

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**2013 General Meeting Agenda Hansard**

Meeting time: 02/06/2013 9:00 am  
Venue: 97 Tun Hwa South Road, Sec 11F (Conference Room)  
Attendance: Attendance and Proxy Proxy total number of shares  
331,925,549 shares shareholders;% of the Company's shares in  
issue 399,084,199 shares of 83.17%.

Chairman : Bai-Lian Zhan

Record : Tsung-Ming Ho

**Matters for Reporting**

Case 1:

Summary: The Company's **Review of operations in 2012** is presented for approval.

Remarks: The **Review of operations in 2012** is as follows:

In 2012, the global economy was still in a state of uncertainty as the debt crisis in the Eurozone was yet to be resolved. Affected by this global economic uncertainty, domestic economic growth reached a historic low. The stock market also turned volatile because of poor economic performance. This was coupled with the levy of the securities exchange tax. Despite the adversity in the operating environment, the management team and all of the Company have made the best efforts to keep positive grow in operations.

Operating performance in 2012 was demonstrated by consolidated revenues amounting to NT\$4.837 billion, which is an increase of 8.58% from the same period of the previous year. Corporate earnings amounted to NT\$2.047 billion at a growth rate of 9.99% as compared with the same period of the previous year. The consolidated total assets in 2012 amounted to NT\$38.8 billion with a total market value of NT\$37.3 billion. The stock price of the Company performed well as the operating performance of the management team was applauded by the public. This is the commitment of the Company to society. The Company will create the best interest for shareholders' equity as its corporate social responsibility.

I shall review the 2012 and the current business year operations as follows:

## I. Review of Operations in 2012:

### (I) Attainment of the Business Plan:

Currency unit: NTD thousand / NTD for EPS; %

Title	2012	2011	Change in amount	Change in proportion (%)
Revenues	4,374,260	4,171,898	202,362	4.85%
Cost of operations	1,218,764	1,239,538	(20,774)	(1.68%)
Gross profit	3,155,496	2,932,360	223,136	7.61%
Operating expenses	1,199,575	1,172,341	27,234	2.32%
Operating income	1,955,921	1,760,019	195,902	11.13%
Net non-operating income and expenses	329,521	240,320	89,201	37.12%
Income tax expenses	238,273	139,062	99,211	71.34%
Net profit in the current period	2,047,169	1,861,277	185,892	9.99%

### (II) Income and expenses:

As of December 31, 2012, the Company had total assets amounting to NT\$37,606,381,000 and total liabilities amounting to NT\$29,299,578,000 with a ratio of 77% assets to liabilities. Liabilities amounted to NT\$2,833,244,000 net of advance receipts from operation. After the deduction of the said amount, the assets to liabilities ratio was 7.53%.

### (III) Profitability analysis:

Title	2012	2011
Return on assets %	5.48	4.80
Return on equity %	25.96	30.94
Net profit rate %	46.80	44.61
Earnings per share (NTD)	5.13	4.68

## II. Outline of the 2013 Business Plan

### (I) Business Policy:

1. Proper attainment of business objectives
2. Proper allocation of capital for efficient financial performance

3. Intensification of risk management to reinforce operating foundations
4. Upgrade operations management for higher corporate value
5. Performance of corporate social responsibility and improvements to corporate image

(II) Implementation:

1. Proper attainment of business objectives

Yield the effects from merging cemeteries in northern, central and southern Taiwan. Enhance the permeability of products through cross-integration of customers, channels and products with the support of services from one-stop shops. This will help to increase market share. In addition, the Company also aims at the developing the market in Mainland China.

2. Proper allocation of capital for efficient financial performance

Take capital market opportunities and design for the best adequate capital to upgrade financial performance. Design for a viable system of operations management, in line with the changes in the legal environment, to enhance operating efficiency.

3. Intensification of risk management to reinforce operating foundations

Revitalize internal control and auditing functions, review and revise regulations governing risk management, update internal control process in a timely manner, and upgrade the risk management capacity.

4. Upgrade operations management for higher corporate value

Promote human resource exchanges within the group and develop a human resources development plan in order to pool strong human capital and enhance our competitive edge. Use information technology to integrate operations and services for maintaining innovative competitive advantage. Develop procurement bargaining power to effectively reduce cost and maintain stable profit growth for the group in the long run.

5. Performance of corporate social responsibility and improvements to corporate image

Support government policies and link business philosophy to social charities in order to yield synergies in business operations. Continue to give back to society and make customers, employees and shareholders satisfied.

(III) Projected sales volume in 2013

Unit: SET

Product Name	Projected sales volume
Columbarium	6,406
Cemetery	177
Pre-need contract	13,493
Total	20,076

### III. Development Strategy for the Future

The development strategy of the Company in 2013 is still aimed at increasing the market share in the local market for funeral and burial services. Governed by the regulations

of the government, and exposed to competition in the industry, the development of products and services will have the following changes:

- (1) The rise of environmental protection: the aging population in society has been on the rise over the years. The cemeteries public use will be fully consumed very shortly. To avoid the living and the deceased competing for land, the Ministry of Interior urges the public to support the policy of the government in advocating burial trees, cremation, burial at sea, or natural burial methods. Currently, there are 13 public cemeteries in Taiwan offer the tree burial or dispersion of ashes and they have provided services for more than 4,000 deceased. There were also more than 600 deceased people buried at sea. It takes time to change the mindsets of people, and additional effort is required in educating and encouraging people in accepting new forms of burial. In the advent of these changes, Lungyen has to prepare and align itself in order to create a win-win situation for customers, the government, and the Company.
- (2) Changes in funeral services: the proposal for the establishment of special funeral service zones in different districts was abandoned. As such, cremation of bodies is seriously backed up. To deal with the problem, the government of New Taipei adopted the practice of “direct burial” from Japan, where the families of the deceased are encouraged cremating the bodies of the deceased before arranging the funeral service. This solution helps to solve the problems of fully-booked morgues and related sanitation problems. It also alleviates pressure on relatives when picking a date for cremation and arranging space at funeral homes. This reform is not mandatory, but is being encouraged. As the funeral and burial service sector moves toward the habit of environmental protection and frugality, Lungyen – being the leader in the industry – will encourage customers to practice direct cremation of bodies and then arrange for the funeral later. The Company will be the pioneer in setting up these kinds of facilities in different areas of Taiwan to make it convenient for customers in arranging funerals in relevant locations.
- (3) Globalization and professionalism: the prosperous development of the Internet allows for the rapid and frequent flow of information. The concept of the global village has been firmly developed among people. As such, it is pressing for the Company to satisfy the needs of customers of different ethnic groups and different religions in order to enhance the corporate image of the Company. Therefore, the Company will intensify its visits and exchanges with other countries to make

services available for different cultural and religious backgrounds. With the joint efforts of the government, academia, and the big funeral and burial service providers, people engaging in funeral services can receive systematic and professional training with proper national licensing. This new system will replace the hereditary system from the old days and makes improvements to the service content.

- (4) Transparency and the public: customer-orientation has been fully developed in different sectors of the consumer market. Naturally, the funeral and burial service sector is no exception. In the future, the ceremonial process of the funeral, the content of the service, the items supplied, the scene layout, and itemized service bills will offer transparency and public accountability in order to meet the strong demands of customers.

A number of social problems have surfaced in Taiwan, including the rise in the ageing population and the low birth rate. The Company has taken every opportunity to develop the burial service market and has emerged as the leader in living deeds, ceremonial services, and the sale of columbarium space. We do our best in all services with a view to extending them to all corners of the ethnic Chinese market.

#### **IV. The effect of competition, the legal environment and the macroeconomic situation**

The competent authority of the country has already established an effective code governing the funeral and burial service industry and has issued related regulations for protecting consumers. These measures have regulated the funeral and burial service providers and help to screen out poor performers in the industry. Lungyen has always maintained the principle of running its business lawfully. These regulations simply protect the Company in this regard.

Funeral and burial services are a need of all people and thus sales performance has not been affected by economic cycles. In the future, the Company will continue to live up to the principles of professionalism, integrity and kindness in business, and will enhance its operating performance, reinforce the foundations of its operation, and thus perform even better. In so doing, the Company shall optimize shareholders' equity, contribute to the prosperity of society, and serve as a contributor to national economic development.

May I express my gratitude to all shareholders for their support in the previous year, and kindly ask for your further support and encouragement in the future. Thank you very much.

Chairman: Lee Shih-Tsung

Manager: Liu Wei-Lung

Chief Accountant: Chan Shu-Chuan

Case 2:

Summary: **The 2012 Audit Committee's report** is proposed for approval.

Remarks: **The 2012 Audit Committee's report** is proposed as follows:

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**Auditing Committee's report on the budget settlement in 2012**

Authorized

The Board of Directors has the Company's 2012 business report, financial statements, and earnings distribution report prepared and presented, in which the financial statements have been audited by CPA CPA Li Zhen Lai and Jia Xiu Chen 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. (Formerly Known as Dahan Development Corp.) 2013 General Shareholders' Meeting

Independent Director: Liu Chi-Husan  
Independent Director: Yeh Shu  
Independent Director: Huang You-Bin

March 22, 2013

Case 3:

**Summary: The Company’s amendment report for “Rules of Procedure for Board of Directors Meetings” is presented for approval.**

Remarks: Please refer to the table below for the outlined amendments to the “**Rules of Procedure for Board of Directors Meetings**”.

**Lungyen Life Service Corp.  
(Formerly Known as Dahan Development Corp.)**

**Report on the partial amendment to the “Board Meeting Procedure” of the Company**

Clause	Original clause	Amended clause	References and reasons for amendments
Article 8 Section 2	The personnel of the relevant departments may be notified to attend the board meeting depending on the contents of the proposal. If necessary, CPAs, lawyers, or other professionals may also be invited to attend the board meeting.	The personnel of the relevant departments or <u>subsidiaries</u> may be notified to attend the board meeting depending on the contents of the proposal. If necessary, CPAs, lawyers, or other professionals may also be invited to attend the board meeting <u>and give statements. However, they shall be excused at the time of discussion and balloting.</u>	Amending the requirements of the board members attending the board meeting in accordance with the “Rules of Procedure for Board of Directors Meetings by Public Companies.”
Article 12	The following matters should be presented to the board of directors for discussion: 1. The Company’s business plan 2. The annual financial report and interim financial report 3. Stipulate or revise the internal control system in accordance with Article 14.1 of the Securities and Exchange Act (hereinafter referred to as the “SEA”). 4. Stipulate or revise the regulations governing the significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, loaning of funds, and handling endorsement/guarantees in accordance with Article 36.1 of the Securities and	The following matters should be presented to the board of directors for discussion: 1. The Company’s business plan 2. The annual financial report and interim financial report. <u>Interim financial statements that are not required to be audited by the CPAs are not subject to this requirement.</u> 3. Stipulate or revise the internal control system in accordance with Article 14.1 of the Securities and Exchange Act (hereinafter referred to as the “SEA”). 4. Stipulate or revise the regulations governing the significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, loaning of funds,	“Semi-annual” has been modified to “second quarter” in line with the amendment to Article 36 of the Securities and Exchange Act.



Clause	Original clause	Amended clause	References and reasons for amendments
	<p>Exchange Act.</p> <p>5. Public offering, issuance, or private placement of equity-type securities.</p> <p>6. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p>7. Significant matters that are required by Article 14.3 of the Securities and Exchange Act and other laws or regulations and the Articles of Incorporation to be resolved in the shareholders' meeting or the board meeting or regulated by the competent authorities.</p> <p>For the matters to be resolved by the board of directors according, to Article 14.3 of the Securities and Exchange Act, the independent directors shall present in person or shall be represented by other independent directors by proxy. The objections or reservations of the independent directors should be documented in the minutes of the meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of the meeting.</p>	<p>and handling endorsement/guarantees in accordance with Article 36.1 of the Securities and Exchange Act.</p> <p>5. Public offering, issuance, or private placement of equity-type securities.</p> <p>6. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p><u>7. Donations to related parties or material donations to non-related parties. However, donations for emergency relief due to a major natural disaster may be submitted at the next board meeting for ratification.</u></p> <p><u>8. Significant matters that are required by Article 14.3 of the Securities and Exchange Act and other laws or regulations or the Articles of Incorporation to be resolved in the shareholders' meeting or the board meeting or regulated by the competent authorities.</u></p> <p><u>The alleged "related party" in Paragraph 7 of the section referred to above follows the definition given in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." The "significant donations to a non-related party" applies when each donation amount, or the accumulated donation amounts, to one entity within one year is over NT\$100 million or 1% of the net operating income or 5% of the paid-in capital in the most recent certified financial report. (For the stock of a foreign company without a par value, or with a par value other than NT10, the requirement of 5% of paid-in capital is based on 2.5% of the</u></p>	<p>The stipulation of the "related party transaction" is added in accordance with the "Rules of Procedure for the Public Company's Board of Directors Meetings".</p> <p>The stipulation of the "related party transaction regulations and term" is added.</p>

Clause	Original clause	Amended clause	References and reasons for amendments
		<p><u>shareholders' equity.)</u>  <u>The "within one year" referred to above means for the one year prior to the board meeting convening date, excluding any parts that had already been resolved in the board meeting.</u></p> <p>For the matters to be resolved by the board of directors, according to Article 14.3 of the Securities and Exchange Act, the independent directors shall present in person or shall be represented by other independent directors by proxy. The objections or reservations of the independent directors should be documented in the minutes of the meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of the meeting.</p>	
Article 15	<p>For underlying matters discussed in the board meeting that the board directors or the legal person they represent have a conflict of interest, the board directors may not participate in the discussion and balloting. Furthermore, they must be excused from the meeting and cannot act on behalf of other directors to exercise their voting rights.</p> <p>For the Company's board directors who cannot exercise their voting rights in accordance with the provisions referred to above, according to Article 206 Section 2 of the Company Law, the resolution of the board of directors can be handled in accordance with Article 180 Section 2 of the Company Law.</p>	<p>Board directors <u>must reveal their interests and the interests of the legal person they represent in the underlying matters in the board meeting. If the said interests of theirs are detrimental to the Company's interests, they</u> may not participate in the discussion and balloting. Furthermore, they <u>are not allowed to join the discussion and voting and</u> must be excused from the meeting and cannot act for or on behalf of other directors to exercise their voting rights.</p> <p>For the Company's board directors who cannot exercise their voting rights in accordance with the provisions referred to above, according to Article 206 Section 2 of the Company Law, the resolution of the board of directors can be handled in accordance with</p>	Explained the relationship of the motion with the board director's interest in accordance with the "Rules of Procedure for Board of Directors Meetings by Public Companies."

Clause	Original clause	Amended clause	References and reasons for amendments
		Article 180 Section 2 of the Company Law.	
Article 16	<p>The minutes of meeting must be prepared for the Company’s board meeting with the following information detailed:</p> <ol style="list-style-type: none"> <li>1. The session (or year), time and place of the meeting.</li> <li>2. The name of the chairman.</li> <li>3. Directors’ attendance, including the name and the number of the directors who are present, have leave of absence, or are absent.</li> <li>4. Name and title of the attendees.</li> <li>5. Name of the clerk.</li> <li>6. Reporting matters.</li> <li>7. Matters to be discussed: Proposal resolution methods and results, statements of the directors, supervisors, experts and other staff, documented or written objections or reservations and the written opinion of the independent directors issued in accordance with Article 12 Section 2.</li> <li>8. Motion: The names of the proposer, the proposal resolution methods and results, the statement of the directors, experts and other staff, and documented or written objections or reservations.</li> <li>9. Other noticeable particulars. The resolutions reached by the Board of Directors that fall under any of the following categories must be documented in the minutes of the meeting and announced and reported online on the website designated by the competent authorities within two days from the board meeting date: <ol style="list-style-type: none"> <li>1. Independent director’s recorded or documented objections or reservations;</li> </ol> </li> </ol>	<p>The minutes of meeting must be prepared for the Company’s board meeting with the following information detailed:</p> <ol style="list-style-type: none"> <li>1. The session (or year), time and place of the meeting.</li> <li>2. The name of the chairman.</li> <li>3. Directors’ attendance, including the name and the number of the directors who are present, have leave of absence, or are absent.</li> <li>4. Name and title of the attendees.</li> <li>5. Name of the clerk.</li> <li>6. Reporting matters.</li> <li>7. Matters to be discussed: Proposal resolution methods and results, statements of the directors, experts and other staff, <u>name of the board directors with interests involved according to Section 1 of the clause referred to above, the description of the interests involved, the reasons for having or not having themselves excused from attending the meeting, their being excused from attending the meeting,</u> documented or written objections or reservations, <u>and</u> the written opinions issued by the independent directors in accordance with Article 12 Section 4.</li> <li>8. Motion: the names of the proposer, the proposal resolution methods and results, the statement of the directors, experts and other staff, <u>the name of board directors with interests involved according to Section 1 of the clause referred to above, the description of the interests involved, the reasons for having or not having themselves excused from attending the meeting,</u> their being excused</li> </ol>	<p>Explain the relationship between the resolutions motioned and the board director’s interests in accordance with the “Rules of Procedure for Board of Directors Meetings by Public Companies.”</p> <p>Explain the resolutions reached for the relationship between the motion and the board director’s interest in accordance with the “Rules of Procedure for Board of Directors Meetings by Public Companies.”</p> <p>Renamed by the competent authority</p>

Clause	Original clause	Amended clause	References and reasons for amendments
	<p>2. The Company's matters without the consent of the Audit Committee but with the consent of more than two thirds of the board directors.</p> <p>The board of director's attendance register is an integral part of the meeting minutes and should be kept properly throughout the duration of the company.</p> <p>The minutes of the meeting must be signed or sealed by the Chairman and the clerk. The minutes of meeting must be distributed to the directors and supervisors within 20 days after the meeting. The minutes of the meeting are an important document of the Company and must be kept throughout the duration of the Company's existence.</p> <p>The preparation and distribution of the minutes of the meeting referred to in Section 1 can be processed electronically.</p>	<p>from attending the meeting, and documented or written objections or reservations.</p> <p>9. Other noticeable particulars. The resolutions reached by the Board of Directors that fall under any of the following categories must be documented in the minutes of meeting and announced and reported online on the website designated by the competent authorities within two days from the board meeting date:</p> <ol style="list-style-type: none"> <li>1. Independent director's recorded or documented objections or reservations.</li> <li>2. The Company's matters without the consent of the Audit Committee but with the consent of more than two thirds of the board directors.</li> </ol> <p>The board of director's attendance register is an integral part of the meeting minutes and should be kept properly throughout the duration of the company.</p> <p>The minutes of the meeting must be signed or sealed by the Chairman and the clerk. The minutes of meeting must be distributed to the directors and supervisors within 20 days after the meeting. The minutes of the meeting are an important document of the Company and must be kept throughout the duration of the Company's existence.</p> <p>The preparation and distribution of the minutes of the meeting referred to in Section 1 can be processed electronically.</p>	

The 1st amendment was on January 1, 2007  
The 2nd amendment was on March 31, 2011  
The 3rd amendment was on March 19, 2012  
The 4th amendment was on March 14, 2013

Case 4:

Summary: **Report on the application for listing the company on the TWSE/GTSM** is presented for approval.

Remarks: The Company is currently listed with GreTai and traded over-the-counter. The Company intends to apply to the Taiwan Stock Exchange for listing at the right time in line with its long-term development and competitiveness-strengthening plans.

## Points of Recognition

Case 1: (Proposed by the board of directors)

Summary: The Company has the **operation and financial statement reviews in 2012** presented for approval.

Remark: 1. The Company's **operation and financial statement reviews in 2012** (including balance sheet, income statement, statement of changes in shareholders' equity and statement of cash flow and consolidated balance sheet, consolidated income statement, consolidated statements of changes in shareholders' equity and consolidated statement of cash flow) as detailed in Attachment 1 and Attachment 2. (Please refer to Page 25~35 of the Agenda Handbooks)

2. The financial statements referred to above that were audited by CPA Lai Li-Zhen and CPA Chen Jia-Xiu of KPMG Taiwan is presented for recognition.

(Please visit the website at on the MOPS for the financial statements in details  
<http://newmops.twse.com.tw>)

Resolutions: The case of the President from all present shareholders passed without dissent.

Case 2: (Proposed by the board of directors)

Summary: The Company's **proposal for distribution of earnings in 2012** is presented for recognition.

Remarks:

1. The Company's net income amounted to NT 2,047,168,785 in 2012 and the unappropriated earnings amounted to NT 559,396,215 in 2011 for a grand total of NT 2,606,565,000 that is proposed to be distributed as follows:
  1. Legal reserve appropriated: NT 204,716,879
  2. Special reserve appropriated: NT 5,682,602
  3. Shareholders' dividends: NT 1,316,977,856 of the distributable earnings will be appropriated for the distribution of cash dividend at NT3.3 per share. Cash dividend is distributed prorated currently with the amount rounded up to the dollar. Also, it is adjusted by a decimal point from large to small and the account number from front to back in order to match up with the total cash dividends distributed.
4. Remuneration to directors and supervisor: It is estimated to be NT 27,154,183.
5. Bonus to employees: The cash dividend is estimated to be NT 13,577,091.
6. Please refer to Attachment 4 for the distribution of earnings in detail.
7. For the distribution of cash dividends to shareholders, the board of directors is authorized to schedule the ex-dividend date as soon as it is resolved at the shareholders' meeting.
8. The Company's adopting the International Financial Reporting Standards (IFRSs) for the first time is as follows:

- (1) The Company's adopting the IFRSs for the compilation of the financial statements on January 1, 2012 (conversion date) caused the additional paid-in capital reduced by NT59,736,000, the retained earnings reduced by NT613,255,000, so the grand total of shareholders' equity reduced by NT672,991,000. The additional paid-in capital on January 1, 2013 after adding the reduction amount referred to above was reduced by NT59,736,000, retained earnings was reduced by NT576,924,000, so the grand total of shareholders' equity was reduced by NT636,660,000.
  - (2) According to 101.4.6 the FSC.f.a.tzi No. 1010012865 Letter, no appropriation of special reserve is needed for the impact on the retained earnings.
9. Please refer to Attachment 4 for the distribution of earnings in detail.
  2. If the outstanding stock shares are affected that have caused changes to shareholder's dividend ratio due to the Company's repurchasing treasury shares and cash capitalization before the Ex-dividend date, the board of directors is authorized in the shareholders' meeting to deal with the correction needed.
  3. For the distribution of cash dividend to shareholders, the board of directors is authorized to schedule the ex-dividend date as soon as it is resolved at the shareholders' meeting.
  4. Hereby apply for recognition.

Shareholder account number 13194 statement:

In accordance with Article 28 provides that no more than 2% as remuneration to directors, employees' bonus of not less than 1%, after the trial, it should be a decimal point rounding remuneration to directors and more 1 yuan, 1 yuan less bonuses to employees, directors proposed revised down to 27,154,182 yuan compensation, employee bonuses revised to 13,577,092 yuan.

Resolutions:

The Chairman of the shareholder account number 13194 proposed amendment sought shareholders present without dissent through. Correction after three months ended ○ Annual dividends to shareholders a cash dividend of NT \$ 1,316,977,856 first wife, allotment of 3.3 yuan per share. Directors 'remuneration for the directors' remuneration allotted NT \$ 27,154,182. Bonus to employees of NT \$ 13,577,092 cash bonus allotment employees. By passing the amendment to the original proposal of the Board of earnings distribution table amended as follows:

"Amended"

Attachment 4

**Lungyen Life Service Corp.**  
**2012 Distribution of Earnings**

Item	Unit: NT
	Amount
Balance – beginning	559,396,215
Added: Net income	2,047,168,785
Earnings available for distribution	2,606,565,000
Appropriate 10% legal reserve	204,716,879

Appropriation of special reserves	5,682,602
Current earnings available for distribution	2,396,165,519
Distribution:	
1. Cash dividend to shareholders – 97% (estimated NT3.3 per share)	1,316,977,856
2. Stock dividend to shareholders – 0%	-

Note: (NT3.3 per share)

Remuneration to directors and supervisors – 2% (NT27,154,182)

Bonus to employees – 1% (NT13,577,092)

Chairman: Lee Shih-Tsung

Manager: Liu Wei-Lung

Chief Accountant: Chan Shu-Chuan



**Point of Discussion - Topic No. 1**

Case 1: (Proposed by the board of directors)  
 Summary: **The Amendment to the “Procedure for the Acquisition and Disposition of Assets”** is proposed for discussion.  
 Remark: The Company’s **“Procedure for the Acquisition and Disposition of Assets”** will be amended line with the laws and regulations amendments and the needs for business operations. The comparison table of the **“Procedure for the Acquisition and Disposition of Assets”** amendment before and after is as follow:

**Lungyen Life Service Corp.**  
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**The comparison table of the “Procedure for the Acquisition and Disposition of Assets” amendment before and after**

Clause	Original clause	Amended clause	References and reasons for amendments
Article 10 Section 3	For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within the quota and then reported at the most recent board meeting for ratification.	For the acquisition or disposal of operating machinery and equipment between the public company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 7 Section 1 Paragraph 3 to have a decision made within an amount of <u>NT\$300 million</u> and then reported to the most recent board meeting for ratification.	Define the amount authorized to the chairman in accordance with the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies.”
Amendment date	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2007. The 3rd amendment was on October 29, 2009. The 4th amendment was on October 12, 2010. The 5th amendment was on June 28, 2011. The 6th amendment was on June 6, 2012.	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2007. The 3rd amendment was on October 29, 2009. The 4th amendment was on October 12, 2010. The 5th amendment was on June 28, 2011. The 6th amendment was on June 6, 2012. <u>The 7<sup>th</sup> amendment was on June 4, 2013</u>	

Resolutions: The case of the President from all present shareholders passed without dissent.

Case 2:

(Proposed by the board of directors)

Summary: **The Amendment to the “Procedure for Guarantees and Endorsements”** is proposed for discussion.

Remark: The Company’s **“Procedures for Endorsement and Guarantee”** will be amended in line with the need of business operation. The comparison table of the **“Procedures for Endorsement and Guarantee” amendment** before and after is as follow:

**Lungyen Life Service Corp.**  
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**The comparison table of the “Procedure for Guarantees and Endorsement” amendment before and after**

Clause	Original clause	Amended clause	References and reasons for amendments
Article 7 Section 3	(3) The total endorsement and guarantee amount made for one single enterprise by the Company and its subsidiaries exceeds NT10 million; also, the total endorsement and guarantee, long-term investment and loaning of funds exceed 30% of the net value on the Company’s most recent financial statements.	(3) The endorsement or guarantee amount for individual enterprise made by the Company and its subsidiaries shall not exceed NT10 million; also, the endorsement and guarantee for <u>long-term</u> investment and loaning of funds exceeds 30% of the net value in the most recent financial statements.	Revise the wordings of long-term investment in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies.”
Article 12	<Addition>	<u>The matters that are not properly addressed in the operating procedure should be processed in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees” published by Financial Supervisory Commission.</u>	The operating procedure is amended in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies”. If the operating procedure is not amended in time, it should be processed in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies”.
Amendment date	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2009. The 3rd amendment was on October 29, 2009. The 4th amendment was on June 28, 2011. The 5th amendment was on June 6, 2012.	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2009. The 3rd amendment was on October 29, 2009. The 4th amendment was on June 28, 2011. The 5th amendment was on June 6, 2012. <u>The 6<sup>th</sup> amendment was on June 4, 2013</u>	Adding the current amendment date

Resolutions: The case of the President from all present shareholders passed without dissent.

Case 3:

(Proposed by the board of directors)

Summary: **The Amendment to the “Procedure for Loaning of Funds”** is proposed for discussion.

Remark: The Company’s **“Procedure for Loaning of Funds”** will be amended in line with the need of business operation. The comparison table of the “Procedures for Endorsement and Guarantee” amendment before and after is as follow:

**Lungyen Life Service Corp.  
(Formerly Known as Dahan Development Corp.)**

**The comparison table of the “Procedure for Loaning of Funds” amendment**

Clause	Original clause	Amended clause	References and reasons for amendments
Article 4 Section 3	3. The loaning of funds between the foreign companies with 100% shareholdings with voting rights held by the Company directly and indirectly is not subject to the two restrictions referred to above.	3. The loaning of funds between the foreign companies with 100% shareholding with voting right held by the Company directly and indirectly is not subject to the two restrictions referred to above. <u>However, financing amount shall not exceed 40% of the net value of the debtor; also, it is not applicable to Article 12 Section 1 Paragraph 7 and Article 17 Section 4 of the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies”.</u>	Define the loan quota granted to foreign companies and replacing a seal with a signature by the foreign company in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies.”
Article 12	<Addition>	<u>The matters that are not properly addressed in the operating procedure should be processed in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees” published by Financial Supervisory Commission.</u>	The operating procedure is amended in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies”. If the operating procedure is not amended in time, it should be processed in accordance with the “Guidelines for Handling Loaning of Funds and Endorsements and Guarantees by Public Companies”.

Clause	Original clause	Amended clause	References and reasons for amendments
Amendment date	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2009. The 3rd amendment was on October 29, 2009. The 4th amendment was on June 28, 2011 The 5th amendment was on June 6, 2012	The 1st amendment was on May 27, 2003. The 2nd amendment was on June 10, 2009. The 3rd amendment was on October 29, 2009. The 4th amendment was on June 28, 2011. The 5th amendment was on June 6, 2012 <u>The 6<sup>th</sup> amendment was on June 4, 2013</u>	Adding the current amendment date

Resolutions: The case of the President from all present shareholders passed without dissent.

## Election matters

Case 1: (Proposed by the board of directors)

Summary: Proposed to **election of the 11th term of the board of directors.**

Remarks: In order to comply with the corporate governance principles and guidelines for listing, the by-election of two directors is proposed for a term from June 4, 2013 to June 5, 2015.

Election results:

TITLE	ID	NAME	Elected in full
DIRECTOR	2430	Chen Chang Investment Co., Ltd Liu, Wei Lung	285,998,386
DIRECTOR	12160	Fuji Kogyo Co., Ltd Fujibayashi Ichiro	283,208,708

## Point of Discussion - Topic No. 2

Case 1: (Proposed by the board of directors)

Summary: Proposed agreement to **lift the ban on newly-elected directors on the avoidance of conflict of interests.**

Remark:

1. According to Article 209 of the Company Law, board directors that have acted within the Company's business scope for themselves or others should explain their behavior during the shareholders' meeting to obtain permission.
2. For the Company's newly elected directors or the companies that have invested in or have operated the same or similar business as the Company and served as directors, an agreement is hereby proposed in the shareholders' meeting to lawfully lift the competition restrictions on the newly elected directors and the representatives of the statutory directors.

Resolutions: The case of the President from all present shareholders passed without dissent.

TITLE	NAME	Adjunct company name and job
DIRECTOR	Chen Chang Investment Co., Ltd Liu, Wei Lung	Jin Huang Construction (shares) directors Lungyen Corporation Representative <input checked="" type="checkbox"/> Yuji Construction (shares) Chairman (Lungyen Corporation Representative) Dahan property management (shares) Director (Lungyen Corporation Representative) Asia Best Healthcare Co., Ltd. Director (Lungyen Corporation Representative)
DIRECTOR	Fuji Kogyo Co., Ltd Fujibayashi Ichiro	澤花園(股)公司董事 (富士工業株式會社之代表人)

## Other proposals and impromptu motions

Meeting adjourned

### Independent Auditor's Audit Report and financial statements in 2012

To Board of Directors of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.):

We have audited the balance sheets of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) as of December 31, 2012 and 2011, and the related statements of income, statement of changes in shareholders' equity and statement of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of some investees of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) and its subsidiaries evaluated under equity method were audited by other auditors. All amounts related to investment income and the information about the investees presented in the foregoing financial statements was accounted for on the basis of the investee's financial statement audited by other auditors. The long-term equity investment under equity method of said investees were NT\$30,024 thousand and NT\$29,305 thousand as of December 31, 2012 and 2011, accounting for 0.08% and 0.08% of the total assets, respectively. The investment loss, net recognized in 2012 and 2011, were NT\$49 thousand and NT\$394 thousand, accounting for 0.002% and 0.020% of the net income before income tax, respectively.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) and its subsidiaries of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 1 of Financial Statements, Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) has had been with Lungyen Life Service Co., Ltd. upon resolution made by the temporary shareholders' meeting on October 12, 2010. The consolidation was completed on February 1, 2011. The surviving company upon consolidation was Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) and the company was renamed Lungyen Life Service Corp.

Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.) has prepared its financial statements for 2012 and 2011, and we also expressed revised unqualified opinions and unqualified opinions in our auditor's reports for reference.

KPMG

CPA:

Approval Document issued by the competent securities authority:  
March, 2012

(2000) Tai-Tsai-Chen (6) No. 62474  
(1999) Tai-Tsai-Chen (6) No. 18311



**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**Balance Sheet**

**For The Years Ended December 31, 2012 and 2011**

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

	<b>12.31.2012</b>		<b>12.31.2011</b>			<b>Liabilities and shareholders' equity</b>					
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		
<b>Assets</b>						<b>Current liabilities:</b>					
<b>Current assets:</b>						<b>Other liabilities:</b>					
1100	Cash and cash equivalents (Note 4(1))	\$ 191,984	1	413,762	1	2100	Short-term loan (Note 4(12))	\$ 1,940,000	5	3,040,000	8
1120	Receivable notes and accounts, net (Note 7(7))	208,217	1	121,851	-	2120	Payable notes and accounts, net	322,149	1	252,425	1
1310	Financial assets at fair value through profit or loss – current (Notes 4(2) and (6))	310,292	1	623,890	2	2130	Payable accounts – related parties (Note 5)	28,436	-	47,864	-
1190	Other financial assets – current (Note 5 and 7)	1,520,155	4	1,194,025	3	2160	Payable income tax (Note 4(16))	84,189	-	311,958	1
1221	Building and land held for sale (Note 4(3))	5,957	-	8,810	-	2170	Payable expenses (Note 4(19))	205,573	1	180,306	-
1222	Columbarium and Cemetery for sale (Note 4(3))	1,441,333	4	1,804,939	5	2210	Other payables (Note 5)	150,312	-	132,971	-
1223	Construction land (Notes 4(4) and 6)	1,094,244	3	1,094,244	3	2262	Advance receipts for real estate (Note 4(13) and 7)	144	-	1,010	-
1224	Construction in process (Notes 4(5), 5, 6 and 7)	6,721,921	18	6,871,121	18	2263	Advance receipts (Notes 4(14), 5 and 7)	26,466,334	70	26,353,108	70
1225	Land prepayment (Notes 4(6) and 7)	486,565	1	484,013	1	2280	Other current liabilities	39,132	-	23,114	-
1285	Deferred marketing expenses (Note 4(7))	8,746,108	23	8,878,656	23			<u>29,236,269</u>	<u>77</u>	<u>30,342,756</u>	<u>80</u>
1291	Restricted (Note 6)	194,476	1	195,922	1	2810	Accrued pension liabilities (Note 4(15))	20,314	-	19,459	-
1298	Other current assets (Note 4(16))	223,634	1	158,999	1	2820	Deposit received	42,995	-	46,075	-
		<u>21,144,886</u>	<u>58</u>	<u>21,850,232</u>	<u>58</u>			<u>63,309</u>	<u>-</u>	<u>65,534</u>	<u>-</u>
<b>Fund and long-term investment:</b>							<b>Total liabilities</b>	<u>29,299,578</u>	<u>77</u>	<u>30,408,290</u>	<u>80</u>
1421	Long-term equity investment under the equity method (Note 4(8))	1,615,864	4	1,722,407	5		<b>Shareholders' equity</b> (Notes 4(8), 4(16), 4(17), 4(18) and 4(19)):				
1480	Financial assets carried at cost – non-current (Note 4(2))	521,819	1	65,471	-		Capital stock:	3,990,842	11	3,990,842	11
1440	Other financial assets – non-current (Note 5)	25,955	-	41,601	-		Common stock				
		<u>2,163,638</u>	<u>5</u>	<u>1,829,479</u>	<u>5</u>		Capital surplus:	1,392,072	4	1,392,072	4
<b>Property, plant and equipment (Notes 4(5), (9), 5, 6 and 7):</b>							Common stock premium	59,736	-	59,736	-
1501	Land	1,974,767	5	2,671,636	7		Long-term investment	<u>1,451,808</u>	<u>4</u>	<u>1,451,808</u>	<u>4</u>
1521	House and building	639,816	2	714,976	2		Retained earnings:	263,270	1	77,142	-
1531	Office equipments	91,210	-	90,428	-		Legal reserve	14,153	-	26,009	-
1551	Transportation equipment	86,756	-	45,750	-		Special reserve	<u>2,606,565</u>	<u>7</u>	<u>1,930,921</u>	<u>5</u>
1552	Other equipments	38,612	-	33,710	-		Unappropriated earnings	<u>2,883,988</u>	<u>8</u>	<u>2,034,072</u>	<u>5</u>
1553	Assets rented to others	7,853,680	21	8,001,689	21						
1621	Leased assets	30,035	-	30,035	-		Other shareholders' equity:	(20,204)	-	(13,851)	-
1631	Leasehold improvement	821	-	821	-		Accumulated translation adjustment	369	-	(301)	-
1671	Unfinished construction	2,166,028	6	1,076,935	3		Unrealized loss from financial assets	<u>(19,835)</u>	<u>-</u>	<u>(14,152)</u>	<u>-</u>
1672	Advance receipts for real estate and equipment	42,619	-	36,534	-		<b>Total shareholders' equity</b>	<u>8,306,803</u>	<u>23</u>	<u>7,462,570</u>	<u>20</u>
		<u>12,924,344</u>	<u>34</u>	<u>12,702,514</u>	<u>33</u>						
15X9	Less: accumulated depreciation	<u>(712,307)</u>	<u>(2)</u>	<u>(634,625)</u>	<u>(2)</u>		<b>Significant undertakings or contingencies (Note 7)</b>				
		<u>12,212,037</u>	<u>32</u>	<u>12,067,889</u>	<u>31</u>		<b>Total liabilities and shareholders' equity</b>	<u>\$ 37,606,381</u>	<u>100</u>	<u>37,870,860</u>	<u>100</u>
<b>Intangible assets (Note 4(10)):</b>											
1710	Trademark right	192,750	1	192,750	1						
1760	Goodwill	542,428	1	542,428	1						
		<u>735,178</u>	<u>2</u>	<u>735,178</u>	<u>2</u>						
<b>Other assets:</b>											
1860	Deferred income tax assets – non-current (Note 4(16))	478,396	1	561,915	2						
1880	Other deferred expenses	42,498	-	46,475	-						
1888	Other assets – others (Notes 4(11) and 6)	829,748	2	779,692	2						
		<u>1,350,642</u>	<u>3</u>	<u>1,388,082</u>	<u>4</u>						
<b>Total assets</b>		<u>\$ 37,606,381</u>	<u>100</u>	<u>37,870,860</u>	<u>100</u>						
		<u>12.31.2012</u>		<u>12.31.2011</u>							

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

**Chairman:**

**General Manager:**

**Chief Accountant:**

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**Income Statement**

**For The Years Ended December 31, 2012 and 2011**

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

		2012		2011	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 5):</b>				
4511	Construction revenue	\$ 4,839	-	431,682	11
4310	Leasehold revenue	221,338	5	169,570	4
4700	Columbarium and Cemetery revenue	2,859,008	65	2,457,575	59
4710	Funeral service revenue	1,215,347	28	1,050,752	25
4881	Other operating revenue	73,728	2	62,319	1
		4,374,260	100	4,171,898	100
5000	<b>Operating cost (Note 5):</b>				
5510	Construction cost	3,141	-	170,354	4
5310	Leasehold cost	132,526	3	109,538	3
5690	Columbarium and Cemetery cost	328,170	8	258,698	6
5691	Funeral service cost	726,203	17	677,996	16
5800	Other operating costs	28,724	1	22,952	1
		1,218,764	29	1,239,538	30
5910	<b>Gross profit</b>	3,155,496	71	2,932,360	70
6000	<b>Operating expenses:</b>				
6100	Selling expenses	900,069	21	838,553	20
6200	General and administrative expenses (Note 5)	299,506	7	333,788	8
		1,199,575	28	1,172,341	28
6900	<b>Operating profit (loss)</b>	1,955,921	43	1,760,019	42
7100	<b>Non-operating revenue and gain:</b>				
7110	Interest revenue (Note 5)	11,784	-	2,612	-
7121	Income from investment under the equity method (Note 4(8) and 5)	84,388	2	49,929	1
7122	Stock dividend revenue	21,574	-	29,728	1
7130	Gain from disposal of Property, plant and equipment	2,415	-	-	-
7170	Revenue from counter-party default	167,243	4	215,789	5
7310	Gain on valuation of financial assets (Note 4(2))	32,218	1	-	-
7480	Miscellaneous revenues (Note 5)	37,700	1	18,598	-
		357,322	8	316,656	7
7500	<b>Non-operating expenses and losses:</b>				
7510	Interest expenses (Note 4(5))	26,715	1	17,758	-
7530	Loss on disposal of Property, plant and equipment	-	-	30,029	1
7640	Loss on valuation of financial assets (Note 4(2))	-	-	10,691	-
7560	Exchange loss	408	-	1,290	-
7880	Miscellaneous expenses	678	-	16,568	-
		27,801	1	76,336	1
7900	<b>Continuing operating income before tax</b>	2,285,442	50	2,000,339	48
8110	<b>Income tax expense (Note 4(16))</b>	238,273	5	139,062	3
9600	<b>Net income</b>	\$ 2,047,169	45	1,861,277	45
9750	<b>Basic earnings per share (NTD) (Note 4(20))</b>	\$ 5.73	5.13	5.03	4.68
9850	<b>Diluted earnings per share (NTD) (Note 4(20))</b>	\$ 5.72	5.13	5.03	4.68

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

**Chairman:**

**General Manager:**

**Chief Accountant:**

**Lungyen Life Service Corp.**  
(Formerly Known as Dahan Development Corp.)

**Statement of Changes in Shareholders' Equity**

**For The Years Ended December 31, 2012 and 2011**

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

	Common stock	Capital surplus	Retained earnings			Other shareholders' equity adjustment:		Total
			Legal reserve	Special reserve	Unappropria ted earnings	Accumulated translation adjustment	Unrealized loss from financial assets	
<b>Balance – January 1, 2011</b>	\$ 3,821,593	389	-	-	771,421	(26,009)	-	4,567,394
Long-term investment acquired by issuance of new shares	169,249	1,392,072	-	-	-	-	-	1,561,321
Allocation of earnings in 2010 (note 1):								
Legal reserve	-	-	77,142	-	(77,142)	-	-	-
Special reserve	-	-	-	26,009	(26,009)	-	-	-
Shareholders' bonus – cash, NT\$1.5 per share	-	-	-	-	(598,626)	-	-	(598,626)
Net profit in 2011	-	-	-	-	1,861,277	-	-	1,861,277
Change in net value of investee's equity under equity method	-	59,347	-	-	-	12,158	(301)	71,204
<b>Balance – December 31, 2011</b>	3,990,842	1,451,808	77,142	26,009	1,930,921	(13,851)	(301)	7,462,570
Allocation of earnings in 2011 (note 2):								
Legal reserve	-	-	186,128	-	(186,128)	-	-	-
Special reserve	-	-	-	(11,856)	11,856	-	-	-
Shareholders' bonus – cash, NT\$3.0 per share	-	-	-	-	(1,197,253)	-	-	(1,197,253)
Net profit in 2012	-	-	-	-	2,047,169	-	-	2,047,169
Change in net value of investee's equity under equity method	-	-	-	-	-	(6,353)	670	(5,683)
<b>Balance – December 31, 2012</b>	<b>\$ 3,990,842</b>	<b>1,451,808</b>	<b>263,270</b>	<b>14,153</b>	<b>2,606,565</b>	<b>(20,204)</b>	<b>369</b>	<b>8,306,803</b>

Note 1: The remuneration to directors/supervisors, NT\$12,343 thousand and bonus to employees, NT\$6,171 thousand, have been eliminated from the income statement.

Note 2: The remuneration to directors/supervisors, NT\$24,686 thousand and bonus to employees, NT\$12,343 thousand, have been eliminated from the income statement.

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

Chairman:

General Manager:

Chief Accountant:

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**Statement of Cash Flow**

**For The Years Ended December 31, 2012 and 2011**

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

	2012	2011
<b>Cash flows from operating activities:</b>		
<b>Net income before income tax</b>	\$ 2,047,169	1,861,277
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization expenses	107,033	114,054
Allowance for doubtful accounts	17,089	16,816
Gain from price recovery of inventory	(1,800)	(21,100)
Gain from investment under equity method	(84,388)	(49,929)
Loss (gain) from disposal and scrapping of Property, plant and equipment	(2,415)	30,029
Loss (gain) on valuation of financial assets	(32,218)	10,691
Acquisition of cash dividends of investees under equity method	-	2,372
<b>Net changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Decrease (increase) in financial assets held for trading	345,816	304,511
Decrease (increase) in receivable notes and accounts	(103,455)	(101,655)
Decrease (increase) in inventory	455,435	(19,108)
Decrease in deferred marketing expenses	132,548	144,523
Decrease (increase) in other current assets	(61,576)	(824)
Increase in other financial assets	(343,800)	(1,146,908)
Increase in deferred income tax assets	53,529	(59,557)
<b>Net changes in operating liabilities:</b>		
Increase (decrease) in payable notes and accounts	50,296	30,002
Decrease in payable income tax	(199,538)	(155,473)
Increase in payable expenses	25,267	96,221
Increase (decrease) in advance receipts for real estate	112,360	234,491
Increase (decrease) in other current liabilities	16,697	41,005
Increase in accrued pension liabilities	855	632
<b>Net cash provided by operating activities</b>	2,534,904	1,332,070
<b>Cash flows from investing activities:</b>		
Long-term equity investment under equity method	(272,400)	(1,094,748)
Purchase of property, plant and equipment	(260,401)	(3,922,281)
Proceeds from disposal of property, plant and equipment	95,575	67,934
Increase in deferred expenses	(3,829)	(4,570)
Increase in restricted assets	1,446	(10,946)
Cash inflows generated from consolidation	-	1,715,996
Decrease in other financial assets	33,316	11,392
Increase in other assets	(50,056)	(147,479)
<b>Net cash used by investing activities:</b>	(456,349)	(3,384,702)

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**

**Statement of Cash Flow (Cont'd)**

**For The Years Ended December 31, 2012 and 2011**

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

	2012	2011
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loan	(1,100,000)	3,040,000
Increase in deposit received	(3,080)	14,601
Allocation of cash dividend	(1,197,253)	(598,626)
<b>Net cash inflow (outflow) from financing activities</b>	<b>(2,300,333)</b>	<b>2,455,975</b>
<b>Net increase (decrease) in cash and cash equivalents this period</b>	<b>(221,778)</b>	<b>403,343</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>413,762</b>	<b>10,419</b>
<b>Cash and cash equivalents, ending of the period</b>	<b>\$ 191,984</b>	<b>\$ 413,762</b>
Supplemental disclosures of cash flow information:		
Interest paid this period	\$ 26,715	17,758
Less: Capitalized interest	-	-
Excluding the interest paid this period for capitalized interest	<b>\$ 26,715</b>	<b>17,758</b>
Income tax paid	<b>\$ 391,072</b>	<b>353,740</b>
<b>Investing and financing activities not affecting cash flows:</b>		
Property, plant and equipment translated into inventory	<b>\$ -</b>	<b>423,092</b>
Inventory translated into property, plant and equipment	<b>\$ 59,472</b>	<b>848,789</b>
Long-term equity investment acquired by issuance of new shares	<b>\$ -</b>	<b>1,561,321</b>

**Disclosure of information about subsidiaries:**

The Company acquired 25% of the equity of Lungyen Life Service Co., Ltd. on February 1, 2011, and held the shares of Lungyen Life Service Corp. wholly accumulated. On the same day, the Company was consolidated with Lungyen Life Service Corp. The fair values of its assets/liabilities are stated as follows:

Cash and cash equivalents	\$ 1,715,996
Other current assets	18,820,426
Financial assets carried at cost – non-current	65,471
Long-term equity investment under the equity method	512,627
Other financial assets – non-current	55,037
Property, plant and equipment	8,402,172
Other assets	1,161,989
	<b>30,733,718</b>
Current liabilities	26,909,185
Long-term liabilities with interest:	800
Other liabilities	50,301
	<b>26,960,286</b>
Net	3,773,432
% of equity	25%
Net value of equity	943,358
Add: Goodwill	425,213
Trademark right	192,750
The market value for the shares issued upon acquisition of 25% of shares of Lungyen Life Service Co., Ltd.	<b>\$ 1,561,321</b>

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

**Chairman:**

**General Manager:**

**Chief Accountant:**

## Appendix II

### Independent Auditor's Audit Report consolidated financial statements in 2012

To Board of Directors of Lungyen Life Service Corp. (Formerly Known as Dahan Development Corp.):

We have audited the consolidated balance sheets of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) as of December 31, 2012 and 2011, and the related consolidated statements of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of some investees of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) and its subsidiaries evaluated under equity method were audited by other auditors. All amounts related to investment income and the information about the investees presented in the foregoing financial statements was accounted for on the basis of the investee's financial statement audited by other auditors. The long-term equity investment under equity method of said investees were NT\$30,024 thousand and NT\$29,305 thousand as of December 31, 2012 and 2011, accounting for 0.08% and 0.08% of the consolidated total assets, respectively. The investment loss, net recognized in 2012 and 2011, were NT\$49 thousand and NT\$394 thousand, accounting for 0.002% and 0.020% of the consolidated net income before income tax, respectively.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lungyen Life Service Corp. (formerly known as Dahan Development Corp.) and its subsidiaries of December 31, 2012 and 2011, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG

CPA:

Approval Document issued by the competent securities authority:  
March 14, 2013

(2000) Tai-Tsai-Chen (6) No. 62474  
(1999) Tai-Tsai-Chen (6) No. 18311

**Lungyen Life Service Corp. and Subsidiaries**  
**(Formerly Known as Dahan Development Corp.)**

**Consolidated Balance Sheets**

**For The Years Ended December 31, 2012 and 2011**

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

	12.31.2012		12.31.2011			12.31.2012		12.31.2011			
	Amount	%	Amount	%		Amount	%	Amount	%		
<b>Assets</b>					<b>Liabilities and shareholders' equity</b>						
<b>Current assets:</b>					<b>Current liabilities:</b>						
1100	\$	372,427	1	1,565,112	4	2100	\$	2,140,000	6	3,040,000	8
1120		227,936	1	203,360	1	2120		461,012	1	1,521,114	4
1310		693,530	2	916,903	2	2130		12,400	-	-	-
						2160		99,539	-	314,561	1
1190		1,523,042	4	1,181,541	3	2170		218,406	1	186,555	-
1221		5,837	-	8,648	-	2210		113,248	-	130,201	-
1222		1,656,832	4	2,041,738	5	2262		144	-	1,010	-
1223		1,094,244	3	1,094,244	3	2263		26,466,334	68	26,375,513	66
1224		8,398,279	22	8,153,381	20	2268		48,814	-	18,402	-
1225		486,565	1	484,013	1	2280		41,950	-	25,639	-
1240		632	-	-	-			29,601,847	76	31,612,995	79
1285		8,746,108	22	8,878,656	22	2810		20,314	-	19,459	-
1291		215,482	1	195,922	1	2820		42,995	-	46,075	-
1298		374,038	1	288,003	1	2881		2,981	-	2,981	-
		23,794,952	62	25,011,521	63			66,290	-	68,515	-
<b>Fund and long-term investment:</b>					<b>Other liabilities:</b>						
1421		64,902	-	508,032	1			29,668,137	76	31,681,510	79
1480		524,819	2	68,471	-						
1440		27,032	-	61,092	-						
		616,753	2	637,595	1						
<b>Property, plant and equipment (Note 4(5), 4(9), 5, 6 and 7) :</b>					<b>Total liabilities</b>						
1501		1,974,767	5	2,671,636	7						
1521		639,816	2	714,976	2						
1531		94,870	-	92,954	-						
1551		87,764	-	45,750	-						
1552		43,491	-	35,669	-						
1553		7,853,550	20	8,001,554	20						
1621		30,035	-	30,035	-						
1631		2,661	-	821	-						
1671		2,200,487	6	1,083,496	3						
1672		42,619	-	36,534	-						
		12,970,060	33	12,713,425	32						
15X9		(715,747)	(1)	(636,620)	(2)						
		12,254,313	32	12,076,805	30						
<b>Intangible assets (Note 4(10)):</b>					<b>Shareholders' equity (Notes 4(8), (15), (16), (17) and (18)):</b>						
1710		192,750	-	192,750	1	3110		3,990,842	10	3,990,842	10
1760		542,428	1	542,428	1						
		735,178	1	735,178	2						
<b>Other assets:</b>					<b>Capital surplus:</b>						
1860		478,396	1	561,915	2			1,392,072	4	1,392,072	4
1880		42,498	-	46,475	-			59,736	-	59,736	-
1888		836,673	2	786,649	2			1,451,808	4	1,451,808	4
		1,357,567	3	1,395,039	4						
<b>Total assets</b>	<b>\$</b>	<b>38,758,763</b>	<b>100</b>	<b>39,856,138</b>	<b>100</b>						
					<b>Retained earnings :</b>						
					Legal reserve						
					Special reserve						
					Inappropriate earnings						
					Other shareholders' equity :						
					Accumulated translation adjustment						
					Unrealized loss from financial assets						
					Parent company's shareholders' equity – subtotal						
					Minority interest						
					<b>Total shareholders' equity</b>						
					<b>Significant undertakings or contingencies (Note 7)</b>						
					<b>Total liabilities and shareholders' equity</b>						
					<b>\$ 38,758,763 100 39,856,138 100</b>						

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

Chairman :

General Manager :

Chief Accountant :

**Lungyen Life Service Corp. and Subsidiaries**  
**(Formerly Known as Dahan Development Corp.)**

**Consolidated Income Statements**

**For The Years Ended December 31, 2012 and 2011**

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

	2012		2011	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note 5):</b>				
4511 Construction revenue	\$ 89,644	2	475,025	11
4310 Leasehold revenue	217,773	5	176,116	4
4700 Columbarium and cemetery revenue	3,203,301	66	2,589,539	58
4710 Funeral service revenue	1,215,347	25	1,146,153	26
4881 Other operating revenue	111,141	2	68,009	1
	4,837,206	100	4,454,842	100
5000 <b>Operating cost (Note 5)</b>				
5510 Construction cost	83,886	2	211,324	5
5310 Leasehold cost	132,526	3	113,022	3
5690 Columbarium and cemetery cost	332,387	7	276,594	6
5691 Funeral service cost	726,203	15	737,073	17
5800 Other operating cost	44,379	1	26,004	1
	1,319,381	28	1,364,017	32
5910 <b>Operating gross profit (loss)</b>	3,517,825	72	3,090,825	68
6000 <b>Operating expenses:</b>				
6100 Selling expenses	1,057,045	22	877,996	20
6200 General and administrative expenses (Note 5)	323,863	7	388,358	9
	1,380,908	29	1,266,354	29
6900 <b>Operating profit</b>	2,136,917	43	1,824,471	39
7100 <b>Non-operating revenue and gain :</b>				
7110 Interest revenue (Note 5)	15,329	-	2,731	-
7121 Income from investment under the equity method (Note 4(8) and 5)	937	-	12,176	-
7122 Dividend revenue	23,176	-	31,179	1
7130 Gain from disposal of property, plant and equipment	2,415	-	-	-
7170 Revenue from counter-party default	167,243	3	222,231	5
7310 Gain from valuation of financial assets (Note4(2))	46,027	1	-	-
7480 Miscellaneous revenues (Note 5)	13,684	-	13,812	-
	268,811	4	282,129	6
7500 <b>Non-operating expenses and losses:</b>				
7510 Interest expenses (Note 4(5))	29,483	1	17,769	-
7530 Loss from disposal of property, plant and equipment	-	-	30,029	1
7640 Loss from valuation of financial assets (Note4(2))	-	-	410	-
7560 Exchange loss	408	-	1,292	-
7880 Miscellaneous loss	782	-	23,465	1
	30,673	1	72,965	2
7900 <b>Non-operating expenses and losses:</b>	2,375,055	46	2,033,635	43
8110 <b>Income tax expense (Note 4(15))</b>	256,121	5	148,086	3
<b>Consolidated total income</b>	<b>\$ 2,118,934</b>	<b>41</b>	<b>1,885,549</b>	<b>40</b>
<b>Attributed to :</b>				
Consolidated net income	\$ 2,047,169	40	1,861,277	39
9602 Net income on minority interest	71,765	1	24,272	1
	<b>\$ 2,118,934</b>	<b>41</b>	<b>1,885,549</b>	<b>40</b>
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>
9750 <b>Basic earnings per share (NTD) (Note 4(19))</b>	<b>\$ 5.73</b>	<b>5.13</b>	<b>5.03</b>	<b>4.68</b>
9850 <b>Diluted earnings per share (NTD) (Note 4(19))</b>	<b>\$ 5.72</b>	<b>5.13</b>	<b>5.03</b>	<b>4.68</b>

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

Chairman :

General Manager :

Chief Accountant :



**Lungyen Life Service Corp. and Subsidiaries**  
**(Formerly Known as Dahan Development Corp. and Subsidiaries)**

**Consolidated Statements of Changes in Shareholders' Equity**

**For The Years Ended December 31, 2012 and 2011**

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

	Common stock	Capital surplus	Retained earnings			Other shareholders' equity adjustment:		Minority interest	Total
			Legal reserve	Special reserve	Unappropriated earnings	Accumulated translation adjustment	Unrealized loss from financial assets		
<b>Balance – January 1, 2011</b>	\$ 3,821,593	389	-	-	771,421	(26,009)	-	663,287	5,230,681
Long-term investment acquired by issuance of new shares	169,249	1,392,072	-	-	-	-	-	(676,459)	884,862
Allocation of earnings in 2010(note 1) :									
Legal reserve	-	-	77,142	-	(77,142)	-	-	-	-
Special reserve	-	-	-	26,009	(26,009)	-	-	-	-
Shareholders' bonus – cash, NT\$1.5 per share	-	-	-	-	(598,626)	-	-	-	(598,626)
Net profit for the year ended 2011	-	-	-	-	1,861,277	-	-	24,272	1,885,549
Change in net value of investee's equity under equity method	-	59,347	-	-	-	12,158	(301)	-	71,204
Change in minority interest	-	-	-	-	-	-	-	700,958	700,958
<b>Balance – December 31, 2011</b>	<b>3,990,842</b>	<b>1,451,808</b>	<b>77,142</b>	<b>26,009</b>	<b>1,930,921</b>	<b>(13,851)</b>	<b>(301)</b>	<b>712,058</b>	<b>8,174,628</b>
Allocation of earnings in 2011(note 2) :									
Legal reserve	-	-	186,128	-	(186,128)	-	-	-	-
Special reserve	-	-	-	(11,856)	11,856	-	-	-	-
Shareholders' bonus – cash, NT\$3.0 per share	-	-	-	-	(1,197,253)	-	-	-	(1,197,253)
Net profit for the year ended 2012	-	-	-	-	2,047,169	-	-	71,765	2,118,934
Change in net value of investee's equity under equity method	-	-	-	-	-	(6,353)	670	-	(5,683)
<b>Balance – December 31, 2012</b>	<b>\$ 3,990,842</b>	<b>1,451,808</b>	<b>263,270</b>	<b>14,153</b>	<b>2,606,565</b>	<b>(20,204)</b>	<b>369</b>	<b>783,823</b>	<b>9,090,626</b>

Note 1 : The remuneration to directors/supervisors, NT\$12,343 thousand, and bonus to employees, NT\$6,171 thousand, have been eliminated from the income statement.

Note 2 : The remuneration to directors/supervisors, NT\$24,686 thousand, and bonus to employees, NT\$12,343 thousand, have been eliminated from the income statement.

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

**Chairman :**

**General Manager :**

**Chief Accountant :**

**Lungyen Life Service Corp. and Subsidiaries**  
**(Formerly Known as Dahan Development Corp.)**

**Consolidated Statements of Cash Flows**

**For The Years Ended December 31, 2012 and 2011**

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

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
<b>Consolidated total income</b>	\$ 2,118,934	1,885,549
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization expenses	108,510	122,769
Allowance for doubtful accounts	17,089	16,895
Gain from price recovery of inventory	(600)	(21,100)
Gain from investment under equity method	(937)	(12,176)
Loss (gain) from disposal of property, plant and equipment	(2,415)	30,029
Gain on valuation of financial assets	(46,027)	410
<b>Net changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Decrease in financial assets held for trading	265,454	435,156
Decrease (increase) in receivable notes and accounts	(41,665)	(127,274)
Decrease (increase) in receivable accounts (incl. related parties)	-	(22,747)
Decrease (increase) in inventory	82,595	(547,831)
Decrease in construction in progress less unearned receipts for construction	(632)	40,379
Decrease (increase) in deferred marketing expenses	132,548	101,630
Decrease (increase) in other current assets	(88,849)	(9,927)
Decrease (increase) in other financial assets	(341,501)	(928,808)
Decrease (increase) in deferred income tax assets	58,202	(59,556)
<b>Net changes in operating liabilities:</b>		
Increase (decrease) in payable notes and accounts	(1,047,702)	82,112
Increase (decrease) in payable income tax	(186,791)	(146,866)
Increase (decrease) in payable expenses	31,851	30,665
Increase in advance receipts	89,955	444,738
Increase (decrease) in unearned receipts for construction less construction in progress	30,412	18,402
Increase (decrease) in other current liabilities	(3,360)	9,395
Increase in accrued pension liabilities	855	632
<b>Net cash flow (outflow) from operating activities</b>	<b>1,175,926</b>	<b>1,342,476</b>
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets carried at cost	-	3,000
Long-term equity investment under equity method	(12,600)	(30,000)
Payment for acquisition of subsidiaries from minority interest	-	700,958
Purchase of property, plant and equipment	(311,868)	(3,941,476)
Proceeds from disposal of Property, plant and equipment	95,575	67,934
Increase in deferred expenses	(3,829)	(4,214)
Increase in restricted assets	(19,560)	(10,946)
Decrease in other financial assets	34,060	(6,055)
Increase in other assets	(50,056)	(148,473)
<b>Net cash outflow flow from investing activities:</b>	<b>(268,278)</b>	<b>(3,369,272)</b>

**Lungyen Life Service Corp. and Subsidiaries**  
**(Formerly Known as Dahan Development Corp.)**

**Consolidated Statements of Cash Flows (Cont'd)**

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

	2012	2011
<b>Cash flows from financing activities :</b>		
Increase (decrease) in short-term loan	(900,000)	3,040,000
Increase (decrease) in deposit received	(3,080)	14,775
Decrease in payable lease	-	(800)
Allocation of cash dividend	(1,197,253)	(598,626)
<b>Net cash outflow flow from financing activities</b>	<b>(2,100,333)</b>	<b>2,455,349</b>
<b>Net increase in cash and cash equivalents</b>	(1,192,685)	428,553
<b>Cash and cash equivalents, beginning of the period</b>	1,565,112	1,136,559
<b>Cash and cash equivalents, ending of the period</b>	<b>\$ 372,427</b>	<b>1,565,112</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid this period	\$ 29,483	17,769
Less: Capitalized interest	-	-
Excluding the interest paid this period for capitalized interest	<b>\$ 29,483</b>	<b>17,769</b>
Income tax paid	<b>\$ 395,424</b>	<b>354,016</b>
<b>Investing and financing activities not affecting cash flows:</b>		
Property, plant and equipment translated into inventory	<b>\$ -</b>	<b>423,092</b>
Inventory translated into Property, plant and equipment	<b>\$ 59,472</b>	<b>848,789</b>
Issuance of new shares upon consolidation	<b>\$ -</b>	<b>1,561,321</b>

**Disclosure of information about subsidiaries :**

The Company acquired 25% of the equity of Lungyen Life Service Co., Ltd. on February 1, 2011, and held the shares of Lungyen Life Service Corp. wholly accumulated. On the same day, the Company was consolidated with Lungyen Life Service Corp. The fair values of its assets/liabilities are stated as follows:

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Trademark right		192,750
The market value for the shares issued upon acquisition of 25% of shares of Lungyen Life Service Co., Ltd.	<b>\$</b>	<b>1,561,321</b>

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

Chairman :

General Manager :

Chief Accountant :