

Stock Code : 5530

# Lungyen Life Service Corp.

2016 Annual Meeting of Shareholders

## **Handbook**

Date: June17, 2016

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

**2016 General Meeting Procedure**

I. Commencement of the Meeting (Reporting the quorum present)

II. Message from the Chairman

III. Matters for Discussion

IV. Matters to Report

V. Matters for Approval

VI. Extempore motions

VII. Meeting adjourned

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**  
**2016 General Meeting Agenda**

Time: 9:00 a.m., Friday, June 17, 2016

Location: No.111, Dongshi St., Xizhi Dist., New Taipei City, Taiwan

(Auditorium of Lungyen's Headquarters)

I. Commencement of the Meeting (Reporting the quorum present)

II. Message from the Chairman

III. Matters for Discussion

(1) To revise Memorandum and Articles of Association

IV. Matters to Report

(1) To report the remuneration to employees and directors in 2015 and  
distribution approach

(2) To report the business of 2015

(3) To report Audit Committee's review of 2015

V. Matters for Approval

(1) To approve 2015 Business Report and Financial Statements

(2) To approve the proposal for distribution of 2015 profits

VI. Extempore motions

VII. Meeting adjourned

## **Matters for Discussion**

**Case 1:**

(Proposed by the board of directors)

Summary: The Amendment to the “Memorandum and Articles of Association” is proposed for discussion.

Remark: 1. To comply with the amendment of Company Act, the Board of Directors proposes to amend the Memorandum and Articles of Association. For the comparison table of the “Memorandum and Articles of Association” amendment before and after, please refer to Appendix 1 (Page 7-9) of the Handbook.

2. Please proceed to discuss.

Resolutions:

## **Matters to Report**

### **Case 1**

Summary: The remuneration to employees and directors in 2015 and distribution approach is presented for approval.

Remark: 1. The Company 2015 income before tax deducted by distribution of remuneration to employees and directors is NT\$1,308,922,703. It is proposed that the remuneration to employees is NT\$13,089,227, and the remuneration to directors is NT\$26,178,454. The distribution of remuneration is all paid in cash.

2. Abovementioned remuneration to employees and directors has already been reported as expense as of 2015. There is no difference between reported amount and proposed distribution amount.

### **Case 2**

Summary: The Company's 2015 business report is presented for approval.

Remark: For the Company's 2015 business report, please refer to Appendix 2 (Page 10-12) of the Handbook.

### **Case 3**

Summary: The 2015 Audit Committee's report is proposed for approval.

Remark: For the Company's 2015 Audit Committee's report, please refer to Appendix 3 (Page 13) of the Handbook.

## Matters for Approval

**Case 1:** (Proposed by the board of directors)

Summary: The Company has the operation and financial statement reviews in 2015 presented for approval.

Remark: 1. The Company's 2015 business report, 2015 individual and consolidated financial statements have been audited by CPA Tseng, Guo-Yang and CPA Chih, Shih-Chin of KPMG Taiwan. The above financial statements have been submitted to the Audit Committee for review and approval and the Audit Committee has issued its Review Report accordingly.

2. For the Company's 2015 individual and consolidated financial statements, please refer to Appendix 4 (Page 14-19) and Appendix 5 (Page 20-25). Hereby apply for recognition.

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

Resolutions:

**Case 2:** (Proposed by the board of directors)

Summary: The Company's proposal for distribution of earnings in 2015 is presented for approval.

Remark: 1. The Company's net income amounted to NT\$1,089,361,255 in 2015.

After deducting the legal reserve, special reserve and other adjustments, distributable net profit is NT\$576,420,921. Adding beginning retained earnings, the unappropriated retained earnings is NT\$1,833,455,726. Please refer the Profit Distribution Table as Appendix 6 (Page 26) of the Handbook.

2. The Company aims to become No. 1 brand in Greater China, and has been continually seeking opportunities of overseas investment for the past few years. The Company is willing to duplicate successful experience in Taiwan to other overseas Chinese communities, and to expand its business domain.

Recently, several overseas investment projects have already reached to substantively significant progress. In response to future potential fund demand and substantial capital expenditure which results from domestic cemetery parks entering to intensive construction stage, it is proposed to retain 2015 distributable earnings in part and distribute cash dividends for NT\$199,542,100 (NT\$0.5 per share).

3. 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. 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.
5. For the distribution of cash dividend to shareholders, the Chairman is authorized to schedule the ex-dividend date as soon as it is resolved at the shareholders' meeting.
6. Hereby apply for recognition.

Resolutions:

**Extempore motions**

**Meeting adjourned**



**Lung Yen Life Service Co., Ltd.**  
**(formerly known as Dahan Development Corp.)**

Comparison table for “Articles of Incorporation”  
before and after revision

Article	New	Old	Amendment basis and reasons
Article	All company shareholders are entitled to one vote for every share held, except for the circumstances described in Section 179-2 of The Company Act where shareholders cannot exercise their voting rights.	All company shareholders are entitled to one vote for every share held, <u>except for the circumstances described in Section 179 of The Company Act where shareholders cannot exercise their voting rights.</u>	Revised the wording
Article 28	<p><u>The Company’s annual earnings, if any, should be appropriated not less than 1% to employees’ remuneration and not less than 2% to directors’ remuneration. However, if the Company has accumulated losses, the make up amount should be retained.</u></p> <p><u>The employees’ remuneration can be stock or cash, and employees of subsidiaries certain conditions should be included.</u></p>	<p><u>After the settlement , if any, of the company's annual earnings , tax money should be appropriated to make up for losses in prior years , times set aside as legal reserve and it occurs when the stockholders' equity for the year as special reduction of the amount of surplus public after turning the plot or special reserve , then the balance will be distributed according to the following ratio:</u></p> <p><u>(1)the directors ' remuneration of not more than 2% .</u></p> <p><u>(2)the employee bonus of 1% . In stock issuer , the recipients must include the employees of subsidiaries certain conditions .</u></p> <p><u>After deducting the preceding paragraph amounts , the amount of the remaining available for distribution to plus pre cumulative undistributed earnings as dividends , the Board of Directors in accordance with the company dividend policy based on the total percentage of shares distributed or retained by the proposed appropriation of earnings will be distributed in the preceding paragraph for resolution of shareholders .</u></p> <p><u>The Company's dividend policy is based on the interests of shareholders and in accordance with</u></p>	Revised according to amendment of Article 235-1 of Company Act

Article	New	Old	Amendment basis and reasons
		<u>the Company's future capital budget planning for future years as measured by capital requirements , dividends or stock dividends of cash dividends to be paid. Priority of cash dividends may also be made by way of stock dividend distribution , only cash dividends shall not be less than 10% of total shareholders' dividends</u>	
Article	<u>The total annual earnings, if any, should be applied to pay tax, make up losses of prior years, then appropriated 10% legal reserve, but excluded the case that legal reserve has reached to the Company's paid-up capital, and if necessary, appropriated or revered special reserve based on less item of current shareholder equity; the rest amount is distributed as dividend, if any available balance, which pluses prior period accumulative unappropriated earnings, the Board will propose distribution plan for shareholding meeting resolution. The Company's dividend policy is to protect shareholders' equity and in response to 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.</u>	(newly added)	Revised according to amendment of Article 235-1 of Company Act
Article	This Memorandum of Association was created on 27 February 1987. 1st amendment - 20 March 1987. 2nd amendment - 18 January 1991. 3rd amendment - 2 September 1992. 4th amendment - 31 December 1993. 5th amendment - 1 March 1995. 6th amendment - 15 July 1996. 7th amendment - 19 March 1997. 8th amendment - 26 April 1997.	This Memorandum of Association was created on 27 February 1987. 1st amendment - 20 March 1987. 2nd amendment - 18 January 1991. 3rd amendment - 2 September 1992. 4th amendment - 31 December 1993. 5th amendment - 1 March 1995. 6th amendment - 15 July 1996. 7th amendment - 19 March 1997. 8th amendment - 26 April 1997.	Revision date added

Article	New	Old	Amendment basis and reasons
	9th amendment - 24 October 1997. 10th amendment - 18 May 1998. 11th amendment - 4 December 1998. 12th amendment - 6 May 1999. 13th amendment - 22 June 2001. 14th amendment - 30 June 2002. 15th amendment - 8 February 2006. 16th amendment - 8 February 2006. 17th amendment - 15 June 2007. 18th amendment - 1 August 2008. 19th amendment - 10 June 2009. 20th amendment - 29 October 2009. 21st amendment - 12 October 2010. 22nd amendment - 28 June 2011. 23rd amendment - 6 June 2012. 24th amendment - 17 June 2014. 25th amendment - 18 June 2015. <u>26th amendment - 17 June 2016.</u>	9th amendment - 24 October 1997. 10th amendment - 18 May 1998. 11th amendment - 4 December 1998. 12th amendment - 6 May 1999. 13th amendment - 22 June 2001. 14th amendment - 30 June 2002. 15th amendment - 8 February 2006. 16th amendment - 8 February 2006. 17th amendment - 15 June 2007. 18th amendment - 1 August 2008. 19th amendment - 10 June 2009. 20th amendment - 29 October 2009. 21st amendment - 12 October 2010. 22nd amendment - 28 June 2011. 23rd amendment - 6 June 2012. 24th amendment - 17 June 2014. 25th amendment - 18 June 2015.	

## 2015 Business Report

In 2015, global central banks continually implemented Quantitative Easing (QE) Policy. However, in spite of concern of US raising interest rates, slowdown of China growth, slump of commodities and increase of default rate in credit market, the global economy only showed moderate growth. Due to slowdown of global growth and crowding out effect of red supply chains, the economy growth rate in Taiwan has fallen to the lowest level over the past six years.

According to the latest “World Economic Outlook report” issued by International Monetary Fund (IMF), the global economy is facing risks of weaker growth, in addition to impact of currency depreciations and geopolitical discord, IMF decreased the forecast of 2016 global growth from 3.4% estimated in January to 3.2%. In February 2016, Directorate General of Budget, Accounting and Statistics of Executive Yuan in Taiwan also lowered the estimated 2016 economic growth rate from 2.32% estimated in November 2015 to 1.47%, owing to weak growth of external demand. Although the economic environment is unfavorable, the management team and all of the Company will still strive for continued and steady growth in business operation.

Business performance for the year 2015 and the business plan for 2016 is hereby presented to the Company’s shareholders as follows:

### I. 2015 Operating results:

For 2015 operating results, while the entire market was influenced by weak economy, with the cooperation of operating and sales teams, the Company’s new sales has reached a historic high and slightly increased compared with the previous year. While new sales slightly grew, since several uncompleted columbarium and cemetery products cannot be recognized, the 2015 consolidated revenue was NT\$352.9 billion and decreased by 35.3% compared with the previous year; the net profit after tax was NT\$108.9 billion and decreased by 50.3% compared with the previous year; the net profit after tax rate was 33.7% and decreased by 20.1% compared with 20.1%.

As of December 31, 2015, the total consolidated asset was NT\$47.5 billion and increased 14.5% compared with the previous year; the total liability was NT\$38.2 billion and liability ratio was 80.4%. The proceeds collected for the sales of funeral service, columbarium, and cemetery are booked as advance receipts 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 liability ratio was 48.1% if the Company deducted the advance receipts and relative asset amounts.

## II. Summary of the 2016 business plan

### (1) Operating principle:

1. Substantiate business plans and achieve business goals
2. Properly allocate capital and improve financial performance
3. Strengthen risk management and enhance operating foundation
4. Upgrade business management and exercise enterprise value
5. Fulfill corporate social responsibility and optimize corporate image

### (2) Summary of execution:

#### 1. Substantiate business plans and achieve business goals

Exercise the merger effect of northern, central and southern cemetery; also, the cross integration of customers, channels, and commodities with unified liturgical service provided to effectively increase product penetration rate, to fulfill the primary goal of increasing market share, and to actively explore the Chinese market.

#### 2. Properly allocate capital and improve financial performance

Grasp the capital market opportunity, plan the optimal capital to improve financial performance, provide comprehensive operational management procedures with the regulations update and enhance operating effectiveness.

#### 3. Strengthen risk management and enhance operating foundation

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.

#### 4. Upgrade business management and exercise enterprise 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.

## 5. Fulfill corporate social responsibility and optimize corporate image

Work with the Government to execute the policies, 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, and shareholders.

### (3) Estimated production and sales in 2016 (including subsidiaries)

Unit: SET

Product Name	Estimated sales unit
Columbarium	8,541
Cemetery	279
Preneed Funeral Contract	15,700
<b>Total</b>	<b>24,520</b>

### III. The Company's development strategy

In 2016, we shall focus on planning new columbarium and cemetery products, actively launching various products in terms of different areas and different prices, bundling with columbarium and preneed funeral contract, so as to satisfy various demands from consumer segments. Under the philosophy of integrated funeral services of the entire country, we shall further effectively augment the benefits of Lungyen brand logo and further expand market shares in the funeral service industry.

We shall continually promote funeral industry reform and create market segmentation, so as to achieve sales continual growth by providing new demands. Meanwhile, we shall be continually strengthen internal control and demand in upgrade quality of services so that the hardware commodities and software services will be continually upgraded. Through such efforts, Lungyen will further step into extensive consumers and expand market share.

As Taiwan is in increasingly significant aging society and decreased childbirth, and amidst the limited territories and population, on the grounds of our existent life service bases, we shall, step-by-step, expand our horizons to cover life service related medical treatment services and elder citizen hotels and such business lines. Other than our efforts on the already well developed business lines and markets in Taiwan, we shall, under the well designed programs, expand our services toward China. Where China is transforming from interment toward incineration, Lungyen

will be one step ahead of competitors to stand firmly in the vast markets in China. As always, Lungyen shall render high quality and elaborate thoughtful services. In the efforts of marketing pre-need contracts and tower units, we shall spearhead the entire markets as the leading brand name toward more brilliant tomorrow.

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

The national competent authority has gradually established comprehensive management of funeral services and published funeral-related laws and regulations for the protection of consumers. The action may have had the funeral industry subject to more strict regulations; however, it will help establish a higher operating threshold that will keep the inferior operators away. Under these circumstances, the long-lasting legitimate business operations of Lungyen will be well protected.

The funeral business is for daily necessities; therefore, the sales are not subject to the influence of the economy. 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: Lee, Shih-Tsung    President: Liu, Wei Lung    Chief Accountant: Chan, Shu-Juan

**Lungyen Life Service Corp.**  
**(Formerly Known as Dahan Development Corp.)**  
**2015 Audit Committee's Review Report**

Authorized

The Board of Directors has the Company's 2015 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 Chih, Shih-Chin 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. 2016 General Shareholders' Meeting

Independent Director: Yeh, Shu

Independent Director: Chang, Show-Lian

Independent Director: Chang, Cai-Yuan

March 28, 2016



**Independent Auditor's Report**

To Board of Directors of Lungyen Life Service Corp.,

We have audited the balance sheets of Lungyen Life Service Corp. as of December 31, 2015 and 2014, and the related statements of income, 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.

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 that of the other independent auditor's report provide a reasonable basis for our opinion.

In our opinion, based on our audit and the other independent auditor's reports, the financial statements referred in the first paragraph, in all materials respects, the financial position of Lungyen Life Service Corporation Ltd. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for twelve months ended in 2015 and 2014 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

KPMG Taiwan

CPA:

Securities and Futures  
Committee of  
the Ministry of  
Finance  
approval no.  
March 28, 2016

FSC VI. Tzi No. 0940129108  
: FSC No. 1020000737

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp.**

**Balance Sheet**

**December 31, 2015 and 2014**

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

Assets		12.31.2015		12.31.2014		Liabilities and Equity		12.31.2015		12.31.2014	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(1) & (17))	\$ 76,420	-	160,762	-	2100	Short-term loan (Note 6(8) & (17))	\$ 7,227,000	16	2,550,000	6
1110	Financial assets at fair value through profit or loss – current (Note 6(2) & (17))	1,054,753	2	875,194	2	2170	Payable accounts (Note 6(17))	323,676	1	398,952	1
1150	Notes receivable, net (Note 6 (17))	8,107	-	28,705	-	2180	Accounts payable - related party (Note 6(17) & 7)	73,667	-	42,554	-
1170	Accounts receivable, net (Note 6(17))	398,463	1	392,433	1	2200	Other payable accounts (Note 6(17) & 7)	384,233	1	346,926	1
1320	Inventories (Note 6(3) & 8)	10,975,435	24	10,700,671	27	2230	Current income tax liabilities (Note 6(11))	183,438	-	79,942	-
1410	Prepayments (Note 7 & 9)	8,454,566	18	8,195,919	20	2310	Advance receipts (Note 9)	29,534,742	64	27,746,709	70
1476	Other financial assets – current (Note 6(17), 7, 8 & 9)	2,185,488	5	2,679,900	7	2399	Other current liabilities - others	13,579	-	14,669	-
1479	Other current assets	2,342	-	2,217	-			<u>37,740,335</u>	<u>82</u>	<u>31,179,752</u>	<u>78</u>
		<u>23,155,574</u>	<u>50</u>	<u>23,035,801</u>	<u>57</u>	<b>Non-current liabilities:</b>					
<b>Non-current assets:</b>						2570	Deferred income tax liabilities (Note 6(11))	49,587	-	50,224	-
1524	Available-for-sale financial assets – non-current (Note 6 (2) & (17) & 8)	6,309,634	14	1,866,734	5	2640	Accrued pension liabilities - non-current (Note 6(10))	28,561	-	24,867	-
1543	Financial assets carried at cost – non-current (Note 6(2) & (17))	21,345	-	24,885	-	2645	Deposit received	67,606	-	50,582	-
1550	Investment under equity method (Note 6(4))	2,180,366	4	1,391,988	3			<u>145,754</u>	<u>-</u>	<u>125,673</u>	<u>-</u>
1600	Property, plant and equipment (Note 6(5) & 8)	6,113,437	14	5,880,836	15	<b>Total liabilities</b>		<u>37,886,089</u>	<u>82</u>	<u>31,305,425</u>	<u>78</u>
1760	Investment property, net (Note 6(6) & 8)	6,082,493	13	6,134,885	15	<b>Equity:</b>					
1780	Intangible assets (Note 6(7))	767,522	2	771,538	2	3100	Capital stock (Note 6(12))	3,990,842	9	3,990,842	10
1840	Deferred income tax assets (Note 6(11))	809,184	2	699,366	2	3200	Capital surplus (Note 6(12))	1,413,044	3	1,392,072	3
1980	Other financial assets – non-current (Note 6(17))	23,803	-	34,338	-	Retained earnings:					
1990	Other non-current assets (Note 6(17))	657,891	1	430,588	1	3310	Legal reserve (Note 6(12))	888,881	2	669,595	2
		<u>22,965,675</u>	<u>50</u>	<u>17,235,158</u>	<u>43</u>	3320	Special reserve (Note 6(12))	14,458	-	15,224	-
						3350	Unappropriated retained earnings (Note 6(11) & (12))	2,329,600	5	2,912,259	7
								<u>3,232,939</u>	<u>7</u>	<u>3,597,078</u>	<u>9</u>
						Other equity:					
						3410	Exchange differences from the translation of foreign institution's financial statements (Note 6(12))	(4,767)	-	(8,162)	-
						3425	Unrealized gain or loss of the available-for-sale financial assets (Note 6(12))	(396,898)	(1)	(6,296)	-
								<u>(401,665)</u>	<u>(1)</u>	<u>(14,458)</u>	<u>-</u>
						<b>Total equity</b>		<u>8,235,160</u>	<u>18</u>	<u>8,965,534</u>	<u>22</u>
<b>Total assets</b>		<u>\$ 46,121,249</u>	<u>100</u>	<u>40,270,959</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 46,121,249</u>	<u>100</u>	<u>40,270,959</u>	<u>100</u>

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

Chairman :

General Manager :

Chief Accountant :

**Lungyen Life Service Corp.**  
**Comprehensive Income Statement**

For The Twelve Months Ended December 31, 2015 and 2014

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

		<b>2015</b>		<b>2014</b>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note 6(9) &amp; (14))</b>	\$ 3,271,239	100	5,083,418	100
5000	<b>Operating cost</b>	<u>1,227,439</u>	<u>38</u>	<u>1,688,917</u>	<u>33</u>
5900	<b>Operating gross profit (loss)</b>	<u>2,043,800</u>	<u>62</u>	<u>3,394,501</u>	<u>67</u>
<b>Operating expenses:</b>					
6100	Selling expenses	625,734	19	1,105,893	22
6200	Administration expenses (Note 7)	<u>408,078</u>	<u>12</u>	<u>406,884</u>	<u>8</u>
6000	<b>Total operating expenses</b>	<u>1,033,812</u>	<u>31</u>	<u>1,512,777</u>	<u>30</u>
6500	<b>Other income and expenses (Note 6(6))</b>	<u>-</u>	<u>-</u>	<u>15,731</u>	<u>-</u>
6900	<b>Operating income (loss)</b>	<u>1,009,988</u>	<u>31</u>	<u>1,897,455</u>	<u>37</u>
<b>Non-operating income and expenses:</b>					
7010	Other income (Note 6(16) & 7)	339,962	10	267,877	5
7020	Other gains and losses (Note 6(16))	(81,708)	(2)	167,587	4
7050	Financial costs (Note 6(3) & (16))	(73,260)	(2)	(17,463)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(4))	<u>74,673</u>	<u>2</u>	<u>117,257</u>	<u>2</u>
		<u>259,667</u>	<u>8</u>	<u>535,258</u>	<u>11</u>
7900	<b>Operating income before tax</b>	1,269,655	39	2,432,713	48
7950	<b>Less: Income tax expense (Note 6(11))</b>	<u>180,294</u>	<u>6</u>	<u>239,851</u>	<u>5</u>
	<b>Net income</b>	<u>1,089,361</u>	<u>33</u>	<u>2,192,862</u>	<u>43</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not to be reclassified into profit or loss</b>				
8311	Remeasurements of defined benefit plans (Note 6(10))	(3,086)	-	(1,993)	-
8360	<b>Items that may be subsequently reclassified to profit or loss:</b>				
8361	Exchange differences on translation of foreign statements	3,395	-	7,118	-
8362	Unrealized losses on available-for-sale financial assets	(390,602)	(12)	(6,296)	-
8380	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	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
8300	<b>Other current comprehensive income (after tax)</b>	<u>(390,293)</u>	<u>(12)</u>	<u>(1,227)</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 699,068</u>	<u>21</u>	<u>2,191,635</u>	<u>43</u>
	<b>Basic earnings per share (Note 6(13))</b>				
9750	<b>Basic earnings per share (NTD)</b>	<u>\$ 2.73</u>		<u>5.49</u>	
9850	<b>Diluted earnings per share (NTD)</b>	<u>\$ 2.73</u>		<u>5.49</u>	

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp.**

**Statements of Changes in Equity**

For The Twelve Months Ended December 31, 2015 and 2014

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

	Retained earnings						Other equity		Total equity	
	Common stock capital	Additional paid-in capital	Legal reserves	Special reserves	Unappropriated earnings	Total	Exchange differences from the translation of foreign institution's financial statements	Unrealized gain (loss) of the available-for-sale financial instruments		
<b>Balance – January 1, 2014</b>	\$ 3,990,842	1,395,659	467,987	19,835	2,517,500	3,005,322	(15,280)	56	(15,224)	8,376,599
Net profit	-	-	-	-	2,192,862	2,192,862	-	-	-	2,192,862
Other comprehensive income	-	-	-	-	(1,993)	(1,993)	7,118	(6,352)	766	(1,227)
Total comprehensive income	-	-	-	-	2,190,869	2,190,869	7,118	(6,352)	766	2,191,635
Appropriation and distribution of earnings (Note 1):										
Legal reserve	-	-	201,608	-	(201,608)	-	-	-	-	-
Special reserve	-	-	-	(4,611)	4,611	-	-	-	-	-
Shareholders' dividend – cash, 4 per share	-	-	-	-	(1,596,337)	(1,596,337)	-	-	-	(1,596,337)
Actual acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	(3,587)	-	-	(2,776)	(2,776)	-	-	-	(6,363)
<b>Balance – December 31, 2014</b>	3,990,842	1,392,072	669,595	15,224	2,912,259	3,597,078	(8,162)	(6,296)	(14,458)	8,965,534
Net profit	-	-	-	-	1,089,361	1,089,361	-	-	-	1,089,361
Other comprehensive income	-	-	-	-	(3,086)	(3,086)	3,395	(390,602)	(387,207)	(390,293)
Total comprehensive income	-	-	-	-	1,086,275	1,086,275	3,395	(390,602)	(387,207)	699,068
Appropriation and distribution of earnings (Note 2):										
Legal reserve	-	-	219,286	-	(219,286)	-	-	-	-	-
Special reserve	-	-	-	(766)	766	-	-	-	-	-
Shareholders' dividend – cash, 3.6 per share	-	-	-	-	(1,436,703)	(1,436,703)	-	-	-	(1,436,703)
Actual acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	20,972	-	-	(13,711)	(13,711)	-	-	-	7,261
<b>Balance – December 31, 2015</b>	\$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160

Note1: Remuneration for directors and supervisors for NT\$27,154 thousand and bonus to employees for NT\$13,577 thousand are deducted in the Income Statement.

Note2: Remuneration for directors and supervisors for NT\$39,471 thousand and bonus to employees for NT\$19,736 thousand are deducted in the Income Statement.

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

Chairman :

General Manager :

Chief Accountant :

**Lungyen Life Service Corp.****Statement of Cash Flow**

For The Twelve Months Ended December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 1,269,655	2,432,713
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	119,043	99,468
Amortization expense	10,057	8,802
Provision (reversal of provision) for bad debt expense	(721)	6,935
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	112,727	(76,551)
Interest expense	73,260	17,463
Interest income	(116,824)	(90,336)
Dividend income	(83,101)	(9,375)
Share of loss (gain) of associates and joint ventures accounted for using equity method	(74,673)	(117,257)
Loss (gain) on disposal of property, plan and equipment	1,677	12
Loss (gain) on disposal of investment properties	-	(15,731)
Loss (gain) on disposal of investment income	-	(207)
Loss (gain) on reduction financial assets carried at cost	3,000	7,000
Exchange loss (gain) of available-for-sale financial assets	13,931	(80,648)
Loss (gain) on disposal of available-for-sale financial assets	(2,254)	-
Total adjustments to reconcile profit (loss)	<u>56,122</u>	<u>(250,425)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets held for trading	(292,286)	(2,058)
Notes receivable and accounts receivable, net	15,289	(92,765)
Inventories	(274,764)	(440,668)
Prepayments	(258,647)	61,493
Other financial assets	746,192	(489,368)
Other current assets	(125)	157
Total changes in operating assets	<u>(64,341)</u>	<u>(963,209)</u>
<b>Changes in operating liabilities:</b>		
Notes payable and accounts payable, net	(75,276)	56,325
Accounts payable - related parties	31,113	6,638
Other payable	37,416	(143,903)
Advance receipts	1,788,033	173,765
Other current liability	(1,090)	379
Accrued pension liabilities	608	568
Total changes in operating liabilities	<u>1,780,804</u>	<u>93,772</u>
Total changes in operating assets and liabilities	<u>1,716,463</u>	<u>(869,437)</u>
Total adjustments	<u>1,772,585</u>	<u>(1,119,862)</u>
Cash inflow (outflow) generated from operations	3,042,240	1,312,851
Interest received	120,983	72,556
Dividend received	211,631	121,245
Interest paid	(69,859)	(14,579)
Income taxes refund	-	38,197
Income taxed (paid)	<u>(187,253)</u>	<u>(325,500)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>3,117,742</u>	<u>1,204,770</u>

## Lungyen Life Service Corp.

### Statement of Cash Flow

For The Twelve Months Ended December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets	(6,037,833)	(1,794,639)
Proceeds from disposal of available-for-sale financial assets	1,190,886	-
Acquisition of financial assets carried at cost	(4,500)	-
Proceeds from disposal of financial assets carried at cost	-	3,013
Proceeds from capital reduction of financial assets carried at cost	5,040	21,586
Acquisition of investment using equity method	(831,579)	(67,805)
Refunds from decapitalization of the invested company under the equity method	-	174,299
Acquisition of property, plant and equipment	(308,685)	(703,436)
Proceeds from disposal of property, plant and equipment	8,032	220
Acquisition of intangible assets	(6,041)	(3,025)
Acquisition of investment properties	(276)	(1,019)
Proceeds from disposal of investment properties	-	32,393
Other financial assets	(247,146)	230,194
Other non-current assets	(227,303)	-
<b>Net cash flows from (used in) investing activities</b>	<u>(6,459,405)</u>	<u>(2,108,219)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	12,697,900	5,050,500
Decrease in short-term loans	(8,020,900)	(3,502,500)
Increase (decrease) in guarantee deposits received	17,024	162
Cash dividends	(1,436,703)	(1,596,337)
Net cash flows from (used in) financing activities	<u>3,257,321</u>	<u>(48,175)</u>
Net increase (decrease) in cash and cash equivalents	(84,342)	(951,624)
Cash and cash equivalents at beginning of period	<u>160,762</u>	<u>1,112,386</u>
Cash and cash equivalents at end of period	<u><b>\$ 76,420</b></u>	<u><b>160,762</b></u>

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

**Chairman :**

**General Manager :**

**Chief Accountant :**

## Independent Auditor's Audit Report

To Board of Directors of Lungyen Life Service Corp.,

We have audited the consolidated balance sheets of Lungyen Life Service Corp. as of December 31, 2015 and 2014, 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.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lungyen Life Service Corporation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

Lungyen Life Service Corp. has prepared standalone financial statement as of 2015 and 2014 and it has been audited by our audits, for your reference.

KPMG

CPA:

Approval Document issued by the competent securities authority  
March 28, 2016  
FSC VI. Tzi No. 0940129108  
: FSC No. 1020000737

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**

**Consolidated Balance Sheets**

**For December 31, 2015 and December 31, 2014**

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

Assets		12.31.2015		12.31.2014		Liabilities and Equity		12.31.2015		12.31.2014	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(1) & (22))	\$ 212,719	-	372,338	1	2100	Short-term loan (Note 6(11) & (22))	\$ 7,240,500	15	2,589,000	6
1110	Financial assets at fair value through profit or loss – current (Note 6 (2) & (22))	1,136,101	2	910,703	2	2170	Payable notes and accounts (Note 6(22))	433,440	1	509,398	1
1150	Notes receivable, net (Note 6 (22))	22,220	-	46,749	-	2190	Constructions contract payable	-	-	36,577	-
1170	Accounts receivable, net (Note 6(22) & 7)	468,688	1	418,676	1	2200	Other payable accounts (Note 6(22) & 7)	442,134	1	385,934	1
1320	Inventories (Note 6(3) & 9)	13,563,567	29	12,762,840	31	2230	Current income tax liabilities (Note 6(15))	191,764	1	91,444	-
1400	Biological assets – current (Note 6(4))	54,222	-	33,971	-	2310	Advance receipts (Note 9)	29,550,662	62	27,784,097	67
1410	Prepayments	8,447,596	18	8,201,325	20	2399	Other current liabilities (Note 9)	9,527	-	26,582	-
1476	Other financial assets – current (Note 6(10), (22), 7 & 9)	2,209,109	5	2,536,037	6			<u>37,868,027</u>	<u>80</u>	<u>31,423,032</u>	<u>75</u>
1479	Other current assets (Note 7 & 9)	3,614	-	6,564	-	<b>Non-current liabilities:</b>					
		<u>26,117,836</u>	<u>55</u>	<u>25,289,203</u>	<u>61</u>	2540	Long-term loan (Note 6 (12) & (22))	172,700	-	-	-
<b>Non-current assets:</b>						2570	Deferred income tax liabilities (Note 6(15))	49,587	-	50,224	-
1524	Available-for-sale financial assets – non-current (Note 6 (2) & (22))	6,309,634	13	1,866,734	4	2640	Accrued pension liabilities (Note 6(14))	28,561	-	24,867	-
1543	Financial assets carried at cost – non-current (Note 6(2) & (22))	23,130	-	27,435	-	2645	Deposit received	67,606	-	50,016	1
1550	Investment under equity method (Note 6(5))	187,793	-	-	-	2670	Other non-current liabilities	2,981	-	2,981	-
1600	Property, plant and equipment (Note 6(7))	6,516,579	14	6,222,940	15			<u>321,435</u>	<u>-</u>	<u>128,088</u>	<u>1</u>
1760	Investment property, net (Note 6(8))	6,089,328	13	6,141,719	15	<b>Total liabilities</b>		<u>38,189,462</u>	<u>80</u>	<u>31,551,120</u>	<u>76</u>
1780	Intangible assets (Note 6(9))	769,496	2	773,054	2	<b>Equity attributable to owners of parent (Note 6(16)):</b>					
1840	Deferred income tax assets (Note 6(15))	809,184	2	699,366	2	3100	Capital stock – common stock	3,990,842	9	3,990,842	10
1980	Other financial assets – non-current (Note 6(22))	28,149	-	35,764	-	3200	Capital surplus	1,413,044	3	1,392,072	3
1990	Other non-current assets	657,892	1	430,886	1	Retained earnings:					
		<u>21,391,185</u>	<u>45</u>	<u>16,197,898</u>	<u>39</u>	3310	Legal reserve	888,881	2	669,595	2
						3320	Special reserve	14,458	-	15,224	-
						3350	Unappropriated retained earnings	2,329,600	5	2,912,259	7
						3400	Other equity interest	(401,665)	(1)	(14,458)	-
						<b>Total equity attributable to owners of parent</b>		<u>8,235,160</u>	<u>18</u>	<u>8,965,534</u>	<u>22</u>
						36xx	Non-controlling interest (Note 6(6) & (16))	1,084,399	2	970,447	2
						<b>Total equity</b>		<u>9,319,559</u>	<u>20</u>	<u>9,935,981</u>	<u>24</u>
<b>Total assets</b>		<u>\$ 47,509,021</u>	<u>100</u>	<u>41,487,101</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 47,509,021</u>	<u>100</u>	<u>41,487,101</u>	<u>100</u>

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

Chairman :

General Manager :

Chief Accountant :



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

For The Twelve Months Ended December 31, 2015 and 2014

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

	2015		2014	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note 6(13), (18) &amp; 7)</b>	\$ 3,529,106	100	5,451,308	100
5000 <b>Operating cost (Note 6(9), (13) &amp; 7)</b>	1,235,213	35	1,732,157	32
5900 <b>Operating gross profit (loss)</b>	2,293,893	65	3,719,151	68
<b>Operating expenses (Note 6(9) &amp; 7):</b>				
6100     Selling expenses	658,871	19	1,160,993	21
6200     Administration expenses	429,173	12	438,595	8
6000 <b>Total operating expenses</b>	1,088,044	31	1,599,588	29
6500 <b>Non-operating income and expenses (Note 6(8) &amp; (20)):</b>	41,109	1	49,588	2
6900 <b>Operating income (loss)</b>	1,246,958	35	2,169,151	41
<b>Non-operating income and expenses (Note 6(21)):</b>				
7010     Other income	308,555	9	250,417	4
7020     Other gains and losses	(85,014)	(2)	150,362	2
7050     Financial costs (Note 6(21))	(76,083)	(2)	(17,717)	-
7060     Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(5))	(6,992)	-	-	-
	140,466	5	383,062	6
7900 <b>Operating income before tax</b>	1,387,424	40	2,552,213	47
7950 <b>Less: Income tax expense (Note 6(15))</b>	197,844	6	251,786	5
<b>Net income</b>	1,189,580	34	2,300,427	42
8300 <b>Other comprehensive income:</b>				
8310 <b>Items not to be reclassified into profit or loss</b>				
8311     Remeasurements of defined benefit plans	(3,086)	-	(1,993)	-
8360 <b>Items that may be subsequently reclassified to profit or loss:</b>				
8361     Exchange differences on translation of foreign statements	3,395	-	7,118	-
8362     Unrealized losses on available-for-sale financial assets	(390,602)	(11)	(6,296)	-
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	-	-	(56)	-
8300 <b>Other comprehensive income, net</b>	(390,293)	(11)	(1,227)	-
<b>Total comprehensive income</b>	<b>\$ 799,287</b>	<b>23</b>	<b>2,299,200</b>	<b>42</b>
<b>Net income, attributable to:</b>				
8610     Owners of parent	\$ 1,089,361	31	2,192,862	40
8620     Non-controlling interest	100,219	3	107,565	2
	<b>\$ 1,189,580</b>	<b>34</b>	<b>2,300,427</b>	<b>42</b>
<b>Total comprehensive income, attributable to:</b>				
8710     Owners of parent	\$ 699,067	20	2,191,635	40
8720     Non-controlling interest	100,220	3	107,565	2
	<b>\$ 799,287</b>	<b>23</b>	<b>2,299,200</b>	<b>42</b>
<b>Earnings per share (Note 6(15))</b>				
9750 <b>Basic earnings per share (NTD)</b>	<b>\$ 2.73</b>		<b>5.49</b>	
9850 <b>Diluted earnings per share (NTD)</b>	<b>\$ 2.73</b>		<b>5.49</b>	

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

Chairman :

General Manager :

Chief Accountant :

(English Translation of Financial Report Originally Issued in Chinese)

**Lungyen Life Service Corp. and Subsidiaries**

**Consolidated Statements of Changes in Equity**

For The Twelve Months Ended December 31, 2015 and 2014

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

Equity attributable to owners of parent

	Retained earnings					Other equity interest				Total equity attributable to owners of parent	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on foreign translation	Unrealized gains (losses) on available-for-sale financial assets	Total			
<b>Balance – January 1, 2014</b>	\$ 3,990,842	1,395,659	467,987	19,835	2,517,500	3,005,322	(15,280)	56	(15,224)	8,376,599	959,005	9,335,604
Net profit	-	-	-	-	2,192,862	2,192,862	-	-	-	2,192,862	107,565	2,300,427
Other comprehensive income	-	-	-	-	(1,993)	(1,993)	7,118	(6,352)	766	(1,227)	-	(1,227)
Total comprehensive income	-	-	-	-	2,190,869	2,190,869	7,118	(6,352)	766	2,191,635	107,565	2,299,200
Legal reserve	-	-	201,608	-	(201,608)	-	-	-	-	-	-	-
Special reserve	-	-	-	(4,611)	4,611	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$4 per share	-	-	-	-	(1,596,337)	(1,596,337)	-	-	-	(1,596,337)	-	(1,596,337)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	(3,587)	-	-	(2,776)	(2,776)	-	-	-	(6,363)	6,363	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(102,486)	(102,486)
<b>Balance – December 31, 2014</b>	3,990,842	1,392,072	669,595	15,224	2,912,259	3,597,078	(8,162)	(6,296)	(14,458)	8,965,534	970,447	9,935,981
Net profit	-	-	-	-	1,089,361	1,089,361	-	-	-	1,089,361	100,219	1,189,580
Other comprehensive income	-	-	-	-	(3,086)	(3,086)	3,395	(390,602)	(387,207)	(390,293)	-	(390,293)
Total comprehensive income	-	-	-	-	1,086,275	1,086,275	3,395	(390,602)	(387,207)	699,068	100,219	799,287
Legal reserve	-	-	219,286	-	(219,286)	-	-	-	-	-	-	-
Special reserve	-	-	-	(766)	766	-	-	-	-	-	-	-
Shareholders' bonus – cash, NT\$3.6 per share	-	-	-	-	(1,436,703)	(1,436,703)	-	-	-	(1,436,703)	-	(1,436,703)
Acquisition or disposal of shares in subsidiaries difference between the price and the book value	-	20,972	-	-	(13,711)	(13,711)	-	-	-	7,261	(7,261)	-
Increase/decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	20,994	20,994
<b>Balance – December 31, 2015</b>	\$ 3,990,842	1,413,044	888,881	14,458	2,329,600	3,232,939	(4,767)	(396,898)	(401,665)	8,235,160	1,084,399	9,319,559

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

Chairman :

General Manager :

Chief Accountant :

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

For The Twelve Months Ended December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 1,387,424	2,552,213
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	136,717	105,666
Amortization expense	10,910	11,379
Provision (reversal of provision) for bad debt expense	(721)	6,935
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	112,187	(75,646)
Interest expense	76,083	17,717
Interest income	(113,054)	(90,198)
Dividend income	(83,458)	(15,158)
Share of loss (gain) of associates and joint ventures accounted for using equity method	6,992	-
Loss (gain) on disposal of property, plan and equipment	2,845	3,144
Loss (gain) on disposal of investment properties	-	(15,731)
Loss (gain) on disposal of intangible assets	573	3,745
Loss (gain) on disposal of investment	(2,254)	(207)
Exchange loss (gain) on disposal of financial assets	3,000	7,000
Loss (gain) on disposal of available-for-sale financial assets	13,931	(80,648)
Total adjustments to reconcile profit (loss)	<u>163,751</u>	<u>(122,002)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(337,585)	24,470
Decrease (Increase) in notes receivable	24,529	(19,969)
Decrease (Increase) in accounts receivable	(49,291)	(89,556)
Decrease (Increase) in construction contract receivable	-	8,492
Decrease (Increase) in inventories	(800,727)	(436,389)
Decrease (Increase) in biological assets	(20,555)	(22,706)
Decrease (Increase) in prepayments	(246,271)	69,139
Decrease (Increase) in other financial assets - current	572,775	(289,676)
Decrease (Increase) in other current assets	3,072	(1,140)
Total changes in operating assets	<u>(854,053)</u>	<u>(757,335)</u>
Changes in operating liabilities:		
Increase (Decrease) in accounts payable	(75,958)	47,372
Increase (Decrease) in construction contract receivable	(36,577)	21,675
Increase (Decrease) in other payable	56,846	(106,586)
Increase (Decrease) in advance receipts	1,811,822	188,285
Increase (Decrease) in other current liabilities	(17,032)	11,183
Accrued pension liabilities	608	568
Total changes in operating liabilities	<u>1,739,709</u>	<u>162,497</u>
Total changes in operating assets and liabilities	<u>885,656</u>	<u>(594,838)</u>
Total adjustments	<u>1,049,407</u>	<u>(716,840)</u>
Cash inflow (outflow) generated from operations	2,436,831	1,835,373
Interest received	117,213	72,418
Dividend received	83,458	15,158
Interest paid	(72,696)	(14,819)
Income taxes refund	-	38,197
Income taxes (paid)	(207,958)	(338,460)
<b>Net cash flows from (used in) operating activities</b>	<u>2,356,848</u>	<u>1,607,867</u>

(English Translation of Financial Report Originally Issued in Chinese)

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

For The Twelve Months Ended December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of available-for-sale financial assets	(6,037,833)	(1,794,639)
Proceeds from disposal of available-for-sale financial assets	1,190,886	-
Acquisition of financial assets carried at cost	(4,500)	-
Proceeds from disposal of financial assets carried at cost	-	3,013
Proceeds from capital reduction of financial assets carried at cost	5,805	21,586
Acquisition of investment using equity method	(196,723)	-
Acquisition of property, plant and equipment	(434,176)	(970,997)
Proceeds from disposal of property, plant and equipment	8,493	2,675
Acquisition of intangible assets	(7,967)	(3,040)
Proceeds from disposal of intangible assets	239	188
Acquisition of investment properties	(277)	(1,019)
Proceeds from disposal of investment properties	-	32,393
Decrease in other financial assets	(244,109)	197,004
Increase in other non-current assets	(227,006)	84
<b>Net cash flows from (used in) investing activities</b>	<u>(5,947,168)</u>	<u>(2,512,752)</u>
<b>Cash flow from (used in) financing activities:</b>		
Increase in short-term loans	12,930,400	5,114,500
Decrease in short-term loans	(8,278,900)	(3,527,500)
Increase in long-term loans	172,700	-
Increase (decrease) in guarantee deposits received	17,590	(404)
Cash dividends	(1,436,703)	(1,596,337)
Change in non-controlling interests	20,994	(102,486)
<b>Net cash flows from (used in) financing activities</b>	<u>3,426,081</u>	<u>(112,227)</u>
Effects of foreign exchange rates changes on cash and cash equivalents	4,620	7,111
Net increase (decrease) in cash and cash equivalents	(159,619)	(1,010,001)
Cash and cash equivalents at beginning of period	372,338	1,382,339
Cash and cash equivalents at end of period	<u><u>\$ 212,719</u></u>	<u><u>372,338</u></u>

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

Chairman :

General Manager :

Chief Accountant :

Lungyen Life Service Corp.  
2015 Distribution of Earnings

Unit: NT\$

Item	Amount
Balance – beginning	1,257,034,805
Add (less):	
Current net income after tax	1,089,361,255
Current change of defined benefit plan actuarial gains and losses	(3,085,779)
Difference between actual acquisition or disposal of subsidiaries and book value	(13,711,336)
Appropriate 10% legal reserve	(108,936,126)
Appropriation of special reserves	(387,207,093)
Current earnings available for distribution	1,833,455,726
Distribution:	
1. Cash dividend to shareholders – 100% (0.5 per share)	(199,542,100)
The ending balance of unappropriated retained earnings	1,633,913,626

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

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

**Articles of Incorporation**

Chapter 1 General Rules

Article 1: The Company is organized in accordance with the Company Law and named “Lungyen Life Service Corp.”

Article 2: The Company’s business services are as follows:

1. H701010 Residents and buildings development and rental business
2. H701040 Specific professional area development business
3. H701060 New towns and new community development business
4. F111090 Construction materials wholesale business
5. F205040 Furniture, beddings, kitchen utensils and appliances, and fixtures retail business
6. F211010 Construction materials retail business
7. I503010 Landscape and interior design business
8. H701050 Investments in the construction of public works business
9. H701030 Cemetery development and rental business
10. H703090 Real estate trade business
11. H703100 Real estate rental business
12. H703110 Senior homes business
13. H701080 Urban renewal and reconstruction business
14. JZ99141 Funeral facilities operations business
15. JZ99151 Funeral and liturgical services business
16. J202010 Industrial incubation business
17. J901020 General hotel business
18. J701040 Recreational club business
19. J701070 Information and leisure business
20. J801030 Tournament and leisure stadium business
21. JZ99050 Agency services business
22. JZ99090 Festive general service business
23. F401010 International trade business
24. F206060 The ritual supplies retail business
25. F203010 Food, sundries and beverage retail business
26. F201070 Flower retail business

- 27. F201010 Agricultural products retail business
- 28. F399040 Non-store retail business
- 29. J101030 Waste collection business
- 30. J101040 Waste disposal business
- 31. JZ99990 Unclassified services business
- 32. H704031 Real estate brokerage business
- 33. H704041 Real estate marketing agency business
- 34. G801010 Warehousing
- 35. In addition to the chartered business, the business not prohibited or restricted by law

Article 3: The Company may operate external guarantee business.

Article 4: The Company may invest in other companies as a shareholder with limited liability and the total investment amount is not limited to the threshold of 40% of the paid-in capital.

Article 5: The Company has its headquarters located in Taipei City and if necessary, branches can be established domestically or overseas with the approval of the board of directors.

Article 6: Deleted.

## Chapter 2 Stock shares

Article 7: The Company's authorized capital stock amounts to NT6 billion with 600 million shares issued at NT10 Par. The Board of Directors is authorized to have stock shares issued separately, in which, NT600 million divided into 60 million shares at NT10 Par are reserved for subscription when the stock option is exercised.

Article 8: The Company's stock shares are straight stock shares that must be signed or stamped by at least three directors and are listed and stamped with the corporate seal; also, the stock shares are issued after being certified by the certification agency designated by the competent authority.

Article 8.1: The Company's straight stock shares are issued with the stock printed, but should be registered with the security centralized depository enterprise.

Article 9: The Company's stock affairs are processed in accordance with the "Criteria Governing Handling of Stock Affairs by Public Stock Companies" and other relevant laws and regulations.

## Chapter 3 Shareholders' meeting

Article 10: Shareholders' meetings are divided into general shareholders' meetings and extraordinary shareholders' meetings. A general shareholders' meeting is convened

annually within six months after each fiscal year ends. An extraordinary shareholders' meeting is convened, when necessary. Shareholders should be informed as to the reason for convening a meeting 30 days before the general shareholders' meeting and 15 days before the extraordinary shareholders' meeting.

Article 11: The Board Chairman is the chairman of the shareholders' meeting. If the Board Chairman is on leave of absence or is unable to perform his duty for a reason, one of the board directors is designated to chair on behalf of the Board Chairman. If the Board Chairman does not have a representative appointed to perform his duty, one of the directors is elected to chair on behalf of the Board Chairman.

Article 12: Shareholders are entitled to one voting right per share except for those without any voting rights granted according to Article 179 of the Company Law.

Shareholders can elect to exercise his/her/its voting rights in writing or by means of electronic transmission, and should be stated in shareholder meeting notice.

Article 13: A shareholder who is unable to attend the shareholders' meeting in person may have a representative appointed to attend the meeting with a signed and sealed proxy letter issued in accordance with Article 177 of the Company Law and Article 25.1 of the Securities and Exchange Act.

Article 14: The resolution reached in the Company's shareholders' meeting, unless otherwise provided for in the Company Law, must be approved with the majority votes of the shareholders present that represent majority shareholdings.

Article 15: The resolutions reached in the shareholders' meeting must be documented in the minutes of the meeting in accordance with Article 183 of the Company Law.

#### Chapter 4 Board of Directors and Audit Committee

Article 16: There are 5 to 9 board directors who are competent individuals elected in the shareholders' meeting for a term of three years and can be elected for a second term. The straight stock shares held by the board directors taken as a whole are processed in accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies."

Article 16.1: For the number of directors of the Company referred to above, the three independent directors are elected from the nominees who are nominated by the shareholders from the list of candidates in accordance with Article 192.1 of the Company Law.

Independent directors and directors are elected at the same time but with the elected seats counted separately.

The requirements for professional qualifications, shareholdings, part-time constraints, the nomination and election, and other binding matters for



independent directors are handled in accordance with the governing provisions of the securities competent authorities.

Article 16.2: The Company has the Audit Committee set-up in accordance with Article 14.4 of the Securities and Exchange Act. The Audit Committee shall be composed by all independent directors.

The Audit Committee is to exercise power and compliance in accordance with the governing laws or regulations.

Article 16.3: The board directors should be informed in writing or by e-mail or fax seven days before convening the board meeting.

Article 17: If a board director reelection cannot be held after the expiry date of the current term, the office term of the current board directors is extended until the newly elected board director reports for duty. However, the competent authority may demand that the Company must have the board of directors' reelection processed before the deadline. If the reelection is not held before the deadline, the current board of directors is dismissed automatically on the expiry date.

Article 18: The formation of the Board of Directors by the directors should be with the attendance of more than two thirds of the directors and the consent of a majority of the directors present. The chairman is elected among the directors to represent the Company to the public and to resolve all matters in accordance with the governing law and regulations, the Articles of Incorporation, the resolutions reached in the shareholders' meetings and the decisions of the board of directors internally.

Article 19: The Company's business policies and other important matters are to be resolved by the Board of Directors. Except for the first board meeting, each term is to be convened by the Board of Directors in accordance with Article 203 of the Company Law, the Board Chairman is to convene and chair the board meetings thereafter. If the Board Chairman cannot perform his/her duties as chairman, the Board Chairman is to designate a representative to act on his/her behalf. If a representative of the board chairman is not specified, a representative is to be elected from among the directors.

Article 20: The resolution of the Board of Directors, unless otherwise provided in the Company Law, should be approved with the attendance of a majority of the directors and the consent of a majority of the directors present. When directors are represented in the board meeting by other directors for valid reasons, a proxy must be issued with the scope of authorization cited for the meeting convened. However, this is limited to one shareholder per proxy.

Board directors who have attended the board meeting through a conference call are deemed as attending the meeting in person.

Article 21: The resolutions of the board of directors must be documented in the minutes of

meeting and signed or sealed by the Chairman and then distributed to the board directors within 20 days after the meeting. The essentials and results of the proceedings should be detailed in the minutes of meeting. The minutes of meeting, attendance register and proxies should be kept for records in the Company.

Article 22: Deleted

Article 23: The board of directors is authorized to determine the remunerations to the Chairman, board directors and independent directors in accordance with the degree of involvement and the value of contribution to the Company's operations and the payment standards of the domestic and international industry. The Board of Directors may, depending on the actual needs, acquire liability insurance for all the board directors throughout the service term with the attendance of a majority of the directors and the consent of a majority of the directors present.

#### Article 5 Managers and staff

Article 24: The Company may have a manager designated with the appointment, dismissal and remuneration processed in accordance with the Company Law.

Article 25: Deleted.

#### Chapter 6 Accounting

Article 26: The Company's fiscal year is defined as from January 1 to December 31.

Article 27: The Company's Board of Directors is to have the following accounting books compiled at the end of the fiscal year and submitted to the Audit Committee for audit 30 days before convening the Shareholders' Meeting and then presenting it in the general shareholders' meeting for recognition.

1. Business report
2. Financial statements
3. Proposal for earnings distribution or loss supplement

Article 28: The Company's annual earnings, if any, should be applied to pay for taxes and to make up losses of prior years, then appropriate 10% of the remaining earnings as legal reserves and, if necessary, special reserves. The remaining amount, if any, is for retained earnings and distribution proportionally as follows:

- (1) Common stock dividend and bonus may not be less than 97%
- (2) Remuneration to directors and supervisors may not be more than 2%
- (3) Bonus to employees may not be less than 1%

If the distribution of bonus to employees is paid with stock shares, the recipients shall include the qualified employees of the subsidiaries. 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.

#### Chapter 7 Supplementary Rules

Article 29: The Company's Articles of Incorporation and enforcement rules are stipulated separately by the Board of Directors.

Article 30: Matters that are not addressed in the Articles of Incorporation are to be governed in accordance with the Company Law and other relevant laws and regulations.

Article 31: The Articles of Incorporation were stipulated on February 27, 1987.

The 1st amendment was on March 20, 1987.

The 2nd amendment was on January 18, 1991.

The 3rd amendment was on September 2, 1992.

The 4th amendment was on December 31, 1993.

The 5th amendment was on March 1, 1995.

The 6th amendment was on July 15, 1996.

The 7th amendment was on March 19, 1997.

The 8th amendment was on April 26, 1997.

The 9th amendment was on October 24, 1997.

The 10th amendment was on May 18, 1998.

The 11th amendment was on December 4, 1998.

The 12th amendment was on May 6, 1999.

The 13th amendment was on June 22, 2001.

The 14th amendment was on June 30, 2002.

The 15th amendment was on February 8, 2006.

The 16th amendment was on February 8, 2006.

The 17th amendment was on June 15, 2007.

The 18th amendment was on August 1, 2008.

The 19th amendment was on June 10, 2009.

The 20th amendment was on October 29, 2009.

The 21st amendment was on October 12, 2010.

The 22nd amendment was on June 28, 2011.

The 23rd amendment was on June 6, 2012.

The 24th amendment was on June 17, 2014

The 25th amendment was on June 18, 2015

**Lungyen Life Service Corp.**  
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**Rules of Procedure for Shareholders' Meetings**

1. The Company's Shareholders' Meeting, unless otherwise provided by law, shall be handled in accordance with the Rules of Procedure for Shareholders' Meetings.
2. The attendance register should be made available at the shareholders' meeting for the attending shareholders to sign or the attending shareholders may have attendance cards presented instead.

The attendees' shareholding is calculated in accordance with the attendance register or the attendance cards collected.

3. The attendance and votes of the Shareholders' Meeting are counted by the number of shares.
4. The Shareholders' Meeting location must be at the Company's premises or where it is suitable and convenient for shareholders to attend. The shareholders' meeting time may not be earlier than 9:00am or later than 3:00pm.
5. If the Shareholders' Meeting is convened by the Board of Directors, the Chairman is to chair the meeting. The Chairman who is on leave of absence or is unable to perform his/her duty is to be represented by the Vice Chairman. If there is no Vice Chairman or if the Vice Chairman is also on leave of absence or is unable to perform his/her duty, the Chairman is to appoint one general director to perform this duty. If there is no general director, the Chairman is to appoint one director to perform this duty. If the Chairman does not have a representative appointed to perform this duty, one of the general directors or directors is to be elected to perform this duty.

If Shareholders' Meeting is convened by another authorized individual, the authorized individual is the chairman to chair the meeting.

6. The Company's CPAs, lawyers or other related personnel may be invited to attend the board meeting.

The service personnel for the shareholders' meeting shall wear identification badges or armbands.

7. The shareholders' meeting in session should be recorded or filmed and kept for at least one year.
8. The Chairman shall declare the board meeting in session. However, the Chairman may declare a postponement of the meeting at the meeting time when the attending shareholders constitute less than a majority of shareholdings. The meeting is limited to two postponements for a total of less than 1 hour. A pseudo-resolution could be reached in accordance with Article 175 Section 1 of the Company Law if there are insufficient attendees to attend the meeting after two meeting postponements that represent more than one thirds of shareholders.

The Chairman may have a pseudo-resolution reached if the attending shareholders constitute a majority of the shareholders before the end of the session and may have it presented again for resolution during the meeting in accordance with Article 174 of the Company Law.

9. If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened by other than the board of directors.

The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above.

The shareholders may not elect another chairman to continue the meeting at the original meeting place or in a new location after the meeting is adjourned. If the Chairman has announced the meeting adjourned in violation of the procedures, the shareholders present with a majority of voting rights may elect a chairman to continue the meeting.

10. The attending shareholders must fill out and submit the statement slip stating the purpose of the speech, the shareholder account number (or attendance card number) and account name for the Chairman to determine the order of speakers.

The attending shareholders who present a statement slip but do not speak shall be deemed as not speaking. The content of the speech shall prevail if it is inconsistent with the statement slip.

The speech of the attending shareholders may not be interrupted by other shareholders, unless otherwise with the consent of the chairman and the speaking shareholder. The chairman must stop the offender from speaking.

11. Each shareholder may not speak on the same proposal more than twice and for not more than 5 minutes each time unless otherwise permitted by the Chairman.

However, the Chairman may stop the shareholder from speaking if the speech is in violation of the regulations referred to above or outside the scope of the motion.

12. The legal person entrusted to attend the shareholders' meeting is entitled to appoint only one person.

If there is more than one proxy appointed by the institutional shareholder to attend the shareholders' meeting, only one proxy can speak on the same motion.

13. The Chairman may have the speech of the shareholder represented in person or by the designated personnel.

14. The Chairman of the board meeting is to have the motion in discussion that is ready for balloting put to the vote.

15. The Chairman is to appoint the controllers of ballot and tally clerks who are shareholders for the proposals to be put to vote, if any.

The balloting results should be announced immediately at the meeting and it should be documented for record.

16. The Chairman at his/her discretion may announce the meeting in recess.

17. Unless otherwise provided in the Company Law and the Company's Articles of Incorporation, the motion is passed in the meeting by the shareholders representing a majority of the balloting rights.

The Chairman is to consult the motion ready for balloting with the attendees at the meeting and it is deemed as having been passed if there are no objections raised.

18. For the motion with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If one of the motions is put on the ballot and passed, other motions shall be deemed as vetoed without the need for further balloting.

19. The Chairman may command the marshals (or security guards) to assist with the maintenance of order. The marshals (or security guards) at the meeting venue assisting with maintenance of order shall wear armbands marked "Marshal."

**Lungyen Life Service Corp.**  
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**Directory of Directors**

1. The shareholdings of an individual director and the directors taken as a whole in the shareholder's register on the Ex-Dividend date (April 19, 2016) is as follows.

Job title	Name	On-board date	Term of Office	Shares held when elected		Shares held on the Ex-Dividend date	
				Quantity of shares	Shareholding	Quantity of shares	Shareholding
Chairman	Chen Chung Investment Corp. Representative: Lee Shih-Tsung	06.18.2015	3 years	26,123,332	6.55%	26,123,332	6.55%
Director	Chen Chung Investment Corp. Representative: Fujibayashi Ichiro	06.18.2015	3 years				
Director	Chen Chung Investment Corp. Representative: Lee, Shu-Rong	06.18.2015	3 years				
Director	Chen Chung Investment Corp. Representative: Lin, Chian-Ju	06.18.2015	3 years				
Director	Liu, Wei-Lung	06.18.2015	3 years	0	0.00%	0	0.00%
Director	Chan, Pai-Lien	06.18.2015	3 years	90,855	0.02%	90,855	0.02%
Independent Director	Yeh, Shu	06.18.2015	3 years	0	0.00%	0	0.00%
Independent Director	Chang, Show-Lian	06.18.2015	3 years	0	0.00%	0	0.00%
Independent Director	Chang, Cai-Yuan	06.18.2015	3 years	5,000	0.00%	0	0.00%
<b>Total</b>				<b>26,219,187</b>	<b>6.57%</b>	<b>26,214,187</b>	<b>6.57%</b>

2. The Company's paid-up capital is NT\$3,990,841,990, and total outstanding share is



399,084,199 shares. The required shareholdings of the directors taken as a whole:  
15,963,368 shares.

3. The Company has an Audit Committee established; therefore, there is no requirement on the minimum shareholdings of the supervisors.
4. The shareholdings of the Company's Directors are all in compliance with the ownership ratio standard stated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

## **Other explanations**

### 1. Explanation of the shareholders' proposals for this shareholder meeting

Explanation: (1) Based on Article 172-1 of Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter (300 words) shall be allowed in each single proposal.

(2) The period for shareholders to submit proposals to be discussed at the Company 2016 shareholder meeting is April 8, 2016 to April 20, 2016. This is announced in M.O.P.S in accordance with regulation.

(3) The Company did not receive any shareholder's proposal.

### 2. The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

The Company does not distribute stock dividend this year, so does not applicable.