changed as of December 31, 2018 and 2017.

(XXVIII) Re-categorization of Components of Other Comprehensive Income

Details of the Consolidated Company's re-categorization of components of other comprehensive income are as follows:

	2018	2017
Available-for-sale financial assets		
Net changes in fair value of current year	$ -	56,083
Net change in fair value re-categorized to profits and losses	-	4,348
Investment in debt instrument at fair value through other comprehensive income		
Net changes in fair value of current year	(56,674)	-
Net change in fair value re-categorized 公 to profits and losses	14,470	-
Net change in fair value recognized in other comprehensive income	**$ (42,204)**	**60,431**

VII. RELATED PARTY TRANSACTIONS

(I) Related Parties' Names and Relations

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

Related Parties	Relations with the Consolidated Company
Lungding Life Science Co. Ltd.	Affiliated Company of the Company
Xin Wei International Leasing Co. Ltd.	The corporate director is the same as the Company (no longer a related party from June 20, 2018)
Fuyuan International Development Co. Ltd.	The chairman of Fuyuan is the director of the Company
Fuyang Development Co., Ltd	Director of Subsidiary
Creative Space Design Co. Ltd.	Affiliated Company of the Company (no longer a related party from August. 2018)
Other natural person	Major administrator of the Consolidated Company

(II) Significant Transaction between Related Parties

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

1. Purchase from related party

The Consolidated Company's purchase amount and the outstanding balances from the related parties are as follows:

	Purchase		Payable to related parties	
	2018	2017	12.31.2018	12.31.2017
Affiliated Company	$ 587	505	9	45

The purchase price was determined by bilateral agreement. Payment terms were 30 days after acceptance.

2. Lease

(1) Lessee

The Consolidated Company leases property and transport equipment from the related party, and the rental expense for the year 2018 and 2017 were NT$6,896 thousand and NT$7,394 thousand respectively.

(2) Lessor

The Consolidated Company rents office building and parking space to the related party, and the rental income for the year 2018 and 2017 were both NT$4 thousand.

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

3. Others

(1) Other payables

	12.31.2018	12.31.2017
Other related parties	$ 57	95

(2) Payment on behalf of others (recognized as other current assets)

	12.31.2018	12.31.2017
Other related parties	$ 557	557

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

	12.31.2018	12.31.2017
Other related parties	$ 961	961

Refundable deposits are deposit for the consolidated company leasing property from other related party. Interests from those deposits collected on September 30, 2018, December 31 and September 30, 2017 were NT$7 thousand, NT$12 thousand and NT$9 thousands, respectively.

(4) Management fees

	2018	2017
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.

4. Obtaining other assets

The acquisition price of other assets obtained from the related parties was as follows:

Category	Item	2018	2017
Affiliated Companies	Fixed assets	$ 771	850

5. Trust contract

Part of the Consolidated Company's land is trusted and registered in the name of other related party as of December, 2018. Please refer to Note 6(4) and (9) for details.

6. 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, 2018 and 2017. 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$6,815 thousand and NT$4,411 thousand as of December 31, 2018 and 2017, respectively.

(III) Main Manager Transaction

	2018	2017
Benefit for short-term employees	$ 41,209	45,121
Post-employment benefits	1,371	1,598
	$ 42,580	**46,719**

VIII. PLEDGED ASSETS

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

Assets name	Purpose of collateral	12.31.2018	12.31.2017
Non-current assets to be sold	Guarantee for loans and corporate finance amount	$ 834,394	-
Other financial assets - current	Guarantee for mutual investment development and sales	1,302	1,221
Inventories	Guarantee for loans and corporate finance amount	3,162,166	3,161,789
Property, plant, and equipment	Collateral for loan	2,373,297	2,402,195
Investment property	Guarantee for loans and corporate finance amount	1,445,300	4,021,630
Available-for-sale financial assets – non-current	Collateral for loan	-	3,091,111
Financial assets at fair value through other comprehensive income	Collateral for loan	3,930,200	-
		$ 11,746,659	**12,677,946**

IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

(I) Significant Unrecognized Contractual Commitments

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

	12.31.2018	12.31.2017
Acquisition of columbarium and cemetery	$ -	19,580
Construction contract	$ 1,269,442	960,754

2. The contract price of the sold investment property

	12.31.2018	12.31.2017
Price of signed sale contract	$ 2,007,350	-
Contract price collected	$ -	-

3. The Consolidated Company signed the investment contract with the Kaohsiung City Government in July 2018 for the construction and operation of the funeral home located in Dingjin Section, Sanmin District, Kaohsiung City. The construction period is three years and the operation period is 20 years. A fixed development royalty shall be paid upon the agreement of commencement. From the date of operation, a fixed royalty amount plus a fixed percentage of operating profit after tax shall be paid annually.

4. In order to expand the Consolidated Company's cemetery business, its Board of Directors has passed the resolution in December 2018 to purchase land located in Hsinwu Section, Taoyuan Ciay from Fuyuan Development Limited at a price NT$172,900 thousand.

(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 affected. The application and enforcement of the current laws and regulations are still controversial. At present, the government authority has not yet set up administrative procedures for the establishment of special

funds and the related management system. 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. Since the civil ruling was not authenticated in accordance with the provisions of the Enterprise Mergers and Acquisitions Law, and there existed a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set a separate NT$77.79 per share as purchase price. The applicable regulations of the previous ruling are obviously wrong, and the Company filed a further protest during the statutory period. The Taiwan High Court, in decision (107) FE-KANG-No.147, remanded the original judgement to Taiwan Taipei District Court as it is inconsistent with the law that the original judgement did not apply the share price on the resolution day of the shareholder's meeting to decide the purchase price.

(III) Others

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

the trust assets as of September 30, 2018, December 31 and September 30, 2017 are as follows：

	12.31.2018	12.31.2017
Bank deposits (booked as other financial assets – current)		
Demand deposits	$ 828,307	637,912
Time deposits	350,000	609,698
Financial assets at fair value through profits or losses - current	1,036,529	679,012
Financial assets at fair value through other comprehensive income	2,843,388	-
Available-for-sale financial assets – non-current	-	2,439,218
Financial assets at amortized costs	1,017,051	-
Hold-to-maturity financial assets	-	614,832
Property, plant and equipment (*)	2,206,293	2,206,293
Investment property (*)	1,962,845	1,962,845
	$ 10,244,413	**9,149,810**

* 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 a management 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$853,870 thousand and NT$881,491 thousand as of December 31 2018 and 2017, respectively; also, it is booked in the "Other financial assets – current."

3. The Company had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2018 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	12.31.2018	12.31.2017
Total contract price (booked as contract liabilities)	$ 37,522,150	39,808,069
Outstanding proceeds	(7,613,138)	(8,465,773)
Advanced receipts	**$ 29,909,012**	**31,342,296**

Incremental cost of contract acquisition	$ 7,910,905	8,444,352
Expected to be reclassified for more than twelve months	$ 36,137,082	28,638,880

4. Subsidiaries had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2018 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	12.31.2018	12.31.2017
Total contract price (booked as contract liabilities)	$ 232,870	81,818
Outstanding proceeds	(17,112)	(41,065)
Advanced receipts	$ 215,758	40,753
Incremental cost of contract acquisition	$ 58,429	7,201
Expected to be reclassified for more than twelve months	$ 178,053	30,157

X. SIGNIFICANT DISASTER

None.

XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

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	2018				2017			
	Classified as operating costs	Classified as operating expenses	Other (*)	Total	Classified as operating costs	Classified as operating expenses	Other(*)	Total
Employee benefits								
Salary	220,598	223,175	122,476	566,249	217,726	249,889	110,136	577,751
Labor and health insurance	14,803	15,713	6,696	37,212	15,051	15,976	6,997	38,024
Pension	8,180	7,483	3,310	18,973	8,358	8,087	2,864	19,309
Others	6,686	9,510	3,958	20,154	6,764	10,100	3,639	20,503
Depreciation	62,422	49,329	16,169	127,920	80,442	50,541	13,606	144,589
Amortization	-	15,989	1,438	17,427	-	14,791	1,248	16,039

* It includes the related fees of the cemetery management center-related expenses (stated as reduction of

advanced management fee receipts).

(II) Operational seasonality

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

XIII. OTHER DISCLOSURES

(I) Information on significant transactions

The consolidated company should have the following material transactions disclosed as of the year 2018 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms:

1. Fund financing to other parties

No	Creditor	Debtor	Accounting Item	Related Party or Not	Current Maximum	Ending Balance	Amount Used	Interest Rate Period	Nature of the Financing	Transaction Amount	Reason for the Need of Short-term Financing	Allowance	Collateral		Limitation to Single Debtor(**)	Financing Limitation(**)
													Name	Value		
1	Yuji Construction Limited Co.	Sande Futian Miaoguo Limited Co.	Other recievables	no	420,000	420,000	-	3%	1	72,000	For use of working capital	-	Columbarium products owned by the debtor	432,000	636,168	1,272,337

* According to Yuji Construction Limited Co.'s "Procedure of Loaning of Funds", funds can only be loaned to parties with business transactions, and the total loan amount is limited to 40% of the company's recent book value. For single debtor, the loan amount is limited to 20 times of the transaction amount, and 20% of the company's recent book value.

Limitation on the total loan amount to other parties: 3,180,842 thousand × 40% = 1,272,337 thousand

Limitation on the loan amount to single debtor: 3,180,842 thousand × 20% = 636,168 thousand

72,000 thousand × 20 times = 1,440,000 thousand

Limited to 636,168 thousand

** Explanations for nature of the financing are as follows:

1. Parties with business transactions
2. Parties with need of short-term financing

(II) Guarantees and endorsements provided for other parties

Unit: NT$ thousand

No	Guarantee / Endorsement Provider	Guaranteed Party		Limits on Guarantee / Endorsement Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Guarantee / Endorsement Collateralized by Properties	Ratio of accumulated guarantee / Endorsement to Net Equity per Latest Financial Statements	Maximum Guarantee / Endorsement Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Relationship										
0	Lungyen Life Service Corp.	LungAn Co.Ltd.	2	4,494,712	200,000	200,000	12,300	-	1.33%	7,491,187	Y	N	N
0	Lungyen Life Service Corp.	Yuji Development Corp.	2	4,494,712	500,000	500,000	-	-	3.34%	7,491,187	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	2	4,494,712	400,000	400,000	64,000	-	2.67%	7,491,187	Y	N	N

Note 1: The total amount of guarantees and endorsements shall not exceed 50% of the net value 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.

i. The Company has business with the receiving parties.

ii. The Company holds directly more than 50% of the common stock of the subsidiaries.

iii. In aggregate, the Company and its subsidiaries hold more than 50% of the investee.

iv. In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.

v. The Company is required to make guarantees or endorsements for the construction project based on the construction contract.

vi. The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.

vii. Joint guarantee between peers for performance guarantees for pre-sale sales contracts under the Consumer Protection Act.

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 until December 31. 2018. Upon the board resolution on December 28, 2018, this endorsement has been extended.

Note 4: Upon the board resolution on December 27, 2017, the maximum amount of endorsements to Yuji has been set to NT$200,000 thousand. Upon the board resolution on December 28, 2018, this endorsement has been extended and raised to NT$300,000 thousand.

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. Upon the board resolution on December 28, 2018, this endorsement has been extended and raised to NT$300,000 thousand.

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

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending Balance				Maximum shareholding or funding during the period	Remarks
				Shares/Units in Thousand	Book Value	% of Ownership	Fair Value		
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	-	Financial assets at fair value through profits and losses - current	245	10,008	0.01 %	10,008	0.01 %	Company-owned
The Company	Stock of WIN Semiconductors Corp.	-	Financial assets at fair value through profits and losses - current	704	83,072	0.17 %	83,072	0.17 %	Company-owned
The Company	Qualcomm	-	Financial assets at fair value through profits and losses - current	13	22,510	- %	22,510	- %	Trust
The Company	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profits aand losses - current	43,343	705,667	- %	705,667	- %	Trust
The Company	Prudential Money Market Fund	-	Financial assets at fair value through profits and losses - current	7,618	120,312	- %	120,312	- %	Trust
The Company	Cathay China High Yield Bond Fund B TWD	-	Financial assets at fair value through profits and losses - current	5,389	43,174	- %	43,174	- %	Trust
The Company	Yuanta AUD Money Market Fund TWD	-	Financial assets at fair value through profits and losses - current	3,162	29,282	- %	29,282	- %	Trust
The Company	Nomura Global Short Duration Fund	-	Financial assets at fair value through profits and losses - current	2,937	29,903	- %	29,903	- %	Trust
The Company	Prudential Financial Asia Bond Fund - Monthly Distribution Class	-	Financial assets at fair value through profits and losses - current	5,362	44,524	- %	44,524	- %	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	-	Financial assets at fair value through profits and losses - current	1	97,689	- %	97,689	- %	Company-owned
The Company	iShares MSCI China ETF	-	Financial assets at fair value through profits and losses - current	25	41,157	- %	41,157	- %	Trust
The Company	051 Chailease Holding Company Limited-A	-	Financial assets at fair value through other comprehensive income – non-current	200,000	200,200	- %	200,200	- %	Trust
The Company	104 Central Bond A5	-	Financial assets at fair value through other comprehensive income – non-current	100,000	105,145	- %	105,145	- %	Trust
The Company	Saudi Electricity Global - Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,550	79,134	- %	79,134	- %	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	-	Financial assets at fair value through other comprehensive income – non-current	3,100	92,310	- %	92,310	- %	Trust
The Company	The Export-Import Bank of China CNY Corporate Bond 4.15	-	Financial assets at fair value through other comprehensive income – non-current	5,000	22,309	- %	22,309	- %	Trust
The Company	Africa Finance Corporate Bond 4.375	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,782	- %	91,782	- %	Trust

The Company	ICBC RMB Corp. Bond 4.2 20270119	-	Financial assets at fair value through other comprehensive income – non-current	4,000	17,831	- %	17,831	- %	Trust
The Company	ICBC RMB Corp. Bond 4.5 20281113	-	Financial assets at fair value through other comprehensive income – non-current	5,000	23,037	- %	23,037	- %	Trust
The Company	China Comm Cons Corp. Bond 20200421	-	Financial assets at fair value through other comprehensive income – non-current	1,900	57,461	- %	57,461	- %	Trust
The Company	Saudi Electricity Global - Bond 20230408	-	Financial assets at fair value through other comprehensive income – non-current	2,000	60,339	- %	60,339	- %	Trust
The Company	Saudi Electricity Global - Bond 20240408	-	Financial assets at fair value through other comprehensive income – non-current	1,000	30,380	- %	30,380	- %	Trust
The Company	Qatar Telecom USD corp. bond 3.25 20230221	-	Financial assets at fair value through other comprehensive income – non-current	3,000	89,271	- %	89,271	- %	Trust
The Company	Standard Chattered USD corp. bond 4.05 20260412	-	Financial assets at fair value through other comprehensive income – non-current	3,000	87,760	- %	87,760	- %	Trust
The Company	Islamic Bank 20210531	-	Financial assets at fair value through other comprehensive income – non-current	3,000	91,380	- %	91,380	- %	Trust
The Company	China Railway USD Bond 20260728	-	Financial assets at fair value through other comprehensive income – non-current	2,500	72,610	- %	72,610	- %	Trust
The Company	Malaysia National Resource Bond 20261019	-	Financial assets at fair value through other comprehensive income – non-current	1,000	28,690	- %	28,690	- %	Trust
The Company	China Cinda USD Bond 20240309	-	Financial assets at fair value through other comprehensive income – non-current	1,500	45,425	- %	45,425	- %	Trust
The Company	Huarong USD Bond 20240309	-	Financial assets at fair value through other comprehensive income – non-current	3,000	92,674	- %	92,674	- %	Trust
The Company	Bank of Communications USD Bond 20200515	-	Financial assets at fair value through other comprehensive income – non-current	3,000	89,915	- %	89,915	- %	Trust
The Company	Société Générale SGD Corp. Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,250	73,632	- %	73,632	- %	Trust
The Company	BNP PARIBASSGD Corp. Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,500	79,476	- %	79,476	- %	Trust
The Company	SANTANDER CENTRAL HISPANO S.A. Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	3,000	90,643	- %	90,643	- %	Trust
The Company	Lloyds Banking Group Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	41,876	- %	41,876	- %	Trust

The Company	Goldman Sachs Financial Bond	-	Financial assets at fair value through other comprehensive income – non-current	2,000	42,710	- %	42,710	- %	Trust
The Company	Manulife Asset Management SGD Corporate Bond	-	Financial assets at fair value through other comprehensive income – non-current	750	16,916	- %	16,916	- %	Trust
The Company	Chang Hwa Bank	-	Financial assets at fair value through other comprehensive income – non-current	383,811	6,601,543	3.92 %	6,601,543	3.92 %	Company-owned
The Company	Stocks of Taiyen	-	Financial assets at fair value through other comprehensive income – non-current	9,710	289,358	4.86 %	289,358	4.86 %	Company-owned
The Company	Sun Life Holding CoLtd	-	Financial assets at fair value through other comprehensive income – non-current	160	43,448	2.35 %	43,448	2.35 %	Company-owned
The Company	Stock of Jiangsu Expressway Company Limited	-	Financial assets at fair value through other comprehensive income – non-current	210	8,947	0.02 %	8,947	0.02 %	Trust
The Company	Stock of PetroChina	-	Financial assets at fair value through other comprehensive income – non-current	1,200	26,171	- %	26,171	- %	Trust
The Company	Stock of Sands China Limited	-	Financial assets at fair value through other comprehensive income – non-current	320	42,823	- %	42,823	- %	Trust
The Company	Stock of China Construction Bank	-	Financial assets at fair value through other comprehensive income – non-current	1,860	46,879	- %	46,879	- %	Trust
The Company	ST.SP	-	Financial assets at fair value through other comprehensive income – non-current	625	41,056	- %	41,056	- %	Trust
The Company	Stock of Beijing Enterprises Water Group Limited	-	Financial assets at fair value through other comprehensive income – non-current	1,600	24,907	0.02 %	24,907	0.02 %	Trust
The Company	GlaxoSmithKline PLC	-	Financial assets at fair value through other comprehensive income – non-current	36	41,805	- %	41,805	- %	Trust
The Company	National Grid PLC	-	Financial assets at fair value through other comprehensive income – non-current	24	35,095	- %	35,095	- %	Trust
The Company	Electronic Business	-	Financial assets at fair value through other comprehensive income – non-current	166	35,297	0.01 %	35,297	0.01 %	Trust
The Company	Stock of ICBC(Hong Kong)	-	Financial assets at fair value through other comprehensive income – non-current	1,820	39,693	- %	39,693	- %	Trust
The Company	Stock of China Molybdenum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	3,672	41,260	0.09 %	41,260	0.09 %	Trust
The Company	Stock of Cheung Kong Infrastructure Holdings Limited	-	Financial assets at fair value through other comprehensive income – non-current	173	39,909	0.01 %	39,909	0.01 %	Trust

The Company	Stock of 3M	-	Financial assets at fair value through other comprehensive income – non-current	6	32,793	- %	32,793	- %	Trust
The Company	Stock of Texas Instruments	-	Financial assets at fair value through other comprehensive income – non-current	7	19,750	- %	19,750	- %	Trust
The Company	Stock of LYB-LyondellBasell Industries	-	Financial assets at fair value through other comprehensive income – non-current	6	16,102	- %	16,102	- %	Trust
The Company	Fubon Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,666	103,292	- %	103,292	- %	Company-owned
The Company	Cathay Financial Holding - Preferred Shares B	-	Financial assets at fair value through other comprehensive income – non-current	1,250	77,375	- %	77,375	- %	Company-owned
The Company	Preferred stock of HSBC	-	Financial assets at fair value through other comprehensive income – non-current	52	41,183	- %	41,183	- %	Trust
The Company	Preferred stock of RBS	-	Financial assets at fair value through other comprehensive income – non-current	55	43,108	- %	43,108	- %	Trust
The Company	Preferred stock of AGNC	-	Financial assets at fair value through other comprehensive income – non-current	44	34,436	- %	34,436	- %	Trust
The Company	Preferred stock of QTS	-	Financial assets at fair value through other comprehensive income – non-current	24	17,247	- %	17,247	- %	Trust
The Company	Preferred stock of TGP	-	Financial assets at fair value through other comprehensive income – non-current	32	21,344	- %	21,344	- %	Trust
The Company	Preferred stock of VEREIT	-	Financial assets at fair value through other comprehensive income – non-current	27	19,946	- %	19,946	- %	Trust
The Company	Preferred stock of AXIS	-	Financial assets at fair value through other comprehensive income – non-current	66	42,474	- %	42,474	- %	Trust
The Company	Preferred stock of PSA	-	Financial assets at fair value through other comprehensive income – non-current	40	26,221	- %	26,221	- %	Trust
The Company	Preferred stock of WFC	-	Financial assets at fair value through other comprehensive income – non-current	62	43,921	- %	43,921	- %	Trust
The Company	Preferred stock of BBT	-	Financial assets at fair value through other comprehensive income – non-current	65	46,665	- %	46,665	- %	Trust
The Company	Stocks of Creative Space Design	-	Financial assets at fair value through other comprehensive income – non-current	396	3,960	19.80 %	3,960	19.80 %	Company-owned
The Company	FORTUNE IC FUND I	-	Financial assets at fair value through other comprehensive income – non-current	600	4,030	4.86 %	4,030	4.86 %	Company-owned

The Company	Trans globe Insurance	-	Financial assets at fair value through other comprehensive income – non-current	15	-	0.01 %	-	0.01 %	Company-owned
The Company	Millerful No.1 REIT	-	Financial assets at fair value through other comprehensive income – non-current	29,000	291,450	- %	291,450	- %	Trust
The Company	Nan Ya Corp. Bond P02 Nan Ya 3B	-	Financial assets at amortized costs – non-current	100,000	106,099	- %	106,099	- %	Trust
The Company	China airline corporate bond	-	Financial assets at amortized costs – non-current	150,000	150,597	- %	150,597	- %	Trust
The Company	Taipower Corporate bond 20231230	-	Financial assets at amortized costs – non-current	150,000	155,117	- %	155,117	- %	Trust
The Company	02 Yang Ming1B 20201101	-	Financial assets at amortized costs – non-current	150,000	153,647	- %	153,647	- %	Trust
The Company	106 Central Bond 4	-	Financial assets at amortized costs – non-current	100,000	100,818	- %	100,818	- %	Trust
The Company	106 Central Bond 9	-	Financial assets at amortized costs – non-current	150,000	149,455	- %	149,455	- %	Trust
The Company	107 Central Bond 7	-	Financial assets at amortized costs – non-current	100,000	99,536	- %	99,536	- %	Trust
The Company	104 Central Bond 12	-	Financial assets at amortized costs – non-current	100,000	101,782	- %	101,782	- %	Trust
Yuji Development	CTCB Hwa-win Money Market Fund	-	Financial assets at fair value through profits and losses - current	24,335	267,786	- %	267,786	- %	Company-owned
Yuji Development	Stock of Taiyen Corp.	-	Financial assets at fair value through other comprehensive income – non-current	2,737	81,564	1.38 %	81,564	1.38 %	Company-owned
Jing Huang Construction	Jih Sun Money Market Fund	-	Financial assets at fair value through profits and losses - current	2,170	32,098	- %	32,098	- %	Company-owned
Jing Huang Construction	Stocks of J-Garden Corp.	-	Financial assets at fair value through other comprehensive income – non-current	90	892	- %	892.00	- %	Company-owned

1. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital:

Company Name	Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount(note)

The Company	Yuanta De-Li Money Market Fund	Financial assets at fair value through profits and losses - current	-	-	24,124	390,000	20,920	340,000	1,700	27,566	27,483	83	43,344	702,517

Note：Valuation gain of NT$3,150 thousand was not included in the ending balance.

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

3. The disposition of real property exceeding NT$300 million or 20% of the paid-in capital:

Company Name	Property Name	Transaction Date	Original Acquisition Date	Book Value	Transaction Amount	Collection	Gain/Loss on Disposal	Counterparty	Nature of Relationships	Purpose of Disposal	Price Reference	Other Terms and Conditions
The Company	Sec. 2, Dunhua Sec, Taipei	November 7, 2018	September, 2006	1,731,289	2,007,350	Not collected yet	About NT$246 million	Shin Kong Life	None	Asset Activation	Appraisal	-

In NT$ thousand

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

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

6. Engage in derivatives trading: None.

(IV) 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	5,250	Equal to transaction with non-related parties	0.01 %
0	〃	〃	1	Account payable	41,095	-	0.06 %
0	〃	〃	1	Prepayments	20,805	-	0.03 %
0	〃	〃	1	Operation revenues	2,225	-	0.05 %
0	〃	〃	1	Operation costs	2,826	-	0.06 %
0	〃	〃	1	Other revenue	36,000	-	0.73 %
0	〃	〃	1	Other liabilities- current	15,949	-	0.03 %
0	〃	LongAn co.Ltd.	1	Accounts payable	1,589	-	-
0	〃	〃	1	Other financial assets – current	30,587	-	0.05 %
0	〃	〃	1	Other current assets	1,003	-	-
0	〃	Lung Fu Corp. Ltd.	1	Other financial assets – current	622	-	-
0	〃		1	Other revenue	3,024	-	0.06 %
0	〃	Dahan Property Management Co., Ltd.	1	Operation revenues	2,397		0.05 %
1	Yuji Development Corp.	Lungyen Life Service Corp	2	Account receivable	57,044	-	0.09 %
1	〃	〃	2	Advance Receipts	20,805	-	0.03 %
1	〃	〃	2	Other payable accounts	5,250	-	0.01 %
1	〃	〃	2	Operation revenues	2,826	-	0.06 %
1	〃	〃	2	Management expenses	38,225	-	0.78 %
2	LongAn co.Ltd.	Lungyen Life Service Corp	2	Account payable	23,607	-	0.04 %
2	〃	〃	2	Account receivable	1,589	-	-
2	〃	〃	2	Other liabilities- current	7,983	-	0.01 %
3	Lung Fu Corp. Ltd.	Lungyen Life Service Corp	2	Other payable accounts	622	-	-
3		〃	2	Management expenses	3,024	-	0.06 %
3	Dahan Property Management Co., Ltd.	Lungyen Life Service Corp	2	Management expenses	2,397	-	0.05 %

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

(V) Information on investees:

The Consolidated Company's reinvestment as of September 30, 2018 is as follows (Excluding from China investee company):

In NT$ thousand

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Current gain/loss of investees	Current recognized Investment gains and losses	Note
				Ending balance	Last year	Shares	Ratio of shares	Book value			
The Company	Jing Huang Construction Co., Ltd.	Taiwan	Civil engineering	30,033	30,033	2,209	98.20 %	(11,825)	98.20 %	115	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	110,723	54.42 %	1,708,900	54.42 %	249,472	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 %	387	80.00 %	(2,653)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	1,010,536 (USD32,710)	1,010,536 (USD32,710)	3,271	100.00 %	1,024,476	100.00 %	(41,437)	Subsidiary
The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00 %	(16,420)	100.00 %	(3,189)	Subsidiary
The Company	Lung Ting Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	259,700	259,700	25,970	49.00 %	231,933	49.00 %	(15,643)	Affiliated Company
The Company	Lung An Company Limited	Taiwan	Funeral Service	716,656	716,656	72,000	100.00 %	685,370	100.00 %	(12,054)	Subsidiary
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	210,700	210,700	21,070	77.75 %	131,531	77.75 %	(10,459)	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32 %	156,352	26.32 %	(2,697)	Subsidiary
Sea Dragon Traders Ltd. (BVI)	Witty Dragon Limited(BVI)	British Virgin Islands	Investment	-	1,873 (USD40)	-	- %	-	- %	191	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	W&W Professional Management Limited	Samoa	IT & Software services	863,463 (USD28,000)	863,463 (USD28,000)	2,800	50.00 %	791,448	50.00 %	(68,570)	Affiliated Company (Note 2)
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd.	Cayman	Investment	1,010,536 (USD32,710)	1,010,536 (USD32,710)	3,271	100.00 %	1,024,476	100.00 %	(41,437)	Joint-venture

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

Note 2: The Company's board meeting approved the resolution to dissolve W&W Professional Management Limited on June 1, 2018. The liquidation has been completed since July 5, 2018.

Note 3: USD exchange rate: 30.733 (closing) and 30.189 (average).

(VI) Information on investment in Mainland China

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

In NT$ / foreign currency thousand

China 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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Percentage of Ownership	Share of Profits / Losses	Carry Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
Lungyen Cemetery (Wenzhou) Co. Ltd	Funeral services	107,566 USD3,500	Sea Dragon Traders Ltd. (BVI)	863,463 USD 28,000	-	-	863,463 USD 28,000	50.00%	(15,150)	805,217	-
Long Young Life (China) Holding Co. Ltd.	Investment holding	5,374 RMB1,207	Sea Dragon Traders Ltd. (BVI)-	-	-	-	50.00 %	50.00%	(1,045)	52,921	-
Shijiazuang Taifu Cebetery Managenebt Co, Ltd	Cemetery management, construction and sales	107,566 USD3,500	Sea Dragon Traders Ltd. (BVI)	-	-	-	40.00 %	40.00%	(56)	1,085	-

2. Limitation on investment in Mainland China:

Ending balance of the accumulated amount of investment from Taiwan to Mainland China	Investment amount approved by Ministry of Economic Affairs	Limitation on investment in Mainland China in accordance with the provisions of the Investment Commission of Ministry of Economic Affairs (Note 4)
863,463	1,229,320 USD 40,000	8,989,424

USD exchange Rate: 30.733 (closing); RMB exchange rate: 4.452

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

(A) Directly engaged in investment in Mainland China

(B) Re-invest in the mainland through a third country company (please specify in the third area of investment companies)

(C) Other methods.

Note 2: the current investment income recognized:

(A) During the stage of preparations, note that there is no investment income.

(B) The gain or loss recognized on the basis of the investment is divided into the following two types with note:

1 Financial statements to be prepared by international CPA audit that is in cooperation with ROC CPA audit.

2 By the parent company in Taiwan audited financial statements.

Note 3: The corresponding currency should be NT dollars. Those involving foreign currency, the exchange rate for the reporting period amounted to NT accounts.

Note 4: The limit is based on “the principle of review of investment or technical cooperation in the Mainland”, which is limited to 60% of the Company's most recent

financial report.

3. Significant transactions of the mainland China investment: None.

XIV. DEPARTMENT INFORMATION

(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 non-recurring gains and losses and exchange gains and losses) 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 income tax, non- recurring gains and losses 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 gains and losses 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:

	2018						
	Columbarium and Cemetery for Sale	Funeral Services	Property Leasing	Cemetery Operation and Others	Construction for Sale	Adjustments and Written-off	Total
Income:							
Income from external customers	$ 2,910,954	1,630,939	201,315	213,810	-	-	4,957,018
Inter-segment income	2,866	-	4,725	-	-	(7,591)	-
Total income	$ 2,913,820	1,630,939	206,040	213,810	4,264	(7,591)	4,957,018
Interest expenses	$ -	-	-	(83,273)	-	-	(83,273)
Depreciation and amortization	-	(42,985)	(32,605)	(69,757)	-	-	(145,347)
Share of profit of associates and joint venture accounted for using the equity method	-	-	-	(42,241)	-	-	(42,241)
Reportable segment profit or loss	**$ 1,311,986**	**431,666**	**117,377**	**745,469**	**(89)**	**(7,591)**	**2,598,818**
Assets:							
Investment accounted for using the equity method	$ -	-	-	1,209,106	-	-	1,209,106
Reportable segment assets	**$ 17,552,446**	**9,612,615**	**6,459,256**	**25,112,081**	**4,693,174**	**(136,264)**	**63,293,308**
Reportable segment liabilities	**$ 16,636,314**	**20,261,395**	**68,343**	**9,968,181**	**-**	**(113,918)**	**46,820,315**

	2017						
	Columbarium and Cemetery for Sale	Funeral Services	Property Leasing	Cemetery Operation and Others	Construction for Sale	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)
Share of profit of associates and joint venture accounted for using the 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:							
Investment accounted for using the 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**

(I) 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	2018	2017
Revenues from external customers:		
Taiwan	$ 4,957,018	5,104,378
Non-current assets:		
Taiwan	$ 11,238,906	13,793,035

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.

(II) 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 2018 and 2017s.

Stock No.：5530

Lungyen Life Service Corp.

Individual Financial Statements

For The Year Ended December 31, 2018 and 2017
(Including an Independent Auditor's Audit Report)

Address: 1F., No. 166, Sec. 2, Minquan E. Rd., Taipei City
Tel. No.: (02)6615-9999

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INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders

Lungyen Life Service Corp.

We have audited the financial statements of Lungyen Life Service Corporation, which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 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.

Highlighted Items

As illustrated in Note 3 (1), the Company first applied IFRS 9 "Financial Instruments" on January 1, 2018 and chose not to restate the financial statements of the comparison period. We do not adjust the review results accordingly.

As illustrated in Note 3 (1), the Company first applied IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018 and chose not to restate the financial statements of the comparison period. We do not adjust the review results accordingly.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the 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 financial statements for the year ended December 31, 2018 are stated as follows:

3. 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 (17) Revenues.

   Explanation for key audit matters:

   The Company sells columbarium and cemetery products and provides funeral services, and the 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 individual 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.

4. Goodwill and Goodwill Impairment

   Accounting policies regarding goodwill and goodwill impairment can be found in Notes 4 (14) Intangible Assets; estimation and uncertainty of assumption of goodwill and goodwill impairment can be found in Notes 5 (2); explanation of goodwill and goodwill impairment can be found in Notes 6 (9) 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 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 (e.g. sales growth rate); and examine weighted average cost of capital and parameters (e.g. stock price) thereon used in the impairment tests.

Management′s Responsibility for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual 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.

The Audit Committee of the Company are responsible for overseeing the Company′s financial reporting process.

Auditors′ Responsibilities for the Audit of the Individual Financial Statements

Our objective are to obtain reasonable assurance about whether the individual 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 individual 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:

7. Identify and assess the risks of material misstatement of the individual 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.

8. 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.

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

10. 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 individual 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.

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

12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual 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 individual financial statements for the year ended December 31, 2018 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
February 26, 2019

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp. and Subsidiaries

Balance Sheets

December 31, 2018 and 2017

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

	Assets	12.31.2018 Amount	%	12.31.2017 Amount	%
	Current Assets：				
1100	Cash and cash equivalents (Note 6 (1) & (22))	$ 107,666	-	60,066	-
1110	Financial assets at fair value through profit or loss – current (Note 6 (2)、(22) and 9)	1,227,298	2	1,178,602	2
1150	Notes receivable, net (Note 6 (3) & (22))	6,345	-	16,077	-
1170	Accounts receivable, net (Note 6 (3) & (22))	8,120,727	13	555,505	1
1320	Inventory (Note 6 (4) & 8)	12,125,388	21	11,776,407	23
1410	Prepayments (Note 7)	257,307	-	8,839,371	17
1460	Non-current assets for sale (net) (Note 6 (5) & 8)	2,565,683	4	-	-
1476	Other financial assets – current (Note 6 (22), 7 &9)	2,146,927	4	2,255,362	5
1479	Other current assets-other	7,567	-	1,877	-
1480	Incremental cost of contract acquisition - current	7,910,905	13	-	-
		34,475,813	57	24,683,267	48
	Non-current assets：				
1517	Financial assets at fair value through other comprehensive income (Note 6 (2), (22), 8 & 9)	9,966,394	17	-	-
1524	Available-for-sale financial assets - non-current (Note 6 (2), (22), 8 & 9)	-	-	8,508,339	17
1527	Held to maturity financial assets – non-current (Note 6 (2), (22) & 9)	-	-	614,832	1
1535	Financial assets at amortized cost－non-current (Note 6 (2), (22) & 9)	1,017,051	2	-	-
1543	Financial assets carried at cost－non-current (Note 6 (2), (22))	-	-	17,207	-
1550	Investment under equity method (Note 6 (6))	3,652,194	6	3,590,587	7
1600	Property, plant and equipment (Note 6 (7), 7, 8 & 9)	5,679,403	9	5,711,010	12
1760	Investment property, net (Note 6 (8), 8 & 9)	3,886,738	6	6,479,270	12
1780	Intangible assets (Note 6 (9))	759,365	1	764,631	1
1840	Deferred income tax assets (Note 6 (14))	854,014	1	777,751	1
1980	Other financial assets – non-current (Note 6 (22) & 7)	44,283	-	44,298	-
1990	Other non-current assets - others	773,280	1	696,962	1
		26,632,722	43	27,204,887	52
	Total Assets	**$ 61,108,535**	**100**	**51,888,154**	**100**

	Liabilities and Equity	12.31.2018 Amonut	%	12.31.2017 Amount	%
	Current liabilities:				
2100	Short-term loan (Note 6 (10), (22))	$ 3,089,000	5	2,792,000	5
2130	Contract Liability－current (Note 6 (17) &9)	37,522,150	63	-	-
2150	Notes Payable (Note 6 (22))	7,027	-	-	-
2170	Accounts Payable (Note 6 (22))	460,468	1	350,135	1
2180	Accounts Payable-related party (Note 6 (22) &7)	41,104	-	38,223	-
2200	Other payable accounts (Note 6 (22) &7)	611,424	1	537,363	1
2230	Current income tax liabilities	228,777	-	177,515	-
2310	Advance receipts (Note 9)	833,687	1	32,181,387	63
2399	Other current liabilities - others(Note 7)	23,262	-	31,786	-
		42,816,899	71	36,108,409	70
	Non-current liabilities:				
2530	Corporate bond payable (Note 6 (11), (22) & 7)	3,190,916	5	3,139,651	6
2570	Deferred income tax liabilities (Note 6 (14))	16,119	-	18,994	-
2640	Net defined benefit liability – non-current (Note 6 (13))	30,686	-	31,263	-
2645	Deposit received (Note 6 (22))	71,542	-	60,931	-
		3,309,263	5	3,250,839	6
	Total liabilities	46,126,162	76	39,359,248	76
	Equity:				
3100	Capital stock (Note 6 (15))	4,200,842	7	4,200,842	8
3200	Capital surplus (Note 6 (11) & (15))	2,519,954	4	2,519,954	5
	Retained earnings:				
3310	Legal reserve (Note 6 (15))	1,280,001	2	1,095,601	2
3350	Unappropriated retained earnings (or losses to be compensated) (Note 6 (15))	6,293,123	10	4,253,894	8
		7,573,124	12	5,349,495	10
	Other equity interest:				
3410	Exchange difference for conversion of financial statements of foreign operating institutions (Note 6 (15))	(24,815)	-	(13,825)	-
3420	Unrealized gains and losses on financial assets measured at fair value through other comprehensive income (Note 6 (15))	713,268	1	-	-
3425	Unrealized gains and losses on available-for-sale financial assets (Note 6 (15))	-	-	472,440	1
		688,453	1	458,615	1
	Total Equity	14,982,373	24	12,528,906	24
	Total liabilities and equity	**$ 61,108,535**	**100**	**51,888,154**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.
Statements of Comprehensive Income
January 1 to December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6 (12), (17) & (18))**	$ 4,378,482	100	3,831,552	100
5000	**Operating cost (Note 6 (12))**	1,552,236	36	1,176,602	31
5900	**Operating gross profit (loss)**	2,826,246	64	2,654,950	69
	Operating expenses:				
6100	Selling expenses	877,929	20	721,424	19
6200	Administration expenses (Note 6 (19) & 7)	485,396	11	483,881	13
6450	Expected credit impairment loss (gain) (Note 6 (3))	7,763	-	-	-
6000	**Total operating expenses**	1,371,088	31	1,205,305	32
6500	**Other income and expenses (Note 6(20))**	138,011	3	-	-
6900	**Operating income (loss)**	1,593,169	36	1,449,645	37
	Non-operating income and expenses:				
7010	Other income (Note 6 (21) & 7)	463,243	11	414,058	11
7020	Other gains and losses (Note 6 (21))	346,825	8	(90,582)	(2)
7050	Financial costs (Note 6 (21))	(79,419)	(2)	(80,703)	(2)
7070	Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Note 6 (6))	69,571	2	358,995	9
		800,400	19	601,768	16
7900	**Operating income before tax**	2,393,569	55	2,051,413	53
7950	**Less: Income tax expense (Note 6 (14))**	213,034	5	207,414	5
	Net income	2,180,535	50	1,843,999	48
8300	**Other comprehensive income:**				
8310	**Items that may not be subsequently reclassified to profit or loss:**				
8311	Revaluation of defined benefit plans (Note 6 (13))	(791)	-	(669)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	476,006	11	-	-
8330	Share of other comprehensive profit (loss) of associates and joint ventures accounted for using equity method- items that may not be reclassified to profit or loss	2,845	-	-	-
8360	**Items that may be subsequently reclassified to profit or loss:**				
8361	Exchange differences on translation of foreign statements	34,825	1	(4,848)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	67,783	2
8367	Unrealized loss on investments in liability instruments at fair value through other comprehensive income	(42,204)	(1)	-	-
8380	Share of other comprehensive profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method- items that may be reclassified to profit or loss	(45,815)	(1)	(1,677)	-
	Total items that may be subsequently reclassified to profit or loss	(53,194)	(1)	61,258	2
8300	**Other comprehensive income, net**	426,448	10	60,589	2
	Total comprehensive income	**$ 2,606,983**	**60**	**1,904,588**	**50**
	Net income, attributable to:				
	Earnings per share (Note 6(16))				
9750	**Basic earnings per share (NTD)**	**$ 5.19**		**4.44**	
9850	**Diluted earnings per share (NTD)**	**$ 4.70**		**4.15**	

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

(English Translation of Financial Report Originally Issued in Chinese)

Lungyen Life Service Corp.
Statements of Changes in Equity
For The Twelve Months Ended December 31, 2018 and 2017

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

	Capital Stock		Retained Earnings				Others				
	Common Stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated Earnings	Total	Exchange diffefernces on foreign translation	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Total	Total equity
Balance – January 1, 2017	$ 3,990,842	1,420,112	997,817	401,665	2,610,784	4,010,266	(11,300)	-	408,657	397,357	9,818,577
Net profit	-	-	-	-	1,843,999	1,843,999	-	-	-	-	1,843,999
Other comprehensive income	-	-	-	-	(669)	(669)	(2,525)	-	63,783	61,258	60,589
Total comprehensive income	-	-	-	-	1,843,330	1,843,330	(2,525)	-	63,783	61,258	1,904,588
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	97,784	-	(97,784)	-	-	-	-	-	-
Special reserve	-	-	-	(401,665)	401,665	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD$1.2 per share)	-	-	-	-	(504,101)	(504,101)	-	-	-	-	(504,101)
Other changes in capital surplus：											
Recognition of equity from issuance of convertible bond	-	9,961	-	-	-	-	-	-	-	-	9,961
Capital increased by cash	210,000	1,094,100	-	-	-	-	-	-	-	-	1,304,100
Changes to subsidiaries' ownership	-	(4,219)	-	-	-	-	-	-	-	-	(4,219)
Balance – December 31, 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
Retrospective adjustment due to new accounting standard	-	-	-	-	1,104,855	1,104,855	-	264,279	(472,440)	(208,161)	896,694
Restated beginning balance	4,200,842	2,519,954	1,095,601	-	5,358,749	6,454,350	(13,825)	264,279	-	250,454	13,425,600
Net income	-	-	-	-	2,180,535	2,180,535	-	-	-	-	2,180,535
Other comprehensive income	-	-	-	-	791	791	(10,990)	436,647	-	425,657	426,448
Total comprehensive income	-	-	-	-	2,181,326	2,181,326	(10,990)	436,647	-	425,657	2,606,983
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	184,400	-	(184,400)	-	-	-	-	-	-
Cash dividends on ordinary shares (NTD$2.5 per share)	-	-	-	-	(1,050,210)	(1,050,210)	-	-	-	-	(1,050,210)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(12,342)	(12,342)	-	12,342	-	12,342	-
Balance – December 31, 2018	**$ 4,200,842**	**2,519,954**	**1,280,001**	**-**	**6,293,123**	**7,573,124**	**(24,815)**	**713,268**	**-**	**688,453**	**14,982,373**

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

Lungyen Life Service Corp.

Statements of Cash Flows

For The Twelve Months Ended December 31, 2018 and 2017

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

	2018	2017
Cash flows from operating activities:		
Profit (loss) before tax	$ 2,393,569	2,051,413
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	120,228	137,508
Amortization expense	17,427	15,892
Allowance for doubtful accounts	7,763	3,898
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	13,868	(25,329)
Interest expense	79,419	80,703
Interest income	(269,358)	(103,315)
Dividend income	(228,582)	(179,472)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(69,751)	(358,995)
Loss (gain) on disposal and scrap of property, plant and equipment	606	(179)
Loss (gain) on disposal of investment property	(525)	-
Loss (gain) on disposal of other assets	(347,626)	-
Disposal of investment gains (losses)	-	(21,031)
Impairment loss on financial assets carried at costs	5,940	-
Exchange profit on financial assets at fair value through other comprehensive income	(51,860)	-
Loss on disposal of financial assets at fair value through other comprehensive income	27,734	-
Exchange loss on available-for-sale financial assets	-	88,603
Total adjustments to reconcile profit (loss)	(694,717)	(361,717)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets held for trading	-	(291,301)
Financial assets at fair value through income	72,442	-
Notes receivable and account receivable, net	154,589	(77,217)
Inventories	(348,981)	(256,291)
Prepayments	130,511	(115,005)
Other financial assets - current	39,733	(14,180)
Other current assets	(5,690)	1,203
Incremental cost of contract acquisition	215,682	-
Total net changes in operating assets	258,286	(752,791)
Net changes in operating liabilities:		
Contract liability	(347,397)	-
Notes payable and accounts payable (including related parties)	120,241	40,540
Other payable	54,696	18,640
Advance receipts	5,418	795,178
Other current liabilities	(8,524)	986
Net defined benefit liabilities	214	536
Total net changes in operating liabilities	(175,352)	855,880
Total net changes in operating assets and liabilities	82,934	103,089
Total adjustments	(611,783)	(258,628)
Cash inflow (outflow) generated from operations	1,781,786	1,792,785

Interest received	269,488	97,183

Lungyen Life Service Corp.

Statements of Cash Flows (Cont.)

For The Twelve Months Ended December 31, 2018 and 2017

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

	2018	2017
Dividend received	228,582	179,648
Interest paid	(22,021)	(37,562)
Income taxes paid	(240,910)	(88,484)
Net cash flows from (used in) operating activities	2,016,925	1,943,570
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,857,468)	-
Disposal of financial assets at fair value through other comprehensive income	929,099	-
Return on capital reduction of financial assets at fair value through other comprehensive income	2,551	-
Acquisition of financial assets at amortized cost	(607,084)	-
Acquisition of available-for-sale financial assets	-	(1,115,574)
Disposal of available-for-sale financial assets	-	1,183,975
Acquisition of held-to-maturity financial assets	-	(309,640)
Acquisition of investment under equity method	-	(732,955)
Acquisition of property, plant and equipment	(62,245)	(65,283)
Disposal of property, plant and equipment	318	997
Acquisition of intangible assets	(12,161)	(5,444)
Acquisition of investment real estate	(675)	-
Disposal of investment property	749	-
Decrease (increase) in other financial assets - current	69,303	(488,503)
Decrease (increase) in other financial assets - non current	15	(21,334)
Acquisition of other non-current assets	604,302	-
Disposal of other non-current assets	(293,430)	-
Net cash flows from (used in) investing activities	(1,226,726)	(1,553,761)
Cash flow from (used in) financing activities:		
Increase in short-term loans	8,435,000	8,794,000
Decrease in short-term loans	(8,138,000)	(13,137,000)
Issuance of corporate bond	-	3,113,000
Increase (decrease) in guarantee deposits received	10,611	8,129
Payment for cash dividends	(1,050,210)	(504,101)
Capital Increase	-	1,304,100
Net cash flows from (used in) financing activities	(742,599)	(421,872)
Net increase (decrease) in cash and cash equivalents	47,600	(32,063)
Cash and cash equivalents at beginning of period	60,066	92,129
Cash and cash equivalents at end of period	**$ 107,666**	**60,066**

Lungyen Life Service Corp.

Notes to Financial Statements

For The Twelve Months Ended December 31, 2018 and 2017

(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 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 financial statements

The quarterly individual financial statements were accepted and published by the Board of Directors on February 26, 2019.

III. Application of new and revised standards and interpretations

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

The Company has adopted completely by Financial Supervisory Commission (hereinafter referred to as the "FSC") in 2018. The financial report was issued according to the IFRS and became effective in 2018, 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.2 "Share-based Payment" that clarify the classification and measurement of transactions.	January 1, 2018
Amendments to IFRS No.4 "Insurance Contracts" about the scope of entities for financial instruments in IFRS No.9	January 1, 2018
IFRS No.9 "Financial Instruments"	January 1, 2018
IFRS No.15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS No.7 "Disclosure Initiative"	January 1, 2017
Amendments to IFRS No.12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 40 "Conversion of Investment Property"	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 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:

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".

The Company adopted cumulative impact method, which applied to IFRS 15. Thus, 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 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 Company applied substantive right to practice method to all contracts completed before January 1, 2018, that is, when the Company identified completed contracts, not completed contracts, determined trading prices, and the allocation of upcoming trading prices to completed contracts, not completed contracts, the Company reflects all effects that occurred before January 1, 2018.

The extent and impact of signification changes are as follows:

(4) 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.

(5) Significant financial components

IFRS 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.

(6) Impact to Financial Statements:

The impact to 2018 individual financial statements applying IFRS 15 is as below:

	12.31.2018			1.1.2018		
Effected Items on Balance Sheet	**Book Value (IFRS15 not applied)**	**Effects of Changes in Accounting Policies**	**Book Value (IFRS15 applied)**	**Book Value (IFRS15 not applied)**	**Effects of Changes in Accounting Policies**	**Book Value (IFRS15 applied)**
Accounts receivable, net	$ 384,432	7,736,295	8,120,727	555,505	7,718,654	8,274,159
Incremental cost of contract acquisition - current	8,183,657	(272,752)	7,910,905	8,444,353	(274,049)	8,170,304
Assets effects		**7,463,543**			**7,444,605**	
Contract liability – current	$ -	37,522,150	37,522,150	-	37,910,301	37,910,301
Other payables	580,183	31,241	611,424	537,363	31,482	568,845
Advance receipts	31,838,677	(31,004,990)	833,687	32,181,387	(31,393,872)	787,515
Liability effects		**6,548,401**			**6,547,911**	
Retained earnings (Note)	$ 5,169,820	915,142	6,084,962	4,253,894	896,694	5,150,588
Equity effects		**915,142**			**896,694**	

Note: Effects of IFRS 9 in not included in retained earnings on December 31, 2018.

	2018		
Effected Items on Comprehensive Income	**Book Value (IFRS15 not applied)**	**Effects of Changes in Accounting Policies**	**Book Value (IFRS15 applied)**
Operating revenue	$ 4,532,225	(153,743)	4,378,482
Selling expenses	(918,264)	40,335	(877,929)
Administration expenses	(484,825)	(571)	(485,396)
Other income and losses	-	138,011	138,011
Interest income	97,894	(5,584)	92,310
Net income effects		**18,448**	
Basic earnings per share (NTD)	**$ 5.15**	**0.04**	**5.19**
Diluted earnings per share (NTD)	**$ 4.66**	**0.04**	**4.70**

	2018		
Effected Items on Consolidated	**Book Value**	**Effects of**	**Book Value**

Statement of Cash Flows	(IFRS15 not applied)	Changes in Accounting Policies	(IFRS15 applied)
Cash flows from operating activities			
Profit (loss) before tax	$ 2,375,121	18,448	2,393,569
Adjustments:			
Interest income	(92,310)	(177,048)	(269,358)
(Increase) Decrease on account receivable	172,230	(17,641)	154,589
(Increase) Decrease on incremental cost of contract acquisition	216,979	(1,297)	215,682
Increase (Decrease) on contract liabilities	-	(347,397)	(347,397)
Increase (Decrease) on advance receipts	(342,710)	348,128	5,418
Increase (Decrease) on other payable	54,937	(241)	54,696
Cash outflow generated from operations effects		(195,496)	
Interest received	92,440	177,048	269,488
Net cash flows from (used in) operating activities effect		-	

5. IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” (hereinafter referred to as IFRS 9) replaces IAS 39 “Financial Instruments: Recognition and Measurement” (hereinafter referred to as IAS 39) which contains classification and measurement of financial instruments, impairment and hedge accounting.

On account of applying IFRS 9, the Company applied IAS 1 “Presentation of Financial Statements”, which regulated that gain (loss) on financial assets should be carried alone, and gain or loss from accounts receivable was recognized as administration expenses before. Besides, the Company applied IFRS 7 “Financial Instruments: Disclosures” to disclose information in 2018, and the rule is usually not applicable to comparative information.

The extent and impact of signification changes due to applying IFRS 9 are as follows:

(5) Classification- Financial assets and liabilities:

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).Under IFRS 9, classification of financial assets is based on the business model and contractual cash flows of the financial asset, and deleted held-to-maturity, 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, it's a classification to estimate the hybrid financial instrument. The accounting policies about classifications, measurements, and recognition related gains and losses of financial assets please refer to note 4 (6).

Applying IFRS 9 has no significant impact on the accounting policy of financial liability of the Company.

(6) 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. The new impairment model which measured at amortized cost will apply to financial assets, contractual assets, and other measured at fair value through other comprehensive income, but not applicable to equity instruments.

Under IFRS 9, recognition time for credit losses is earlier than IAS 39, please refer to note 4 (6).

(7) Transition

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

・ 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.

·If credit risk of debt securities are low on the first effective date of IFRS 9, the Company assumes that credit risks will not increase significantly since recognition date.

(8) Classification of financial assets on the first effective date of IFRS 9

Measuring category of financial assets applicable to IAS 39 which transferred to IFRS 9, the new measuring classification, book value, and extent of the financial assets are as below (measuring category and book value of financial liability are still) :

	IAS39		IFRS9	
	Classification	**Book Value**	**Classification**	**Book Value**
Financial Asset				
Investments in debt	Investments in debt instrument	1,832,729	Measured at fair value through other	1,832,729

instruments	(Note 1)		comprehensive income	
	Measured at fair value through profit or loss	662,268	Measured at fair value through profit or loss	662,268
	Available-for-sale (Note 2)	387,013	Measured at fair value through profit or loss	387,013
	Held-to-maturity (Note 3)	414,832	Amortized cost	414,832
	Held-to-maturity (Note 2)	200,000	Measured at fair value through other comprehensive income	200,000
Investments in equity instruments	Measured at fair value through profit or loss	68,448	Measured at fair value through profit or loss	68,448
	Measured at fair value through profit or loss (Note 2)	447,886	Measured at fair value through other comprehensive income	447,886
	Available-for-sale (Note 2)	195,879	Measured at fair value through profit or loss	195,879
	Available-for-sale (Note 4)	6,092,718	Measured at fair value through other comprehensive income	6,092,718
Investments in equity instruments	Measured at cost (Note 4)	17,207	Measured at fair value through other comprehensive income	17,207

Note 1: When applying IAS 39, investments in debt instruments are classified to available-for-sale financial assets, the finance department in the Company gain interest revenue held in the same investment portfolio, but might be sold during operation to satisfy the liquidity, the Company thinks that the business model of the debt is composed of earning cash and selling financial assets simultaneously. The maturity of the debt security will be in 1-2 years, plus contract provision of the financial asset which generate cash flows on specific date, the cash flows are to pay for principle amount and interest for outstanding principle amount. Thus, when applying IFRS 9, the classification of the asset will be measured at fair value through other comprehensive income.

Note 2: Those debt instruments and equity instruments were measured at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, the Company reclassified to measured at fair value through other comprehensive income and measured at fair value through profit or loss on account of intention of holding.

Note 3: For the financial asset which was reclassified from held-to-maturity to be measured at amortized cost, the Company has the intention to hold the asset to maturity to receive the cash flows of contractual right, the cash flows are to pay for principle amount and interest for outstanding principle amount.

Note 4: The equity instrument (including financial assets measured at cost)

represent strategic investments that the Company has the intention to hold for long-term, according to IFRS 9, the Company designated the investment classification as measured at fair value through other comprehensive income on the first effective date.

The reconciliation from IFRS 39 to IAS 39 for book value of financial assets on January 1, 2018 is as below:

	12.31.2017 IAS 39 Book Value	Reclassification	Reassess	1.1.2018 IFRS 9 Book Value	1.1.2018 Retained Earnings Effects	1.1.2018 Other Equity Effects
Financial assets at fair value through profit or loss						
Measured at fair value through profit or loss at the beginning of the period under IAS 39	$ 1,178,602	-	-		-	-
Additions – Investments in debt instruments：						
From available-for-sale	-	387,013	-		(14,972)	14,972
Additions – Investments in equity instruments：						
From available-for-sale	-	195,879	-		20,280	(20,280)
Deductions – Investments in equity instruments：						
Reclassified to measured at fair value through other comprehensive income	-	(447,886)	-		-	-
Total	**$ 1,178,602**	**135,006**	**-**	**1,313,608**	**5,308**	**(5,308)**
Financial asset measured at fair value through other comprehensive income						
Available-for-sale (including measured at cost) at the beginning of the period under IAS 39	$ 8,525,546	-	-		-	-
Available-for-sale reclassified to measured at fair value through other comprehensive income	-	-	-		236,144	(236,144)
Additions－Investments in debt instruments：						
From held-to-maturity	-	200,000	-		-	-
Additions－Investments in equity instruments：						
From measured at fair value through profit or loss	-	447,886	-		(33,291)	33,291
Deductions－Investments in debt instruments：						
Reclassified to measured at fair value through profit or loss – reclassified on the basis of the classification standard	-	(387,013)	-		-	-
Deductions－Investments in equity instruments：						
Reclassified to measured at fair value through profit or loss – reclassified on the basis of the classification standard	-	(195,879)	-		-	-
Total	**$ 8,525,546**	**64,994**	**-**	**8,590,540**	**202,853**	**(202,853)**
Financial assets at amortized cost						
Investments in debt instruments with no active market, held-to-maturity, accounts receivable, and other financial assets at the beginning of the period under IAS 39	$ 614,832	-	-		-	-
Deductions：						
Reclassified to measured at fair value through other comprehensive income	-	(200,000)	-		-	-
Total	**$ 614,832**	**(200,000)**	**-**	**414,832**	**-**	**-**

6. IFRS No.7 “Disclosure Initiative”

Amendments to the standard has regulated that companies should provide users of financial statements changes in liabilities from financing activities to evaluate, including changes from both cash flows and non-cash flows. From January 1 to December 31, 2018, the evaluation has no significant impact on changes in liabilities from financing activities of the Company.

7. Amendments to IFRS No.12 “Recognition of Deferred Tax Assets for Unrealized Losses”

Amendments clarified that if meets specific requirements, unrealized losses will be

recognized to deferred tax assets, and clarify the calculation of "Future Taxable Profit". From January 1 to December 31, 2018, the above-mentioned has no significant impact on recognition of deferred tax assets for unrealized losses of the Company.

(II) The impact of IFRSs endorsed by the FSC but not yet applied

According to official document No.1070324857 announced by FSC on July 17, 2018, public companies should apply IFRSs endorsed by the FSC comprehensively since 2019 which become effective in 2019. The following table depicts the new, amended, revised standards and interpretations:

New／Amended／Revised Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
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

Applying endorsed IFRSs mentioned above have no significant impact on individual financial reports except for the followings. The characters and extent of impact which lead to signification changes are as follows:

3. IFRS 16 "Leases"

The standard supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 " Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease"

The new standard applies single accounting model to lessee which recognize leases on balance sheet, and recognizes a Right-to-use (ROU) Asset to express the right of using the underlying asset, and a Lease Liability to express the obligation of lease payments. Besides, lease expense will be expressed in depreciation and interest instead of operating leases which generally feature straight-line recognition of total lease expense. Moreover, there's an optional lessee exemption for short-term leases and low-value items. The accounting model for lessor remains similar to current standard, which indicates that lessor should classify into operating lease and finance lease.

(4) Identify Whether an Arrangement Contains a Lease

The Consolidated Company can choose the following during the transition.

- The definition of lease that is applicable to all contracts ; or
- Take practicable expedient measures and won't reassess whether an arrangement is, or contains, a lease.

The Company plans to take practicable expedient measures and not to reassess the definition of lease. Meaning that all arrangements signed before January 1, 2019 are applicable to lease definition of current regulations.

(5) Transition

The Company is able to choose the following if it's a lessee in an arrangement:

- Adopt the standard retrospectively; or
- Follow a modified retrospective approach and one or more practicable expedients.

The Company expects to follow a modified retrospective approach, thus the accumulated effect will recognize to retained earnings on January 1, 2019 instead of restatement of comparative information.

When applying modified retrospective approach, whether agreements which are classified to operating leases under current standard to adopt one or more practical expedients can be evaluated on individual basis. The Company will adopt the following practical expedients after assessment:

- Adopt single discount rate for lease combinations with similar characteristics;
- Use the evaluation results of the IAS37 loss-making contract before the first application date, as an alternative to the impairment assessment of the right-of-use asset;
- For leases that are expired within 12 months after the initial application date, the right-of-use asset and lease liability are not recognized;
- The original direct cost is not included in the measurement of the right-of-use asset on the initial application date;
- In the case of a lease contract that includes a lease extension or termination option, the hindsight is used when determining the lease term.

(6) Until now, the most significant impact of the Company's assessment of the applicable new standards is the recognition of the right-of-use assets and lease liabilities for the current operating leases, office and warehouse locations. The above differences may increase both the right-of-use assets and lease liabilities by NT$51,791 thousand, but has no significant impact on the current contracts dealt with financial lease. In addition, the Company expects that the application of the new standard will not affect the ability to comply with the maximum number of financing leverages agreed in its loan contracts. The contract for the intermediate lessor of the sub-lease transaction is not subject to any adjustment.

4. IFRIC 23 "Uncertainty over Income Tax Treatments"

The new interpretation clarifies that when assessing the impact of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates with uncertainties, should assume that a taxation authority with the right to examine any

amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

If after the assessment, the entity concludes that it is probable that a particular tax treatment will be accepted, it has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax filings; on the contrary, if after the assessment, the entity concludes that it is not probable that a particular tax treatment is accepted, it has to use the most likely amount or the expected value of the tax treatment. The decision should be able to reflect impact of every tax treatments with uncertainty.

So far, the Company assesses that the above changes have no significant effect on the Company's financial reports.

However, the above mentioned estimated effect of adopting the new standard may be changed due to future changes in the environment or conditions.

(III) The new and revised standards and interpretations but not yet endorsed by the FSC

The following table depicts the new, amended, revised standards and interpretations issued by IASB, but not yet endorsed by the FSC:

New／Amended／Revised Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition to a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture"	Affective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS1 and IAS 8 "Definition of Materiality"	January 1, 2020

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

Issuance / Release Dates	New Standard or Amendments	Interpretations
2014.9.11	Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture"	Clarify that when an investor transfers its subsidiary to its associate or joint venture, if sales or contributions of assets constitute a business, a full gain or loss should be recognized on the loss of control of a business. If that does not constitute a business, it should calculates unrealized profits and losses according to shareholding ratio and defer recognition to the extent of the gain or loss.
2018.10.22	Amendments to IFRS 3	The Board of Directors issues an

	"Definition of Business"	amendment to IFRS 3, which limits the scope of the business to improve the definition of the business. This amendment will assist the company in determining whether to acquire a business or a group of assets. The revised definition emphasizes that the output of a business refers to the provision of goods and services to customers; the definition before the amendment focuses on the benefits of providing dividends, lower costs or other economic benefits. In addition, except for the revised definition, the Council also provides supplementary guidance.
2018.10.31	Amendments to IAS1 and IAS 8 "Definition of Materiality"	Explain the definition of materiality and how it can be applied to guidelines that refer to materiality in existing standards. Also improve the interpretation of the definition of materiality and ensure that the definitions of all criteria are consistent.

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

IV. Summary of significant accounting policies

The 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 financial report.

(XXIV) Compliance Statement

The financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(XXV) Basis of consolidation

1. Basis of measurement

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

(4) Financial instruments measured at fair value through profit or loss;

(5) Financial instruments (available-for-sale financial assets) measured at fair value through other comprehensive income;

(6) 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(20).

2.Functional currency and presentation currency

The Company makes the currency of the primary economic environment its functional currency. The 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.

(XXVI) Foreign currency

3. 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 measured at fair value through other comprehensive income (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 income" while others are recognized in "Profit or loss."

4. Foreign operating institutions

Foreign operating 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. 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 income."

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."

(XXVII) 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 be realized in the normal business cycle, or with intent to be sold or consumed.
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:

5. Expected to be settled in the normal business cycle;
6. Primarily for trading purposes;
7. Expected to be settled within 12 months after the financial report date;
8. Liabilities that cannot be unconditionally 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.

(XXVIII) Cash and cash equivalent

Cash includes cash on hand and time deposits. Cash equivalents are short-term, highly liquid investments that can be converted into fixed-value cash at any time with minimal risk of changes in value. Time deposits that meet the aforementioned definitions and whose purpose is to meet short-term cash commitments, not investment or other purposes, are presented in cash and cash equivalent.

(XXIX) Financial instruments

4. Financial Assets (adopted after January 1, 2018)

The classifications for financial assets of the Company are: Financial asset measured at amortized cost, financial asset measured at fair value through other comprehensive income, financial asset measured at fair value through profit and loss.

The Company will only reclassify the financial assets effected due to changes of financial assets' business model on the basis of regulation.

(6) Financial asset measured at amortized cost:

Financial asset will be measured at amortized cost when it meets the conditions simultaneously and not designated as measured at fair value through profit and loss.

・ Financial asset held due to the business model of earning contractual cash flows.

- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then use effective interest rate method, which is calculated through amortized cost minus impairment loss. Interest revenue, profit and loss of foreign currency exchange, and impairment loss are recognized in profits and losses. Gains or losses will be in profit or loss during derecognition.

(7) Financial assets measured at fair value through other comprehensive income.

If investment in debt instrument meet the following conditions simultaneously, and not designated as measured at fair value through profit and loss, will be measured at fair value through other comprehensive income.

- Financial asset held due to the business model of earning contractual cash flows and being sold.
- The asset that cash flows earned on maturity date due to contractual right are to pay for principle amount and interest for outstanding principle amount.

The Company has the choice of being irrevocable during initial recognition, the subsequent changes of fair value for investment in equity instrument not held for trading will be recognized in other comprehensive income. The above choice is on the basis of instrument-by-instrument approach.

If the initial recognition is measured at fair value plus transaction cost which is directly attributable, then measured at fair value, except investments in debt instruments below: profits and losses of foreign currency exchanges, and interest revenue, impairment loss, dividend revenue of investment in equity instrument (unless representing recovery of the cost of the investment significantly) using effective interest method will be recognized in profit and loss, other changes in book value will be recognized in other comprehensive income, and accumulated to unrealized profit and loss of financial assets measured at fair value through other comprehensive income in equity. Accumulated amount of gains or losses under equity will be reclassified to income if belongs to investments in debt instruments, and accumulated amount of gains or losses under equity will be reclassified to retained earnings instead of income if belongs to investments in equity instruments during de-recognition.

Dividend revenue of investments in equity will generally be recognized on the date that the Company has the right to earn dividends (Usually equals to

ex-dividend date).

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

Financial assets that aren't belong to above mentioned (measured at amortized cost or measured at fair value through other comprehensive income) will be measured at fair value through profit or loss, including derivative financial assets. To eliminate or reduce accounting mismatch significantly, the Company is able to appoint financial assets that conform to measured at amortized cost or measured at fair value through other comprehensive income to financial assets measured at fair value through profit or loss irrevocably during initial recognition.

If being measured at fair value in initial recognition, and recognized in income when transaction cost occurs, will be measured at fair value later, the profit or loss generated from re-measurement (including related dividend revenue and interest revenue) will be recognized to income.

(9) Financial assets impairment

For financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, finance lease receivable, refundable deposit and other financial asset…etc.), investments in debt instruments measured at fair value through other comprehensive income, accounts receivables measured at fair value through other comprehensive income, expected loss of credit for contractual assets, the Company recognizes in allowance for loss.

The allowance for losses of following financial assets are measured at 12-month expected credit losses, others will be measured at lifetime expected credit losses:

・Credit loss of debt securities on reporting date is low; and

・Credit loss of other debt securities and bank deposits (refer to the risk of being default during expected lifetime of the financial asset) have not increased significantly since initial recognition.

The allowance for accounts receivable and contract assets is measured by the amount of expected credit losses during the duration.

Expected credit losses during the period of existence are expected credit losses arising from all possible defaults during the expected duration of the financial instrument.

12-month expected credit loss refers to expected credit loss generated in 12 months from possible default items after reporting date of financial instruments (or shorter if the expected duration of the financial instrument is

shorter than 12 months).

The longest period of measuring expected credit loss is the longest contractual period that the Company being exposed to credit risk.

When determining if credit risk has increased significantly since initial recognition, the Company considers rational and provable information (acquired with no undue cost or effort), including qualitative and quantitative information, and according to the Company's past experiences, credit evaluation, analyses from forecasting information.

If the credit risk evaluation equals to global-defined investment grade (BBB- or higher by Standards & Poor's, Baa3 or higher by Moody's, twA or higher by Taiwan Ratings, the Company regards the debt security as low credit risk.

If the contractual amount has expired for over 30 days, the Company will assume that the credit risk of the financial asset has increased significantly.

If the contractual amount has expired for over 90 days, or the borrower is unlikely to execute the contract of paying total amount to the Company, the Company considers that default has occurred.

Expected credit loss is the estimation of probability-weighting of credit loss during expected duration of the financial asset. Credit loss is measured by total present value of short pay cash payment, which equals the difference between actual contractual cash flows receivable for the Company and expected contractual cash flows receivable for the Company. Expected credit loss is discounted at effective interest of the financial asset.

The Company will evaluate financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income on every reporting date to see if there is credit impairment. If one or more events that are adverse to the estimated future cash flows of the financial asset have occurred, the financial asset will be considered to be credit-impaired. The evident of credit impairment of the financial asset includes the following observable materials:

・Significant financial difficulty of the issuer or the borrower.

・A breach of contract, such as default or being expired for over 90 days.

・For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Company would not otherwise consider.

・It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

・The disappearance of an active market for that financial asset because of financial difficulties.

Allowance for financial assets measured at amortized cost should be reduced from the book value of assets, allowance for debt securities measured at fair value through other comprehensive income should be recognized in other comprehensive income (which is not to reduce book value of the assets.). Loss allowance and reversal will be recognized in profit and loss.

When there is no reasonable expectation of recovery for part of or all of the financial asset, the Company will reduce the total book value for the financial asset directly. Which usually means that the Company considers that assets or sources of income for the borrower aren't able to generate enough write-off amount. However, a write-off the financial asset can still be implemented to meet the procedure of recovering expired amount of the Company.

(10) Elimination of financial assets

The 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 financial assets measured at fair value through other comprehensive income" is recognized in "profit or loss" and is reported in the "Other gains and losses" of the "Non-operating income and expenses."

When one investment in debt instrument is not derecognized entirely, the Company apportions the original carrying amount of the financial asset to the portion of the continuing recognition and the de-recognized portion based on the relative fair value of each portion on the transfer date. 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

5. Financial assets (adopted before January 1, 2018)

The classifications for financial assets of the Company are: Financial asset

measured at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets, 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 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. In addition, when the fair value of the available-for-sale equity investment is substantially or permanently reduced below its cost, it is also an objective evidence of impairment.

The individually assessed accounts receivable without impairment is further assessed for impairment on a collective basis. Objective evidence of collective receivables impairment includes the 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.

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 available-for-sale financial assets are impaired, the cumulative profits and losses previously recognized in other comprehensive income are reclassified to 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.

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

The 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 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 Company apportions the original carrying amount of the financial asset to the portion of the continuing recognition and the de-recognized portion based on the relative fair value of each portion on the transfer date. 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.

6. Financial liabilities

(4) Classification of liabilities or equity

The debt and equity instruments issued by the 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 Company's residual equity of assets net of liabilities. The equity instruments issued by the Company are recognized at the purchase price net of the direct issue cost.

(5) Other financial liabilities

For the financial liability that is not available-for-sale and is not measured at fair value through profit and loss (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."

(6) Elimination of financial liabilities

The 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."

(7) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can offset against each other only when the Company has legal right to conduct offsetting and has intention for net settlement or liquidating asset and settling liability simultaneously; also, shall be expressed in net amount on the balance sheet.

(XXX) Inventories

3. 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 (refer to 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.

4. 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.

(XXXI) Investments in affiliated enterprises

Affiliated enterprise is the one that the Company has significant influence but not control over its financial and operating policies. If the 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 financial report includes the period from the date of the significant influence to the date of loss of the significant influence. After adjusting the accounting policies to be consistent with the Company's accounting policies, the 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 Company and the affiliated enterprise has been written off within the range of the invested company's equity held by the 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 Company equals or exceeds its interest in the affiliated enterprise, the recognition of loss was ceased; additional loss and related liability were only recognized upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

(XXXII) Investments in subsidiaries

In the preparation of individual financial reports, the Company evaluates the investee companies with control under equity method. Under the equity method, the amortization amount of the profit or loss and other comprehensive profit or loss in the Company's financial statements and the profit or loss and other comprehensive profit or loss attributable to the shareholder's equity of the parent company in the financial statements prepared on a consolidated basis is the same, and the shareholder's equity in the Company's financial statements and the shareholder's equity of the parent company in the financial statements prepared on a consolidated basis is the same.

If the company's equity ownership change in a subsidiary does not result in loss of control, it is treated as equity transaction with the shareholders.

(XXXIII) Joint agreement

A joint venture is a joint agreement whereby the parties to the joint control of the agreement (i.e. the joint ventures) have rights to the net assets of the agreement. The joint ventures shall recognize its joint venture interest as an investment and use the equity method to process the investment in accordance with IAS 28, unless the company exempts the applicable equity method in accordance with the provisions of the standard.

In the assessment of the classification of the joint agreement, the Company has considered the structure of the agreement, the legal form of the individual vehicle, the terms of the contractual agreement and other facts and circumstances. When evaluating the classification of a joint agreement, only the structure of the contract is considered. The Company has re-evaluated the joint agreement for its participation and reclassified the investment from "jointly controlled individuals" to "joint ventures". The investment has been reclassified, but its accounting treatment was still under the equity method and therefore there was no impact

on the recognized individuals' assets, liabilities and comprehensive profit or loss.

(XXXIV) 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.

(XXXV) 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 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 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	3～69 years
(2) Office equipment	3～5 years
(3) Transportation equipment	5 years
(4) Other equipment	1～10 years
(5) Leasehold improvement	2～5 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.

(XXXVI) Lease

1. Lessor

The rental income from operating leases is recognized as income over the period of the lease in accordance with the straight-line method. 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.

2. Lessee

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.

(XXXVII) 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. For the investment under the equity method, the book value of goodwill is included in the book value of the investment and the impairment loss of the investments is not allocated to goodwill and any asset but as part of the book value of the investment under the equity method.

2. Other intangible assets

   The intangible assets acquired by the 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.

(XXXVIII) Non-financial assets impairment

The Company has inventories, deferred income tax assets, and non-financial assets other than employees benefits 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 Company estimates the recoverable amount of the cash-generating unit the asset belongs to in order to assess impairment.

For goodwill and intangible assets without determined durability years, regardless of whether there are signs of impairment, annual impairment testing should be conducted.

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. In assessing value in use, the estimated future cash flows are translated using the pre-tax discount rate to the present value, which should reflect the current market's assessment of the time value of money and the specific risks to the asset or cash-generating unit.

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 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.

For the purpose of impairment testing, the goodwill acquired in a business consolidation shall be allocated to the 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.

(XXXIX) Provision for liabilities

The recognition of provision is the current obligation due to past events, so that the 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.

(XL) Income recognition

1. Revenue from Contracts with Customers (adopted after January 1, 2018)

Revenue is measured by the right of receiving the transaction price after transferring goods or services. An entity recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The main items for revenue of the Company is as below:

(6) Invest in and construct columbarium and cemetery for sale:

The Company invests in and constructs columbarium and cemetery for sale, and sells before or during construction frequently. The Company recognizes revenue when control of the product is transferred, therefore, the Company recognizes revenue at the time when right of permanent use has transferred to the customer after the construction is completed and the payment is settled.

For columbarium, cemeteries, and preneed contracts that are sold in advance, and usually sign a contract that contains the installments until the good or service is transferred to the customer during the period, if the contract contains finance income, it will recognize interest revenue in accordance with payment period; the unconditional right for the transaction price will be recognizes as accounts receivable, the advance will be recognized as contract liabilities, and the accumulated amount of contract liabilities will be recognized as revenue at the time the good or service is transferred to the customer.

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.

(7) Life service:

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

(8) Rental Income

The rental 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 "Rental income" of the operating income.

(9) Land development and real property for sale

The Company develop and sell residential real estate, and recognize revenue when control of the real estate is transferred, therefore, the Company recognizes revenue at the time when legal ownership has transferred to the customer and the actual date of delivery, if only one of above is completed before the date of reporting, but are both completed during the period, will also be recognized as revenue.

Revenue is measured by the transaction price according to agreement of the contract. If the one being sold is a readily available house, the transaction price can be collected at the time legal ownership of the real property is transferred to the customer in most cases. In a few cases, payment could be deferred according to agreements in the contract, but the deferred period shall not exceed 12 months. Therefore, no adjustment to transaction price will be made to reflect the effect of significant financing component. If the one being sold is a presale real estate, it's usually signed under a contract that contains the installments until the real estate is transferred to the customer during the period, if the contract contains significant financing component, the transaction price will be adjusted according to loan interest of construction projects to reflect the effect of time value of money during the period. The advance will be recognized as contract liabilities, adjustment for the effect of time value of money will be recognized as interest expense and contract liabilities. The accumulated amount of contract liabilities will be recognized as revenue at the time when the real estate is transferred to the customer.

2. Income recognition (adopted before January 1,2018)

(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) 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.

(XLI) Cost from Contracts with Customers (adopted from January 1, 2018)

1. Incremental cost of contract acquisition

These costs should be recognized as an asset if they are expected to be recovered from the customer. Any other costs of acquiring a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is acquired.

(XLII) Non-Current Assets Held for Sale

Board of the Company approved the resolution to offer part of the Company's investment property for sale by public auction. As a result, accounting policies related to non-current assets held for sales have been applied since July 1, 2018.

The non-current assets (or the disposal groups which are composed of assets and liabilities) are reclassified as assets for sales or held for distribution to owners when the book value are expected to be recovered through sale or distribution to owners rather than continuing use. Those non-current assets or disposal groups met the criteria of the classification shall be available for immediate sale in their present condition and its sale must be highly probable within one year. Components of assets or disposal groups shall be reevaluated in accordance in the Company's accounting policies before being reclassified to held for sale or held for distribution for owners. After being classified to held for sale or held for distribution to owners, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell. The impairment loss of any disciplinary group is first distributed to goodwill and then distributed to the remaining assets and liabilities on a pro-rata basis, except that the loss is not allocated to assets that are not subject to the impairment of assets of IAS 36, which is measured in accordance with the company's accounting policies. The

benefits and losses arising from the impairment losses and subsequent re-measurements that are initially classified as or to be allocated to the owners are recognized as profit or loss, except that the benefits of the recovery should not exceed the recognized cumulative impairment losses.

When the property, plant and equipment are classified as held for sale or to be allocated to the owner, no depreciation or amortization is recognized.

(XLIII) 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 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 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 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 Company. If the benefit can be realized during the project period or when the project liabilities settled, it means economic benefit to the Company.

When the content of the planned welfare is improved, the associated expense arising from the increase welfare due to the service performed by the employees is recognized in profit or loss immediately.

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 company recognizes the re-measurement of the defined welfare plan under the retained surplus.

The 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 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.

(XLIV) Income tax

Income tax expense comprises current and deferred tax. In addition to the business combination recognized directly in equity or in other comprehensive income related to the project, 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 measured at the tax rate of the expected asset realization or liability settlement, and is based on the statutory tax rate or the substantive legislative rate on the reporting date.

The Company will offset the deferred income tax assets and deferred income tax liabilities only when the following conditions are met:

3. There is a legally enforceable right to offset current tax assets and current tax liabilities; and
4. Deferred tax assets and deferred tax liabilities are related to one of the following tax entity subject to income tax by the same taxation authority:
   (1) the same taxable entity; or
   (2) different taxable entities, provided that each of the entities intends to settle the current income tax liabilities and assets on a net basis in the future period of the expected recovery of the deferred income tax assets and the expected settlement of the deferred income tax liabilities, or at the same time realize the assets and liquidate liabilities.

For unused tax losses and unused tax credits, and deductible temporary differences, within the range of probable future that the taxable income is available for use, are recognized as deferred income tax assets. It will be reassessed on each reporting day and will be reduced in the context where the relevant income tax benefits are not likely to be realized.

(XLV) Earnings per share

The Company lists the basic and diluted earnings per share of the common stock

shareholders of the Company. The 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 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 Company's potential diluted common stock includes the estimated bonus to employees.

(XLVI) Department information

The Company had segment information disclosed in the consolidated financial statements; therefore, segment information was not disclosed in the Company's financial statements.

V. Major sources of significant accounting judgements, estimates, and assumptions for the uncertainties:

When the management has the 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 management continually checks estimation and basic assumption. The accounting estimation changes are recognized in the changeable period and future period being impacted.

(1) For the significant judgments involved in accounting policies and the influential information to the amount recognized in the financial report, please refer to the following notes:

- The judgements for subsidiaries having real control, please refer to 2018 financial report.

(2) 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 accounts receivable

  The allowance for the Company's accounts receivable is estimated based on the assumption of default risk and expected loss rate. The Company considers historical experience, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and selection inputs to be used in calculating the impairment. For details of the relevant assumptions and input values, please refer to Note 6 (3).

- Impairment of goodwill and trademark

  The 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 (9).

- Measurement of defined welfare obligation

  The defined benefit costs and net defined benefit liabilities (assets) for the defined benefit plan is based on the actuarial valuation using the projected unit benefit method. The actuarial assumptions used include the discount rate, employee turnover rate, and

future salary increase rate. If these assumptions are subject to change due to changes in market and economic conditions, the recognized costs and liabilities may be materially affected. The main actuarial assumptions and sensitivity analysis used by the actuarial firm are detailed in Note 6 (13).

- Recognition of deferred income tax asset

  Deferred income tax assets are recognized in the future when it is probable that there will be sufficient taxable income for deducting temporary differences and losses. The Company assesses the achievability of deferred income tax assets based on assumptions such as expected future sales growth, profit margin, tax exemption period, applicable income tax credits and tax planning. Changes in the economy, industrial environment, and the laws and regulations may result in significant adjustments in deferred income tax assets. Please refer to Note 6 (14) for the estimation of deferred income tax assets.

Process of measurement

The accounting policies of the Company and disclosures include the conducting of fair value to measure their financial and nonfinancial assets and liabilities. The 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 Company. The investment property is appraised regularly by the Company according to the evaluation method and the parameter hypothesis announced by Financial Supervisory Commission.

The Company uses its 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 (i.e. price) or indirectly (i.e. 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 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:

1. Note 6 (5), non-current assets available for sale
2. Note 6 (8), investment property
3. Note 6 (22), financial instruments

VI. Important accounting accounts

(II) Cash and cash equivalent

	12.31.2018	12.31.2017
Cash on hand	$ 3,491	4,813
Demand deposits	104,136	55,214
Check deposits	39	39
Cash and cash equivalent on the Statement of Cash Flow	**$ 107,666**	**60,066**

For the interest rate risk and sensitivity analysis disclosure of the Company's financial assets and liabilities, please refer to Note 6(22).

(III) Financial assets

1. Current financial assets at fair value through profit and loss:

	12.31.2018	12.31.2017
Financial asset at fair value through profit and loss- current		
Domestic and foreign common stocks	$ 115,590	-
Beneficiary certificates	1,111,708	-
Financial assets held for trading		
Domestic and foreign common stocks	-	516,334
Beneficiary certificates	-	662,268
Total	**$ 1,227,298**	**1,178,602**

(1) For profits and losses recognized from the reevaluation at fair value, please refer to Note 6(22).

(2) Those recognized as financial assets at fair value through profit and loss as of December 31, 2018 were recognized as financial assets held for trading and available-for-sale financial assets as of December 31, 2017.

2. Financial assets at fair value through other comprehensive income – non-current

	12.31.2018
Liability instruments at fair value through other comprehensive income:	
Bonds	$ 1,722,906
Equity instruments at fair value through other comprehensive income:	
Domestic and foreign common stocks	7,952,038
Beneficiary certificates	291,450
Total	**$ 9,966,394**

(3) Liability instruments at fair value through other comprehensive income

The Company held bond investment through cash flow from contract with customers and sales of financial assets, thus the Company categorized those investments in bonds as financial assets at fair value through other comprehensive income from January 1, 2018. As of December 31, 2017, those investment were recognized as financial assets held for trading and financial

assets held-to-maturity.

The coupon rates of the Company's bond investment at fair value through other comprehensive income were between 1.625% and 4.50% as of December 31, 2018. The maturity years were between 2020 and 2028.

For profits and losses from disposal of investment, please refer to Note 6 (21).

(4) Equity instruments at fair value through other comprehensive income

The Company holds such equity instrument investments for long-term strategic investments, not for trading purposes. Thus the Company recognized them at fair value through other comprehensive income. Those equity instrument were categorized as available-for-sale financial assets, financial assets at fair value through profit and loss and financial assets carried at costs as of December 31, 2017.

The Company made disposal of a portion of equity instruments at fair value through other comprehensive income with a fair value at NT$95,373 thousand and an accumulated disposal profits of NT$9,268 thousand, which have been transferred from other comprehensive income to retained earnings.

The investee, PK Venture Capital Corp. were liquidated on December 13, 2018. The settlement price of the clearing house was NT$2,551 thousand. The difference between the distribution price and the book value was NT$ 21,611 thousand as liquidation losses. The aforementioned cumulative liquidation losses was transferred from other equity to retained earnings.

The investee, Creative Space Design Co., Ltd. suffered loss for the year, and after the assessment, it proposed a loss of NT$5,940 thousand.

Credit risk (including impairment of debt instrument investment) and market risk information, please refer to Note 6 (22).

The above financial assets are not provided as collateral guarantee.

3. Available-for-sale financial assets – non-current

	12.31.2017
Domestic and foreign common stocks	$ 6,288,597
Bonds	1,832,729
Beneficiary certificates	387,013
Total	**$ 8,508,339**

(1) The coupon rates of the Company's bonds recognized as available-for-sale financial assets – non-current as of December 31, 2017 was between 2.10%~6.38%. The maturity years were from 2020 to 2046.

(2) Investment mentioned above were recognized as financial assets at fair value through other comprehensive income or financial assets at fair value through profit and loss as of December 31, 2018.

4. Held-to-maturity investment – non-current

	12.31.2017

Bonds	$ 614,832

(1) The Company's bond investment amounted to NT$200,000 thousand was recognized as financial assets at fair value through other comprehensive income on December 31, 2018, other investment targets were as financial assets at amortized cost.

(2) The coupon rates of the Company's investments in held-to-maturity bonds were both from 1.85% to 2.08% as of December31, 2017. The maturity years were from 2021 to 2025.

5. Financial assets at amortized cost – non-current

	12.31.2018
Bonds	$ 1,017,051

(1) The Company held above investment to its maturity in order to collect the contract cash flow, which was purely for paying the principle and interests of outstanding principle, thus the Company cauterized those investments as financial assets carried at amortized cost from January 1, 2018.

(2) The coupon rates of the Company's investments in financial assets at amortized cost were between 0.625% and 2.45% as of December 31, 2018. The maturity years were from 2020 to 2027.

6. Financial assets carried at cost – non-current

	12.31.2017
Stock Investment - PK Venture Capital Corp.	$ 3,277
Stock Investment – FORTUNE IC FUND I	4,030
Stock Investment-Creative Space Design Co. Ltd.	9,900
Total	$ 17,207

The Company's stock investment valued at cost referred to above is measured in accordance with the cost net of impairment on the reporting date as of December 31, 2017. Due to the significant range of the reasonable estimate of the fair value and the probability of various estimates cannot be reasonably assessed, the Company's management believes that its fair value cannot be reliably measured. Assets mentioned above were re-categorized as financial assets at fair through other comprehensive income on December 31, 2018.

7. For details of trusting part of the Company's financial assets as of December 31, 2018 and December 31, 2017, please refer to Note 9 (3).

8. For details of the Company's financial assets pledged as collateral as of December 31, 2018 and December 31, 2017, please refer to Note 8.

9. Sensitivity analysis – risks from equity price change

The impact of the changes in equity price on the reporting date (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

Stock price on the reporting date	2018		2017	
	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%	**$ 777,754**	**11,109**	**625,129**	**49,184**
Decreased by 10%	**$ (777,754)**	**(11,109)**	**(625,129)**	**(49,184)**

(IV) Account receivables and note receivables

	12.31.2018	12.31.2017
Note receivables – from operation	$ 6,345	16,077
Account receivables – at amortized cost	8,895,264	592,994
Less: allowance	(45,051)	(37,489)
Unrealized interest revenues	(729,486)	-
	$ 8,127,072	**571,582**

The Company estimated expected credit risk of all account receivables and note receivables by the simplified method, which evaluates the expected credit losses by the duration. For the purpose of this measurement, these account receivables and note receivables are grouped according to the common credit risk characteristics that represent the ability of the customer to pay all of the amount due based on the terms of the contract and have been incorporated into forward-looking information. The Company's expected credit losses from account receivables and note receivables as of December 31, 2018 are analyzed below:

	Book value of account receivables	Expected credit losses ratio during the duration	Expected credit losses during allowance period
Non-overdue(*)	$ 8,854,407	0.00%~0.22%	790
Overdue for 31~90 days	3,574	29.65%	1,060
Overdue for 91~180 days	1,456	78.08%	1,137
Overdue for 181~270 days	1,318	91.84%	1,210
Overdue for 270 days and more	40,854	100%	40,854
	$ 8,901,609		**45,051**

*Account receivables as of December 31, 2018 included undue account receivables of NT$8,495,464 thousand.

Realized credit loss pattern was adopted to evaluate allowance of account receivables and note receivables as of December 31, 2017. Analysis of age of receivables for receivables which were overdue but not deducted as of December 31, 2017 are listed below.

	12.31.2017

Overdue for 31~60 days	$	26,380
Overdue for 61~90 days		15,286
Overdue for 91~120 days		7,132
Overdue for 120 days and more		49,929
	$	**98,727**

Change of the Company's allowance for account receivables and note receivables are listed below.

			2017	
		2018	Allowance losses by individual evaluation	Allowance losses by group evaluation
Beginning balance (based on IAS39)	$	37,489	-	33,591
Adjustment when IFRS 9 first applied		-		
Ending balance (based on IFRS 9)		37,489		
Recognized allowance loss		7,763	-	3,898
Bad debt written off		(201)	-	-
Ending balance	**$**	**45,051**	**-**	**37,489**

(V) Inventory

		12.31.2018	**12.31.2017**
Columbarium and cemetery for sale	$	2,060,321	2,150,976
Construction Site		4,601,056	4,600,606
Residential and building under construction		92,118	74,602
Columbarium and cemetery under construction		5,371,893	4,950,223
	$	**12,125,388**	**11,776,407**
Expected to be recovered in more than twelve months	**$**	**12,105,859**	**11,611,565**

1. In the year 2018 and 2017, the amount the 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. Please refer to Note 7.
3. For the Company's inventories pledged as collateral as of December 31, 2018 and 2017, please refer to Note 8.

(VI) Non-current assets held for sale

	12.31.2018
Land held for sale	$ 1,762,998
Houses and buildings held for sale	802,685
	$ 2,565,683

The Company's Board meeting made resolution on August 10, 2018 to dispose part of its investment properties. Since no impairment occurred when comparing the book value and the fair value minus disposal costs, those assets for sale were recognized at book value in non-current assets held for sale

(VII) Investments under equity method

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

	12.31.2018	12.31.2017
Subsidiaries	$ 3,390,888	3,323,212
Affiliated enterprises	261,306	267,375
Total	**$ 3,652,194**	**3,590,587**

1. Subsidiaries

(1) Please refer to 2018 consolidated financial report.

(2) The Company increased investment in Sea Dragon for US$10,000 thousand and US$7,000 thousand in June, July 2017, respectively. Shareholding after the capital increase remained 100%.

(3) Sea Dragon made reinvestment in Lungyen (Cayman) and Lungyen (Hong Kong) in sequence to establish Lungyen (Wenzhou) for US$11,000 thousand with a shareholding of 100%. The Company increased investment in Lungyen (Wenzhou) through above mentioned vehicles for US$17,000 thousand. The post money shareholding remained 100%. Sea Dragon signed a joint-venture agreement with SINO-OCEAN Group (joint venture party) on December 31, 2017. The joint venture partner increased the capital of Lungyen (Cayman) by US$28,000 in cash in January 2018. At the same time, it changed its name to Long Young Cayman, and the shareholding ratio decreased from 100% to 50% after the capital increase.

(4) The Company acquired shares from Lung An's other shareholders in January and May, 2018. The number of shares acquired was 10,800 thousand shares at an average price of 10 per share. The Company's ownership in Lung An increased to 100% from 70% after the acquirement.

2. 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	
			12.31.2018	12.31.2017
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 Longding Life Sciences Ltd.:

	12.31.2018	12.31.2017
Current assets	$ 222,526	205,070
Non-current assets	265,544	295,178
Current liabilities	(13,060)	(11,272)
Net assets	(1,677)	-
Net assets attributable to controlling equity	**$ 473,333**	**488,976**
Net assets attributable to the owner of the investee	**$ 241,400**	**249,378**

	2018	2017
Sales Revenue	**$ 110,879**	**98,299**
Net income	$ (15,643)	(20,943)
Other comprehensive income	-	-
Total comprehensive income	**$ (15,643)**	**(20,943)**
Total comprehensive income attribute to controlling equity	**$ (7,978)**	**(10,681)**
Total comprehensive income attribute to owner of the investee	**$ (7,665)**	**(10,262)**

	2018	2017
The share of the Company's net assets of affiliated enterprises at the beginning period	$ 239,598	249,860
Total comprehensive income attribute to the Company	(7,665)	(10,262)
The book value of the Company's equity in the affiliated enterprise of the Company	**$ 231,933**	**239,598**

(2) The 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.

	12.31.2018	12.31.2017
Ending balance of affiliated enterprise under equity method which is not significant individually	**$ 29,373**	**27,777**

	2018	2017
Attribute to the Company:		
Continuing operations' current loss	$ 342	71
Other comprehensive profit or loss	-	-
Total comprehensive profit or loss	**$ 342**	**71**

(3) As of December 31, 2018 and 2017, the Company did not have its investment using equity method pledged as collateral.

(VIII) Property, plant, and equipment

The changes in the cost, depreciation, and impairment loss of the Company's property, plant, and equipment in 2018 and 2017 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, 2018	$ 2,358,836	2,708,793	90,208	55,177	1,07	162,520	942,512	6,319,124
Additions	16	3,373	4,074	926	-	11,892	41,964	62,245
Disposal and scrap	-	(826)	(1,981)	(78)	-	(389)	-	(3,274)
Reclassification	15,439	3,202	-	-	-	1,477	(20,118)	-
Balance on December 31, 2018	**$ 2,374,291**	**2,714,542**	**92,301**	**56,025**	**1,07**	**175,500**	**964,358**	**6,378,095**
Balance on January 1, 2017	$ 2,356,842	2,671,894	77,645	54,197	1,07	142,574	955,038	6,259,268
Additions	-	2,762	2,094	1,149	-	5,827	53,451	65,283
Disposal and scrap	-	-	(6,560)	(169)	-	(692)	-	(7,421)
Reclassification	1,994	34,137	17,029	-	-	14,811	(65,977)	1,994
Balance on December 31, 2017	**$ 2,358,836**	**2,708,793**	**90,208**	**55,177**	**1,07**	**162,520**	**942,512**	**6,319,124**
Depreciation and impairment loss:								
Balance on January 1, 2018	$ -	433,667	68,368	53,494	94	51,637	-	608,114
Current depreciation	-	67,421	7,491	675	3	17,304	-	92,928
Disposal and scrap	-	(89)	(1,981)	(58)	-	(222)	-	(2,350)
Reclassification	-	(60)	-	-	-	60	-	-
Balance on December 31, 2018	**$ -**	**500,939**	**73,878**	**54,111**	**98**	**68,779**	**-**	**698,692**
Balance on January 1, 2017	$ -	368,899	62,366	53,258	91	37,707	-	523,141
Current depreciation	-	64,768	11,807	397	3	14,567	-	91,576
Disposal and scrap	-	-	(5,805)	(161)	-	(637)	-	(6,603)
Balance on December 31, 2017	**$ -**	**433,667**	**68,368**	**53,494**	**94**	**51,637**	**-**	**608,114**
Book value:								
December 31, 2018	**$ 2,374,291**	**2,213,603**	**18,423**	**1,914**	**9**	**106,721**	**964,358**	**5,679,403**
January 1, 2017	**$ 2,356,842**	**2,302,995**	**15,279**	**939**	**16**	**104,867**	**955,038**	**5,736,127**
December 31, 2017	**$ 2,358,836**	**2,275,126**	**21,840**	**1,683**	**13**	**110,883**	**942,512**	**5,711,010**

1. The 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 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, please refer to Note 7.

2. For the breakdown of the amount of guarantees and other financing as of December 31, 2018 and 2017, please refer to Note 8.
3. For part of property, plant and equipment in trust case as of December 31, 2018 and 2017, please refer to Note 9 (3).

(IX) Investment property

	Land and improvements	Building and structure	Total
Cost or identified cost:			
Balance on January 1, 2018	$ 5,014,312	1,992,228	7,006,540
Additions	-	675	675
Disposal	(129)	(167)	(296)
Reclassification	(1,762,998)	(977,063)	(2,740,061)
Balance on December 31, 2018	**$ 3,251,185**	**1,015,673**	**4,266,858**
Balance on January 1, 2017	$ 5,016,306	1,992,228	7,008,534
Reclassification	(1,994)	-	(1,994)
Balance on December 31, 2017	**$ 5,014,312**	**1,992,228**	**7,006,540**
Depreciation and impairment loss:			
Balance on January 1, 2018	$ 19,001	508,269	527,270
Current depreciation	-	27,300	27,300
Disposal	-	(72)	(72)
Reclassification to assets for sale	-	(174,378)	(174,378)
Balance on December 31, 2018	**$ 19,001**	**361,119**	**380,120**
Balance on January 1, 2017	$ 19,001	462,337	481,338
Current depreciation	-	45,932	45,932
Balance on January 1, 2017	**$ 19,001**	**508,269**	**527,270**
Book value:			
December 31, 2018	**$ 3,232,184**	**654,554**	**3,886,738**
January 1, 2017	**$ 4,997,305**	**1,529,891**	**6,527,196**
December 31, 2017	**$ 4,995,311**	**1,483,959**	**6,479,270**
Fair value:			
December 31, 2018			**$ 7,217,578**
December 31, 2017			**$ 10,561,656**

1. Investment property contains a number of commercial properties leased to others. Please refer to Note 6(12).
2. The fair value of investment property is evaluated based on near transaction prices.
3. The Company reclassified part of land, building and structure as non-current asset to be sold after resolution of the Board of directors on August 10, 2018, please refer to Note 6 (5).
4. With regards to real estate delivered to investment trust case as of December 31, 2018 and 2017, please refer to Note 9(3).

5. With regards to details of guarantees for financing facilities provided as of December 31, 2018 and 2017, please refer to Note 8.

(X) Intangible assets

The cost, depreciation, and impairment loss of the Company's intangible assets as of 2018 and 2017 are as follows:

	Goodwill	Trademark	Computer software	Total
Cost:				
Balance on January 1, 2018	$ 542,428	192,750	121,292	856,470
Acquired separately	-	-	12,161	12,161
Balance on December, 31, 2018	**$ 542,428**	**192,750**	**133,453**	**868,631**
Balance on January, 1, 2017	$ 542,428	192,750	115,848	851,026
Acquired separately	-	-	5,444	5,444
Balance on December, 31, 2017	**$ 542,428**	**192,750**	**121,292**	**856,470**
Amortization and impairment loss:				
Balance on January 1, 2018	$ -	-	91,839	91,839
Current amortization	-	-	17,427	17,427
Balance on December 31, 2018	**$ -**	**-**	**109,266**	**109,266**
Balance on January 1, 2017	$ -	-	75,947	75,947
Current amortization	-	-	15,892	15,892
Balance on December 31, 2017	**$ -**	**-**	**91,839**	**91,839**
Book value:				
Balance on December 31, 2018	**$ 542,428**	**192,750**	**24,187**	**759,365**
Balance on January 1, 2017	**$ 542,428**	**192,750**	**39,901**	**775,079**
Balance on December 31, 2017	**$ 542,428**	**192,750**	**29,453**	**764,631**

1. Amortization expenses for intangible assets of 2018 and 2017 are recorded in the comprehensive income state as below item:

	2018	2017
Operating Expenses	**$ 17,427**	**15,892**

2. The Company executed annually at the reporting date for impairment assessment of goodwill and trademarks. After the impairment test was carried out on December 31, 2018 and 2017, goodwill and trademark rights should not be recognized for impairment losses. The key assumptions on which the recoverable amount is calculated are summarized as follows :

   (1) Future cash flow estimates are estimates of the five-year financial budget estimated by the management based on historical operating performance and future operating plans.

   (2) The pre-tax discount rate used to calculate the value in use is based on the industry-weighted average cost of capital (WACC).

(XI) Short-term loan

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

	12.31.2018	12.31.2017
Guaranteed bank loans	$ 2,762,000	2,492,000
Unguaranteed bank loans	327,000	300,000
Total	**$ 3,089,000**	**2,792,000**
Unused limit	**$ 2,979,000**	**2,036,000**
Interest rate range	**0.68%~1.15%**	**0.68%~1.03%**

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

2. For exposure information of interest rate and liquidity risk of the Company, please refer to Note 6(22).

(XII) Convertible bond payable

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

	12.31.2018	12.31.2017
Unsecured convertible bond	**$ 3,190,916**	**$ 3,139,651**
Equity component- convertible rights (booked as capital reserve)	**$ 9,961**	**$ 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$59.30 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 10 days before 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

(XIII) Operating lease

For the 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:

	12.31.2018	12.31.2017
Within 1 year	$ 190,957	194,008
1~5 years	642,567	565,082
Over 5 years	1,568,232	1,429,820
	$ 2,401,756	**2,188,910**

The rent income arising from the investment property amounted to NT$206,040 thousand and NT$192,416 thousand as of 2018 and 2017, respectively. The tax and depreciation expense (booked in the "Operating cost") incurred from investment property is as follows:

	2018	2017
Rent income generated	$ 66,425	91,468
Rent income not generated	-	-
	$ 66,425	**91,468**

(XIV) Employee welfare

3. Defined benefit plan

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

	12.31.2018	12.31.2017
Total present value of obligations	$ 38,665	38,896
The fair value of plan assets	(7,979)	(7,633)
Recognized defined benefit obligations liability (asset), net	**$ 30,686**	**31,263**

The 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 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 Company's labor pension fund account at the Bank of Taiwan is with a balance of NT$7,979 thousand and NT$7,633 thousand as of December 31, 2018 and December 31, 2017, respectively. 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 Company's changes in value of defined benefit obligation for 2018 and 2017 as follows:

	2018	2017
Value of defined benefit obligation balance January 1	$ 38,896	37,579
Current service cost and interest	619	692
Re-measurement of net defined benefit obligation liability		
—Actuarial loss (gain) adjusted based on experience	(1,807)	(1,205)
—Actuarial loss (gain) caused by change of demographic statistics assumption	79	623
—Actuarial loss (gain) caused by change of finance assumption	1,147	1,207
Past service cost	(269)	-
Value of defined benefit obligation balance December 31	**$ 38,665**	**38,896**

(3) Changes in the present value of plan assets

The Company's changes in the fair value of the defined benefit plan assets for year 2018 and 2017 are as follows:

	2018	2017
The fair value of plan assets on January 1	$ 7,633	7,521
Interest income	98	118
Re-measurement of net defined benefit obligation liability (asset)		
—Expected return on plan assets (excluded current interest)	210	(44)
Appropriated amount	38	38
The fair value of the plan assets is December 31	**$ 7,979**	**7,633**

(4) Expenses through profit or loss

The Company recognized gains and losses for year 2018 and 2017 as follows:

	2018	2017

Current and past service cost	$ (135)	130
Net interest of net defined benefit obligation liability	386	444
	$ 251	**574**
Operating expense	**$ 251**	**574**

(5) Re-measurement of net defined benefit liabilities (assets) recognized as other comprehensive (loss) income

The Company's re-measurement of net defined benefit liabilities (assets) recognized as other comprehensive (loss) income for year 2018 and 2017 was as follows:

	2018	**2017**
January 1 cumulative balance	$ (9,185)	(8,516)
Recognition during this period	791	(669)
December 31 cumulative balance	**$ (8,394)**	**(9,185)**

(6) Actuarial assumptions

The major actuarial assumptions used by the Company to determine the present value of the defined benefit obligation at the end of the financial reporting date are as follows:

	12.31.2018	**12.31.2017**
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

The Company expects to pay appropriated amount NT$29 thousand to defined benefit plan within 1 year after the reporting day of 2018.

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

(7) Sensitivity Analysis

On December 31, 2018 and 2017, impact to present value of defined benefit obligation caused by main actuarial assumption change was as below:

	Impact to defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2018		
Discount rate (change 0.25%)	$ (1,141)	1,189
Future wage increase (change 0.25%)	1,175	(1,113)
December 31, 2017		
Discount rate (change 0.25%)	(1,232)	1,286
Future wage increase (change 0.25%)	1,274	(1,226)

The above sensitivity analysis analyzes the impact of single hypothesis changes based on other assumptions unchanged. 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 period.

4. Defined contribution plans

Defined contribution plans of the 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 Company appropriate fixed amount to Bureau of Labor Insurance and does not have legal or constructive obligation to pay extra amount.

As of 2018 and 2017, the Company actual appropriated pension expense is NT$17,538 thousand and NT$17,545 thousand, respectively. The amount has already been appropriated to Bureau of Labor Insurance.

(XV) Income tax

The Presidential Office promulgated the Income Tax Law Amendment on February 7, 2018. The income tax rate has been raised from the current 17% to 20% since 2018.

2. Income tax expense

The Company's income tax expenses for year 2018 and 2017 as follows：

	2018	2017
Current income tax expenses		
Current period charge	$ 222,834	161,756
Land appreciation tax	1,364	1,524
10% surtax on undistributed earnings	60,872	77,665
Adjustment of tax of previous periods	7,102	(4,585)
	292,172	236,360
Differed income tax expenses (profits)		
Origination and reversal of temporary differences	54,760	(28,946)
Change in income tax rate	(133,898)	-
	(79,138)	(28,946)
Income tax expenses	**$ 213,034**	**207,414**

3. The Company's adjustment between the relationship of income tax expense and income before tax was as follows:

	2018	2017
Pre-tax profit	$ 2,393,569	2,051,413
Income tax rate calculation using the domestic tax rate	478,714	317,049
Tax-exempt income and dividend revenue	(159,859)	(164,239)
Investment gains and losses under the equity method	(13,950)	-

Land appreciation tax	1,364	1,524
Restoration of temporary management fee received in advance	(318)	(2,408)
Undistributed earnings to 10%	60,872	77,665
Change in income tax rate	(133,898)	-
Other	(19,891)	(22,177)
	$ 213,034	**207,414**

4. Deferred tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

The temporary differences associated with investments in subsidiaries on December 31, 2018 and 2017 due to the fact that the Company can control the timing of reversal of temporary differences, and are convinced that it will not trun in the foreseeable future, so the deferred income tax assets and liabilities are not recognized. Related amounts are as follows:

	12.31.2018	**12.31.2017**
Temporary differences associated with investments in subsidiaries aggregated amount	**$ (14,471)**	**42,400**
Amount not recognized as deferred tax (assets) liabilities	**$ (2,894)**	**7,208**

(2) Recognized deferred tax assets and liabilities

Changes in assets and liabilities of the years ended 2018 and 2017 deferred income tax as follows:

Deferred income tax liabilities:

	Goodwill and trademark amortization	**Other**	**Total**
January 1, 2018	$ 15,879	3,115	24,287
Debit (credit) to income statement	(3,425)	-	(5,293)
December 31, 2018	**$ 15,879**	**3,115**	**18,994**
January 1, 2017	$ 21,172	3,115	24,287
Debit (credit) to income statement	(5,293)	-	(5,293)
December 31, 2017	**$ 15,879**	**3,115**	**18,994**

Deferred tax assets:

	Cemetery Revenue	**Contract Revenue**	**Other**	**Total**
January 1, 2018	$ 599,803	104,162	73,786	777,751
(Debit) credit to exchange profits and	11,473	16,204	48,586	76,263

losses				
December 31, 2018	**$ 611,276**	**120,366**	**122,372**	**854,014**
January 1, 2017	$ 645,335	101,780	52,571	799,686
(Debit) credit to income statement	(45,532)	2,382	21,215	(21,935)
December 31, 2017	**$ 599,803**	**104,162**	**73,786**	**777,751**

5. The Company's business income tax return was approved by the taxing authority to year 2014.

(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 common stock shares issued as of December 31, 2018 and 2017.

The Company's reconciliation table of outstanding shares of year 2018 and 2017 is listed below:

	Common Stock (In thousand shares)	
	2018	**2017**
Balance of January 1	420,084	399,084
Cash capital increase	-	21,000
Balance of December 31	**420,084**	**420,084**

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- in 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 the Board of Directors meeting 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	$ 2,486,172
Disposal of difference of price and book value of	20,972	20,972

subsidiaries' equity		
Recognition changes in net equity of subsidiaries	2,849	2,849
Issuance of stock options for convertible corporate bonds	9,961	9,961
Total	**$ 2,519,954**	**$ 2,519,954**

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 mentioned 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. Certificate 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.

	2018	2017
Beginning balance at January 1	$ -	$ 401,665
Special reserve reversed	-	(401,665)

Ending balance at December 31	$ -	$ -

(3) Distribution of earnings

The company's distribution of 2017 and 2016 earnings was proposed by the shareholder meeting on June 20, 2018 and June 21, 2017. The distribution of dividends to shareholders is as follows:

	2017		2016	
	Share distribution rate (NT$)	Amount	Share distribution rate (NT$)	Amount
Dividends distributed to common stock shareholders:				
Cash	$ 2.50	1,050,210	1.20	504,101

4. Other equity

	Exchange differences from the translation of foreign institution's financial statements	Investments at fair value through other comprehensive income	Available-for-sale investment	Total
January 1, 2018	$ (13,825)	-	472,440	458,615
Retrospective adjustment due to new accounting standard	-	264,279	(472,440)	(208,161)
Re-estimated balance on January 1, 2018	(13,825)	264,279	-	250,454
The Company	-	433,802	-	433,802
Exchange difference of subsidiaries, affiliate company and joint venture using equity method	(10,990)	-	-	(10,990)
Unrealized gain (loss) financial assets measured at fair value through other comprehensive income of subsidiaries, affiliate company and joint venture using equity method		2,845		2,845
Disposal of equity instruments measured at fair value through other comprehensive income				
-The Company	-	12,343		12,343
-Subsidiaries	-	(1)	-	(1)
Balance on December 31, 2018	$ (24,815)	713,268	-	688,453
January 1, 2017	$ (11,300)	-	408,657	397,357
The Company	(4,848)	-	67,783	59,160
Unrealized gain (loss) of available-for-sale 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

(XVII) Earnings per share

The Company's basic earnings per share and diluted earnings per share as of 2018 and 2017 are calculated as follows:

	2018	2017
Basic earnings per share		
Net income attributable to the Company's common stock shareholders:	$ 2,180,535	$ 1,843,999
Weighted average outstanding common stock shares	420,184	415,079
	$ 5.19	$ 4.44
Diluted earnings per share		
Net income attributable to the Company	$ 2,180,535	1,843,999
Impact of common stock shares with potential dilutive effect		
Convertible Bond	41,012	30,388
Net income attributable to the Company's common stock shareholders (after adjusting the potential dilutive effect of the common stock shares)	$ 2,221,547	1,874,387
Weighted average outstanding common stock shares	$ 420,084	415,079
Impact of common stock shares with potential dilutive effect		
Impact of stock bonus to employees	517	308
Impact of convertible bond	52,496	36,010
Weighted average outstanding common stock shares (after adjusting the potential dilutive effect of the common stock shares)	$ 473,097	451,397
	$ 4.70	4.15

(XVIII) Revenues from contracts with customers

1. Details of revenues

	2018				
	Sales of columbarium and cemetery	Funeral services	Property leasing	Cemetery operation and others	Total
Area of main market:					
Taiwan	$ 2,409,399	1,630,939	206,040	132,104	4,378,482
Revenues recognized at:					
Goods or services that are	$ 2,409,399	1,630,939	206,040	132,104	4,378,482

transferred at a certain point in time

Please refer to Note 6 (18) for details of revenues of 2018.

2. Outstanding contract amount

	12.31.2018	1.1.2018
Account receivables and note receivables	$ 8,901,609	609,071
Less: allowance	(45,051)	(37,489)
Unrealized interests revenues	(729,486)	-
Total	**$ 8,127,072**	**571,582**
Contract liabilities – presale of columbarium and cemetery products and contracts of funeral services	**$ 37,522,150**	**-**

For the disclosures of accounts receivables and allowances, please refer to Note 6 (3).

The initial balance of the contractual liabilities on January 1, 2018 was recognized as income in the year in the amount of NT$3,537,547 thousand.

The contract liabilities are mainly due to the advance payment of the columbarium and cemetery and funeral services but not completed and fulfilled of the contract. The company will recognize as income when the columbarium and cemetery is completed and the service is fulfilled.

(XIX) Income

The Company's income as of 2017 is as follows:

	2017
Columbarium and cemetery income	$ 1,840,587
Funeral services income	1,671,863
Rent income from investment property	192,416
Other operating income	126,686
	$ 3,831,552

(XX) 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. Employee compensation can be obtained by stock or cash. The preceding employees who receive stocks or cash include employees of subsidiaries under certain conditions.

The Company's bonus to employees as of 2018 and 2017 is estimated to be NT24,673 thousand and NT$21,149 thousand, and the remuneration to directors and supervisors is estimated to be NT$49,345 thousand and NT$42,297 thousand. 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 2018 and 2017. 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 financial report of the Company.

(XXI) Net other gains or losses

The Company's net other gains and losses are as follows:

	2018	2017
Interest income	$ 177,048	-
Marketing expenses	(39,037)	-
Management income	135,218	-
Management expenses	(135,218)	-
	$ 138,011	**-**

(XXII) Non-operating income and expense

1. Other income

The company's other income of 2018 and 2017 is as follows:

	2018	2017
Interest income	$ 92,310	103,315
Dividend income	228,582	179,472
Handling fee income	9,865	11,995
Fines income	56,275	42,080
Other income	76,211	77,196
	$ 463,243	**414,058**

2. Other profit and loss

The company's other gain and loss of 2018 and 2017 is as follows:

	2018	2017
Foreign exchange gain (loss)	$ 50,261	(134,651)
Net gains (losses) of financial assets measured at fair value through profit or loss	(13,868)	25,329
Disposal gain of available-for-sale financial assets	-	21,031
Disposal loss of financial assets measured at fair value through other comprehensive income	(27,734)	-
Disposal and scrapping of property, plant, and equipment	(606)	179
Impairment loss	(5,940)	-

Gain on disposal of investment property	525	-
Gain on disposal of other non-current assets	347,626	-
Other expense	(3,439)	(2,470)
	$ 346,825	**(90,582)**

3. Finance costs

The company's finance cost as of 2018 and 2017 is as follows:

	2018	2017
Interest expense	$ 28,153	44,091
Amortization for discount on cooperate bond	51,266	36,612
	$ 79,419	**80,703**

(XXIII) Financial instruments

2. Types of financial instruments

(1) Financial assets

	12.31.2018	12.31.2017
Financial assets at fair value through income and loss	$ 1,227,298	1,178,602
Financial assets at fair value through other comprehensive income	9,966,394	-
Available-for-sale financial assets	-	8,508,339
Hold-to-maturity investment	-	614,832
Financial assets carried at amortized cost	1,017,051	-
Financial assets carried at cost	-	17,207
Financial assets carried at amortized cost (loans and receivables):		
Cash and cash equivalent	107,666	60,066
Notes receivable and accounts receivable	8,127,072	571,582
Other financial assets (current & non-current)	2,191,210	2,299,660
Sub-total	10,425,948	2,931,308
Total	**$ 22,636,691**	**13,250,288**

(2) Financial liabilities

	12.31.2018	12.31.2017
Financial liabilities carried at amortized costs:		
Short term loans	$ 3,089,000	2,792,000
Payable accounts	798,576	668,517
Corporate bond	3,190,916	3,139,651
Guarantee deposit	71,542	60,931
Total	**$ 7,150,034**	**6,661,099**

3. 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) Credit risks of account receivables and liabilities securities

For credit risk exposure to note receivables and account receivables, please refer to Note 6 (3). Other financial assets carried at amortized costs include other receivables.

Liabilities investments at fair value through other comprehensive income include non-listed liabilities securities (which were booked as available-for-sale or hold-to-maturity financial assets as of December 31, 2017)

Those mentioned above are all financial assets with low risks, thus the expected twelve-month credit loss amount is allied to evaluate the allowance during the reporting period (for details of how the Company judges the credit risk, please refer to Note 4 (6)). Changes of allowance for the year 2018 are as follows:

	Other receivables	Liabilities securities carried at amortized costs	Liabilities securities at fair value through other comprehen sive income	Total
Beginning balance (according to IAS39)	$ 18,302	-	-	18,302
Adjustment for IFRS 9 first applied	-	-	-	-
Beginning balance (according to IFRS 9)	18,302	-	-	18,302
Allowance	-	-	-	-
Ending balance	**$ 18,302**	**-**	**-**	**18,302**

4. Liquidity risk

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

December 31, 2018	Book value	Contract Cash flow	6 months Within	6-12 months	1-2 years	2-5 years	Over 5 years

Non-derivative financial liabilities							
Floating rate instruments	$ 3,089,000	3,089,000	3,089,000	-	-	-	-
Fixed rate instrument	3,190,916	3,190,916	-	-	3,190,916	-	-
No interest-bearing liabilities	870,118	870,118	870,118	-	-	-	-
	$ 7,150,034	**7,150,034**	**3,959,118**	**-**	**3,190,916**	**-**	**-**
December 31, 2017							
Non-derivative financial liabilities							
Floating rate instruments	$ 2,792,000	2,792,000	2,792,000	-	-	-	-
Fixed rate instrument	3,139,651	3,139,651	-			3,139,651	
No interest-bearing liabilities	729,448	729,448	729,448	-	-	-	-
	$ 6,661,099	**6,661,099**	**3,521,448**	**-**	**-**	**3,139,651**	**-**

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

5. Exchange rate risk

(1) Exchange rate risk exposure

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

	12.31.2018			12.31.2017		
	Foreign currency	**Exchange rate**	**New Taiwan Dollar**	**Foreign currency**	**Exchange rate**	**New Taiwan Dollar**
Financial assets						
Monetary items						
RMB/NTD	$ 17,144	4.452	76,327	25,955	4.553	118,182
USD/NTD	39,718	30.733	1,220,661	74,256	29.848	2,216,388
JPY/NTD	95,918	0.279	26,742	17,895	0.264	4,721
HKD/NTD	21,875	3.902	85,343	16,973	3.805	64,582
SGD/NTD	21,503	22.420	482,094	-	-	-
AUD/NTD	106	21.535	2,288	-	-	-
Non-monetary items						
JPY/NTD	155,840	0.279	43,448	229,827	0.264	60,628
USD/NTD	20,937	30.732	643,446	8,635	29.848	257,743
HKD/NTD	78,402	3.902	305,886	51,092	3.805	194,405
SGD/NTD	1,831	22.420	41,056	1,060	22.255	23,596

(2) Sensitivity analysis

The Company's exchange rate risk is mainly from foreign currency denominated cash and cash equivalent, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. Foreign exchange gain and loss arises from the translation. When the exchange rate of NT Dollars against currency of USD, RMB and JPY 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, 2018 and 2017, the net income was increased or decreased by NT$234,183 thousand and NT$244,040 thousand, respectively.

Due to the variety of the Company's functional currencies, the exchange gain or loss of currency items are disclosed in summary. As of 2018 and 2017, the

foreign currency exchange gain (loss) was NT$50,261 thousand and NT$(134,651) thousand, respectively.

6. Interest rate analysis

Please refer to the Note regarding liquidity risk management for the interest rate risk exposure of the 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 Company's net income as of 2018 and 2017 is decreased or increased by NT$12,356 thousand and NT$11,587 thousand, respectively, mainly due to the Company's loan with variable interest rate.

7. Fair value

(1) Financial instruments category and fair value

The Company's financial assets and available-for-sale financial assets measured at fair value through profit or loss, are measured at fair value on a repetitive basis. The book value and fair value of the financial assets and financial liabilities (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) are listed as below:

	12.31.2018				
		Fair Value			
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	$1,763,101	1,763,101	-	-	1,763,101
Financial assets at fair value through other comprehensive income	10,402,583	10,390,424	-	12,159	10,402,583
Financial assets at amortized costs	817,007	817,007	-	-	817,007
Total	$12,982,691	12,970,532	-	12,159	12,982,691

	12.31.2017				
		Fair Value			
	Book value	Class I	Class II	Class III	Total
Financial assets measured at fair value through profit or loss	$1,178,602	1,178,602	-	-	1,178,602
Available-for-sale financial assets	8,508,339	8,508,339	-	-	8,508,339
Hold to maturity investment	614,832	614,832	-	-	614,832
Total	$10,301,773	10,301,773	-	-	10,301,773

No financial assets and liabilities of each hierarchy were transferred as of 2018 and 2017.

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

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

Financial assets at amortized costs (hold to maturity financial assets): If there's quoted market prices in active markets, the fair value is based on market price; if there's no market prices for references, the evaluation methods or counterparts' price will be adopted.

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

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

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

Listed companies' stocks, beneficial certificates and corporate bonds held by the 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.

In addition to the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained by evaluation techniques or reference to counterparty quotes. The fair value obtained through the evaluation techniques can be calculated by reference to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method or other evaluation techniques, including the market information utilization model available on the reporting date. (For example, Taipei Exchange reference yield curve, Reuters average offer of commercial paper interest rate)

If the financial instruments held by the company are not active, the fair value is as follows according to the categories and attributes:

Equity instruments without public quotation: The fair value is estimated using the market comparable company method. The main assumption is based on the investor's estimated earnings before interest, income tax, depreciation and amortization, and the earnings multiple derived from comparable market quotes. The estimate has adjusted the impact of the lack of market liquidity of the equity securities.

(4) Details of changes in Class III

	Financial assets at fair value through other comprehensive income (available-for-sale) financial assets)		
	Equity instrument	Bonds	Total

	without public prices		
January 1, 2018	$ 17,207	-	**17,207**
Total profits or losses			
Recognized as profit or loss	(5,940)	-	(5,940)
Liquidation	(3,277)	-	(3,277)
December 31, 2018	**$ 7,990**	**-**	**7,990**

Total profits or losses mentioned above were recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income". Among which related asset still held as of December 31, 2018 are:

	2018
Total profits or losses	
Recognized in other comprehensive income (recognized as "unrealized gains (losses) from financial assets at fair value through other comprehensive income")	**-**

(5) Quantitative information on the fair value measurement of significant unobservable input (class III)

The Company's fair value measurement which categorized in class III mainly includes financial asset at fair value through other comprehensive income.

Most of the Company's fair value measurement which categorized in class III equipped only one significant unobservable input; only equity instrument with active market has plural unobservable inputs. The significant unobservable inputs of investment in equity instrument without active market are mutually independent, thus no mutual relevance exists.

Information of significant unobservable inputs are quantified in below table:

Item	**Measurement method**	**Significant unobservable input**	**Relation between significant unobservable input and fair value**
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Comparable to the Company Act for listed company	• P/B ratio (1.46 as of December 31, 2018)	• The higher the multiplier and ownership premium, the higher the fair value
Financial assets at fair value through other comprehensive income – investment in equity instrument without active market	Net assets value method	• Net asset value	Not applicable

(6) Sensitivity analysis of fair value to reasonable possible alternative hypotheses for the class III of fair value measurement

The Company's measurement on the fair value of financial instrument was reasonable; however, the results of measurement may differ due to the application

of different measurement model or parameters. For financial assets categorized in class III, impact resulted from change in measurement parameters to current net income or other comprehensive income are as follows:

	Input parameter	Upward or downward change	Change in fair value reflected in current net income		Change in fair value reflected in current other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Investment in equity instruments without active market	P/B ratio	10%	-	-	541	(541)

(XXIV) Financial risk management

6. Summary

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

7. Risk management structure

The Company's risk management policies are setup to identify and analyze the risk faced by the 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 Company. The 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 Company's Audit Committee supervises how the management monitors the Company's risk management policies and procedures compliance and reviews the appropriateness of the Company's risk management structure in service. Internal audit staff assists the 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.

8. Credit risk

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

(4) Accounts receivable and other receivables

The 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 Company's customers, including the default risk of the industry and country the customer belongs to since it may affect credit risk.

The Company has setup the allowance account 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 loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for loss is determined in accordance with the historical payment statistics of similar financial assets.

(5) Investment

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

(6) Guarantees

The Company regulated by the company policies can only provide financial guarantee to the business-related companies. The Company offers no endorsement and guarantee to companies which are not the Company's subsidiaries as of December 31, 2018 and 2017.

9. Liquidity risk

Liquidity risk is the risk that the Company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Company's managing liquidity is to ensure that the 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 Company's reputation.

The Company's unused loan facilities amounted to NT$2,979,000 thousand and NT$2,036,000 thousand as of December 31, 2018 and 2017.

10. Market risk

Market risk is the risk the 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.

(3) Exchange rate risk

The 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 Group. These transactions are denominated in major currencies of New Taiwan Dollar, Singapore Dollar, U.S. Dollar, RMB, and Japanese Yen.

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

(4) Interest rate risk

The 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.

(XXV) Capital management

The 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 Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to pay off liabilities.

The 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:

	12.31.2018	12.31.2017
Total liabilities	$ 46,126,162	$ 39,359,248
Minus: Cash and cash equivalent	(107,666)	(60,066)
Net liabilities	46,018,496	39,299,182
Total equity	14,982,373	12,528,906
Adjusted capital	**$ 61,000,869**	**$ 51,828,088**
Debt to equity ratio	**75.44%**	**75.83%**

The Company's capital management method has not been changed as of December 31, 2018 and 2017.

(XXVI) Reclassification of other comprehensive income components

The Company made reclassification of other comprehensive income components as follows:

	2018	2017
Financial assets available for sale		
Current net change in fair value	$ -	63,435
Net changes in fair value reclassified to income and losses	-	4,348
Investment in debt instrument at fair value through other comprehensive income		
Current net change in fair value	(56,674)	-
Net changes in fair value reclassified to income and losses	14,470	-

Net change in fair value recognized as other comprehensive income	$ (42,204)	67,783

VII. Related Party Transactions

1. Related parties' names and relations

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

Related Parties	Relations with the Company
Jin Huang Construction Co., Ltd. (Jin Huang)	Subsidiary of the Company
Dahan Property Management Co., Ltd. (Dahan)	Subsidiary of the Company
Yuji Development Corp. (Yuji)	Subsidiary of the Company
Sea Dragon Traders Ltd. (BVI) (Sea Dragon)	Subsidiary of the Company
SINGAPORE LUNGYEN LIFE SERVICES PTE. LTD. (SINGAPORE LUNGYEN)	Subsidiary of the Company
Long An Company Ltd. (Long An)	Subsidiary of the Company
Lung Fu Company Limited (Lung Fu)	Subsidiary of the Company
Lung Ting Life Science Co. Ltd.	Affiliated Company of the Company
Xin Wei International Leasing Co. Ltd.	The corporate director is the same as the Company (Since June 20, 2018, it has not been included in the relationship)
Fuyuan International Development Co. Ltd.	The chairman of Fuyuan is one of the directors of the Company
Fuyang Development Co., Ltd	Director of Subsidiary
Creative Space Design Co. Ltd.	Affiliated Company of the Company(Since August, 2018, it has not been included in the relationship)
Other natural person	Director, supervisor and major administrator of the Company and related affiliates

2. Parent company and ultimate controller

The Company is the ultimate controller of the Company and the Company's subsidiaries.

(III) Significant transactions with related parties

The transaction price is based on the price agreed by both parties, and the collection conditions are based on the contract.

1. Purchase from related party

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

	Purchase		Payable accounts for related parties	
	2018	2017	12.31.2018	12.31.2017
Subsidiaries	$ 2,866	-	41,095	38,178
Affiliated enterprises	587	505	9	45
	$ 3,453	505	41,104	38,223

The payment term is approximately 30 days after acceptance and is correspondent with the general terms of the transaction.

2. Lease

(1) Lessee:

The Company leases office apartment and transport equipment from the related party. Rent expenses for year 2018 and 2017 are as follows.

	2018	2017
Other related parties	$ 6,848	7,298

(2) Lessor:

The Company has office building and parking space rented to related parties. Rent income for year 2018 and 2017 are as follows.

	2018	2017
Subsidiaries	$ 4,728	2,495
Other related parties	34	34
	$ 4,762	2,529

Terms and conditions of above leasing follow agreement of both parties.

3. Others

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

	12.31.2018	12.31.2017
Subsidiaries	$ 36,458	30,664

(2) Other payables

	12.31.2018	12.31.2017
Subsidiaries	$ 1,589	1,589
Other related party	57	-
	$ 1,646	1,589

(3) Prepayments

	12.31.2018	12.31.2017
Subsidiaries	$ 20,805	20,805

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

	12.31.2018	12.31.2017
Other related party	$ 961	961

Refundable deposits are deposit for the Company leasing property from other related party. Interests from those deposits collected on December 31, 2018, and 2017 were NT$10 thousand and NT$12 thousands, respectively.

(5) Other current liabilities

	12.31.2018	12.31.2017
Subsidiaries	$ 16,007	23,952

(6) Management fees

	2018	2017
Other related parties	$ 553	553

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

4. The company's acquisition of other assets from related parties is summarized as follows:

Kinds of related parties	Item	2018	2017
Affiliated Company	Fixed assets	$ 505	800

5. Endorsement

In the year of 2018 and 2017, the Company provided endorsement for subsidiaries and grandson companies and recognized the fee income of NT$3,222 thousand and NT$1,500 thousand, respectively, which was accounted for under “other income”.

In addition, the endorsement information as of December 31, 2018 and 2017 is as follows:

Related parties	12.31.2018		12.31.2017	
	Guaranteed Amount	Used Amount	Guaranteed Amount	Used Amount
Subsidiary- Long An	$ 200,000	12,300	100,000	-
Subsidiary- Yuji	500,000	-	400,000	-
Subsidiary- Lung Fu	400,000	64,000	100,000	32,000
Total	$ 1,100,000	76,300	600,000	32,000

6. Trust contract

Part of the Company’s land is trusted and registered in the name of other related party as of December 31, 2018 and 2017. Please refer to Note 6(4) and (7) for details.

7. Others

(1) The Company commissioned other related party to acquire land for construction for a total price below NT$376,820 thousand as of December 31, 2018 and 2017. The discretionary trustee is to handle the land combination matter on behalf of the Company.

(2) The Company recognized revenues of NT$64,800 as “other income” for operation and management consulting and assisting services to subsidiaries as of 2018 and 2017.

(3) The Company's other related parties purchased the Company's products for NT$6,815 thousand and NT$4,165 thousand in total as of December 31, 2018 and 2017.

(IV) Key management remuneration

	2018	2017
Short-term employee benefits	$ 41,209	45,121
Retirement benefits	1,371	1,598
	$ 42,580	**46,719**

VIII. Pledged Assets

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

Assets name	Purpose of collateral	12.31.2018	12.31.2017
Non-current assets to be sold	Guarantee for loans and corporate finance amount	$ 834,394	-
Inventories	Guarantee for loans and corporate finance amount	3,162,166	3,161,789
Property, plant, and equipment	Collateral for loan	2,373,297	2,402,195
Investment property	Guarantee for loans and corporate finance amount	1,445,300	4,021,630
Available-for-sale financial assets – non-current	Collateral for loan	-	3,091,111
Financial assets at fair value through other comprehensive income	Collateral for loan	3,930,200	-
		$ 11,745,357	**12,676,725**

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Significant unrecognized contractual commitments:

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

	12.31.2018	12.31.2017
Construction contracts	**$ 1,110,344**	**761,721**

2. The contract price of the Company for the sale of investment property is as follows:

	12.31.2018	12.31.2017
Signed sale contract price	**$ 2,007,350**	**-**
Amount collected by the contract	**$ -**	**-**

3. The Company signed the investment contract with Kaohsiung City Government in July 2018 for the construction and operation of the funeral home located in the Dingjin Section, Sanmin District, Kaohsiung City. The construction period is three years and the operation period is 20 years. A fixed development royalty shall be paid upon the

agreement of commencement. From the date of operation, a fixed royalty amount plus a fixed percentage of operating profit after tax shall be paid annually

(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. Since the civil ruling was not authenticated in accordance with the provisions of the Enterprise Mergers and Acquisitions Law, and there existed a violation of the law, Taiwan Taipei District Court abandoned the original ruling on October 25, 2018, with a statutory stipulation, and set a separate NT$77.79 per share as purchase price. The applicable regulations of the previous ruling are obviously wrong, and the Company intends to file a further protest during the statutory period. After the Taiwan High Court passed the non-anti No. 147 trial, it was decided that the original ruling was abolished and sent back to the Taipei District Court due to that the original ruling was not based on the resolution of the shareholders' meeting. Now this issue was under Taipei District Court' charge.

(III) Others

1. The 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, 2018 and 2017 are as follows：

	12.31.2018	12.31.2017
Bank deposits (recognized as "Other financial assets－current")		
Demand deposits	$ 828,307	637,912

Time deposits	350,000	609,698
Financial assets measured at fair value through profit or loss - current	1,036,529	679,012
Financial assets measured at fair value through other comprehensive income	2,843,388	-
Available-for-sale financial assets – non-current	-	2,439,218
Financial assets at amortized costs	1,017,051	-
Hold to maturity financial assets	-	614,832
Property, plant and equipment (Note)	2,206,293	2,206,293
Investment property (Note)	1,962,845	1,962,845
	$ 10,244,413	**9,149,810**

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

The amount of the above-mentioned trust assets has been used for purchase of financial instruments, real estate delivery and transferred to the trustee, so that the trustee may, according to the instructions of the client, manage and dispose of the trust assets for the designated purpose.

2. The 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$852,414 thousand and NT$881,389 thousand as of December 31, 2018 and 2017, respectively. Above figures were recognized as "Other financial assets – current".

3. The Company had contracts signed with clients for the sale of columbarium and funeral service as of December 31, 2018 and 2017. The pre-need contract signed and the related deferred marketing expenses are as follows:

	12.31.2018	12.31.2017
Total contract price	$ 37,522,150	39,808,069
Outstanding proceeds	(7,613,138)	(8,465,773)
Advanced receipts	**$ 29,909,012**	**31,342,296**
Deferred marketing expense	**$ 7,910,905**	**8,444,353**
Expected to be reclassified for more than twelve months	**$ 36,137,082**	**28,638,880**

X. Significant disaster loss: None.

XI. Significant subsequent events: None.

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	2018				2017			
	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	220,598	208,773	100,708	530,079	217,726	214,806	89,547	522,079
Labor and health insurance	14,803	15,571	4,604	34,978	15,051	15,825	4,756	35,632
Director's remuneration	8,180	7,439	2,170	17,789	8,358	8,040	1,721	18,119
Pension	-	49,345	-	49,345	-	42,297	-	42,297
Others	6,686	9,434	2,760	18,880	6,764	8,914	2,394	18,072
Depreciation	62,422	47,047	10,759	120,228	80,442	47,077	9,989	137,508
Amortization	-	15,989	1,438	17,427	-	14,667	1,225	15,892

The number of employees of the Company in 2007 and 2006 was 510 and 497 respectively, of which the number of directors who did not concurrently serve were 6 and 7 respectively.

Note: It includes the related fees of the cemetery management center-related expenses (stated as reduction of advanced management fee receipts).

(II) Seasonality of operations

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

XIII. Supplementary disclosures:

(I) Information on significant transactions

The Company should have the following material transactions disclosed of the year 2018 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 1)	Total limitation for fund financing (Note 1)
													Name	Value		
1	Yuji Development Corp.	Shengde Futan Miaogu Co., Ltd.	Other receivable	No	420,000	420,000	-	3%	1	72,000	Opearion	-	Columbarium products owned by the borrower	432,000	636,168	1,272,337

Note 1：According to the regulations of the procedures of loans to others of Yiju Construction Corp., the loan for companies having business with the company, the total amount are limited to 40% of the net value of the latest financial statements of the company. The amount of individual loans shall not exceed 20 times the amount of business transactions between the two parties, and shall not exceed 20% of the value of the most recent financial statements of Yiju Construction Corp.

Total limit of loan for others: NT$3,180,842 thousand ×40%=NT$1,272,337 thousand
Limit of individual loan for others: NT$3,180,842 thousand×20%= NT$636,168 thousand;
NT$72,000 thousand×20= NT$1,440,000 thousand;
the limit is NT$636,168 thousand

Note 2：Nature of fund financing to others:
ii. Business interactions.
iii. Short term financing.

2. Guarantees and endorsements for other parties:

(English Translation of Financial Report Originally Issued in Chinese)

Notes to the financial statements of Lungyen Life Service Corp.

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	4,494,712	200,000	200,000	12,300	-	1.33%	7,491,187	Y	N	N
0	Lungyen Life Service Corp.	Yuji Developme nt Corp.	2	4,494,712	500,000	500,000	-	-	3.34%	7,491,187	Y	N	N
0	Lungyen Life Service Corp.	Lung Fu Company Limited	3	4,494,712	400,000	400,000	64,000	-	2.67%	7,491,187	Y	N	N

Note 1: The total amount of guarantees and endorsements shall not exceed 50% of the net worth in the current period.
The total amount of guarantees and endorsements for individual party shall not exceed 30% of the net worth in the current period.

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

i. The Company has business with the receiving parties.
ii. The Company holds directly more than 50% of the common stock of the subsidiaries.
iii. Companies that directly and indirectly hold more than 50% of the shares in the Company.
iv. Inter-receiving parties which the Company directly and indirectly holds more than 90% of the voting shares.
v. The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
vi. The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.
vii. Performance guarantees for pre-sale contracts under the Consumer Protection Act.

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. The expiration date was December 31, 2018. The amount was extended upon the board resolution on December 28, 2018, and the new guarantee amount was increased to NT$100,000 thousand.

Note 4: Upon the board resolution on December 27, 2017, the maximum amount of endorsements to Yuji has been set to NT$200,000 thousand of which the expiration date was December 31, 2018. The endorsements was extended upon the board resolution on December 28, 2018, and the new guarantee amount was increased to NT$300,000 thousand.

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 of which the expiration date was December 31, 2018. The endorsements was extended upon the board resolution on December 28, 2018, and the new guarantee amount was increased to NT$300,000 thousand.

Notes to the financial statements of Lungyen Life Service Corp.

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

Holder of Securities	Type and Name of Securities	Relationship with Securities Issuer	Account Title	Ending Balance				Remarks
				Quantity of shares (thousand shares)/unit	Book Value	% of Ownership	Fair Value	
The Company	Stock of Cheng Shin Rubber Ind., Co., Ltd.	—	Financial assets at fair value through profits and losses-current	245	10,008	- %	10,008	-
The Company	Stock of WIN Semiconductors Corp.	—	Financial assets at fair value through profits and losses-current	704	83,072	- %	83,072	-
The Company	Qualcomm	—	Financial assets at fair value through profits and losses-current	13	22,510	- %	22,510	Trust
The Company	Yuanta De-Li Money Market Fund	—	Financial assets at fair value through profits and losses-current	43,344	705,667	- %	705,667	Trust
The Company	Prudential Money Market Fund	—	Financial assets at fair value through profits and losses-current	7,618	120,312	- %	120,312	Trust
The Company	Cathay China High Yield Bond B TWD	—	Financial assets at fair value through profits and losses-current	5,389	43,174	- %	43,174	Trust
The Company	Yuanta AUD Money Market Fund - NTD	—	Financial assets at fair value through profits and losses-current	3,162	29,282	- %	29,282	Trust
The Company	Nomura Global Short Duration Fund	—	Financial assets at fair value through profits and losses-current	2,937	29,903	- %	29,903	Trust
The Company	Prudential Emerging Market Bond Fund – Monthly interests distribution type	—	Financial assets at fair value through profits and losses-current	5,362	44,524	- %	44,524	Trust
The Company	Evenstar Sub-Fund 1 Segregated Portfolio	—	Financial assets at fair value through profits and losses-current	1	97,689	- %	97,689	-
The Company	iShares MSCI China ETF	—	Financial assets at fair value through profits and losses-current	25	41,157	- %	41,157	Trust
The Company	051 Chailease Holding Company Limited-A	—	Financial assets at fair value through other comprehensive income-noncurrent	200,000	200,200	- %	200,200	Trust
The Company	104 Central Bond 5	—	Financial assets at fair value through other comprehensive income-noncurrent	100,000	105,145	- %	105,145	Trust
The Company	Abu Dhabi National Energy Company Corporate Bond 20220403	—	Financial assets at fair value through other comprehensive income-noncurrent	2,550	79,134	- %	79,134	Trust
The Company	CNOOC Limited USD Callable Corporate Bond 20230509	—	Financial assets at fair value through other comprehensive income-noncurrent	3,100	92,310	- %	92,310	Trust
The Company	The Export-import Bank of China RMB Callable Corporate Bond 4.15 20270618	—	Financial assets at fair value through other comprehensive income-noncurrent	5,000	22,309	- %	22,309	Trust
The Company	African Finance Corp. Bond **4.375 20**200429	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	91,782	- %	91,782	Trust
The Company	ICBC RMB Corp. Bond 4.2 20270119	—	Financial assets at fair value through other comprehensive income-noncurrent	4,000	17,831	- %	17,831	Trust
The Company	ICBC RMB Corp. Bond 4.5 20281113	—	Financial assets at fair value through other comprehensive income-noncurrent	5,000	23,037	- %	23,037	Trust
The Company	China Comm Cons Corp. Bond 20200421	—	Financial assets at fair value through other comprehensive income-noncurrent	1,900	57,461	- %	57,461	Trust
The Company	Saudi Electricity Global - Bond 20230408	—	Financial assets at fair value through other comprehensive income-noncurrent	2,000	60,339	- %	60,339	Trust
The Company	Saudi Electricity Global - Bond 20240408	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000	30,380	- %	30,380	Trust
The Company	Qatar Telecom USD corp. bond 3.25 20230221	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	89,271	- %	89,271	Trust
The Company	Standard Chattered USD corp. bond 4.05 20260412	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	87,760	- %	87,760	Trust
The Company	Islamic Bank 20210531	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	91,380	- %	91,380	Trust

The Company	China Railway USD Bond 20260728	—	Financial assets at fair value through other comprehensive income-noncurrent	2,500	72,610	- %	72,610	Trust
The Company	Malaysia National Resource Bond 20261019	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000	28,690	- %	28,690	Trust
The Company	China Cinda USD Bond 20240309	—	Financial assets at fair value through other comprehensive income-noncurrent	1,500	45,425	- %	45,425	Trust
The Company	Huarong USD Bond 20240309	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	92,674	- %	92,674	Trust
The Company	Bank of Communications USD Bond 20200515	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	89,915	- %	89,915	Trust
The Company	Société Générale SGD Corp. Bond	—	Financial assets at fair value through other comprehensive income-noncurrent	3,250	73,632	- %	73,632	Trust
The Company	BNP PARIBASSGD Corp. Bond	—	Financial assets at fair value through other comprehensive income-noncurrent	3,500	79,476	- %	79,476	Trust
The Company	SANTANDER CENTRAL HISPANO S.A. Financial Bond	—	Financial assets at fair value through other comprehensive income-noncurrent	3,000	90,643	- %	90,643	Trust
The Company	Lloyds Banking Group Financial Bond	—	Financial assets at fair value through other comprehensive income-noncurrent	2,000	41,876	- %	41,876	Trust
The Company	Goldman Sachs Financial Bond	—	Financial assets at fair value through other comprehensive income-noncurrent	2,000	42,710	- %	42,710	Trust
The Company	Manulife Financial Singapore Dollar Denominated Corporate Bonds	—	Financial assets at fair value through other comprehensive income-noncurrent	750	16,916	- %	16,916	Trust
The Company	Chang Hwa Bank	—	Financial assets at fair value through other comprehensive income-noncurrent	383,811	6,601,543	0.04 %	6,601,543	-
The Company	Stocks of Taiyen	—	Financial assets at fair value through other comprehensive income-noncurrent	9,710	289,358	0.05 %	289,358	-
The Company	Sun Life Holding Co Ltd	—	Financial assets at fair value through other comprehensive income-noncurrent	160	43,448	0.02 %	43,448	-
The Company	Stock of Jiangsu Expressway Company Limited	—	Financial assets at fair value through other comprehensive income-noncurrent	210	8,947	- %	8,947	Trust
The Company	China Petroleum and Chemical Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	1,200	26,171	- %	26,171	Trust
The Company	Stock of Sands China Limited	—	Financial assets at fair value through other comprehensive income-noncurrent	320	42,823	- %	42,823	Trust
The Company	Stock of China Construction Bank	—	Financial assets at fair value through other comprehensive income-noncurrent	1,860	46,879	- %	46,879	Trust
The Company	ST.SP	—	Financial assets at fair value through other comprehensive income-noncurrent	625	41,056	- %	41,056	Trust
The Company	Beijing Enterprises Water Group Limited	—	Financial assets at fair value through other comprehensive income-noncurrent	1,600	24,907	- %	24,907	Trust
The Company	GlaxoSmithKline PLC	—	Financial assets at fair value through other comprehensive income-noncurrent	36	41,805	- %	41,805	Trust
The Company	National Grid PLC	—	Financial assets at fair value through other comprehensive income-noncurrent	24	35,095	- %	35,095	Trust
The Company	Electronic Business	—	Financial assets at fair value through other comprehensive income-noncurrent	166	35,297	- %	35,297	Trust
The Company	Stock of ICBC(Hong Kong)	—	Financial assets at fair value through other comprehensive income-noncurrent	1,820	39,693	- %	39,693	Trust
The Company	Stock of China Molybdenum Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	3,672	41,260	- %	41,260	Trust
The Company	Stock of Cheung Kong Infrastructure Holdings Limited	—	Financial assets at fair value through other comprehensive income-noncurrent	173	39,909	- %	39,909	Trust
The Company	3M	—	Financial assets at fair value through other comprehensive income-noncurrent	6	32,793	- %	32,793	Trust
The Company	Texas Instruments	—	Financial assets at fair value through other comprehensive income-noncurrent	7	19,750	- %	19,750	Trust

The Company	LyondellBasell Industries	—	Financial assets at fair value through other comprehensive income-noncurrent	6	16,102	- %	16,102	Trust
The Company	Fubon Financial Holding - Preferred Shares B	—	Financial assets at fair value through other comprehensive income-noncurrent	1,666	103,292	- %	103,292	-
The Company	Cathay Financial Holding - Preferred Shares B	—	Financial assets at fair value through other comprehensive income-noncurrent	1,250	77,375	- %	77,375	-
The Company	Preferred stock of HSBC	—	Financial assets at fair value through other comprehensive income-noncurrent	52	41,183	- %	41,183	Trust
The Company	Preferred stock of RBS	—	Financial assets at fair value through other comprehensive income-noncurrent	55	43,108	- %	43,108	Trust
The Company	Preferred stock of AGNC	—	Financial assets at fair value through other comprehensive income-noncurrent	44	34,436	- %	34,436	Trust
The Company	Preferred stock of QTS	—	Financial assets at fair value through other comprehensive income-noncurrent	24	17,247	- %	17,247	Trust
The Company	Preferred stock of TGP	—	Financial assets at fair value through other comprehensive income-noncurrent	32	21,344	- %	21,344	Trust
The Company	Preferred stock of VEREIT	—	Financial assets at fair value through other comprehensive income-noncurrent	27	19,946	- %	19,946	Trust
The Company	Preferred stock of AXIS	—	Financial assets at fair value through other comprehensive income-noncurrent	66	42,474	- %	42,474	Trust
The Company	Preferred stock of PSA	—	Financial assets at fair value through other comprehensive income-noncurrent	40	26,221	- %	26,221	Trust
The Company	Preferred stock of WFC	—	Financial assets at fair value through other comprehensive income-noncurrent	62	43,921	- %	43,921	Trust
The Company	Preferred stock of BBT	—	Financial assets at fair value through other comprehensive income-noncurrent	65	46,665	- %	46,665	Trust
The Company	Stocks of Creative Space Design	—	Financial assets at fair value through other comprehensive income-noncurrent	396	3,960	0.20 %	3,960	-
The Company	FORTUNE IC FUND I	—	Financial assets at fair value through other comprehensive income-noncurrent	600	4,030	0.05 %	4,030	-
The Company	FORTUNE IC FUND I	—	Financial assets at fair value through other comprehensive income-noncurrent	29,000	291,450	- %	291,450	Trust
The Company	Nan Ya Corp. Bond P02 Nan Ya 3B	—	Financial assets at amortized costs-noncurrent	100,000	106,099	- %	106,099	Trust
The Company	China airline corporate bond	—	Financial assets at amortized costs-noncurrent	150,000	150,597	- %	150,597	Trust
The Company	Taipower Corporate bond 20231230	—	Financial assets at amortized costs-noncurrent	150,000	155,117	- %	155,117	Trust
The Company	02 Yang Ming1B 20201101	—	Financial assets at amortized costs-noncurrent	150,000	153,647	- %	153,647	Trust
The Company	106 Central Bond 4	—	Financial assets at amortized costs-noncurrent	100,000	100,818	- %	100,818	Trust
The Company	106 Central Bond 9	—	Financial assets at amortized costs-noncurrent	150,000	149,455	- %	149,455	Trust
The Company	107 Central Bond 7	—	Financial assets at amortized costs-noncurrent	100,000	99,536	- %	99,536	Trust
The Company	104 Central Bond 12	—	Financial assets at amortized costs-noncurrent	100,000	101,782	- %	101,782	Trust
Yuji Development	CTCB Hwa-win Money Market Fund	-	Financial assets at fair value through profits and losses-current	24,335	267,786	- %	267,786	-
Yuji Development	Stock of Taiyen Corp.	—	Financial assets at fair value through other comprehensive income	2,737	81,564	0.01 %	81,564	-
Jing Huang Construction	Jih Sun Money Market Fund	-	Financial assets at fair value through profits and losses-current	2,170	32,098	- %	32,098	-
Jing Huang Construction	Stocks of J-Garden Corp.	-	Financial assets at fair value through other comprehensive income-noncurrent	90	892	- %	892	-

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	Yuanta De-Li Money Market Fund	Financial assets at fair value through profits and losses-current	-	none	24,124	390,000	20,920	340,000	1,700	27,566	27,483	83	43,344	702,517

Note: The ending amount does not include the evaluation profit and loss of NT$3,150 thousand.

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

6. The disposition of real property exceeding NT$300 million or 20% of the paid-in capital:

Company of disposal of property	Name of property	Date of occurrence	Date of acquisition	Book Value	Transaction amount	Price collection status	Gain (loss) of disposal	Transaction party	Relationship	Purpose of disposal	Reference basis for price decision	Other agreements
The Company	2 sections of Dun-hua Rd., Taipei	11.7.2018	Sep., 2006	1,731,289	2,007,350	uncollected	246,000	Shin Kong Life	none	Asset activation	appraisal	-

7. Amount of sales and purchase 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.

(II) Information on invested companies (excluding investee companies in China) :

The Company's reinvestments for year 2018 are as follows:

Unit: Thousand NTD

Name of the Investor	Name of Investee	Location	Major Operations	Original Investment Amount		Ending balance			Current gain/loss of investees	Current recognized Investment gains and losses	Note
				December 31, 2018	December 31, 2017	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	(11,825)	115	113	Subsidiary
The Company	Yuji Development Corp.	Taiwan	Funeral Service	900,000	900,000	110,723	54.42	1,708,900	249,472	135,763	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	387	(2,653)	(2,122)	Subsidiary
The Company	Sea Dragon Traders Ltd. (BVI)	British Virgin Islands	Investment	1,010,536 (USD32,710)	1,010,536 (USD32,710)	3,271	100.00	1,024,476	(41,437)	(41,437)	Subsidiary
The Company	Lung Ting Life Science Co., Ltd.	Taiwan	Flower and plant cultivation	259,700	259,700	25,970	49.00	231,933	(15,643)	(7,665)	Affiliated Company
The Company	Singapore Lungyen Life Services Pte., Ltd	Singapore	Funeral Service	11,990 (SGD500)	11,990 (SGD500)	500	100.00	(16,420)	(3,189)	(3,189)	Subsidiary
The Company	Lung An Company Limited	Taiwan	Funeral Service	716,656	716,656	72,000	100.00	685,370	(12,054)	(12,054)	Subsidiary
The Company	RIA AWANA SDN. BHD	Malaysia	Funeral Service	31,454 (MYR3,920)	31,454 (MYR3,920)	3,920	49.00	29,373	697	342	Affiliated Company
Yuji Development Corp.	Lung Fu Company Limited	Taiwan	Funeral Service	210,700	210,700	21,070	77.75	131,531	(10,459)	(7,835)	Sub-subsidiary
Sea Dragon Traders Ltd.	Witty Dragon Limited(BVI)	British Virgin	Investment	165,268 (USD5,264)	165,268 (USD5,264)	5	26.32	156,352 (USD5,087)	(2,697)	(709)	Affiliated Company

(BVI)		Islands									
Sea Dragon Traders Ltd. (BVI)	W&W Professional Management Limited	Samoa	IT & Software services	-	1,873 (USD40)	-	-	-	191	76	Affiliated Company
Sea Dragon Traders Ltd. (BVI)	Lungyen Cayman Co.Ltd. (In February 2018, the name was changed to Longyang Life (Cayman).	Cayman	Investment	863,463 (USD28,000)	863,463 (USD28,000)	2,800	50.00	791,448 (USD25,752)	(68,570)	(34,285)	Sub-subsidiary

Note 1: On June 1, 2018, the board of directors passed a resolution to dissolve and completed the liquidation on July 25, 2018.

Note 2: US dollar ending exchange rate: 30.733; US dollar average exchange rate: 30.189.

(III) Information on investment in Mainland China:

1. Company name, main businesses and related information of investees in China:

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	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	1,413,718 USD46,000	Sea Dragon Traders Ltd. (BVI)	863,463 USD28,000	-	-	863,463 USD28,000	50.00%	(28,445)	643,526	-
Lung Yang Life (China) Holding	Investment	107,566 USD3,500	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	50.00%	(1,045)	52,921	-
Shijiazhuang Taifuyuan Cemetery Management Co., Ltd.	Cemetery management, construction and sales	5,374 RMB1,207	Sea Dragon Traders Ltd. (BVI)	-	-	-	-	40.00%	(556)	1,085	-

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	1,229,320 USD 40,000	8,989,424

Closing rate of USD/NTD: 30.733; RMB/NTD: 4.452

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's financial statements audited in Taiwan.

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. Department information

Please refer to the consolidated report for year 2018.